

DASSAULT SYSTEMES
Newswire Conference Call: Q3 2013 Preliminary Results
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Final

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Thank you for joining me to discuss of our third quarter preliminary results.

Before beginning, let me share that Dassault Systèmes' financial results are prepared in accordance with IFRS. On this call, our discussion will be limited to non-IFRS financial information in order to make comparisons to our financial objectives which are presented solely on a non-IFRS basis. These figures are before deferred revenue write-downs, amortization of acquired intangibles, share-based compensation expenses and other operating income and expense, net.

In addition, some of the comments I will make on this call will contain forward-looking statements, which could differ materially from actual results. Please refer to our Risk Factors in today's press release and in our 2012 *Document de référence*.

Summary of Third Quarter Preliminary Financial Results

Let me briefly compare our preliminary financial results to the objectives we had set and focus on the reasons for the shortfall:

- Non-IFRS total revenue came in at €496 million, representing growth of 4% in constant currencies compared to our growth objective of 8 to 9%. As a consequence, non-IFRS EPS landed at about €0.88, compared to our objective of about €0.92.
- Comparing our actual landing to our objective of €520 million, there are two main components to this difference of €24 million. One is disappointing and the other is actually good news.
 - On the disappointing side, revenue was lower by about €16 million due to the fact that transactions that were expected to close slipped past the end of the quarter in the very last days, and we also saw a lower level of services.
 - The good news side is that a portion of the new business activity that we expected to close in the quarter did indeed but it closed in the form of rental versus upfront purchases. Specifically, our financial model enables customers to select new purchases or rentals, and what we saw at the very end of the quarter was a higher mix of rentals than we had estimated. This resulted in a lower level of revenue this quarter by about €8 million but will bring us continued revenue at a higher level over time.

At the same time, several key financial metrics performed very well:

- First, the largest portion of our revenue is our recurring software revenue. This represents about 77% of our total software revenue. Recurring software revenue increased about 8% in constant currencies with renewal rates strong and tracking well to expectations.
- Our non-IFRS operating margin came in at 31.6%, comparing favorably with our non-IFRS objective of 31%. We continue to implement best practices across our different businesses and improve our operational efficiency.

Business Commentary

Turning briefly to a business discussion, despite the complex macro backdrop around the world, we have continued to grow our customer base. Last year we gained more than 20,000 new customers and anticipate reaching a similar order of magnitude this year.

Further, while we are focused and committed to delivering on the present, we are spending a significant amount of time on preparing our future growth opportunities. So we are in the midst of significant, important developments in Research and Development to deliver what we believe will be a sea-change with our **3DEXPERIENCE** platform.

As we build our references here, we see strong interest from our “Lighthouse program” which we unveiled in July.

In parallel, we are also strengthening and expanding our sales channels. Across all channels we are looking to enhance our industry and product expertise, as well as reinforcing our sales presence in certain regions. And we are growing our indirect channels, so a significant amount of time is being spent to nurture these relationships.

Looking forward, based upon a detailed review of the fourth quarter, we have set a low end of the revenue range objective of €565 million, representing growth of about 5% in constant currencies, with new licenses revenue growth, a non-IFRS EPS objective of €0.97, incorporating an anticipated tax increase in France, and a non-IFRS operating margin of about 34%. We will complete and issue our formal objectives for the fourth quarter and full year at the time of our earnings release on October 24th.

Finally, while the results this quarter were not what we had anticipated in this somewhat uncertain environment, we remain committed to deliver high value to our customers and to our shareholders.

At this point, I will stop to take your questions.

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