

**DASSAULT SYSTEMES**  
**2015 Fourth Quarter and Full Year Conference Call**  
**Thursday, February 4, 2016**  
**Final**

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

Thank you for joining Bernard Charlès, CEO, and Thibault de Tersant, CFO, to discuss our 2015 business and financial performance and our outlook for 2016. This conference call follows our presentation to analysts and investors this morning which was webcasted live from Paris.

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 2014 *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.

**Summary Overview**  
**Delivering on All 2015 Objectives**

2015 represents the first year of our five-year growth plan to double earnings per share. This goal is based upon an expansion of our addressable market powered by our internal and external investments and reflects the opportunities we see thanks to our expanded purpose and 3DEXPERIENCE industry solutions strategy.

Reviewing 2015, I think we have set a good foundation, performing well from multiple aspects and achieving all of our key objectives.

- 3DEXPERIENCE was an important driver with clients around the globe.
- We had a very healthy dynamic in our core industries and in terms of progression of our diversification industries.
- We saw growth in our brands as we enrich our offer for users and broaden our relationships with clients in engineering, simulation, manufacturing, business operations and marketing.

- Geographic diversification is a dynamic growth driver for us, as we increase the number of individual countries driving growth and becoming meaningful absolute contributors to our revenue base.
- We benefit from a well balanced mix of direct and indirect sales. In 2015 our growth was led by our direct channel, well supported by our two indirect sales organizations. Complementing our engagements with current customers, we also welcomed 22,000 new clients to Dassault Systèmes.
- We achieved our two key financial goals for 2015, delivering double-digit growth in new licenses revenue and operating margin expansion of over 100 basis points, both on an organic basis.

Finally, from a strategic perspective, we believe our purpose, strategy and investments are well aligned with the issues at the heart of our clients' businesses and demonstrate that our investments in research and development, complemented by the appropriate acquisitions, well serve the industries and clients we address as well as our shareholders.

**2015 BUSINESS REVIEW**  
**Performance Highlights for Q4 and FY15**

Turning to our financial performance, our software revenue results reflected strong new licenses revenue growth - up double-digits for the fourth quarter and 2015 full year, as well as a very good evolution of recurring software revenue, which represented 70% of total software revenue in 2015.

On top of focusing on growth, we are equally focused on improving our processes. This led to organic expansion of our operating margin of 120 basis points in 2015. For the year, our operating margin was 30.8%.

And thanks to our revenue growth, operating margin expansion and favorable currency, earnings per share grew 24% in 2015.

## **2015 BUSINESS REVIEW**

### **Regional Performance**

Moving to our regional performance let me share some specifics:

- Europe's revenue increased 5% in the fourth quarter and 11% for the full year 2015. We are pleased with the performance for both periods, with the fourth quarter and full year reflecting a high comparison base.
- In the Americas revenue increased 9% in the fourth quarter, with a strong performance of our direct sales in North America. In

Latin America we saw a substantial improvement in the quarter under new leadership and despite a difficult backdrop. For 2015 Americas' revenue growth of 14% was led by our direct and value solutions indirect channels.

- Revenue in Asia increased 12% in the fourth quarter on broad-based strength. And for 2015 revenue also grew 12% thanks to Japan, where we had a terrific year, as well as South Korea and India. In China we are winning important new business opportunities in Transportation & Mobility, Architecture, Engineering and Construction and Energy, Process & Utilities among others.

## **2015 BUSINESS REVIEW**

### **Industry Performance**

From an industry perspective, we made good progress in our core industries and in industry diversification.

The 9% software growth of our core industries for 2015 illustrates very well the dynamic of expanding our client relationships across major domains, reaching more users.

Diversified Industries represented 30% of our software revenue, compared to 28% for 2014. In addition to expanding in Life Sciences with BIOVIA, industries driving diversification in 2015 included Energy Process & Utilities, Consumer Packaged Goods and Natural Resources.

- For example, the largest biotechnology company in the world, Amgen, is using BIOVIA to improve researchers' productivity and collaboration by reducing the time spent on information searching through greater use of digitalization of laboratory research.
- In Energy, Process and Utilities, Chevron Lubricants is using our 3DEXPERIENCE platform where our 'Perfect Product', the name of our industry solution, and 'Efficient Plant Operations' solutions are helping drive top-line growth as well as operating margin improvement.
- And in Consumer Packaged Goods, General Mills France has selected our 'Perfect Shelf' 3DEXPERIENCE solution to help retailers enhance a product's positioning to drive improved sales.

## **2015 BUSINESS REVIEW**

### **Large Accounts Sales Transformations**

Turning now to our direct sales, we are seeing very good results. In 2015 new licenses revenue grew 19% in constant currencies for our direct sales channel. Moreover, average deal sizes are increasing, leading to an

improvement of new licenses sales productivity of about 15%. These data points demonstrate the progress we have made in transforming our direct sales since the introduction of 3DEXPERIENCE and industry solution experiences.

At the same time the growth also demonstrates the value companies are achieving with our industry experiences solutions and 3DEXPERIENCE platform together. During 2015 we had over 80 successful 3DEXPERIENCE deployments delivering significant productivity gains thanks to our approach focused on individual industries and their most critical industry processes.

### **2015 BUSINESS REVIEW 3DEXPERIENCE | V6 Revenue Acceleration**

Let me share some further information on our 3DEXPERIENCE adoption during 2015.

In terms of acceleration, 3DEXPERIENCE sales represented 36% of our second half new licenses, up from 20% in the first half. And for 2015, these sales accounted for 29% of related new licenses revenue, up 5 percentage points from 2014.

In terms of the value 3DEXPERIENCE can bring, let me share just two examples.

- The first is Faraday Future, a new automotive company in the U.S., where our 3DEXPERIENCE platform is helping Faraday Future to develop a Variable Platform Architecture that can allow for a diverse fleet of highly customized electric vehicles to be built around a single, universal, core architecture.
- The second example is in Marine and Offshore, where Meyer Werft is able to deploy highly complex, industrialized production methodologies involving more than 10 million parts so successfully that they can guarantee delivery of a cruise ship for a specified launch date with thousands of passengers purchasing tickets ahead of the ship's completion.

## **STRATEGY REVIEW**

### **A New World to Imagine, Create and Make**

I know we are running long, but I would like to spend a few minutes on a brief strategy review.

Throughout the year we have been speaking with you about a new world. Thanks to our purpose, we are well-positioned to address the major megatrends – whether we are speaking of cities for people, resources and energy management, global and personalized health, or the new world of

manufacturing, as well as the new world of learning and research to support these megatrends.

In that regard we were pleased to be named the second most sustainable company in the world, I think validating very well our purpose. And we were pleased that the first and third rankings were our clients too.

Coming back to this new world, companies are going through deep transformations in terms of products, content, services, and business models. Our clients' results with 3DEXPERIENCE are demonstrating the significant business value it can bring to help them respond to these complex challenges and achieve their targeted objectives.

- We have remarkable examples of what is possible. Our 'Virtual Singapore' engagement demonstrates the capability to represent and simulate an entire city – involving integrating and giving meaning to big data on the enormous scale which a city represents.
- We also see customers designing complete planes on the Cloud thanks to the robustness and power of our 3DEXPERIENCE Cloud solutions, something that would have been unthinkable just a few years ago.
- NETVIBES, with its POTIONS is enabling people to easily program actions based upon data, connecting innovators, objects

and people. APPSTER recently awarded NETVIBES the winner of the best IoT development.

- And earlier this week at SOLIDWORKS World, we introduced SOLIDWORKS XDesign, a new browser-based full SaaS product design offering, based upon the 3DEXPERIENCE platform.
- Furthermore, in front of 8,000 SolidWorks users and customers earlier this week, we demonstrated the business value of the 3DEXPERIENCE Platform for all of them.

Finally, let me speak about CHOICES. With 3DEXPERIENCE we are continuing to give our clients choices and more of them: with perpetual or rental licensing; with robust on premise or on the cloud software solutions – you really can do you work, not just part of it; and on what you want to work – mobile phone, tablets, laptop, desktop from anywhere.

## **STRATEGY REVIEW**

### **At the Heart of Customers' Strategic Investments**

The final point that I want to cover is that if you look at our work all across the company it is well focused at the heart of our clients' strategic investments. We have four pillars to our strategy.

Our first pillar is DESIGN. But let me be clear. Design in the age of experience is massively encompassing – it is about esthetics, it is about

innovation, it is about productivity, it is about producibility and production and it is about business models.

Our second pillar is SCIENCE. We are a scientific company and therefore focused on enabling complete simulations. We are a world leader in finite element analysis and we are developing next-generation fluid simulation capabilities. At the same time we are extending our leadership in multi-physics and multi-scale simulation.

Today, our multi-physics capabilities are being used to power innovation in a wide range of industries - to simulate antilock braking for tires in snow, blood pumping through a heart, air cooling of a CPU of a computer, and metal heating by electromagnetic induction and furthermore, even simulation for 3D printing.

And while competitors speak of multi-scale simulation, we have a long history of simulating wide scale ranges: from grains of soil to earth dams; from wear of a tire to full vehicle road tests; from a single micro crack to demolishing buildings; and as we look to the future, through deepening the connections between BIOVIA and SIMULIA technology we will extend these solutions further down at the molecular level.

Our third pillar is MANUFACTURING. As we discussed in detail on our third quarter call, manufacturing is embracing digitalization with major transformations now underway. We are well positioned to provide digital continuity and complete visibility for our customers: from virtual product to manufacturing engineering, from production engineering to manufacturing operations, and across business operations including supply chain.

Finally, in the age of 3DEXPERIENCE, MARKETING is an integral component of the end-consumer experience and therefore our fourth pillar. To succeed today you need to create an end to end breakthrough customer experience encompassing the “moment of truth”, what you call the first moment of truth and buying experience. This means that all of our applications play an integral role in marketing.

Thank you for your attention. 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. In all cases, the reported revenue results were generally significantly higher.

#### **Summary**

We expected to have a strong fourth quarter and we did. On an organic basis, new licenses revenue increased 11% and total software revenue increased 9%.

We were particularly pleased with our new licenses revenue results - as the year-ago quarter with 12% organic growth presented a strong base of comparison.

And we also delivered strong growth in operating income and earnings per share for the quarter and for the year.

Assessing 2015, we met our key objectives:

- First, we achieved organic double-digits new licenses revenue growth, coming in at 11% for 2015. This is on top of an organic growth of 10% during 2014. And as you see from our 2016 financial objectives we are looking to achieve double-digits new licenses revenue growth in constant currencies for a third year in a row.
- Second, we delivered an organic, constant currency improvement in our operating margin of 120 basis points, over-achieving our goal.
- Our third goal was to see acceleration in 3DEXPERIENCE sales and we did. In fact, sales surged in the fourth quarter, with 3DEXPERIENCE software revenue up 45%. And in terms of contribution to new licenses revenue, 3DEXPERIENCE new licenses sales represented 29% of related sales for 2015, up five percentage points over 2014.

Looking at 2016, we see a year of solid results despite a more volatile backdrop. Following several years of delivering significant improvements in organic operating margin – 150 basis points in 2014 and 120 basis points in 2015 – we are focused on increasing our investments in research and development as well as sales to support the opportunities we see with 3DEXPERIENCE.

## **Total Software Revenue**

Turning now to our 2015 performance, our software revenue increased 9% in the fourth quarter. The growth was all organic. Q4 continues to be the most important quarter with our largest clients, and we see it remaining so for some time as I will discuss later in my comments on 2016. For 2015 total software revenue increased 12%, of which 8% was organic growth.

## **New Licenses Software Revenue**

Looking at the components of our software, new licenses revenue increased 11% in Q4 and 15% in 2015. We were very pleased with our organic performance, up 11% for the quarter and for the year.

Dicing new licenses revenue growth in the fourth quarter and full year in a few ways:

1. 3DEXPERIENCE accelerated traction was a key contributor benefiting CATIA and ENOVIA especially in the fourth quarter.
2. We saw a very good dynamic in both core and diversification industries across the year.
3. We also benefited from broad-based software growth across regions for the year and we see an interesting dynamic in a number of our geos.

4. And from a channel perspective our direct sales had a great year, with solid support from our indirect channels.

### **Recurring and Other Software**

Looking more closely at our recurring software revenue, it represented 70% of total software revenue in 2015. We have had very good results all along the year with maintenance subscription renewals. Rental licensing growth was in line with clients' usage adjustments. Recurring software (including other software) increased 7% in the fourth quarter and 10% for the year. On an organic basis, the growth for both periods was 7%.

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

Services and other revenue increased 3% in the fourth quarter on somewhat higher activity than we had anticipated. For the year, services and other revenue growth was 17%, reflecting the full year impact of our 2014 acquisitions. On an organic basis, services revenue grew 1% as our core business is focused on increasing engagements with system integrators.

Our services gross margin progress was mixed, with improvement in the fourth quarter, but not enough to deliver a higher gross margin for 2015 in total. Our 2015 services gross margin of 13.2% was, therefore, below the 15.8% of 2014.

## **Brand Review**

Turning to our results by our brands, in the fourth quarter CATIA's software revenue increased 8% with double-digits new licenses revenue growth, reflecting 3DEXPERIENCE. For the full year CATIA's software growth was strongest in Asia, with total software growth of 5% reflecting rental headwinds as we have outlined previously.

ENOVIA had a strong fourth quarter with new licenses revenue up double-digits leading to total software revenue growth of 14% - just a reminder that our revenue figures are in constant currencies. For 2015 ENOVIA grew 5%.

SOLIDWORKS software increased 11% in the fourth quarter and 12% for the year, on strong growth in both Europe and Asia, with more mixed results in the Americas. It was a very good year in terms of renewal rates for recurring software.

Other Software increased 6% in the fourth quarter led by SIMULIA. For the year, software growth of 26% reflected the impact of acquisitions. But on an organic basis Other Software was up double-digits at 11% for 2015 on multiple drivers led by SIMULIA and DELMIA with good support from EXALEAD.

BIOVIA was our largest acquisition of 2014 and is progressing in line with our plans, in terms of revenues, operating profitability, integration and product roadmaps. BIOVIA leads our efforts in science-based industries in addition to complementing our strategy in additive manufacturing for core industries with its deep materials science core competency.

Despite difficult conditions in natural resources, GEOVIA's software revenue was stable for the year, and with positive new licenses revenue growth in three of the four quarters of 2015.

Quintiq, which we acquired in September of 2014, made progress during its first year in terms of new business activity, services engagements and operating performance. Business operations represent a very significant opportunity and so we are very optimistic for the future.

### **Operating Margin**

Moving to our operating margin, we came in ahead of our objective on a very strong fourth quarter. Our 2015 non-IFRS operating margin was 30.8% compared to 29.8% for 2014.

In comparison to 2014, there were three principal components to our operating margin evolution in 2015: first, an organic operating margin

improvement of 120 basis points; this fully offset acquisition dilution of the same amount; and we had a positive currency impact of about 100 basis points.

### **EPS**

Thanks to revenue growth, operating margin expansion and favorable currency we had sharply higher EPS in 2015, increasing 22% in the fourth quarter to €0.71 and 24% for the year to €2.25.

### **Net Financial Position**

Turning to our balance sheet, we ended 2015 with a net financial position of €1.35 billion. Long-term debt stood at €1 billion with the new credit facility of €650 million that we entered into in October of 2015 and fully drew down at the time.

During the year our principal uses of cash were for cash dividends of €98 million, capital expenditures of €44 million and acquisitions of €20 million, net of cash acquired.

### **Operating Cash Flow and Unearned Revenue**

We had a very good evolution of operating cash flow in 2015, nearly doubling to €103 million in the fourth quarter and increasing 27% to €633

million for 2015. Unearned revenue increased 13% excluding currency impacts compared to 2014.

## **2016 Financial Objectives**

Moving to our 2016 financial objectives let me discuss their construction.

- First, last quarter we shared with you our observation of a somewhat softer economic climate in the second half of 2015 compared to the first half. We anticipate a continuation of this trend, albeit somewhat weaker and also more volatile of course.
- Second, we see large companies demonstrating greater end of year seasonality in their investments, so for us this translates into a more back-end loaded year.
- Third, with respect to the 2016 first quarter, we have a strong base of comparison especially with respect to new licenses revenue where we had about 11 million euros of over-performance in the 2015 first quarter compared to our objectives.
- Finally, we had a very favorable evolution of recurring revenue for SOLIDWORKS in 2015 with higher renewal rate performance and we are not assuming further uplift in these renewal rates from where we are as it is already a very good level.

So to summarize, within this environment and based upon increased activity in 3DEXPERIENCE, we are targeting double-digit growth in

new licenses revenue in constant currencies for 2016 and solid recurring revenue evolution.

Therefore:

- Our 2016 total revenue growth objective is 6 to 7% in constant currencies, or a range of €2.985 to €3.015 billion based upon our currency assumptions.
- Our objective is to deliver a non-IFRS operating margin stable with 2015 at about 31%, and assumes selective increases in R&D and sales to support our 3DEXPERIENCE ambitions. We do, however, anticipate organic operating margin improvement, excluding currency fluctuations of around 50 basis points, but our guidance has been built taking the current market exchange rates for a number of emerging and other currencies as an assumption, thus creating a currency headwind absorbing most of the organic improvement.
- Our 2015 non-IFRS EPS objective is about 2.40 euros representing growth of about 7%. Excluding the currency headwinds I just mentioned this target represents a growth of about 10%.
- For the first quarter, our revenue range is 685 to 695 million euros and non-IFRS earnings per share of about 42 to 45 cents.

With respect to our major currencies, we are assuming a US dollar exchange rate of \$1.10 per euro for the 2016 first quarter and \$1.14 per euro for the year and a 130.0 yen per euro for both the first quarter and full year.

Let me turn the call back to Bernard.

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

## **Summary**

In closing, as we look back to 2015 we were pleased to see the level of adoption of 3DEXPERIENCE. And we were equally pleased with the high level of deployments during the year. We will continue to focus on accelerating our progress with our sales channels.

In research and development, we have a very dynamic product plan for 2016, beginning earlier this week with the unveiling of SOLIDWORKS Xdesign and soon with the release of 3DEXPERIENCE 2016X.

We will continue our work in improving our processes and operations so that our customers have a consistent experience with Dassault Systèmes anywhere in the world.

And we will continue to offer our clients choices. As the world leader, we think that this is the right thing to do.

Thibault and I are now happy to take any questions and we thank everyone for their participation on this call and in Paris earlier today.