

# Dassault Systèmes 2017 Analyst Event

## CIMdata Commentary

### Key takeaways:

- *Dassault Systèmes' aspires to the role of catalyst and enabler for realizing critical structural transformations across industry value chains that will allow customers to maximize benefits and profits from economic disruptors like the current trends such as smart, connected products and digitalization.*
- *Dassault Systèmes' is driving their 3DEXPERIENCE platform to the next level, positioning the platform as an operating system that powers their portfolio and their customers' operating models, as well as being a business model that powers their marketplace and their customers' value networks.*
- *Dassault Systèmes' 3DEXPERIENCE platform revenues in 2016 grew 30% over 2015, and represented 36% of Dassault Systèmes new license revenues.*

CIMdata recently had the pleasure to attend Dassault Systèmes annual PLM analyst event at their headquarters in Vélizy-Villacoublay, France. As in previous years, these two days were well organized with presentations and demonstrations by key Dassault Systèmes' management team members. Dassault Systèmes' executives updated the PLM analyst community with the status of the company, and on realization and roll out of the company's 3DEXPERIENCE vision, strategy, and enabling solutions. Overall, the 3DEXPERIENCE vision and strategy continues to strengthen and gain more traction across multiple industries. As described at the meeting, the 3DEXPERIENCE platform is entering a next phase in its existence, where the platform is positioned as an enabler of new business models.

## A Consistent Strategy

Traditionally, the morning of the first day is for Dassault Systèmes' executives to provide their updates on the company's strategy and financial position.

Presentations by Ms. Monica Menghini, EVP & Chief Strategy Officer; Mr. Thibault de Tesant, Senior EVP & CFO; and Mr. Bernard Charlès, Vice Chairman & CEO; and Mr. Pascal Daloz, EVP Brands & Corporate Development, provided an update on the company's strategy and its platform journey since 2012. The strategy focused on building out three pillars: Social, Industry, and Experiences as part of their 3DEXPERIENCE platform. Social is important because businesses are social structures with individuals that need to be accommodated. Industry is the operating context for businesses and what industry solutions need to support. Experiences offer the right processes and capabilities, with the right results, powered by the right mix of enabling solutions.

Dassault Systèmes' Industry Solution Portfolio currently spans 12 industries, offering 100 solutions, 310 processes, and 273 different user roles. CIMdata considers this an impressive achievement and strong confirmation of the company's dedication to its stated strategy. Dassault Systèmes' vision also resonates in the market, where in 2016 the 3DEXPERIENCE new license revenue was up 30% against 2015, which represented 36% of Dassault Systèmes overall new license revenues. Presenting more information on 3DEXPERIENCE adoption across industries could be a good topic for the next analyst meeting.

In the next step in realizing their vision and strategy, Dassault Systèmes is positioning the **3DEXPERIENCE** platform as:

- **An Operating System**—strengthened through the “POWER’BY” tag line, Dassault Systèmes positions their **3DEXPERIENCE** platform at the center of their customers’ innovation architecture by connecting the traditional Dassault Systèmes solutions (e.g., CATIA V5 and SOLIDWORKS), their acquisitions (e.g., Quintiq and Apriso), and offerings from competitive solution providers (e.g., Autodesk, PTC, and Siemens PLM Software).
- **A Business Model**—providing a marketplace that acts as an ecosystem for their customers through which they can identify and work with third parties world-wide for specialist services. The first focus will be on 3Dprinting and on 3Dpart supply.

This next phase in realizing their strategy encourages companies to select Dassault Systèmes’ **3DEXPERIENCE** platform as the platform of choice, without needing to worry about how to deal with their legacy solutions, as they can readily be integrated. For example, the marketplace will allow customers to identify potential partners to help them manufacture parts based on their requirements, initially focusing on 3D printed parts. This adds an extra dimension to enabling collaboration across the value chain, which lies at the core of PLM, and puts Dassault Systèmes right in the center of it. CIMdata applauds Dassault Systèmes’ initiative to evolve the **3DEXPERIENCE** platform in this direction. The platform’s ability to integrate and enable both native solutions and third-party solutions is critical to its long-term ability to enable an enterprise’s product innovation platform.

Additionally, CIMdata finds that positioning the **3DEXPERIENCE** platform as an operating system, as well as a business model, to be intriguing. To insure that individuals understand the power of the platform, it is critical that Dassault Systèmes communicates these two aspects of their platform consistently. If one or the other aspect is referenced without referencing the other, the true power of the platform could be lost. This would be especially true if third-parties only spoke of the platform’s ability as an operating system or just a business model.

Finally, CIMdata is very positive about Dassault Systèmes’ decision to introduce a marketplace underpinned by the **3DEXPERIENCE** platform. Such a marketplace will enable companies to expand their partner ecosystems and develop new relationships, all enabled by Dassault Systèmes’ platform. Additionally, CIMdata believes that Dassault Systèmes’ could reduce the time-to-success of its marketplace if they chose to partner with one of the existing marketplace providers. This would also allow Dassault Systèmes’ to extend the penetration of the **3DEXPERIENCE** platform more rapidly. It will be interesting to watch Dassault Systèmes’ marketplace in the coming months and years.

## **A Strong Ambition**

Within the context of all the trends and rapid technology changes and economical disruptors that take place in societies and economies, Mr. Charlès made an important remark on Dassault Systèmes’ company positioning. It resonates and aligns with Dassault Systèmes’ strategy: “One of the key challenges is that the structure of industries needs to change. The speed of that change has an effect on global business. A new value chain will be taking over all industries globally, and that will be a big challenge. To guide and support such change one needs to better understand industry, government, and political structures around the world. Dassault Systèmes is willing to take the role of catalyst and enabler of this industry transformation...”

The trend in global industries is irreversible, with products becoming more complex, as well as smarter and more connected. With digitalization moving forward at a rapid pace the

Internet of Things (IoT) and Digital Twins are being realized. Initiatives like Industry 4.0 are on the political agendas of more than one country. At the same time, additive manufacturing is changing product development paradigms. Organizations must change their processes, as well as how and when they define, manage, and collaborate on product-related information. Dassault Systèmes is looking at playing a pivotal role in enabling these changes. This goes further than the capabilities delivered by their **3DEXPERIENCE** platform. It includes bringing together different stakeholders and potential partners to define and work out new concepts and methodologies that improve their product development, manufacturing, and service processes and results. Dassault Systèmes **3DEXPERIENCE** Centers, where they bring together people and technologies to prototype new concepts, methods, and processes, are being set up around the world. A number of Innovation Centers are also being set up, with the objective to bring academia, research, and industrial companies together to collaborate during all phases of the product lifecycle, enabled by the **3DEXPERIENCE** platform.

CIMdata appreciates these initiatives, as they provide companies an environment in which they can develop new ways of working in close cooperation with research and academia. The introduction of these **3DEXPERIENCE** Centers and Innovation Centers will work quite well for many companies throughout several value chains. It would be more beneficial for the full value chain when similar centers could also be made available on a more local basis. Many small companies in value chains need to develop comparable new ways of working to satisfy the needs of their customers, and they could benefit from such local centers. Many countries, like the United States, have programs that reach out to small firms to help them make such improvements and could be an added source of leverage.

## Numbers Talk

While Dassault Systèmes continues on their journey to realize their ambitious vision, the true measure of the company's success lies in their market results. The company showed a solid financial position in 2016, including:

- Revenues up by 7% and new license revenues up by 5%
- Earnings Per Share (EPS) grew more than 11%
- **3DEXPERIENCE** revenue increased by over 30%

Dassault Systèmes' business results and conditions appear healthy and put them in a very good position to continue their investment.

Overall, CIMdata is quite pleased with Dassault Systèmes' messaging and positioning of their **3DEXPERIENCE** platform, as well as with the progress made realizing their vision. Throughout the event a strong passion and dedication to fulfil the vision was evident. With many levels of the company represented at the analyst event, the message was still very consistent. Dassault Systèmes appears to be in good shape to address the needs of changing industries. Their operating model and business model visions are a big challenge, consistent with the big leaps proposed by management in the past. If history tells us anything, Dassault Systèmes has always been willing to invest to make their dreams a reality. With these financial results, they are once again ready to take that big leap.

## About CIMdata

CIMdata, an independent worldwide firm, provides strategic management consulting to maximize an enterprise's ability to design and deliver innovative products and services through the application of Product Lifecycle Management (PLM). CIMdata provides world-class knowledge, expertise, and best-practice methods on PLM. CIMdata also offers research, subscription services, publications, and education through international conferences. To learn more about CIMdata's services, visit our website at

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