S&P Global
Market Intelligence

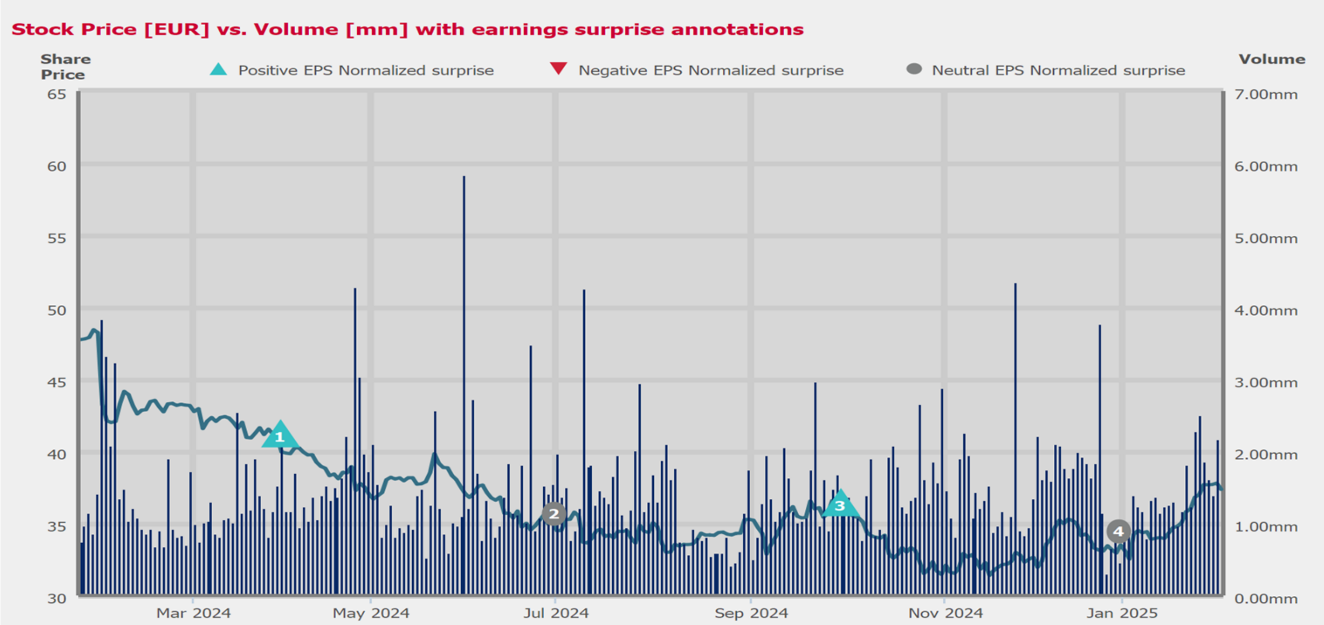
Dassault Systèmes SE ENXTPA:DSY
FQ4 2024 Earnings Call Transcripts

Tuesday, February 4, 2025 9:00 AM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2024-			-FQ1 2025-	-FY 2024-			-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.40	0.40	0.00	0.32	1.28	1.28	0.00	1.38
Revenue (mm)	1758.22	1754.20	(0.23 %)	1610.62	6213.77	6213.60	0.00	6717.37

Currency: EUR
Consensus as of Feb-04-2025 12:07 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2024	0.29	0.30	3.45 %
FQ2 2024	0.30	0.30	0.00 %
FQ3 2024	0.28	0.29	3.57 %
FQ4 2024	0.40	0.40	0.00 %

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Call Participants

EXECUTIVES

Beatrix Martinez
Vice President of Investor Relations

Pascal Daloz
CEO & Director

Rouven Bergmann
CFO & Executive VP

ANALYSTS

Adam Dennis Wood
Morgan Stanley, Research Division

Antonin Baudry
HSBC, Research Division

Derric Marcon
Sanford C. Bernstein & Co., LLC., Research Division

Frederic Emile Alfred Boulan
BofA Securities, Research Division

Laurent Daure
Kepler Cheuvreux, Research Division

Mohammed Essaji Moawalla
Goldman Sachs Group, Inc., Research Division

Presentation

Beatrix Martinez
Vice President of Investor Relations

Good morning, everyone. I'm Beatrix Martinez, Dassault Systèmes VP, Investor Relations. And from the company, we have Pascal Daloz, CEO; and Rouven Bergmann, CFO. I would like to welcome you to Dassault Systèmes Fourth Quarter and Full Year 2024 Presentation.

At the end of the presentation, we will take questions from participants first in the room and then online. Later today, we will also hold a conference call.

Dassault Systèmes results are prepared in accordance with IFRS. Most of the financial figures in this conference call are presented on a non-IFRS basis, with revenue growth rates in constant currencies, unless otherwise noted. For an understanding of the differences between the IFRS and the non-IFRS, please see the reconciliation tables included in our press release.

Some of the comments we will make during today's presentation will contain forward-looking statements, which could differ materially from actual results. Please refer to our risk factors in our 2023 Document d'enregistrement universel published on March 18th.

And I will now hand over to Pascal Daloz.

Pascal Daloz
CEO & Director

Thank you, Beatrix. Good morning to all of you. It's always a pleasure to be with you at this time of the year, for the one being here or for the one being connected.

Let me start by giving the tone for Q4. I think we are extremely pleased with our performance and the strong commercial momentum this quarter. You have seen we signed major contract driven by the 3DEXPERIENCE, which will accelerate the future growth.

Now let's start with some few headlines figure for our Q4 and for the full year 2024 results. I think we delivered a strong Q4 result with the most important thing, which is the software revenue accelerating to 9%. And this top line momentum was driven by a 13% increase in our new businesses and a 22% rise in 3DEXPERIENCE. EPS grew by 11%, which I think is also a good thing.

Before I hand over it to Rouven for the detail on our financials and the 2025 outlook, I want to touch on 3 important topics. First, 2024 has been a year of the competitive success, driven by the expansion of the 3DEXPERIENCE across industries, domain and geographies and redefining in deep the strategic relationship we have with many industry leaders. And I will share some names with you later on.

Second, I think key to this success is the relevance of the 3DEXPERIENCE, which is now contributing to nearly 40% of the software revenue. And I think by combining the deep industry knowledge and know-how, it really helps our customers to enhance their value proposal and empower their team, which is probably the most important. And all of this, this will nurture our future growth and build the foundation for the broad adoption of the cloud.

The third element, I think, today, we are unveiling a major horizon for Dassault Systèmes, one that has been built not only over the work over the last 3 years to define, create the game-changing solutions based on the deep and wide adoption of generative AI. But also, you will see it on the positioning of our companies. And this solution will enable our clients across all the sectors to take the advantage of artificial intelligence at every stage of the life cycle of the product and the services.

Now let's start with some key comments on the sectors, on the trends and the key wins. In the manufacturing industry, the automotive sector faced, as you know, slowing demand, mostly driven by the EV adoption rates. And the automakers are under increasing pressure to transform themselves, but also becoming more innovative and more efficient at the same time.

To achieve this, they really need to develop software-defined vehicles on one hand, while also they need to become much more cost effective as most of the vehicles are currently too expensive. So this is why they are turning to 3DEXPERIENCE.

And if you look at basically the sequence of events for the last 18 months, we have displaced the competition on many occasions. We significantly expanded our footprint, while, despite the competitive environment, we have been able to preserve the value of what we do.

Just for you, a quick reminder. Remember, you remember Jaguar Land Rover in 2020 -- end of '22 -- '23, sorry. In 2024, we did BMW. Early this year, Volvo, Mahindra & Mahindra. And I'm really proud to announce that the Volkswagen Group has also chosen to adapt to the 3DEXPERIENCE at large.

I think beyond these win backs, the industry continue really to offer substantial growth opportunity within the supply chain, which is still untapped by expanding the deployment of our existing customers.

In the meanwhile, I think the aerospace industry is facing a paradox. The order backlog are achieving the record level, but the supply chain disruptions and the production ramp-up challenges make this transformation even more critical to collect the cash. And that's the reason why the aerospace OEM rely on our 3DEXPERIENCE to meet demands, accelerate the production, optimize the cash flow, streamline their supply chain.

And in 2024, we redefined a 20-year partnership with Airbus by expanding into their value network. And more importantly, also, we are expanding in the U.S. Defense sector with a significant contract with Lockheed Martin Group, which I will also discuss more in detail after.

Looking ahead, I think we have significant growth opportunity, particularly in space and defense, with the U.S. being the critical market for this expansion.

In the consumer-driven industry, I think the PLM adoption is still at the early stage. I think it is creating a strong dynamic, and we have seen it with Centric PLM, you know our dedicated brand for this sector, which are uniquely positioned to capitalize on this momentum. And I think our solution is really fitting perfectly for the needs for these markets. And I think the addressable market remains vast.

Now turning to Life Sciences. We announced a very important thing, which is a strategic repositioning of Dassault Systèmes and specifically MEDIDATA, and we did at NEXT. NEXT was the event we had in November, and some of you have the pleasure to participate to this event.

So this repositioning include an expansion of the value proposal of MEDIDATA, which is now been on 3 pillars, the patient experience on one hand; the data experience on the other hand; and the 3DEXPERIENCE. And I think it has been extremely well received notably by the large pharma. And as an evidence of what I'm saying is all the renewal and expansion of the major contract we have achieved in 2024.

I think now we are leveraging our expanding portfolio with clients such as BMS, Sanofi, AstraZeneca, Moderna, Regeneron, Novotech, and Bayer, which I will come back also on this.

Additionally, I think we have signed several win backs, displacing again the competition, including a strategic EDC Agreement with Eli Lilly. And as you know, it's one of the competitor flagships customer.

I think this repositioning in Life Sciences include also the expansion into manufacturing and PLM, the integration of artificial intelligence across the entire portfolio, the development of the virtual twin as a way to connect the practitioners with the patients and also the combination of the real drug with software to enable a personalized treatment.

I think, consequently, we are pretty confident on our ability to return progressively to the digital growth. And I think this will strengthen our position in Life Science with the ongoing innovations we have across the portfolio.

In Infrastructure & Cities, the energy transition is driving a strong demand across all the renewals and the nuclear. I think this is fueling clearly our momentum into this sector.

In Construction, the focus is really on enhancing the productivity, minimizing the material waste, renovating existing buildings and reducing the CO2 emissions. This segmenting industry start from the hospital to the nuclear plant to the data centers is really a deep expertise. And this is where we focus on the key segments using the 3DEXPERIENCE and the virtual twin as a way to integrate the knowledge and the know-how and enable more regenerative approach.

In addition, I think with one single platform, not only this platform is used for the engineering phase, but also more and more for the RUD, which is really unique on the market.

So I want you to keep in mind something, which is in the Infrastructure sector, more than the market share, I think what's important for us is the share of value because we focus on transformative projects that make the real impacts where we bring the disruptive approach to drive the lasting changes.

Now I think it's -- let's explore in detail some of these customer cases. As I mentioned, Volkswagen Group has selected 3DEXPERIENCE platform on the cloud. And I think it's a decision, which encompass all the group's brands, including obviously Volkswagen, Audi and Porsche, but also Skoda, Seat, CUPRA, Bentley, Lamborghini, Scania, just I will not name all of them. So it's really the entire group.

Why this is important? Because it's usually once in 20 years decisions, and you cannot miss the window. And I think it was a 2-years battle, and we concluded successfully this negotiation. You know Volkswagen, they are facing a lot of challenges and why they are selecting us is because they are counting on us to accelerate and to support their transformations.

At the end, we are talking about 40,000 users relying on the platform, while expanding the scope of the partnership far beyond the mechanical engineering, to system engineering, to manufacturing with hundreds of Volkswagen Group factories involved. And this extension of the scope imply, obviously, a displacing of the competition, and I'm sure you know what I'm talking about.

With 3DEXPERIENCE platform, I think Volkswagen is also benefiting from faster development cycle, which is the topic for many European players, how to reduce the cycle time almost by 2, divided by 2, to be around 20 months. It's also a way to optimize the resource allocations and to shorter the time to market.

So the choice was driven also on the fact that we have a cloud solutions. And the cloud solution is really a way for them to accelerate the adoptions, but more importantly, it's related to the foundation for artificial intelligence. And I think we are strongly supporting Volkswagen in this radical transformation, moving from the traditional car manufacturing to the software-driven innovation.

After Volkswagen, another major win, Lockheed Martin Group. And again, this decision also encompasses all the group divisions, including the aircraft, the space systems and the helicopter.

This group, like many, they face surging defense demands, and they must accelerate their productions. And as a long-time partner, they are committed to expanding their commitment by expanding the use of the 3DEXPERIENCE platform to transform the manufacturing operations. This is really where it's a big expansion for us.

And again, in this case, we are displacing the competition. The key topic is the 3DEXPERIENCE platform for manufacturing will streamline the production, connect the suppliers and the shop floor for a rigorous quality control, and it will take a step further.

Now I think Lockheed Martin is also doing something which is unique. They are becoming a model-based enterprise. What does it mean? It means they have fully integrated the digital threat across the entire product's life cycle. And in that world, they are creating the virtual twin, if you want, of the company, of the enterprise to manage the transformation and to have a greater agility.

Now moving to the Life Sciences, I mentioned Bayer. Bayer is a longstanding partner. We have a 90-years relationship with them, and they are clearly a key strategic partner for the clinical research.

As part of their growth strategy, they explored many, many other solutions, as you could imagine. But they realize, none of them could meet their higher standards. So I think with this renewal and expansion, Bayer is not only accelerating in this clinical trial, both by increasing the volume of studies conducted with us, but also by expanding the use of our portfolio.

They are preparing for the future with Rave Lite, the new solution we introduced 2 quarters ago to tackle the early Phase 2Ds. And they are also expanding the use of the Patient Cloud to make easier for the patient to participate remotely in the clinical trial. For me, this is not only just a contract renewal. It's a clear acknowledgment of the superiority of our MEDIDATA platform.

To conclude with customer wins, BIAD has chosen also the 3DEXPERIENCE platform to transform the hospital construction. And why they do this is because they are leveraging the virtual twin and simulation at the same times to enhance the patient care, to reduce the wait time and to optimize the operations. Almost like a manufacturing plant will do, except it's a hospital.

At the end, they are reusing massively the knowledge, to increase the productivity, and they share with us some results. They are improving the productivity by 30%, and they're cutting the cost by 15%.

With our productization, I think BIAD is setting a new standard in the quality and efficiency. Just for you to know, the first virtual hospital twin has been developed and completed in 90 days. And we have 19 other just only in the Beijing regions to do. So clearly, it's only the starting point.

This is really how we drive the innovation in a specialized construction market by being extremely verticalized and against combining the platform with the virtual twin.

On a final note, on the construction market, I want to draw your attention on the fact that China accounts for the 25% of the global construction market. And to accelerate our market penetration, we launched and we are launching, in fact, a new joint venture for sustainable cities and buildings in China with CSADI.

And CSADI is one of the largest leading architecture and engineering institutes, employing over 5,000 engineers. And for the one who have a lot of interest for this sector, they just published a complete scientific analysis in a very well-known review, which is nature, and you have the link in the chart.

Why this is important? Because they are again making the demonstration that combining the 3DEXPERIENCE with the virtual twins, they are capable to reduce the construction time by 25%, to reduce the cost by 10%, the waste by 15% and improve the quality by nearly 20%. So that's what is about.

Now let's move to the other big announcement, which is the Generation 7. So -- and I want you to give you some framework for you to think about it. If you remember, just 1 year ago, we announced our 2040 horizons, and we call it the generative economy.

And if you remember, the generative economy is the convergence of what we used to call the experience economy, where the product is not enough. And you need an experience on top of it with a circular economy, with the necessity to have the circularity across all the different players.

The way we came to this is because we took inspiration from the living world. The living world, they generate more than they consume. And I think this is the paradigm for the future. And for our customers, the generative economy provide tremendous opportunity when it comes to creating sustainable products and services, to reinvent the circular way of life, to provide accessible of quality care for all, for example.

But at the end, the generative economy is the knowledge economy. And what does it mean? It means it's an economy where the virtual assets, which is the intellectual property, will serve as a new currency. And that is extremely important for you to keep this in mind. And the reason is because the leaders of tomorrow will be really the one who are the best to develop their knowledge and the know-how assets.

And as a consequence, today, as part of the generative economy, we are introducing what we call the Generation 7, and we have a name for this. This is called the 3D UNIV+RSES. And the 3D UNIV+RSES is an alternative to the metaverse or the omniverse. It's a way for us to connect the virtual and the real and to build the foundation for all the related AI-based services.

Why I want to take some time for you to understand this? The 3D UNIV+RSES is a new way or a new class of representation of the world. And you know that it's our obsession in the foundation of the company to invent the industry-changing representation of the world.

So these 3D UNIV+RSES are really the seventh generation of representations we have introduced over the last 40 years. And why this is important? Because it's always allowing new way of imagining, creating and producing things.

Let me do a quick recap. With the Gen 1 in the '80s, we introduced a 3D modeling. And this 3D modeling was really a way to do the digital preassembly. When you have to manipulate a lot of parts and to create an assembly, it's much easier if you have the 3D modeling to do this.

The Generation 2 was related about the digital markup, right? And you remember, it's the 777. How could you have virtual objects, which is extremely valuable if you have to do design in context? And if you remember, on this airplane, you have more than 10,000 people working at the same time.

The Generation 3 of the representation of the world was the PDM. How it to couple the information with the representations? Specifically for the collaborations through the project and the program management in engineering and manufacturing domains.

The Generation 4 was related to the PLM of the life cycle because when you do such an object, you need to trace, you need to certify, you need to life cycle, you need to be able to maintain them when they are in operations. And this is what the PLM -- the product life cycle management is about.

The Generation 7, we introduced the virtual twin concept. The virtual twin is much more than a replica of the physical product. It's an elevation is how you combine the virtual representation with the physical representations in one single thing.

And the Generation 6 was about the virtual twin experience. And you remember, it's when we make this shift for moving to things to life, making the biology as integrating part of the virtual twins. At the end, this is us creating a lot of IP for our customers.

And you remember, we have the largest customer base. So clearly, at the end, we have been able to create for the last 40 years the largest knowledge base.

So the question is, how to leverage this knowledge base? And this is what the universe is about. The universe, this 3D UNIV+RSES is really a combination of the modeling and simulations with the real world evidence on one hand and the artificial intelligence generative content on the other hand.

They embed multiple generative artificial intelligence technology at the core of our 3DEXPERIENCE platform. They will allow our customers to fully explore their rich, high-quality patrimony of 3D design, virtual twins and PLM's data.

And with the 3D UNIV+RSES, I think we offer a unique and secure industry environment to do several things, to combine and cross simulating the virtual twins. So for example, to combine the virtual twin of the car with the virtual twin of the manufacturing plant and the car when it's in use.

But also more importantly, for the training of the multi-AI engine, which is the big topic right now, especially for the industrial data. The vast majority of the AI engine has been developed for the web, for the consumer data. But when we are talking about industrial data, it's another thing because you need to protect the intellectual property at the same time. So you need to provide a safe environment for the customers.

As a consequence, I think we are introducing new AI base services. First is what we call the generative experiences is experiences, which has been created not by human but by artificial intelligence. We are also introducing what we call the virtual companions. As you may know, the portfolio of solutions we have is composed by roles, processes and solutions. So in addition to this, we will have the virtual companions to help the people in their roles.

And more importantly, I think we also are coming with what we call the virtual twin as a service, which my view is the future of the professional services. Many of the professional services are right now writing codes to connect the different systems together. With the cloud coming and with artificial intelligence generating automatically the code to do the connection between the systems, I think this is important to rethink what the professional services is about. And this idea to create a virtual twin on behalf of our customers is probably enough reasons for them.

Now let me give you an industry view of the 3D UNIV+RSES. In each of the 3 sectors of the economy, we are focusing on the new value areas centered around what we call the end products or end services, which is at the core what created by our customers for their end users.

So with the 3D UNIV+RSES, our ambition is really to virtualize the entire life cycle of all those end products. So it's really how to make it possible for the customers to get the virtual twin of everything for everyone.

Virtualizing the cycle of life is possible by connecting the virtual on one hand and the real on the other hand, but also connecting the virtual twin together. And I was mentioning this, for instance, for a car, we can connect the virtual twins of its design, of its engineering, of its manufacturing, but also of its usage.

The key point, probably the crucial factor, is all the 3D UNIV+RSES we are creating make the generativity trustable. And this concept of trust is extremely important because if, at the end, all the products needs to be certified to comply with regulations. And we are capable to do it because we have a science-based space for understanding, experimenting and learning.

Just to give you an example. In the Life Sciences & Healthcare sector, if you look at -- if you combine our multiphysics and multi-biology modelers, I think we are capable to provide virtual twin, for example, of the heart for specific patients. But more importantly, if we combine this modeling and simulation with artificial intelligence, the surgeon can now generate the therapeutic scenarios and validate them. So in a way, those 3D UNIV+RSES are becoming the virtual companion of the surgeons to help them to make better decisions.

Protecting the patient data is also -- is not only an essential, but also we also have to do the same with the citizens data. And that's the reason why in the Infrastructure & Cities, I think we have the same concept is how AI powers 3D UNIV+RSES, offer a trusted environment to manage the complexity, aggregating the corpus of data of citizens, city planning, flows, traffics, consumptions, demography, I cannot name all of them.

And at the end, we are integrating this into one unified model. Based on this, we can generate automatically the life experiences, how you manage the traffic, for example, within the city. This [plasticity] of the 3D UNIV+RSES is really becoming my view an operating system for many, many cities.

So what are the consequence of what you have seen? I think this is changing, the positioning of Dassault Systèmes. Now Dassault Systèmes is becoming the most trusted IP generation and management company for their customers. It's a major strategic movement for our customers across the 3 sectors we serve. It's almost equivalent what we did in 2012 with 3DEXPERIENCE in terms of impacts.

So to summarize, 3D UNIV+RSES embed multiple generative AI technology at the core of our 3DEXPERIENCE platform, and this is the reason why it's a Generation 7. It's not a version 7. It's a way to enrich our platforms. Whatever is the 3DEXPERIENCE platform, the MEDIDATA platform, the Centric PLM platform.

Our multi-AI platform provides customers with a world-class secure environment to reveal and generate their own knowledge and know-how. And with AI, we are clearly empowering all the organizations, consumer, patient and citizens with knowledge and know-how.

With this, I think we are expanding our offering in addition to our industry process and role and solutions by introducing new categories of experience as a service, the generative experience, the virtual companions and the virtual twin experience as a services.

And finally, keep this in mind, it's about trust. 3D UNIV+RSES make the generativity reliable, and we are really committed to protecting our customers' intellectual property.

So thanks to our 40 years industrial legacy and the immense customer base we have, we are training our artificial intelligence engines on the most meaningful corpuses to create the highest value for our customers. And these key points will be really -- we will discuss it on a regular basis. Quarter-after-quarter, we will come to you with proof point of what we are saying. And definitely, this will be the focal point of discussion for the upcoming Capital Market Day in June this year.

So in the meantime, I think it's time for me to hand over to Rouven to give more detail about the performance for the quarter and for the full year. Rouven, you have the floor.

Rouven Bergmann
CFO & Executive VP

Thank you, Pascal. Good morning to all of you here in Paris and listening on this webcast. As you heard, this quarter, and I think I have to be mindful here, yes, we are now transitioning to the financial highlights and objectives later on.

So as you heard, this quarter was a strong proof point. It was a strong proof point of our resilience and competitiveness, and it translated to 9% growth in software revenue and also a solid margin expansion of 70 basis points.

Clearly, and I think you can clearly take this away from Pascal's presentation, it demonstrates the trusted customer and partner relationships that we have built over decades, and many of them have expanded their commitments with us in 2024.

For the full year, I would like to highlight the operational strength of our business. Thanks to the productivity gains and the effective resource allocation, we achieved a healthy EPS growth of 9% and also improved our cash conversion in a quite volatile market environment.

Now let's take a deeper look into the financial performance for the quarter and the full year. In Q4, total revenue grew 7%, was driven by strong growth in new business, up 13%. Operating margin improved 70 basis points to 36.3%, and we delivered EPS at EUR 0.40, up 11% year-over-year. For the full year, total revenue was up 5%, with software revenue growing 6% and subscription revenue growth up 10%. Our subscription revenue growth trends continue to be strong.

When excluding MEDIDATA, the growth is 20% for the year. This is driving up the share of recurring revenue to now 80% of our software revenue. Operating margin was 31.9%, and EPS was EUR 1.28, and it was up 9% year-over-year, driven by the productivity improvements. At the same time, we remain focused on innovation. It is how we differentiate and win against competition across all the sectors.

Now with this, let's take a look at our growth drivers. 2024 has been a year of competitive success. It was driven by the expansion of 3DEXPERIENCE across industries, domains and geographies. In Q4, 40% of the 3DEXPERIENCE deals were competitive displacements.

Industry leaders are adopting 3DEXPERIENCE as a knowledge platform across the entire enterprise and the value network. And this is reflected in the strong 3DEXPERIENCE growth with software revenue of EUR 376 million, up an impressive 22%. In the quarter, large transactions with a value of greater than EUR 5 million contributed more than 90% to this growth.

While cloud revenue for the group grew 7% in 2024, mainly due to the lower contribution of MEDIDATA. The cloud revenue excluding MEDIDATA was up 41% in the year, with 3DEXPERIENCE cloud up over 50%. The cloud represents 24% of our full year software revenue.

Now let's review briefly how we performed relative to our objectives for Q4. Total revenue came in around the midpoint of guidance. Performance was driven by strong software revenue growth. Operating margin was 36.3%. It was 20 basis points below the midpoint of guidance, and EPS was at EUR 0.40. It was above the midpoint, thanks to the resilience of our business model as expenses were largely in line with revenue growth.

Now let's turn to the geographies and product lines. First to the geos. Europe showed strong acceleration in Q4, up 14% and 6% for the full year. It was led by France and Southern Europe, thanks to the large deals we closed in Aerospace & Defense as well as in Home & Lifestyle.

Also you saw this morning in our press release, and Pascal just talked about it, we signed a strategic agreement with Volkswagen Group, which is expanding our footprint significantly across the group and into manufacturing. And it's going to ramp up over several years.

In the Americas, revenue was up 5% in the quarter and 4% in the full year. Competitive displacements are driving our momentum, most notably in Aerospace & Defense. Lockheed Martin, as you heard, entered an agreement to expand their 3DEXPERIENCE footprint across new programs and also into manufacturing.

Asia was good in the quarter, up 7% and was led by healthy double-digit growth in Japan and India, while China was rather soft in the quarter part -- in part due to the high baseline effect compared to last year. For the full year, Asia demonstrated resilient growth with software revenue of 9%, which was led by Japan, India as well as good performance in Southeast Asia.

Now let's switch to our product line performance. Industrial Innovation software revenue grew 8% in Q4, driven by strong momentum with 3DEXPERIENCE wins. Our industrial customers are looking for best practices to redefine engineering and manufacturing, connecting virtual and real worlds. This is what's driving the exceptional growth in manufacturing, which DELMIA was up over 30% in the quarter.

In Life Sciences, we saw the expected improvement for MEDIDATA, returning to growth, up 1% in Q4. As Pascal outlined, 2024 was a year of transformation to reposition MEDIDATA in our Life Science's strategy. The strategy is endorsed by our clients. In the fourth quarter, we signed key long-term renewals with tops -- with several top 10 pharma customers, including several win-backs and platform expansions with our most strategic accounts. And most notably, as you heard, with Eli Lilly, we expanded our top 10 footprint, signing a strategic enterprise agreement, including Rave, for the first time.

All of the above resulted in healthy bookings growth versus last year, driven by large pharma and mid-market, highlighting our competitive strength. On the flip side, we still see a degree of caution in terms of bookings cost from CRO partners. The business dynamic for large pharma and mid-market is driven by the cycle of innovation and transformation, while CROs is much more dependent on volumes of steady starts.

In total, for MEDIDATA, we won also over more than 200 net new customers in 2024. And we expanded our market share by over 1 point in clinical trials driven by large share gains in Phase III and Phase II.

Now to Mainstream Innovation. Clearly, a success story. We continued the strong momentum we saw throughout 2024. What stands out this quarter is the growth acceleration of SOLIDWORKS. We delivered high single-digit growth, while Centric continued the outstanding performance throughout 2024 and delivered a strong finish in Q4, driven by an exceptional number of renewals.

Notably, deals for Centric in the quarter included LVMH, Leclerc, H&M and ShopSense. And you see here how we are building the momentum on Centric. It's coring very consistently, and the deal sizes are expanding quarter-over-quarter.

And to fulfill our growth in the years to come, we are expanding into new verticals and within the consumer-centric industries as well as position PLM as an end-to-end business platform to operate consumer-centric businesses.

Now let's turn to our cash flow and balance sheet items. Cash and cash equivalents totaled EUR 3.953 billion at the end of 2024, and it compares to EUR 3.568 billion at the end of 2023. It's an increase of EUR 384 million.

At the end of Q4 2024, our net cash position totaled EUR 1.459 billion, an increase of EUR 881 million versus the net cash position of EUR 578 million at the end of last year. It's up over 2.5x.

Now let's look at what's driving our cash position at the end of the quarter. We generated EUR 1.660 billion in operating cash flow for the full year. It's an increase of 6% versus last year. It was driven by higher net income, while year-over-year changes in working capital were flat.

Higher increases in trade AR reflects strong business activity in Q4 and was partially offset by an increase in contract liabilities. Nonoperating working capital was favorable, mainly thanks to our lower tax payments. And for further details, please refer to our reconciliation, which we published this morning. Thanks to the improved working capital, cash conversion from non-IFRS operating income was up 3 points to 84%.

To conclude, operating cash flow this year was used for cash dividends paid in Q2 of EUR 303 million, the net purchase of treasury shares totaling EUR 374 million, CapEx investments of EUR 189 million related to new offices in France, U.S. and India as well as IT equipment and software, repayment of lease liabilities of EUR 80 million and EUR 501 million of repayment of debt, net of proceeds.

Now let's turn to our fiscal year outlook for 2025. As you saw this -- in this morning's press release, we expect our full year 2025 total revenue growth in the range of 6% to 8% with software revenue growth at 6% to 8%. Subscription growth is expected to be in the range of 13% to 15%, driving new business growth up in the range of 9% to 12%. We expect the share of recurring revenue to reach 81% of software revenue in 2025, and service revenue growth is expected at 3% to 6%.

In terms of profitability, we anticipate the full year 2025 operating margin in the range of 32.6% to 32.9%, a year-over-year expansion of 70 to 100 basis points, ex FX and EPS up 7% to 10% growth. This reflects strong operating leverage, thanks to productivity gains we achieved in 2024 that will now come into effect.

We ended 2024 on a strong note, demonstrating great resilience in a year that presented new challenges and opportunities. Let me share the key assumptions to the 7% total revenue growth. First, we expect the momentum of 3DEXPERIENCE adoption to continue to drive growth in Industrial Innovation across key industries such as aerospace, defense, industrial equipment and high tech.

The auto sector continues to play a crucial role. However, we reflected some degree of caution by reducing the contribution of this sector, specifically as it relates to larger deals. The potential of 3DEXPERIENCE in 2025 is to expand our footprint further into manufacturing and the value network.

In Mainstream Innovation, we see an increasing confidence by our partners to drive the growth in SOLIDWORKS with new users and platform expansions.

Centric PLM had an exceptional year, driven by large renewal cycles in 2024. And now in 2025, we expect the growth to be aligned with our midterm plan of mid- to high teens.

In Life Sciences, we expect mid-single-digit growth for MEDIDATA. This considers continued momentum with large pharma and mid-market clients, while we anticipate CROs will continue to face volume pressure in study starts, similar to 2024.

It is important to highlight that our confidence with large pharma is driven by the adoption of our newly launched products. With clinical data studio, we are revolutionizing data management, applying AI to reduce time lines, risk and ensure safety.

As it relates to early and late-phase markets, we are now very well positioned with Rave Light to capture incremental growth in dynamic -- in this dynamic market. It represents a key pillar to our growth strategy in 2025 and beyond.

Now let's turn to Q1, and let me provide you some insights which will help you to model the starting point. We see a more balanced year between H1 and H2 as compared to 2024. In Q1, we anticipate total and software revenue growth in the range of 3% to 8%, reflecting a degree of caution as it relates to timing of deal signatures in the current context. To complete the picture, subscription revenue growth is anticipated in the range of 8% to 14% and upfront license revenue in the range of 0% to 9% growth.

In terms of profitability, we expect the operating margin to be in the range of 31% to 31.1% and fully diluted EPS in the range of EUR 0.30 to EUR 0.32 or up 3% to 7% year-over-year growth ex FX.

Now let me conclude. 2024 confirmed the strong customer relationships, evidenced by a number of large breakthrough competitive wins in our core sectors. This reflects the confidence from our clients ready to engage in the long term.

We prepared 2025 with the right investments to open a new era and to expand our customer relationships with 3DEXPERIENCE, while delivering our EPS target in 2025, thanks to productivity gains.

Thanks again for joining us this morning. And now, Pascal and I look forward to taking your questions.

Question and Answer

Antonin Baudry
HSBC, Research Division

Yes. Anton from HSBC. Congratulation on my side for the Volkswagen contracts and other contracts signed in Q1. My first question is about these contracts. Will it possible to have more details about how you win this contract with Volkswagen?

It's a transforming contract. You said 40,000 seats. It seems to be a bit more than Jaguar Land Rover. Which kind of revenues should we expect on this contract? And when should we expect this contract to be accounted in the revenues of the group?

I have a second question related to the 2025 guidance. The revenue growth guidance remains below 10%, let's say, below your 2028 targets, but your operating margin expectations appear above the 50 basis points that you expected. How should we see the 2028 target in the frame of this 2025 guidance?

Pascal Daloz
CEO & Director

Rouven, I can start with the context and then for Volkswagen, and you will give probably more detail on the financial impact.

So it was 2-year decision process. So it was a long, long, long process. And the reason was because at the beginning, they splitted the different parts. They issued an RFP for the engineering part and issued an RFP for the manufacturing part. And I was, I think, the one who argued that if they want to get the benefit of what we do, they should at least combine the 2 and to select 1 solution for both.

They were not prepared for this because it was extremely difficult to get the consensus within the company, not only to harmonize the different PLM systems on the engineering side but, more importantly, to harmonize the PLM on the manufacturing side.

As you could imagine, you have all the competitors involved in these deals. And when I'm telling you it's once almost every 20 years, it's the reality. The last time we signed a big contract with them was 20 years ago when they selected CATIA.

So we battled like hell. But at the end, the surprising part for them was how advanced we are on the manufacturing side. They had no doubt about our ability to basically design the new software-defined vehicles because we have a significant footprint with all the new players. But they were really questioning our competitiveness on the manufacturing side for the auto sector. And I think this is really the proof point of the maturity of our solutions on this front.

And how if you combine the 2, that's the only way to reduce the cycle time by 2. That's the only way. There is no other way to make it happen. And given all the challenges they have, as you can imagine, it was not an easy decision.

The last comment I can make, we were significantly more expensive than most of the competitors. And when the company is in a tough time, which is the case for Volkswagen, building the case and going to the Board to get the approval for such an investment, you have to be pretty sure about the value of what you are delivering ultimately.

And I think this is also a sign for you about the readiness of our solutions. It's not only some case-to-case we have with certain OEMs. At least, now we have at a point whereby we have the ability to demonstrate relatively easily the benefits of our solutions.

And if you combine all those things, we have been able to win. And as I was saying, it's a very important thing, not only in terms of number of users, in terms of footprint, but we built the -- and we structured the contract in a way that this -- we still have ability to continue to expand on top of it, right?

Do not conclude that with this contract, we have basically set up the footprint and we -- basically, we capture all the potential growth with them for the next 5 to 10 years. We still have a significant lever on top of what we signed.

So maybe, Rouven, you can give some additional comments on the financial impacts.

Rouven Bergmann
CFO & Executive VP

Sure.

Pascal Daloz

CEO & Director

Knowing that I do not want you to share everything because...

Rouven Bergmann
CFO & Executive VP

No, no. I'm wondering what I can say in the...

Pascal Daloz
CEO & Director

No. But there is a lot of competitive insight. And I do not want to share with the rest of the folks.

Rouven Bergmann
CFO & Executive VP

Yes, for sure. So what I can share is the impact to Q4 is very marginal. The -- it's a full subscription contract that we are signing. It's cloud-based. And we are going to -- it's a contract right now, which is, as I said, it's recurring. It's over multiple years. It's 7 years. It also has an extension to another 10 years.

So it's a really long-term contract, and it has the potential to double. So it's going to double already committed with this contract within the first 4 years because we have an existing contract with Volkswagen, but it's going to double again within 4 years based on the run rate that we are establishing now in the new contract. And after that, it will continue to grow.

So it will probably double 2x, but it's recurring, that's important. And it creates, as Pascal said, a lot of opportunity to do value up and expand further on top. So it leaves us a lot of options, while it's a strong commitment at the same time to double the revenue run rate that was existing in the next 4 years with a run -- with the path to further increase.

Pascal Daloz
CEO & Director

Maybe I should add 1 comment, which is you remember that Germany was really the only place where we didn't have deployed massively the 3DEXPERIENCE platform. And this was having an impact on the supply chain because their supply chain was managing different systems.

Having the same year of the BMW under 3DEXPERIENCE platform in context with Volkswagen, now I think this is also a significant lever on the supply chain. This will accelerate the penetration of the auto supply chain, especially at a time where, also, they are under pressure. So keep this in mind, it's an additional lever we have on top of this.

Rouven Bergmann
CFO & Executive VP

Yes, it's on top.

Pascal Daloz
CEO & Director

The second question?

Rouven Bergmann
CFO & Executive VP

The second question is regarding the guidance and your question around being below 10%. We are forecasting in 2025 an acceleration to 6% to 8%. We are looking at a strong margin improvement.

So I like the way you phrase this. We are clearly expanding on the margin side, but we are building at the same point in time the foundation to reach the high single to double-digit growth in 2026, while we continue to expand our margins.

So we are in a way, as it relates to this in a year of growth acceleration and transition, to that level of high single to double-digit growth that we would -- that we are going to expect in the future.

Pascal Daloz

CEO & Director

Yes, Laurent?

Laurent Daure
Kepler Cheuvreux, Research Division

It's Laurent of Kepler Cheuvreux. Three quick question for me. First one is same as Anton, but on Lockheed Martin. I'm sure you were expecting this one.

The second one is on MEDIDATA. I know you had a lot of deals to renew in the fourth quarter. Question is, have you managed to renew all of them? And I think the plan from your Head of Sales was to renew at nearly 5% or 10% price increases. Have you been able to achieve that?

And the last question is more open. On NVIDIA, you announced them as a partner. I think it was in the second quarter last year. And then they came with some talks at a recent conference talking about the virtual twin with Accenture. Do you still see them as a partner? Or can they become a competitor in the long term?

Pascal Daloz
CEO & Director

I can give some context again for Lockheed Martin Group because as I was stating, it is only -- it's not only for the aircraft, it's for the space and basically everything they do. You remember, it's almost the same story than the Volkswagen. We had a significant presence on the engineering side, but the manufacturing was basically a large Siemens base.

So I would say it's almost the same basically consequences or the same implication of what you just say for Lockheed Martin. I think with this, we are doubling the size of the revenue we do with Lockheed Martin. And we probably have again an ability to double again.

And why this is important? Because you know, the defense and space sector in the U.S. is extremely concentrated. But you also have a lot of suppliers, and it's still an untapped market for us. So this is also opening the door for us to continue to expand in the supply chain, having the large OEMs now standardize on 3DEXPERIENCE platform.

The process was almost as complicated as the Volkswagen one, probably with more politics in the game, the same discussion on the pricing than we had at Volkswagen. But again, we had enough proof points and enough pilots in production to prove that at the end, the value generating was not the same.

Rouven Bergmann
CFO & Executive VP

Maybe I can just straight go to the MEDIDATA question. But you're right. It's a subscription contract recurring, and it's doubling of the commitment and the potential to further grow, as you said, because we are entering into manufacturing, which is a large space.

And the demand is huge, and the supply is what is currently limited. And so the investment into the manufacturing capacity and efficiency is what's key to them. And the relationship with the company is very strong.

And again, we were selected based on value, I just echoed what Pascal was saying, and not based on the price, which was also went up to the CFO of Lockheed Martin that we interacted with. So it's a very good relationship.

So we are very pleased with the outcome of this transaction and the visibility it creates for this industry for us in the U.S. and for us in the future. And if you now it -- we understand it. It was something we've been talking about for some time and wanted to close certainly earlier in 2024, but we did it in Q4 at the right terms.

Pascal Daloz
CEO & Director

MEDIDATA?

Rouven Bergmann
CFO & Executive VP

MEDIDATA, you have a good memory, Laurent. We had a lot of renewals in Q4, and we signed them all. We also were successful in terms of the growth that comes along with the renewals, not necessarily only from price increase, but from value and new innovation and expansion with these clients.

And of course, many of those renewals were competitive, but we didn't lose one share. And this gives us also the confidence on the large and the top pharma and mid-market that our strategy is very well endorsed by our clients. And it gives us the visibility and backlog strength for the years to come because these are long-term renewals. So that's factored into our outlook.

Pascal Daloz
CEO & Director

NVIDIA, you're right. They are a long-standing partner. Because if you remember, for the one who are following us for a long time, what they were doing, they were developing the graphic cards, and the CAD system was probably one of the most demanding software on the graphics. So we know them extremely well.

Now when I'm making those statements about at the end, the Gen 7 is about Dassault Systèmes becoming the champion of artificial intelligence for the industrial sector, it means something. It means that for the industrial sector, there are certain things. We are probably the only one able to do. To have a trustable generative artificial intelligence is one thing because, remember, all the things, whenever, it's a drug, a plane, a car, a bottle of shampoo, you need to comply with regulations, and you need to prove. And to prove, you have to make the demonstrations. It cannot be a black box.

And most of the AI engine right now are working like a black box. How NVIDIA is doing things? They are using the visualizations and they try to learn from the visualizations. There is no scientific foundation in what they do. Us in the platform, you have all the domain expertise from all the physics and all the biology, all the control, almost all the disciplines, the scientific disciplines, which are extremely helpful if you want to basically again prove and demonstrate.

The second thing is the IP protection for our customer is extremely sensitive. And right now, they put a lot of value on people coming with solutions preserving their intellectual property. The idea is obviously the AI systems needs to be trained and to learn.

But at the end, they want to ensure that it stays with their own intellectual property. It is not a way for others to get access to what they have developed for the last 40 years. And I think we have developed the proper mechanisms in order to ensure this.

And last but not least, I think, for me, NVIDIA is an infrastructure. It's like the basic platform in order to have the capacity to do certain computations in a way to accelerate the learnings. At the end, what we are talking about is the knowledge and the know-how.

So you need to have a system to understand what the knowledge and know-how is about. I think this is what Dassault Systèmes is doing for the last 40 years. So in a way, to come back to your questions, yes, there is -- I mean, they have this omniverse concept, which is definitively in competition with the 3D UNIV+RSES.

But I think we are much more well equipped, for all the reasons I gave to you, to protect our customers' base, to leverage the large corpus of data -- virtual data they are creating over the last 40 years and, more importantly, to make it with a solid scientific foundation, which is pretty unique on the market.

Rouven Bergmann
CFO & Executive VP

More questions in the room? Yes, Derric.

Derric Marcon
Sanford C. Bernstein & Co., LLC., Research Division

Derric Marcon from Bernstein. If we continue on the AI topic, what would be your pricing strategy? Or how do you plan to monetize this investment? Is it by product or increasing the price of existing offers? That's my first question.

And the second question is about the large deals that have been taken into account in the 2025 guidance. Can you share with us some hypothesis that you take here and especially compared to what you did at the beginning of 2024 last year?

Pascal Daloz
CEO & Director

Well, I will take the first one and you take the second one. I will not give you all the details because, again, we spend a lot of time to think about it. But nevertheless, I can summarize it easily for you.

The entire pricing system is based on the name user right now, right? You need to be declared into the systems with your name in order to get access to the capabilities we are providing, and it's packaged in a role. So that's what we are pricing.

With all the AI capability, obviously, we are displacing it because you have virtual companions. So they are, in a way, some virtual users, and I'm pricing them. And I'm pricing them not on the same basis because I'm pricing them on the ability for them to generate intellectual property.

So this is our way to at least structure the value we bring and put a price on it. But we will come back on this on the Capital Market Day because this will be probably one of the key discussions.

Rouven Bergmann
CFO & Executive VP

Yes. And on the competitive strength of MEDIDATA, that was your second one, right?

Pascal Daloz
CEO & Director

On the large deals.

Rouven Bergmann
CFO & Executive VP

On the large deals. The hypothesis of in terms of large deals, how they contribute, yes, I thought you were asking also about the competitiveness about -- in this. But it's fair enough.

So the good news is that most of those large deals have been signed and renewed. We had a large renewal year in 2024. So these revenue streams are not committed over the next years, and they will add to our growth in -- starting to add to our growth in 2025.

They give us visibility into the next years. They are factored into our guidance. And there, if you look at the mid-market and the large top pharma together are growing above what we guide to because we have to absorb the lower gross contribution from the CROs.

Pascal Daloz
CEO & Director

Talking about general...

Rouven Bergmann
CFO & Executive VP

General, okay. So I don't why I assumed MEDIDATA. Generally speaking, well, in the guidance, the large deals, they are -- my introduction works here also very well. They are all signed behind us. They are subscription recurring, so they continue to support us in '25, but also in the years to come.

They are reflected in our subscription line in 2025. And if you look at our industrial innovation part, because this is where those large deals sit, they're taking quite a large share. There -- those large deals that we signed over the last 2 years are more than 20% already of our subscription baseline in Industrial Innovation.

So they have a strong impact in terms of giving us visibility and growth for years to come. And so they're helping us to project and have visibility in our subscription guidance, which is a midpoint of 14%.

And of course, we have other -- we have more large deals in our pipeline in 2025. They will also contribute. The contracting model for this, in most of the cases, is a subscription model. So we'll continue to build our run rate on top of that.

And as we said before, the deals we signed, they have further potential to be expanded with the enterprise and with the value network. So there is expansion opportunities and in a way of a clear road map, right, to connect these dots and add to growth.

So do you want to go to the webcast?

Operator

[Operator Instructions] So our first question today is coming from Mr. Mohammed Moawalla of Goldman Sachs.

Mohammed Essaji Moawalla
Goldman Sachs Group, Inc., Research Division

And congrats on a results and the contract wins. Two from me, if I may. Firstly, we look at the sort of subscription revenue growth ex MEDIDATA for Life Sciences. It has been quite volatile for the quarter. And when we look at the guidance -- implied guidance for the year [indiscernible] acceleration, particularly in the back end of the year in the high 20s.

Can you just help us understand the visibility you have around achieving that, whether that's from backlog or the ramp-ups and kind of how you provisioned against some of the end market dynamics?

And then secondly, obviously, with Lockheed and BMW getting over the line, can you remind us again what kind of the pipeline that you have on some of these larger transactions across the different, auto, aero, industrial end markets?

And to what extent these will become a catalyst in driving some of those conversions? Because I know this was a big challenge you had 2024. And to what extent this is reflected -- some of the larger opportunities are reflective into your kind of outlook?

Rouven Bergmann
CFO & Executive VP

Thank you, Mo. I take the first question.

Pascal Daloz
CEO & Director

You can also take maybe this one.

Rouven Bergmann
CFO & Executive VP

And also the second one. Fair enough. Subscription growth ex MEDIDATA in 2024 was 20%, while the total subscription grew at 10%. The levers for growth acceleration and visibility more for 2025, we -- given the success of large deals and converting them to recurring subscriptions, when we look at our baseline starting into 2025, of everything that we have contracted and what we have in front of us to renew, we have well over 80% of our target of 14% growth already covered within our existing contract base for 2025.

So our backlog is strong. Our coverage is good. The remaining part, which is required for growth is well covered by our pipeline of deals that we have in 2025. So with this, we have good level of visibility to this 14% growth in subscription.

And then to the second question regarding the pipeline of large deals, I would categorize it like this that it's well diversified. It is clearly in the aero and space sector, also in the defense sector, industrial equipment.

We have been prudent more on the auto sector, but we have, of course, opportunities and also larger opportunities in the auto sector in 2025. And we see that the announcement we've made over 2024 are catalysts for decisions of other players in this industry.

So we are optimistic about it. And I also believe in high tech, we have -- and marine and offshore. We have a good set of opportunities that are stronger than in 2024.

Operator

Our next question comes from Adam Wood of Morgan Stanley.

Adam Dennis Wood
Morgan Stanley, Research Division

I also have 2. Maybe just, first of all, on Bayer. I think the big competitor there have won a fair share of the new trial business of that company. Could you just give us a little bit more insight into that win of Bayer? Is that for the existing trials that you continue to run? Or is this some proportion of the new trials that are coming back to you as a result of that deal?

And then maybe just coming back to the GenAI and maybe moving away from NVIDIA and thinking about the traditional competitors. I guess, the issue here is the model has been probabilistic and you may even be geometrically exact. But obviously, they enabled you to automate a lot of things in terms of being able to train models on real-world data rather than having to code every scenario.

So is the air here to train the models on scientifically based data that your customers have generated and, therefore, you can start to automate a lot more things? Is that kind of the general idea? Could you just talk a little bit about the time frame for that to happen and then maybe how you see the competitors positioned against you in this area and how it could impact your M&A strategy if you believe you could automate a lot more quickly with this techniques rather than potentially buying some of the players that have more traditional techniques to develop a code?

Pascal Daloz
CEO & Director

Take the first one, and I think there's one more.

Rouven Bergmann
CFO & Executive VP

On Bayer, yes, it's incremental. It's expanding on trials, but it's mostly expanding in early and late phase. We always had a strong footprint in Phase II and Phase III already. We also are expanding in Patient Cloud. And these are the main drivers of the expansion with Bayer.

Bayer is a client. We said it's a long-term customer. But in the recent years, we had some challenges around their renewals. What we see here is another example where we're doing the right thing and the customers coming back. We have the win back here, and it's validating our strategy that we are winning with value and not with price.

Pascal Daloz
CEO & Director

The second part of your question, Adam, is -- at least it's very simple. We already have the platform in place in many of the large accounts. All the data sets are in it. We are progressively introducing all the AI technology as part of the platform. And we already started, by the way, to develop some experiences.

You remember a few years ago, we came with the generative design, which was a way to have the design being driven by -- it is a simulation engine in conjunction with artificial intelligence.

So why I'm saying this? It's because the train has been launched, and you will see quarter after quarter, we are coming with extensive new generative experiences or new virtual companions. And we will come -- we will have basically the speed in our advantages because if you -- for many of our competitors or the people who are willing to follow the same pattern, they need to first to put in place the data lake.

And we know that transferring the data to one system to another one, it's a nightmare for simple reason is because none of them understand the configuration. And you have to understand that what you have into the platform, it's configured.

So which basically means it's not only a transfer of the basic data. You need to also to understand what we call the metadata. And you have more metadata into the systems and you have the data by itself. It's something the system knows by design. So we are not spending time to do IT for the purpose to deliver the value.

So right now, I don't know, we have almost 100 customer engagements with artificial intelligence on many, many different sectors. Obviously, some on the auto sector, but also in the shipbuilding, as you say, architecture and construction, which is really suitable for the generative approach.

But more recently, we're also expanding in the food industry with the generative food design. Because as you may know, in the food industry, you have a lot of constraints and you have to replace many, many ingredients in the future. And this domain, which was really operational driven, is becoming more and more scientific.

So if I do the sum of this, I think we are on track and well prepared and, clearly, well engaged with many of our large customers. And again, they are trusting us, which if there is one thing you should keep in mind in this game, they will partner with the people they trust.

And we have built this trust for the last 40 years by managing their intellectual property. And that's the reason why I think we are in a very good position to, I think I'm repeating myself, but to become the champion of the industrial artificial intelligence.

Operator

Ladies and gentlemen, due to time constraints, we have time for only one question. Our last question for today is coming from Mr. Frederic Boulan of Bank of America.

Frederic Emile Alfred Boulan
BofA Securities, Research Division

If you can discuss a bit your free cash flow outlook for '25 and beyond. If you can talk about some of the main moving parts in terms of conversion. Working cap was, I think, EUR 20 million negative in '24. Any insights on what that could trend considering deal phasing, et cetera?

Tax rate is very low. In the guidance for '25, that will remain low, I guess, 15.5% when you talked about the next few years on this and also from a cash perspective. So anything you can share with us in terms of how free cash flow will move versus, I guess, EBIT will be very useful.

Rouven Bergmann
CFO & Executive VP

Okay. Thank you, Frederic. Just one question, thank you. We are looking at our operating cash flow next year to grow in line with our business growth. We are expecting it -- the growth to be around 8% in operating cash flow. We also are expecting operating profits to grow around 8%.

We expect improvements in working capital, as you pointed out in 2025, simply because some of the large contracts that had some more challenging conversion structure at the beginning of this contract, we are now at a point where we are seeing the reverse effect. And we will be able to see the benefit of these contracts and higher cash payments in 2025 and 2026 from this. So this, we will benefit from.

On the tax side, of course, it's a volatile environment. It's hard to predict at this point because there is discussion in France about exceptional taxes in 2025. That could be on top. We have estimated it. It's -- for now in our estimation, we -- maybe the risk is around EUR 20 million to EUR 25 million for us in 2025 of additional tax expense. But given it's exceptional, it won't impact our non-IFRS results. It will be -- but it will have an impact on the cash flow.

So that will have to be factored in once we have more clarity. But again, I am -- and I see the conversion, which was 84% in 2024 to be consistent also in 2025. And when I say conversion is operating cash flow converting from non-IFRS operating income.

Pascal Daloz
CEO & Director

Thank you. So this is concluding our session. Again, thank you very much for your participation, the ones who are here with us and for the ones being connected.

We expect to you in person in the coming weeks, if we can, most of you. And as far as I'm concerned, I'm very excited with our new horizons. I think, believe me, this is as deep as 3DEXPERIENCE. And if you remember, when we came in 2012, February 9, at least some of you were scratching their head -- your head, telling all those guys they are craze, they come with something I do not understand.

So probably, the UNIV+RSES concept is still a little bit vague for you. But believe me, we are working the talk, and this is changing the positioning of Dassault Systèmes for the future, and this is unlocking significant growth for us.

And we will come back on a regular basis for you to not only understand, but to be convinced. And on this, see you no later than next quarter. Thank you so much.

Rouven Bergmann
CFO & Executive VP
Thank you.