S&P Global
Market Intelligence

Dassault Systèmes SE ENXTPA:DSY

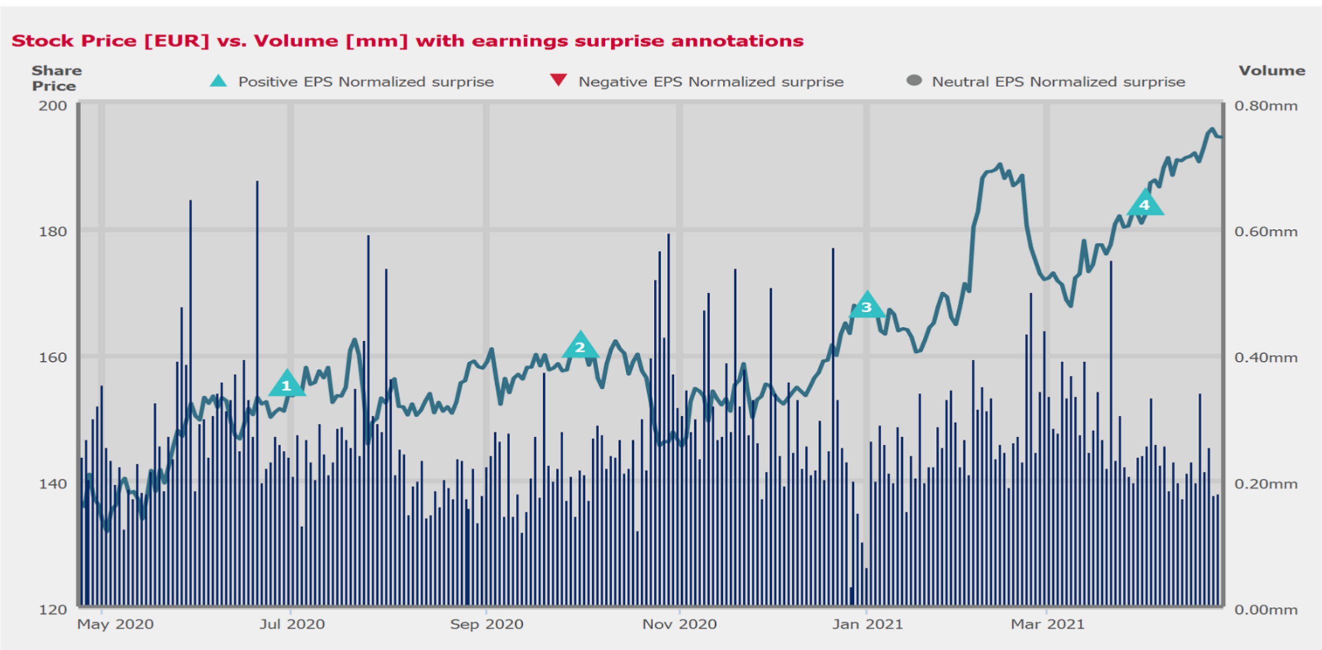
FQ1 2021 Earnings Call Transcripts

Wednesday, April 28, 2021 8:00 AM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2021-			-FQ2 2021-	-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.01	1.14	▲12.87	0.88	4.32	NA
Revenue (mm)	1168.83	1173.60	▲0.41	1120.06	4780.28	NA

Currency: EUR
Consensus as of Apr-28-2021 10:00 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2020	0.76	0.80	▲1 5.26 %
FQ3 2020	0.79	0.80	▲2 1.27 %
FQ4 2020	1.18	1.22	▲3 3.39 %
FQ1 2021	1.01	1.14	▲4 12.87 %

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Call Participants

EXECUTIVES

Bernard S. Charles
Vice Chairman & CEO

François-José Bordonado
Vice-President of Investor Relations

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JPMorgan Chase & Co, Research Division

Presentation

Operator

Good morning. Thank you for standing by, and welcome to the Dassault Systèmes 2021 Q1 Earnings Presentation Conference Call. [Operator Instructions] Please be advised that today's conference is being recorded. [Operator Instructions]

I would now like to hand the conference over to your first speaker today, François Bordonado. Please go ahead.

François-José Bordonado
Vice-President of Investor Relations

Thank you, Shane. I'm François Bordonado, Dassault Systèmes Investor Relations. From the company, we have Bernard Charles, our Vice Chairman, Chief Executive Officer; and Pascal Daloz, Chief Operations Officer and Chief Financial Officer. We hope you and your families are doing well, and I would like to welcome you to Dassault Systèmes First Quarter 2021 Webcast Presentation.

At the end of the presentation, we'll take questions from participants. Later today, we will also hold a conference call. Dassault Systèmes results are prepared in accordance with IFRS. Most of the financial figures on this conference call are presented on a non-IFRS basis, with revenue growth rate in constant currencies unless otherwise noted. For an understanding of the differences between the IFRS and non-IFRS, please see the reconciliation table included in our press release.

Some of the comments we'll 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 2020 Document d'enregistrement universel. I will now hand over to Bernard Charles.

Bernard S. Charles
Vice Chairman & CEO

Thank you very much, François. Hello to everyone. I think Pascal and I have quite interesting facts to share with you that -- facts that will echo very well what we announced and shared with you on February 6, 2020, which I call the new horizon for Dassault Systèmes.

But first, when it comes to Q1, the first quarter of 2021, software revenue was up 10%, excluding exchange rate, with 91% of this revenue being software -- of the total revenue being software. The license revenue is up 25%. And the EPS is also quite strong, up 20% to be noticed, 28% if you exclude the exchange rate.

The second remark, I think, is really the fact that we continue to play the role of being a serious catalyst for the transformation of life science at large, but also customer and consumer experiences as well as reimagine the retail with Centric PLM on more, basically, we've got it on the announcement that we do today.

Of course, our [indiscernible] equity to be focused on citizen, customer and patient is not -- we don't take it lightly. Harmonize product, nature and life need to be translated in the way we deliver solutions. So we focus on 3 sectors of the economy: manufacturing industry, life science and health care and infrastructure and cities. And I think we have proof points that we are progressing in those areas. We really took serious commitment to continue to reduce our footprint and communicate our handprint, which is basically the effect of the use of our software, and I will refer to by the industries, and I will refer to the excellent study done with Accenture and Dassault Systèmes about the deliver of virtual twin experience, virtual twin. And we are finally upgrading our EPS guidance for 2021. Pascal will give you more detail -- interesting detail about that.

So back to the [indiscernible] and the focus of what we do and the way we engineer our solutions for the market. I think we are focusing on people at work, how they can become champion, learn and do better. Of course, the [cooperation] with health on new therapeutics, on new even medical practices, and of course, the conditions of our living environment with more sustainable environment. This is what you have illustrated here. This is the new profile of Dassault Systèmes on how we conduct the arbitration of what we do.

So basically, if I summarize it, it's human-centric innovation, working with our customers and partners. And we see very practical consequences of that, whether it's about food, on health, wellness, new treatment or prevent treatment. It's about also inclusiveness, and it's about many, many aspects, whether I am a patient with the patient journey or whether I'm using products that are not very useful and I want to have a better experience with those products.

So why reformulating as we did a year ago with Pascal with very precise publication, reformulating our role in the world of manufactured goods, in the world of life science and health care as well as infrastructure, I think, is a good way to understand our ambition on horizon for the future of Dassault Systèmes, and we want to translate it to facts quarter-after-quarter to illustrate how it can generate a sustainable double-digit [indiscernible] growth.

Our reach today, if I do a quick zoom in on life science, we believe we are #1 in market share in life science. We have over 8,000-plus active customers, the top 20 biopharma and med tech, all top 10 CROs. We have active partnership with FDA and IMI. And we have, of course, a strong position both in drug development and medical devices. So it's really science based. It's more than tracking citizen, it's a science-based platform.

We have over 50% of the world clinical trial are now supported by Dassault Systèmes Medidata platform with above 22,000 clinical trials with billions of data points. So we do big data. We don't comment it too often, but we do big data. We do big data in manufacturing, too, a wide access to patient and to physicians. Here, you see 6.5 million for patient and 45,000 physicians. A lot of access to hospital facilities, 22,000 on direct hospital connection, as you can see here, including the incredible asset of imagery for 450 million images to really continue to develop AI-based predictive understanding of what is happening.

So numbers, but it's to tell you, it's not a light position, and we want to continue to develop it in a very sustainable and fair way for all the players. We are very pleased and I'm proud to see BioNTech, a European company, with all the scientists, scientists and research and the passion for science. We feel close to them. So we are very pleased to expand our partnership with them, with One Lab, BIOVIA, 3DEXPERIENCE, One Lab.

And what they do with it is really variant analysis on preclinical anticipation. Of course, increase the -- find the solutions, increase the speed, improve the collaboration, standardize across labs and, of course, increase the quality of compliance and efficiency and master the full end-to-end from R&D clinical on production manufacturing integration. So it's a beautiful story as the one we have with Moderna, but we want to continue those kind of stories. We think that this is Dassault Systèmes.

Karyopharm, another example, using clinical Medidata platform on the cloud. Really, they have moved from doing one study in 2014 to now 15-plus study in 2021 with consistent solution on infrastructure for it. So the revenue is important, the performance of company is important, but what it means for the impact on the society with those kind of partnership is also a good reason why people are joining us in the world to be part of the Dassault Systèmes story.

Now on more traditional sectors, we are pleased to continue to expand with JLR, not the biggest producer in the world, but really, they are quite innovative, and they have to be innovative. And I think that Thierry Bolloré's plan, reimagine, refocus and create well-positioned, high-value solution is really something that will happen with this 3DEXPERIENCE platform.

What is noticeable here, you are quite familiar with what we do in manufacturing, but it's more than half of the use of 3DEXPERIENCE platform is based on data analytics and data science. This is noticeable. It's not only modeling and simulation. It's data analytics on data science, cost, weight, energy performance. And we're going to do more together. And of course, this is to support their commitment to electrification and also clean hydrogen fuel cell power development where there is a lot of safety issues and infrastructure issues to be resolved.

Last not least, in a totally different sector where the consumer is the decision-maker, Gautier, they are doing home releases for home retailers. And they are really using now the adoption of 3D to really create new shopping experience, new consumer experiences. It's quite interesting to see, and I believe that it's the right timing because the new devices that we all are going to have in our hands are going to be fully 3D enabled. And this will change retail, both for Centric PLM, for HomeByMe and for many other activities related to apparel, retail at large, food and beverage, where you want to see something as close as possible to the real world.

Finally, and I know many of you have been observing and maybe with a little smile about our -- my conviction 2 years ago in 1999 when I said we will change the game in construction. The Bouygues announcement is not a minor one. I believe that is as profound as moving the construction site, consuming only drawings to a construction site, consuming virtual reality for all people, the virtual twin for all people who are involved in the construction site. So we are not starting from the engineering of the building but from actually the construction of infrastructures. And you know the target number of users is not marginal. Bouygues plan to have in less than 3 years over 15,000 users using the 3DEXPERIENCE platform.

Cloud, mobile only with zero development of cloud but parameterization on smart, what we call intelligent experience. So the current solutions don't offer that at this point of time. The current competitor don't have the web-based, cloud-centric that can work on a phone, you do airplay on a big TV, so it's cost efficient. A phone can do airplay on a big TV, and you can see the virtual twin of the construction. So Philippe Bonnave, the CEO of Bouygues Construction, is really, really supporting this. I believe that this is the 3DEXPERIENCE platform in action.

Now there is a certain underestimation of what -- why the -- what is the 3DEXPERIENCE platform. To make it simple, it connects people, ideas, data and help the world, the virtual world to be as close as possible to the real world. At the middle of it is the experience, show me how it works. So we basically are concentrating on modeling and simulation, on data science, science for modeling, science for simulation and science for data. That's the unique aspect of our platform. And I think the JLR extensive use of data science in everything they do is a good illustration of that.

Side remark on the event in the first quarter. We did a very large virtual event for -- 3DEXPERIENCE Works for the SOLIDWORKS lovers was very successful, 20,000 attendees. And you see here the expansion of this. We will continue to invent new virtual events that are quite exciting perspective. The lesson learned from pandemic, I think, is quite interesting from that standpoint.

And finally, on the important topics for us. We continue to be -- increase the clarity of our engagement on the footprint and handprint. On the footprint, we signed the UN Global Compact as a partner, world's largest corporate sustainability initiative, on the science-based measure of how you reduce footprint.

On the handprint, I have mentioned the study that we have been doing with Accenture, which is a very, very interesting study and we are really very serious about leveraging the power of virtual twin experience for all industries. And we are also a founding member of the EU Green Digital Coalition, and we are very proud to be part of this group, and we will be an active player to share ideas. And there are more than 5,000 stakeholders engaged already. So this is to translate also intent that, usually, you see in annual reports to reality the way we execute.

And a few showcases more, the expansion of our simulation environment for EV on hybrid with BMW. I think it's a great showcase, and I think it's going to provide extraordinary references to many other players in the industry. As you know, we already mentioned that the giant Toyota is adopting Power'By platform. This was announced last year, and they continue to expand.

So in short, before I give the floor to Pascal, I believe we are walking the talk. Harmonizing product, nature and life is an industry renaissance for both manufacturing, life science and health care as well as infrastructure. And we hope to continue to report every quarter stories that proves it. Back to you, Pascal.

Pascal Daloz
COO, CFO & Director

Thank you, Bernard. Thank you all of us joining us today. I hope everything is going well on your side. So let's start with the performance, the financial performance review.

Total revenue increased 8%, at the high end of our 6% to 8% range, at EUR 1.174 billion. Software revenue growth of 10% came in above of our range of 7% to 9%. From a profitability standpoint, lower-than-planned expenses combined with the high end of the guidance for revenue led to a significant outperformance at the operating margin and EPS level.

Now let's zoom on the component of the revenue. License and other software increased 25% versus our guide of 0 to 5%. About 5 points of this growth came from a CapEx preference from our customers. And the other contributions to the upside came from strong results in China, SOLIDWORKS and also large 3DEXPERIENCE platform transactions, especially in Transportation & Mobility. Subscription and support revenue increased 7% versus our guidance of 8% to 10%. And during the quarter, about 1 point of the estimated recurring revenue growth outlook moved to a CapEx purchase. However, the subscription revenue increased double digits, and the churn is really consistent with what we have seen last year. So there is no concern at all on this front.

With respect to services, we were able to improve our gross margin to 12.1% from 2.9% last year, thanks to the work completed last year despite the revenue decrease of 9% compared to our range of minus 2% to plus 2%, and it's mainly due to the extended lockdowns we have seen.

Now let's zoom and let's move to the regional software review. In Asia, software revenue increased 10% in Q1. China was by far the best performing geo, up sharply, reflecting the strong growth across all the engagement models. It had the highest growth both on software licenses as well for the recurring software revenue. Korea, we saw the beginning of the recovery. And both in Korea and China, we also had key wins for 3DEXPERIENCE platform. In Japan, we saw a strong performance in our indirect engagement model. And the vast majority of our 3DEXPERIENCE engagements such as Toyota are proceeding as planned.

Just a side note, Bernard was mentioning Toyota. At Toyota, we have equipped almost 20,000 people, and 18 car programs are ready on 3DEXPERIENCE platform right now. In India, despite the difficult environment, and we have a lot of respect for what is going on right now for our partners, for our customers and also for our colleagues, so -- but nevertheless, as the situation is slightly improving, we saw some year-over-year improvement.

In Europe, we are still seeing a mixed environment with software revenue up 6% in total. And Europe is almost split in 2 different parts, where it's -- we have the deconfinement, we are seeing the growth; and where we still have confinement, the growth is a little bit more modest. So to be precise, the north and the south of Europe, we have the best performing geo and improved activity in Transportation & Mobility, both with large mobility players as well as the automotive suppliers. And we still have a modest growth in France and Germany despite the recovery we were speaking about in Transportation & Mobility.

In the Americas, software revenue increased 14% with a strong growth in Life Sciences, thanks to Medidata, but also in Transportation & Mobility. And this is an interesting case because it's a mix between the incumbent and also the newcomers and new players, the EV guys. So clearly, we start to see a balanced growth between those 2 subsegments in the auto sectors.

Now let's move to the split of the revenue by product line. Few things I want to say before to give some details. First of all, we continue to increase the reach and the balance. During the first quarter, the Mainstream Innovation represent 23% of the Software revenue. Life Sciences was 20%. And within Industrial Innovations, CATIA accounts for about 1/4 of our total software, with complementary brands adding to 32%. So clearly, if you look at -- if you step back a little bit and you look at what we did in the past, we have -- the revenue is relatively well balanced across the different product lines right now.

So let's zoom on Industrial Innovation. Industrial Innovation, we saw a strong momentum in these brands, notably SIMULIA, ENOVIA, DELMIA and NETVIBES in Data Intelligence, Bernard, if you heard about it. While CATIA 3DEXPERIENCE software increased 12% overall, the activity led to a decrease to 1% for CATIA. In total, software revenue increased 4% in Industrial Innovations.

Our Life Sciences software revenue increased 16%. We are seeing a strong momentum led by Medidata where software revenue increased 20% in Q1 driven by the 3 big product lines. So Rave in clinical data management; Patient Cloud for all the solutions to connect patients from home; and Acorn AI, the solution related to the artificial intelligence and data analytics. Medidata also a solid operating margin performance and a strong cash flow from operations this quarter.

Mainstream Innovations. So software revenue increased 20% in Q1 and a strong growth for SOLIDWORKS and Centric PLM. So SOLIDWORKS software revenue grew 18% in Q1 on both licenses software and recurring revenue strength. And the software was up double digit in all the 3 regions of the world. To be noticed also, our partners are also seeing good traction in 3DEXPERIENCE WORKS portfolio with a role leveraging our strength in collaboration and simulations, especially.

Now let's move to the key trend in the industry. While we have covered a number of already industry indirectly, let me share some Q1 performance highlights to give you a sense of activity by industry as we start the year. So beginning with manufacturing industry, we had a double-digit growth software revenue in Transportation & Mobility, Marine & Offshore and Home & Lifestyle.

Looking at Transportation & Mobility, this growth came from the strength across a number of domains, including simulations, data analytics with NETVIBES. We are also starting to see a recovery with automotive suppliers and some acceleration of investment by OEMs as they advance their new mobility initiatives. Speaking about Centric PLM. We drove the double-digit growth also in Home & Lifestyle.

In the Life Science and Health Care sectors, Life Science software revenue grew 16%, benefiting from growth in Life Science product line as well as from an increased customer activity for SOLIDWORKS in the medical devices company as well as SIMULIA. We are also seeing an increased customer sales engagement in manufacturing with life sciences company. We spoke about it, but we see more and more of these trends materializing in the revenue.

In the Infrastructure & City sectors, construction increased double digits, led by our activity, especially in China this past quarter.

Now I want to come back to our growth strategy and to -- because you remember, at the Capital Markets Day in Q4 last year, we discussed the growth axis. And regarding the 3DEXPERIENCE platform adoptions, there are 2 axes. The first one, we call it Value Up, which is increasing the value we bring to the large installed base we have through a broader adoption of all the domain expertise we have. Two, Value Wide is nothing more than to extend 3DEXPERIENCE to new customers, including the mainstream market adoptions. So Value Up and Value Wide will bring 3DEXPERIENCE to represent about 2/3 of our software revenue by 2025.

Now for the quarter, as you can see, 3DEXPERIENCE software revenue increased 18%, with license and other software revenue up sharply, 57%, which is almost twice the growth of the license and other software revenue in general. The largest license deal in Q1 were more evenly weighted towards Asia and especially China.

The second topic I want to just come back is the cloud adoptions. I know it's one of your favorite topic. We see this as an opportunity to bring to us new category of users and new usages. So looking at the cloud contribution, it represents about 18.5% of our total software revenue in Q1, which is 2 points increase compared to 1 year ago. Based upon our end market sectors, we set the goal last year to reach EUR 2 billion in cloud software revenue by 2025, which would represent an estimated 1/3 of our total software revenue compared to 17% in 2020.

Just a quick reminder, our cloud strategy is set to meet our clients wherever they are in the context of their industries. And that's very important to take this into consideration because we started the digitalization in the industry 20, 25 years ago, so clearly, we have this legacy to take care. And the starting point is not the same for all the customers we serve. That's the reason why our strategy is not one-fits-all, but we have different paths for the cloud.

First one is the native on the cloud. And usually, this is the path used by the newcomers of the new industry we are entering in. The extended with both on-premise and on-the-cloud solutions, which is usually a way to connect with, for example, simulations capacity when you need a lot of computing power and maybe you do not have it on your premise and you can leverage the cloud capability to make this happening. And also the connected with on-premise software solutions connected to the 3DEXPERIENCE platform on the cloud for collaboration purpose, which is our Power'By strategy.

In terms of capabilities, we released 21x. 95% of our portfolio on-premise capabilities are available as cloud solutions. And with the new release coming this year, we will have more application roles being available on the cloud that we have on-premise.

Now to illustrate this growth strategy, let me zoom on some customer case just to illustrate that we walk the talk. The first one is I wanted to share one of our SOLIDWORKS customers, Teel Plastics. They have adopted the DELMIAWORKS. In this example, Teel Plastics is a company developing plastic tubing for many medical applications. And they are able to quickly scale and manage multiple production sites at the same time, especially important as part of the COVID-19 swab testing products. So that's a good example how we can expand the scope of what we do, leveraging the large installed base we have. And again, these trends coming from the WORKS family is very visible on many fronts.

In terms of Value Wide, let's say a few words about Centric PLM. Centric PLM software and services revenue were up sharply in Q1. Sustaining recovery began in Q4 last year with record booking but also a strong new customer acquisition, which has been multiplied almost by 3. It shows also improvement in key geographic markets, including Asia, especially a strong expansion in China is happening right now. And finally, in addition to its leading market position in home and lifestyle with a global brand in fashion, we are more and more diversifying Centric PLM in retail and food and beverage. That's something very key. We will complete the acquisitions at the end of Q2.

Another example to the cloud is BIOVIA. As you may know, BIOVIA, we are shifting progressively to subscriptions and also to the cloud. That's the model we want to have for the Life Sciences at large. One example is Abzena. It's an interesting company because it's a contract development and manufacturing organizations involved in manufacturing biological drugs, including COVID-19-related one. They had adopted the 3DEXPERIENCE platform with our License to Cure for biopharma and our ONE Lab solutions, the 2 on the cloud.

So that's, again, some illustrations to highlight the fact that we walk the talk, and the growth strategy we have developed and presented to you at the Capital Market Day, we are monitoring them with precise KPIs.

Now let's move on the profitability. A few words about our operating margin, which came at 33.9% versus the midpoint of our guidance, 30.7%, which is 3 points more, if not 4 points more. The results -- the revenue results contributed to 70 basis points of this upside, and the rest is coming from lower-than-expected operating expenses, around 250 basis points.

And just to give you some analysis behind this, half is coming from the travel and the marketing spending restrictions because we still have many countries where the confinement is still going on. And the other half is coming from a higher attrition compared and -- combined with the lower hires than expected. So that's probably something I want to draw your attention on.

The attrition used to be around 5% last year. And for this quarter, we see the attrition moving from 5% to close to 9%, especially in the United States. So clearly, we will not obviously continue along the same path. So we will accelerate the hiring in order to offset this attrition level.

Related to the EPS, as I told you, lower-than-planned expenses, combined with the high end of the guidance for the revenue, led to a significant outperformance of the EPS at EUR 1.14, growth of 20% versus our guidance of between 3% to 8%.

A few words about the cash flow. We had a very strong Q1, up 40% to EUR 642 million. Net income and noncash items grew 18%, with the working capital evolution, in particular, nonoperating working capital up sharply, which led to our net financial debt position at the end of March to EUR 1.5 billion, which is very consistent with the deleveraging plan we have set up, and we will be almost fully leveraged at the end of the year.

Now let's turn to our 2021 financial objectives. The update following Q1 are straightforward, you can see on the slide, taking in the OpEx upside and maintaining our revenue at constant currency. So first, we are reconfirming our revenue objective range of 9% to 10% in constant currency. Inside this, nevertheless, we shift up by 1 point of growth our previous software range, bringing it to 10% to 11% growth. And for services, we shift down, bringing the servicing growth to 4% to 6% growth, removing about a little bit more than EUR 20 million, EUR 10 million coming from Q1 and EUR 10 million additional coming from Q2. We expect H2 performance to be in line with our previous guidance for the services.

The top line growth for this year is essentially an organic one, with all the growth levers aligned with our midterm plan we shared with you at the time of the Capital Markets Day last year. We also increased our operating margin to 90 basis points to 31.7%, at the midpoint of the guidance, starting from 30.8%. We see a higher contribution mix, obviously, from the software revenue as Q1 lockdowns show on-site services work on the other hand as well as the expense timing ramp-up around travel and [highs] on the other side. And finally, we have increased our non-IFRS diluted EPS objectives to EUR 4.24 to EUR 4.28, leading to expected growth of about 12% to 14% or about 15% to 18% in constant currency, capturing the earnings upside from Q1. At the midpoint of the range, this represents an upgrade of EUR 0.14, comprised of EUR 0.02 contribution from the revenue and EUR 0.12 from lower OpEx Q1 and Q2 adjustments I just described.

And finally, with respect to Q2, we are targeting a revenue of EUR 1.130 billion to EUR 1.155 billion, growing, excluding currency effects, between 12% to 14%, with software growth expected between 12% and 15% driven by a very strong license growth between 29% and 38%; recurring software revenue growth between 9% to 10%; and the services growth between 3% to 8%. This lead to an operating margin of between 29.4% to 30.1% and an EPS between EUR 0.94 to EUR 0.98.

To summarize, I think we had solid start to 2021 in financial terms. And looking at the growth in our largest industries, the strength in 2 or 3 product lines, definitely improving the dynamics of some of the large geos, and we have seen this. We look forward to speaking with many of you in the coming days and weeks for virtual roadshow and conference. And I think Bernard and I would like to take and answer your questions.

Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of Stacy Pollard calling from JPMorgan.

Stacy Elizabeth Pollard
JPMorgan Chase & Co, Research Division

Two or three, if I may. First of all, cloud. You're right, we love this topic. 18.5% penetration now. And of course, Medidata is a chunk of that. Can you say also where your strongest demand is otherwise? So for example, by industry, by client size, by software product type. Sort of interested in that.

Second question, data analytics and simulation seem to be particularly strong. Maybe just talk about who your competition is there and what your unique angle is. And I think you mentioned embedded science functionality. So we'd love to sort of dig in on that.

And then sorry, third question, just you're a challenger in construction. You say Bouygues, of course, is a great reference customer. Maybe where else are you making inroads? And is there an opportunity in China and Asia? Sorry, that's quite a few, sorry.

Bernard S. Charles
Vice Chairman & CEO

Thank you, Stacy. We share the answers with Pascal. If I may start, Pascal, on the cloud. On the cloud, yes, you're right, I think the dynamic is strong with both Centric PLM. Don't forget that. Centric PLM on Medidata platform. We also had a very successful dynamic with 3DEXPERIENCE WORKS, especially when we provide now SIMULIA work, SIMULIA on the cloud for SOLIDWORKS desktop clients. And we have Gian Paolo, CEO of SOLIDWORKS, who is out putting his arms around 3DEXPERIENCE WORKS at large is really creating a strong dynamic.

To be very precise, in the past, there were a lot of competitors connecting to the SOLIDWORKS base, which is a huge base. And clearly, the fact that now -- we don't want to leave that plate for someone else. And I think the cloud is really in a strong dynamic for that. So basically, simulation, project management, project management for the -- what we call mainstream market are really levers that we see playing a great role going forward for cloud.

Construction, we are doing everything to make it cloud-only because we want to be on the construction site. There is no good solution on cloud for construction site, believe it or not. Distributing a drawing on the PC is not like providing the entire sequence for construction on the cloud through a browser. That's what I just said for fun, but when you do from a phone airplay on a big TV, it's very different than having to get a PC on the construction site. And the guys on the construction, they love it. So we think that the 15,000 ambition in relatively short term for users for Bouygues quantify this quite well.

To touch your question about the construction, of course, China is important, very important. I think we have to accelerate cloud. We have amazing showcase on-premise, but I don't think the on-premise is the best solution for construction. It should be cloud, basically cloud-only. So we are going to redirect our focus, which means to have cloud operator in China that are based in China. We have a good position there and more to come there. I cannot mention too much at this point in time. But I think if we can have a Chinese-based cloud with the proper thrust, I think it will accelerate from that standpoint.

On the data analytics, on the data analytics, we were doing a lot, but unfortunately, we were not articulating well our offer. So there was a lot, as you've implied, functionalities but not suitable with the different type of users. So now we are making this clear for supply chain managers, for buyers, for cost analytics, for waste analytics, and we are systematically creating what we call analytics roles, which fits with the way people work in their industries. And I don't remember -- I think I mentioned that for -- in the case of JLR, for example, more than half of the 3DEXPERIENCE roles are exploiting analytics.

So we believe that because the data are there, because they are connected, because it's easy, because it's web-based, mobile, even when you have it on-premise, it's web-based and mobile, we believe we can leverage that. So that's in short what I wanted to say. Pascal, please don't hesitate to add.

Pascal Daloz
COO, CFO & Director

No. Maybe one comment I could add on the cloud because you touch the product line and the industry, but if I look at the manufacturing industry, we are seeing traction of the cloud solutions in auto and aerospace. And the traction is coming from the newcomers because the vast majority of them, they are starting straightforward with the cloud solutions. And it's not insignificant. It's really -- it starts to become material for us.

Operator

Your next question comes from the line of Mohammed Moawalla calling from Goldman Sachs.

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

I have 2 questions from my end. One, Pascal, maybe you can help us understand this dynamic that you saw around the recurring revenues shifting more towards license or CapEx purchasing. Just I guess help us understand, given the shift in the broader industry towards more recurring purchasing, why is this the case? Or are there any sort of circumstances driving this? And could this just be a temporary or short-term momentum phenomenon?

And then secondly, Bernard, a bigger picture question. As we come out of the pandemic and as you look at the signs of the sort of cyclical or discretionary demand starting to return, how does this sort of alter the adoption, the conversations you have with customers around the platform? And to what extent could this be an accelerator as we think beyond just 2021? Where do you see sort of a lot of the big opportunities? And in terms of the actual selling process, to what extent does it become sort of easier for you?

Bernard S. Charles
Vice Chairman & CEO

Thank you, Mo. Pascal?

Pascal Daloz
COO, CFO & Director

Okay. I will start with the first one. So Mo, you have seen the adjustment I made. So you are right. I mean we see the CapEx back. It was something where if you look at what's happened in 2020, we didn't have too much last transactions being CapEx-based. We had some investment, but it was much more focusing on the subscription model. It's mainly coming from the auto sector. And as you know, traditionally, this sector is a CapEx-based industry more than OpEx-based. And that's the reason why you have this, you would say, incremental revenue we put in the guidance on the license, which is almost 5 points.

And on the other side, we have adjusted our recurring revenue by a little bit less than 1 point, which is the equivalent on the recurring side. It's against -- as I always tell you, we need to have the both model because we have to respect the business model of our customers. If you take the auto industry, right now, the profitability is at stake for many of them. They go -- they are not -- they do not have the volume, they have to redesign a lot of their car. I mean, in many countries, they are in confinement.

So -- but at the same time, it's an industry where you still have to do a lot of investment in order to develop the next generation of products. And the CapEx is really the way to go. And that's the reason why we still want to give these at least options to our customers because I think, on the long run, we are their partners. And we are here to help them, not to constrain them. That's what I can say for this topic.

Bernard S. Charles
Vice Chairman & CEO

Related to the platform phenomenon, you're right, there is -- it's really -- there are multiple driving labor here. Acting at different speed on journey is not the same for all the cases. As Pascal said, there are 3 domains where we see now systematic adoption of the platform, native, newcomers in industries. And it's not only innovators. It's about really new commercial sizable companies. That's the driver.

Second driver is, of course, all the sector related to CG, CPG, what we do with consumer goods with Centric, the clinical trial with Medidata, also the mainstream. And basically, the driver is not SOLIDWORKS itself. It's everything around SOLIDWORKS: project management, simulation, manufacturing. We plan to have native former IQMS, I mean, meaning the ERP that Pascal mentioned, what we call DELMIAWORKS, to be native on-cloud platform for the 2022 business, which is a big tipping point because it's easy to deploy.

Then when it comes to the large clients in manufacturing, of course, construction, it's clear. We basically want to focus only on cloud mobility because there is no solution today, to tell you the truth. It's quite interesting. And for EV manufacturing, of course, many of those have gigantic legacy. The Power'By, the Toyota showcase, we think, can be applicable to -- which is to adopt the platform to connect all the elements together and then to use native platform-based application in their process. This is a powerful -- for a large customer, a powerful way forward.

So as you can look at it, in every businesses we do with the 3 that Pascal expressed, native cloud, complementary, we could call it on the edge, and Power'By, we think each time we want to engage systematically with the platform for all businesses we do. And the acceptance is a good acceptance. I think the limiting factor -- because I understand your question more about acceleration, the limiting factor is the transformational speed for those clients more than anything else. I think the solution is robust, mature, they like it. So we probably need to continue to improve that aspect of conducting those changes with them.

Operator

So your next question comes from the line of Neil Steer calling from Redburn.

Neil Steer
Redburn (Europe) Limited, Research Division

Congratulations on the results. Just 2 questions, if I may. Firstly, you've mentioned the aspiration to have 1/3 of the software revenues cloud by 2025. Can you give us a sense as to what proportion of those cloud revenues do you expect to be in the different buckets of cloud-native, extended and connected? And my understanding is that with the growth that you've got with the sort of the core cloud-native services at the moment within Centric and Medidata, you'll probably get very close to that 1/3 of software revenues being in the cloud in any case.

And the second question is on the attrition, you mentioned attrition up. Do you know why the attrition went up? And can you say where specifically and what functions you saw that increase in attrition?

Bernard S. Charles
Vice Chairman & CEO

Maybe on cloud, wherever the -- wherever it's possible, we push cloud first systematically. So -- but actually, I think that the type of customers we have, some of them are not ready for that. So doing what we call private cloud, and I hope this will be recognized, private cloud will be recognized as cloud, probably it is not really fully factored yet, probably can be another positive factor.

The private cloud approach is really an interesting approach for clients because we don't want to delegate the administration, so we really operate for them. But we guarantee -- I mean we have a new level of cybersecurity that many of them need in having a very precise ISO installation of their environment. So that's probably a factor I did not mention before, but that has come on top, but it's too early. It's still too early. You are right, mechanically, based on where we are and what we do now.

I think Pascal Daloz committed for relatively the objective. So probably, we'll have to push him a little bit more.

Pascal Daloz
COO, CFO & Director

Neil, next time, please do not ask this kind of question. No, but you're right. I mean when I did love the plan to answer to your questions, really, what really -- that's more what we call native and edge. I did not factor the ability to probably accelerate the transition from on-prem to private cloud. That's something we still have to prove. We have the offer. We have some good references, but now we need to scale, having the proof point and the economics also with this.

Related to the attrition, clearly, the attrition is increasing, specifically in North America. This is where we see attrition being back being typically in sales function but also in some G&A function as well.

As far as the research and development is concerned, it's relatively contained. And you will see in the appendix of the presentation, we are still improving significantly the number of people in research and development.So clearly, we are keeping the trend we had last year, and we are focusing to a certain extent much more on this right now. But we need to take care of the attrition [indiscernible].

Operator

And your next question comes from the line of Nicolas David calling from ODDO BHF.

Nicolas David
ODDO BHF Corporate & Markets, Research Division

I have 2 actually. The first one is regarding SOLIDWORKS. Obviously, you posted a very strong performance in Q1. First is a clarification regarding that because I'm not sure I understood well. But you mentioned 18% growth, both in license and recurring or -- so just -- so could you clarify a little bit of license, please? And do you think that you have reached there with SOLIDWORKS and maybe also 3DEXPERIENCE that works like an inflection point regarding the adoption of the solution with VARs and clients being now understanding better the value of the offering? Or do you see something else there, like exceptional revenue on a region, which is not related to that? So any clarification would be great.

And my second question, I'm sorry, because you announced a lot of great deals during the quarter, but I wanted to talk about deals signed by one of your competitors, Veeva, which signed a deal with Parexel, apparently a partnership with Parexel. So could you please comment still? And also mention if you were competing against Veeva to partner with Parexel also. Any color regarding it would be interesting. And do you think that it will improve the ability of Veeva to accelerate market share gains in the sector?

Bernard S. Charles
Vice Chairman & CEO

Pascal?

Pascal Daloz
COO, CFO & Director

No, obviously, the 18% is not the same number for the license and the recurring part. I think it was a combination of the 2. And I will not give you the split. Nevertheless, I can give you some insight, which is the following: In volume, number of units, the growth is double digit. And in value, you could probably add another double digit. Okay.

That's interesting point because, again, as Bernard clearly stated, we are at the point whereby SOLIDWORKS and the WORKS family, it's a way to establish the footprint, but it's a way also to do the Value Up because with the platform, we have an integrated environment for many of the company willing to have one set of solution, if you want, do everything they have to do, and compatibility between all the different pieces. The fact that we have the same experiences, it has been designed with the same architecture, everything is running on the cloud. It's -- you have all the benefits of usually what a large company could offer. It's affordable for almost all the enterprises.

This is known, recognized, and we see, as you say, some tractions. And the best, I would say, proof point I have is the feedback from our resellers because they are the first one to be convinced in our model. And they did great with the WORKS family, especially on the simulation side. And I just want to remember that it's something we say several times. The simulation -- the large installed base we have with SOLIDWORKS, we have a lot of competitors who have addressed this installed base with simulations products, and it's time to stop it. We did all the investment from a research and development standpoint. We have trained our VAR and now they are walking the talk. So that's also the reason why you see the value increasing in conjunction with the number of units.

Bernard S. Charles
Vice Chairman & CEO

On the Parexel, I'm not very familiar with it. We might want to -- Pascal, I don't know if you are familiar.

Pascal Daloz
COO, CFO & Director

Parexel is a CRO. Okay. So again, keep in mind, the CROs, they are doing 2 things. They have their own systems to run the productivity of their clinical research. And they are also sometimes adopting the systems prescribed by the pharma, the big pharma company. So It's not completely understandable to have Veeva being also used by Parexel time to time.

Nicolas David
ODDO BHF Corporate & Markets, Research Division

But do you think that Parexel will stop selling its internal solution and rely only on Veeva? Or is it just a way to go to 2 solutions?

Pascal Daloz
COO, CFO & Director

Again, part of their business is relying on the demands from the big pharma. And as you've seen, we still have -- having good tractions with Medidata, and we are continuing to gain market share in the trial. So no, I do not see this as the beginning of the end.

Bernard S. Charles
Vice Chairman & CEO

To be explicit.

Nicolas David
ODDO BHF Corporate & Markets, Research Division

Congrats on the performance.

Operator

[Operator Instructions] And your next question comes from the line of Michael Briest calling from UBS.

Michael Briest
UBS Investment Bank, Research Division

Two from me as well. Pascal, just looking at the software gross margin, it dropped about 200 basis points despite that strong license performance, and the costs were up about EUR 25 million year-on-year. Can you talk a bit about the cause and what we should expect for the full year? I'm just wondering, with the sort of 3DEXPERIENCE WORKS for the SOLIDWORKS space, is that maybe sold more on commission than on a revenue share basis? So you're booking more of the sale but having to book more costs as well? If you could expand on that.

And then just on disclosure. I mean why are you no longer disclosing the CATIA, ENOVIA and SOLIDWORKS revenue numbers? I'm assuming that's still pretty important product lines internally. And I mean on ENOVIA, it was minus 11% in Q1 last year. Can you give a flavor for how it performed this year?

Pascal Daloz
COO, CFO & Director

So I will start with the last remark. Again, the point behind there is -- we do not want to hide something. We are at the size whereby if we want to have some financial aggregates, which makes sense, we need to find a way to split the different revenue by product line, by geo, by industry, to make it understandable. So that's the reason why we simplify by having the product line industrial software, life science software and mainstream software. That's the reason behind.

CATIA, I gave it to you, it's minus 1%. ENOVIA, it's plus 9%. And SOLIDWORKS, you have it, it's plus 18%. So that's the point.

Bernard S. Charles
Vice Chairman & CEO

Related to the software margin...

Pascal Daloz
COO, CFO & Director

However, CATIA 3DEXPERIENCE is growing 12%, double digit. This is what I think.

Bernard S. Charles
Vice Chairman & CEO

Related to the software gross margin, the decrease you have seen is mainly coming from, again, Medidata, because as you know, the gross margin for Medidata business line is not exactly the same compared to the others because you have the cost of the cloud. And that's the primary reasons behind this. And on the full year, it's going to be relatively consistent with what you have seen in Q1.

And the last question was related to 3DEXPERIENCE WORKS, right, Michael?

Michael Briest
UBS Investment Bank, Research Division

Yes. I guess you're saying that the gross margin is just Medidata, but I was wondering if you were changing the mix of sales where you -- on SOLIDWORKS. You take just half the revenue -- you take the net revenues and sometimes you take commission or pay a commission to report gross revenues?

Pascal Daloz
COO, CFO & Director

No. The only -- I mean that's -- we are still in a cushion base. The only case where we do what you say is when we are selling SOLIDWORKS to large direct customers. It happens sometimes. And in this case, what we do, we take the full revenue and we expand the full cost. It's not a commission base. But aside the direct customers, which is limited, we are not doing this.

François-José Bordonado
Vice-President of Investor Relations

We will take the last question.

Operator

So your last question comes from the line of Julian Serafini calling from Jefferies.

Julian Alexander Serafini
Jefferies LLC, Research Division

So 2 questions to follow up here. On the cloud discussion earlier, I think, Bernard, you talked a lot about construction of the vertical mainstream as well. If we think, though, about the bigger verticals, right, like Transportation & Mobility or Aerospace, I mean, is your expectation that they still largely stay on-premise going forward longer term? Is that how you guys are thinking about it?

And then just second quick question to Pascal. On the attrition, going back to that topic as well, I mean you mentioned, right, so the marketing and G&A is [worst to look at]. I mean, is it something that you understand the cause of and that's fixed today? Or is that still something that's going on today? And I assume that's involuntary attrition, right, is what you're talking about?

Bernard S. Charles
Vice Chairman & CEO

Thank you, Julian. On the cloud, clearly, for construction game changer with cloud, mobile first. A&D and T&M, I think there is clearly all of them are talking to us about private cloud as well as shared cloud for the supply chain. So there are 2 -- actually 2 environments that they like, private cloud for their highly sensitive programs and may come to ecosystem integration or program using the shared cloud on providing the service to their suppliers. So I think that's probably where we are going to differentiate in terms of solutions for cyber issues as well as highly sensitive programs where I think it's a good approach.

Pascal Daloz
COO, CFO & Director

Okay. Related to the attritions, yes, you are right. I mean the attrition is not something we are triggering. But not -- my point is it was very low last year, and suddenly, it came back to where it used to be because in average, if you look at the past, we have always been around 8%. And if you take an activity like Medidata, they used to exceed 10% attrition on a regular basis. So clearly, we are back to normal is what I'm saying. And we did not anticipate enough in our hiring offsets. That was my point.

Now if you look at what we do, I mean, it's -- again, it's normal, I mean, we are in the tech company. We are in the tech business. We are serving very demanding industries. And usually, we have this outflow, which is a normal way to run our business. So no, there is no concern, except that we need to reaccelerate the hiring process. That's what's behind [indiscernible].

Bernard S. Charles
Vice Chairman & CEO

Yes. And we wanted to make sure you understand that we continue to invest.

Okay. With that, thank you very much for participating and for your questions. Of course, we continue to be here. And we are always here if you have additional questions. Thank you very much, and have a good day.

Operator
Thank you. This concludes today's conference call. Thank you for participating. You may now disconnect. Speakers, please stand by.