S&P Global
Market Intelligence

Dassault Systèmes SE ENXTPA:DSY

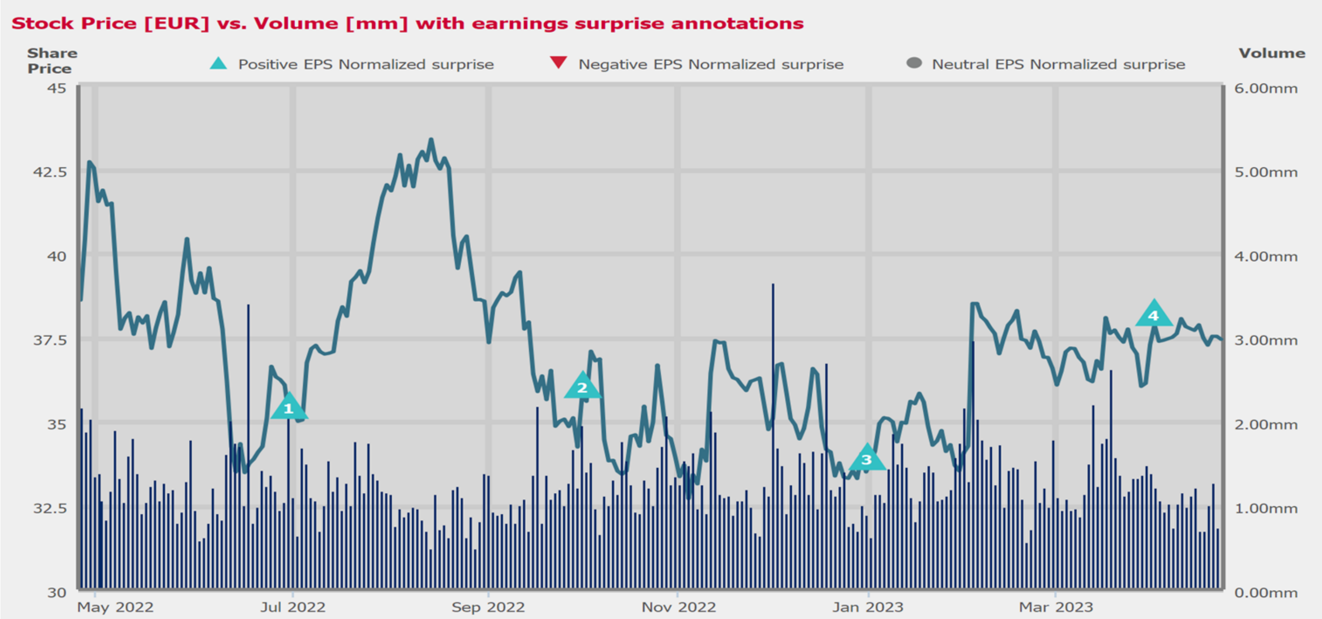
FQ1 2023 Earnings Call Transcripts

Wednesday, April 26, 2023 8:00 AM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2023-			-FQ2 2023-	-FY 2023-	-FY 2024-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.27	0.28	▲3.70	0.27	1.18	NA
Revenue (mm)	1439.03	1434.20	▼(0.34 %)	1466.16	5995.42	NA

Currency: EUR
Consensus as of Apr-26-2023 1:33 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2022	0.25	0.26	▲1 4.00 %
FQ3 2022	0.25	0.26	▲2 4.00 %
FQ4 2022	0.33	0.34	▲3 3.03 %
FQ1 2023	0.27	0.28	▲4 3.70 %

Table of Contents

Call Participants

EXECUTIVES

Beatrix Martinez
Vice President of Investor Relations

Bernard S. Charles
Chairman & CEO

Pascal Daloz
Deputy CEO, COO & Director

Rouven Bergmann
CFO & Executive VP

ANALYSTS

Adam Dennis Wood
Morgan Stanley, Research Division

Charles Brennan
Jefferies LLC, Research Division

Frederic Emile Alfred Boulan
BofA Securities, Research Division

James Arthur Goodman
Barclays Bank PLC, Research Division

Michael Briest
UBS Investment Bank, Research Division

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

Presentation

Beatrix Martinez
Vice President of Investor Relations

Good morning, everyone. This is Beatrix Martinez speaking. Dassault Systèmes VP Investor Relations. From the company, we have Bernard Charles, Chairman and CEO; Pascal Daloz, Deputy CEO and COO; and Rouven Bergmann, CFO.

I would like to welcome you to Dassault Systèmes First Quarter 2023 Webcast Presentation. At the end of the presentation, we will 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 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 2022 'Document d'enregistrement universel published on March 17.

I will now hand over to Bernard Charles.

Bernard S. Charles
Chairman & CEO

Good morning, everyone, and thank you for joining this call that we are going to share with Pascal and Rouven. The first quarter is, we qualify that solid. We could debate about the term depending on how you want to look at it, but the revenue was up 10%, the recurring revenue. Subscription was up 14%. And you know that we want to continue to increase that part of it. The 3DEXPERIENCE was up 10% and Cloud up 17%, which by the way is connected to the subscription model. The cash was strong at 24%. And as you could notice, after 3 years, we have reimbursed all our debt or at least we are cash positive after this significant move with MEDIDATA, which I think was the right thing to do.

Operating margin at 31%, and we continue to invest. Remember, we invested last year towards the end of the year, too, and we continue to invest with headcount up 8%. It's in some way counter circle with the tech sector, but we think it's a proof point that we believe that we have opportunities forward.

The beginning of the year in China was slow. We have seen a better March. I think the post-COVID was a little bit complicated there, but the market is a big market. Financial objectives are reconfirmed for the full year, with total revenue growth at 8% to 9%, EPS on track to achieve our 5 years plan at EUR 1.2, which was EUR 6, 5 years ago. And as you remember, the division by 5.

Our ambition is to continue, and we are confirming that with the showcase we have for the first quarter and full year, game changer innovation. I think the industry of the 21st century is not going to be the one from the previous century and customer relationship is very high in terms of trust, in terms of cooperation, and in terms of long-term engagement. Our ambition, we will come back. I will not cover that much because we have the CMD, Capital Markets Day, in June. We'll come back on that topic. And we will, of course, reflect on the key objectives for the next 5 years plan with the new team onboard. So that's the highlight for the Q1.

I think just as teasing for the CMD, we are well prepared for the next 5 years. We have a clear vision on a pragmatic approach to really take advantage of what's happening, the extensive use of virtual twin experience in every market we serve, whether it's Physical Goods, Production System, Life Science, Infrastructure. They are not equal in maturity, but I think this is really a solid foundation where we are continuing to differentiate. So if you look at the overall perspective of what we did 3D, Digital Mock-up, Lifecycle Management, then putting the platform in place to create experiences on the virtual twin of now Life. I think it's a very well-architected environment for the long-term achievement for Dassault Systèmes.

A quick video that will illustrate the progress to really realize the virtual twin of human from the cell to the organs.

[Presentation]

Bernard S. Charles
Chairman & CEO

[indiscernible] ready to grow the number on to the new team and soon Pascal to be the CEO. It is that if we were to do an IPO those days, we have an extremely strong story for the future. So the question for -- this is why Dassault Systèmes is long term. As everyone should remember, we are a family-controlled company, and that's an important thing because we can really put a lot of energy to prepare for the future. And I think this is the spirit in which we are going to prepare the CMD, the Capital Market Day in June, to really provide a sound perspective about why those levers are there.

It's a new world for design, the 3DEXPERIENCE world. It's also a new world to automate things, not only production with robots. At the Experience forum, the 3DEXPERIENCE WORLD forum, which was very successful, we presented how the system will auto generate parts from specifications using AI-based technology. It works at scale, and we are going to have large customer test coming in the mid of the year. So what you have seen with AI use in text analytics on new user interface for people in front of a screen, we are applying it to design, the design world, on the evaluation of experiences, both for sustainability, how do you change material quality, material characteristics, and there are a few great stories about that, that Pascal will talk about soon, talking about customer.

So this idea that in the future of design, in the future of production, AI will play a big role, we are already there. AI has been used in V5 for generative design for cars and planes, and we are continuing to expand that and explain to customers what we've never revealed of what is inside the system, but we have a very, very deep understanding about different techniques to apply AI.

By the way, natural intelligence is still useful. So we have AI on NI, natural intelligence. So don't forget NI. Don't forget NI. Algorithms are still good. An incredible dynamic and this is why I told the team in charge now, if you think about the footprint and the number of new logos, we are touching with Cloud, it's a new exciting world. We have very small customers on Cloud. We have also very large customers, but a lot of small customers. It's an exciting moment to see how innovation is happening with very small companies. We have companies with 1 or 2 licenses, growing. Remember the story that we talked to you about 16 months ago, Plenty, doing vertical farming in Seattle. They started with 2 users. They have now more than 100 users.

So nobody would have expected us there. Cloud enables us to reach those. This is why I think the landscape and the nature of those logos you will have to print, for some of you having the time to just look at what those logos are doing, you would be surprised with many of them not expecting Dassault Systèmes to be there. And I think that's a new world, because it's not about design, it's about how can I do the virtual twin, so I can improve my business. Whether it applies to the what you offer, to the how I do my business, and even who is doing it, my supply chain. More to be discussed in June.

You have to really understand that our scope is changing, not only changing from physical things, an airplane is a thing, to life, but also in terms of where virtual twin can be used. We have been in this IFWE Loop, we call it the IFWE Loop. On the left side of this loop, which is innovation. The right side is about experience in use, profiling how a vehicle is used by a consumer, so you can improve the vehicle. We have the data for that now, and it will change everything. Profiling the physical products in use is changing the way innovation is going to happen in the future, and we solve a lot of problems for companies like Tesla and others looking at the data for the vehicle in operation. And this is happening for airplanes, this is happening for trains, this is happening for many, many others. We call this the spiral of experimentation.

So you have on one side the spiral of innovation. The spiral of experimentation on the IFWE Loop is the very nature of transforming how you engineer the next products. Very important when you do energy management for a vehicle, for example. If you don't know the profile of usage, it's very difficult to do optimization of it. So it creates a new landscape for solutions, which are really being implemented with certain customers.

One or 2 remarks on customer. I think what the PepsiCo decision is a very interesting decision. And the reduction of raw material usage is massive to serve as well as packaging efficiency with recyclability expanding. All companies on the planet have these challenges and without simulation, it's very difficult to do it. So I think it's a good illustration of how the trends on the footprint of Dassault Systèmes in different industries can play beyond removing errors, reducing engineering change, or improving capacity to produce. It's about connecting 2 things: the experience economy, the sustainable economy and doing a synthesis of the two. I think this is our purpose.

With that, I give the floor to Pascal, which it's clear, you all know, I'm looking forward to have him telling me when he wants to be the CEO. I negotiated deputy CEO, he accepted this year. So I hope that he will soon say, okay, remove deputy, so I will have to address all those topics. Pascal, you have the floor.

Pascal Daloz
Deputy CEO, COO & Director

Thank you, Bernard. Thank you. Thank you. Hello, everyone. Good morning, and it's always a pleasure to be with you in London at this time of the year. Let's start with some operational highlights and with the tone of the conversation we have with customers right now. For many of them, it remains volatile, let's say, their business environment, but the reality, it's an opportunity for us. Why so? Because they need to increase the agility, the profitability, and they are turning to us to get the solutions to do real-time analysis of the raw materials, the part substitutions, as well as reshaping their entire value network in the context also where the regulations like REACH, for example, is imposing a lot of on them. So let's zoom on a few examples this quarter.

Let's start with the manufacturing industry and the mobility. As you may know, we are driving most of the electrification of the car. Ford, it's a longer time partner with us, but they have decided to standardize all their, they call it, e-mobility which is the EV, the connected car, and they are standardizing on 3DEXPERIENCE platform. Why so? Because the game is changing. On one hand, you have the new generation of battery coming. We are not thinking any more about the lithium, but the sodium is coming, and we could expect to have a [indiscernible], so you need to have the agility of the start-ups in order to introduce the innovations. But at the same time, it's becoming a volume-based business. And you have seen Tesla dropping the prices by almost 20%. By doing so, they have put many of carmakers out of the markets. It's not any more premium. It's becoming mainstream.

So you need to have the ability to do both at the same time, and this is the reason why the 3DEXPERIENCE platform is the choice for many of them, if not all of them. So that's the reason why Ford took this decision. And again, we continue to diversify. Now if we step back and we look at what's happened overall in this sector, which is interesting. So you remember, we started 10 years ago with all the newcomers, and look at them, all of them, they have standardized on 3DEXPERIENCE platform or CATIA or SOLIDWORKS, all of them, the top 10, all of them, they are equipped with our solutions. And we started again more than 10 years ago.

If you look at the OEMs, that's an interesting thing also. 72% of the cars have been engineered with CATIA for the last decade. If you look at the new EV cars, it's 85% of them, which basically means we have more penetration with 3DEXPERIENCE platform on the EV segments than we used to have on the traditional car. And 70% of the OEMs are already equipped with 3DEXPERIENCE platform, which is for us the launch pad to continue to expand, because you remember, by doing so, we almost double the revenue we do with them. So I think no one will argue one sec that we are the de facto standard in this industry.

Now if we move to Life Sciences. It's also an interesting thing. The use of the data in AI is becoming also mainstream. There is no one single day where we are not receiving a call from sponsors, whatever it's biotech of large pharma asking us to get access to the set of data we have in order to do synthetic control arms or to use this as a way to improve the design of the trial, also to select the site. So there are many, many different use cases we have developed on top of it.

We are also developing in parallel what we call the synthetic patients, which is nothing more than building algorithms with very high accuracy in order to predict adverse events without having to test physically the products. And Verastem is again a good example of this. They are selecting the synthetic control arm for rare disease in oncology. And again, why it's important, you have the traditional benefit of it, which is to maximize, to accelerate innovations, to reduce the cost, and to mitigate the risk profile of the trials. But the more important is, as you may know, for rare diseases, it's extremely difficult to enroll patients. It's very, very, very difficult. And for many of them, if you give the standard of care, to a certain extent, you are not delivering the promise, which is to come with innovative therapeutics on the market. So using this synthetic control is really a way to ensure the patients have access to the most promising treatments. That's what is behind of this.

Same thing if we step back and we look at the footprint on the market. We just issued a press release a few weeks ago about 13,000 clinical trials and 9 million participants in those trials having used our solutions. It's really a milestone for the industry. It's really a milestone. Whatever the competition is claiming, they are only touching a fraction of the footprint we have established in the market. It was built on, obviously we are not alone, we did it with all the customers and the partners, but I think it's a demonstration that our ability to come on a regular basis with a flow of innovation, and we are really the one virtualizing these industries. And the proof of what I'm saying is, look, 75 of the new drugs approved last year have been developed with MEDIDATA and BIOVIA, 75%.

So again, no one will argue that we are also the de facto standard in this industry. And I want to take the opportunity also to thank the 9 million trial participants, because I think they are helping us to advance the journey and also the patient diversity, which is a big topic for the trial.

Now if we move to Infrastructure & Cities, when we are saying to you we are a purpose-driven company, it's not only for the marketing or to only have a nice story to tell. It is a proof. By the way, if you have 2 minutes, go on our website and look at what -- we have a different commitment we took. One of them is act for water and consumptions. You will see, it's very interesting. You have all the programs we have launched in order to basically treat the water as a precious resource. And why it's a precious resource, because you know that in 2025, almost 2/3 of the population may face water shortage already. And one way to contribute to this is, for example, this example. Ecolab.

It's a company developing water treatments, if you want, detergents. And in fact, what they do, they are using all of our solutions, especially the deep science solutions in order to reformulate their products to consume less water. At the same time, we are managing the different regulatory which is a big constraint globally. And obviously, they are fostering the collaboration across the multiple entire lifecycle products. Why so? Because they serve many, many industries. Those detergents are used by the Life Sciences, by the Aerospace, Transportation and Mobility, the Food and Beverage as well. And being capable to touch those companies, it's really a way to have an impact on the society. So again, an example.

Now if we zoom on the operational performance and the few comments we can do. Let's start with Americas. Americas is growing 6%. The good result is coming really from the mainstream. I think you remember the mainstream was flattish the last half of the year. Now we start to see the rebound. And we are also seeing good momentum in the pipeline, specifically in Life Sciences, Aerospace and High Tech. And you should not be surprised by the way to see High Tech and Life Sciences contributing more and more to the pipeline. Why so? Because they are the ones spending the most in research and development anyway, so. But I think we knew we had a good Q4 in Americas. We were expecting to have a slow start in Americas, and we do expect to have an acceleration in the coming quarters.

Europe, extremely resilient, as you can see, plus 12%. It's really coming from the large engagement we have with many companies in Europe, especially in France and the south part of Europe, and is driven by Transportation, Mobility and Aerospace. And clearly, we are extremely proud of what we have been able to accomplish in a region of the world where almost the industry is facing most of the problems, right?

Asia, minus 3%, and as Bernard stated in the opening comment, it's really coming from China. China is down 8%. And you remember last year, it was growing at 20%. So the base comparison is not helping, but we have good reasons to believe that we will have the rebound starting Q2. Why so? Because we saw in March an acceleration and the pipeline is relatively strong. So I think we are confident that we will be able to catch up.

India is growing double digits, and it's an interesting country, by the way. We are seeing more and more investments flowing into India. And to a certain extent, in the geopolitics environment, they are the one benefiting from the situation right now. And as you may know, we have a significant footprint in India. So I think we're extremely pleased with the results we have been able to achieve.

Looking from a product line standpoint, let's start with Industrial Innovations, which is still the core of what we do, plus 4%. Here, there are 2 messages. The first one, the subscription is up double digits for CATIA and ENOVIA, which basically means progressively our core industry are moving to subscriptions.

The second takeaway is SIMULIA and NETVIBES are growing double digits. I mean it's a good performance for this quarter. And it's important because this is a domain where we are still facing competitions, and now you have the proof that we are still winning against them.

Life Sciences software, plus 11%, driven by MEDIDATA up 13%. So again, we continue to deliver with MEDIDATA and the pipeline is good. Mainstream Innovation, plus 4%. So the SOLIDWORKS is up single digits. Again, we had a strong base comparison because last year in Q1 was growing at more than 10%. And this is where most of the impact in China is visible. However, I think we have more and more traction from Centric PLM. And why so? Because I think we start to leverage not only the leadership position we have established, but also the diversification strategy. And let me give you some highlights on this.

So first of all, it's 12,500 brands which are already equipped, which is by far the largest footprint on the market. And we are convinced, if you do the market size, this business could reach EUR 1 billion at some point of time. Why so? Because we are expanding from the fashion and apparel to new markets such as food and beverage, cosmetic and personal care, home and furniture, consumer electronics. Those are sizable markets we can touch with the core modules we have developed, which is the collection management. For all the fast-moving goods, I think Centric PLM is the standard now on the market.

We are also expanding from -- usually, we used to target the brands, and now we are expanding also to the retails and to the manufacturers and the consumer tomorrow, we can touch with it. That's the second axis to diversify. From a geo standpoint, since the acquisition, we have reinforced significantly the footprint of Centric in Asia, especially China also, where they just started when we merged with them.

From a product standpoint, I think it's important. The collection management is really the core, but more and more, we see customers using them as the business platform. And why? Because this is becoming the backbone for the e-commerce. If you have the product essentials, if you know how to put dynamic pricing in it, and you -- remember, we did some acquisitions into it, you are becoming the foundation for many e-commerce activities, and this is how we're expanding with Centric.

So again, Centric will contribute also to accelerate the growth this year, starting Q2, right? So I think it's time for me to hand over to Rouven to give more flavor on the revenue, the profitability, and the 2023 objectives. Thank you.

Rouven Bergmann
CFO & Executive VP

Good morning, everybody, and thank you also from my side for joining our call and today's meeting. As you heard from Bernard and Pascal, we had a solid start to the year. We had a solid Q1 performance as we remained focused on the fundamentals of our business model, which is increasing the share of predictable revenue with strong growth in subscription and Cloud, up 14% and 17%, respectively, while at the same point delivering on our profitability objectives.

The total revenue grew 8% as reported and 7% at constant currency and is in line with our objectives. And it's also relative to a high comparison base of Q1 last year.

Recurring revenue was up 10% and now represents 84% of Software revenue. And now adding to the strong fundamentals, we generated this quarter a record high in cash from operations, which is up 24%, which was actually up EUR 783 million. And as expected, we are now deleveraged nearly 1 year ahead of the schedule. And clearly, this highlights our trusted customer relationships, the value we deliver, and the discipline as well when it comes to spending and our capital allocation policy.

And as you heard from Bernard and Pascal, our long-term structural growth drivers across the industries, they remain intact and strong. As such, we continue to invest in hiring. We added more than 300 net new employees in the first quarter, while, as I mentioned, we continue to deliver on our profitability objectives with diluted earnings per share of EUR 0.28 and the operating margin at 31%, both in line with our objectives.

Now let's look at our results in a little bit more detail. First, for Software revenue, we are up 6% at constant currency, slightly below the objective range. And this was due to the lower contribution from upfront licenses, which was down minus 10%. Remember, this is compared to already a guidance at the low end of minus 7%.

Now this shortfall between minus 7% and minus 10% can be fully attributed to the lower-than-expected performance we experienced in China. As we've discussed over the previous quarter, the operating environment there has been difficult over several quarters. And to recap, we experienced a soft performance in the second half of 2022 during the lockdown period, where software revenue growth was around 3% to 4%, and the license revenue was about flattish over that time frame. And this was our baseline assumption that the growth in China would remain muted in Q1, in line with this trend, while we were expecting and are expecting a progressive recovery throughout the remainder of the year. Now Q1 turned out to be much lower at minus 8% in software revenue growth in China. And more specifically, in the first 2 months of the quarter, as the economy and the production cycles were preparing the restart, the investment levels in innovation and science remained rather muted and low. And this lag contributed 3 to 4 points of growth to the license mix.

Only in March, investments in innovation started to return, materializing in our pipeline. And while we remain focused, we believe that this progressive trend is raising the potential and is giving us the confidence to the recovery in the rest of the year in China.

Now on to Service revenue. It was a strong quarter, up 21%, and it was driven by the completion of milestones as well as outcome-based service engagements, mainly in Life Sciences. And here, we're seeing a few biotechs who are turning to MEDIDATA to deliver end-to-end study build services with the purpose of accelerating the patient enrollment and the time to market. And while we continue to shape this offering, we do expect the trend for professional services to normalize throughout the rest of the year.

As mentioned, recurring revenue rose 10% to 84% of total software revenue, and this is up a strong 310 basis points year-over-year. And also, as mentioned, this growth was driven by good and strong acceleration in Subscription revenue, up 14% versus 10% a year ago. So consequently, the increasing share of predictable revenue provides us greater visibility and resiliency. And our strategic growth drivers of 3DEXPERIENCE and Cloud are at the center of the shift to the subscription acceleration.

And as highlighted by the customer examples presented by Pascal, clients, both incumbents transforming and new entrants disrupting are adopting 3DEXPERIENCE and Cloud. and they are leveraging the full potential of our technologies to increase agility, scale and accelerate innovation and growth. So 3DEXPERIENCE revenue grew 10% at constant currency, and it now reflects 31% of 3DEXPERIENCE addressable software revenue, which is up 1 point relative to last year. And the Cloud revenue rose 17% at constant currency, to now 24% of Software revenue, which represents an increase of 3 points. And we are confident that we will continue to capitalize on our leading position in key industries and capturing above-market growth with 3DEXPERIENCE and Cloud.

So now let's turn to how we performed relative to the objectives we set for the first quarter. The total revenue of EUR 1.434 billion was EUR 3 million higher than the midpoint of our target range. We reported software revenue of EUR 1.288 billion, which is up 6% and EUR 25 million below the midpoint and EUR 10 million below the low end of the guidance.

We expect to recapture this gap throughout the remainder of the year, and I will discuss this further in the objective section. As mentioned, this shortfall was driven by the decline in software revenue in China, which explains the gap to the low end of the software revenue range or 1 point of growth. We reported service revenue above the midpoint by EUR 11 million, which essentially offsets the gap at the total revenue level. We benefited from an FX impact of EUR 17 million during the period. We reported an operating margin of 31%, in line with the objective. And it is clear from the numbers we delivered on our profitability objectives, while we continue to invest in hiring during the quarter. And as we look to the remainder of the year, we will continue to take a disciplined and balanced approach as we continue to invest for the future.

As such, we also expect the overall OpEx increase to slowdown, highlighting the fact that we are on track to absorb the cost run rate from 2022 carrying forward into 2023.

Now turning to earnings per share. We reported EUR 0.28 as reported, well aligned with our objective range of EUR 0.27 to EUR 0.28. The non-IFRS tax rate for the quarter was 20.7% and is also well-aligned with our guidance of 21%.

Now turning to cash flow and balance sheet items. As you see, cash and cash equivalents were strong. They totaled EUR 3.468 billion compared to EUR 2.769 billion at the end of 2022, which represents an increase of EUR 699 million. At the end of the quarter, our net financial position totaled EUR 459 million, which is an increase of EUR 686 million versus a net financial debt of EUR 227 million at December 31 last year. We are now deleveraged, nearly 1 year ahead of schedule.

Now let's look at what is driving our cash position at the end of the first quarter. The operating cash flow increased 24% to EUR 783 million, and this is a record result. And as expected, strong collections in Q1 contributed to a favorable change in operating working capital of EUR 350 million. And the operating cash flow was mainly used for CapEx of EUR 33 million and the repayment of lease liabilities of EUR 25 million, which is slightly up versus last year.

Lastly, of note, we had a negative FX impact of EUR 44 million during the first quarter.

Now let's turn to our fiscal year 2023 objective. We are maintaining our guidance. That's the key takeaway, and we are well-positioned and are on a good trajectory to achieve our long-term financial objective of EUR 1.20 earnings per share. Total revenue growth between 8% to 9% at constant currency remains unchanged and is adjusted in absolute terms only for the favorable FX impact, which is EUR 17 million to a range now of EUR 5.940 billion to EUR 5.990 billion. And this, as I mentioned before, assumes that we expect a positive impact driven by an increase in contribution from large deals in our pipeline starting to materialize in Q2.

We also expect to return to low mid-single-digit growth in China and also throughout the year, further progression as more and more investments are directed towards innovation and science. And finally, we reaffirm our operating margin range of 32.3% to 32.6%.

Before I move to the Q2 objectives, I would like to emphasize that the unchanged full year revenue guidance assumes that we maintain our growth rate at constant currency for software revenue at 8% to 9% and service revenue of 5% to 7%. We also continue to expect recurring revenue growth of 10% to 11% with strong subscription revenue increasing in the range of 17% to 18%. And in spite of the lower performance in upfront license revenue in Q1, we remain confident for the full year in the range of 2% to 5%.

Now let's turn to our Q2 objectives. We are targeting total revenue growth of 7% to 9% at constant currency, with recurring revenue increasing 9% to 10%. And it's driven by strong subscription growth of 16% to 18%. We are forecasting upfront license revenue growth of 0% to 5% for the quarter. This reflects structurally improving pipeline, assuming 3 elements: one, an acceleration in North America; two, continued momentum in Europe across key industries, and three, return to mid-single-digit growth in China with the benefit of a lower baseline effect.

For services revenue, we are predicting a normalized 6% to 8% growth. In terms of profitability, we are forecasting operating margin of 30% to 30.5% and diluted EPS of EUR 0.27 to EUR 0.28.

Now let me conclude. We had a solid start to 2023 with well-aligned fundamentals, supported by our strategic growth drivers of 3DEXPERIENCE and Cloud. Our first quarter results demonstrate that our technologies have never been more relevant and critical for our clients as strongly evidenced in Europe. We are focused on execution to deliver sustainable growth across geographies throughout the year. And as such, we remain confident in our ability to advance towards our EPS objective of EUR 1.20.

In closing, we are planning roadshows in London, Paris, and later in Q2, New York as well as Boston. I also want to remind you to join us for our Capital Markets Day, where we will discuss the next horizon. It will take place this coming June at our headquarters in Paris.
And now Bernard, Pascal and I are happy to take your questions.

Question and Answer

Beatrix Martinez
Vice President of Investor Relations

We'll start with a question from the room. So...

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

Just you talked about some of the factors underpinning your confidence around to the second half, you also kind of alluded to some sort of larger transactions in the pipeline. Maybe if you could sort of talk to how you've kind of qualified the pipeline? Is there anything different you have done given obviously what you sort of observed in China. And to the extent that you can comment on the discussions with customers around some of those larger standardization deals. These have obviously been fluctuating a bit, but it seems that sort of spending and specifically around digitization is still pretty resilient. So what's your kind of view around the drivers of some of those standardization deals? And if there's any that you can point to?

The second one was just on the comment, obviously, you've delevered sooner than expected. Perhaps you can kind of remind us around your kind of strategic priorities. I know that you're kind of looking at multiple fronts. And in terms of the discussions you're having with sort of sellers, is valuation no longer an issue? Has there been a correction and what are the kind of stumbling blocks or the challenges around perhaps executing on the M&A pipeline?

Bernard S. Charles
Chairman & CEO

Pascal, maybe on the customer conversation, just for -- thank you for the question. Clearly, as you said, all government meetings we have with large customers say, it's on the agenda. It's priority #1 for them, because they need to find new answers to supply chain moving to value chain. They need to find new answers for material substitution. Those are reality today. In Europe, it's REACH. We should not underestimate those kind of challenges for the clients. The nature of the portfolio themselves, electrification is becoming an obvious case. People had light understanding of it 5 years ago. Today, it's a reality, but also in Infrastructure, more modular construction, or of course, the new challenge of energy sector.

So the conversation, if I look at 40 years' perspective, I think it has never been at the highest level as of today in terms of a topic on the CEO's agenda. Before it was the VP of R&D or the VP of Manufacturing. It is becoming a CEO topic. And it's not related to ChatGPT. It's related to how to transform their business. So I think the Chairman, Pascal, wants me to spend more time with those guys. I love it, as you do know, after years. But your question is a very important one because the ownership of the topic is evolving those days. It's not anymore the CIO for at least what we do. Pipeline, Pascal, you are a specialist.

Pascal Daloz
Deputy CEO, COO & Director

So when we started the year, we told you that the pipeline anyway was backloaded, especially in the U.S., where, as you may know, most of the large transactions are coming from. So just we confirm that's the case. Given China, I think we have much better visibility, and there are multiple factors. One of them is, as Rouven was saying, the priority for China was really to relaunch the manufacturing capacity in order to serve the consumer market. Now we start to see innovations and industrial investments being the topic for many of our customers. That's point #1. Point #2, for many state-owned company, who are also large customers for us, they were awaiting the reelection before to take any very deep decision or having a huge engagement and commitment for the future. So those are behind us. And I think we have good visibility on many, many transactions, which are sizable, and we make the difference and earnout gains. The differences we have on the license, it's almost a EUR 10 million plus. It will be easy to recover. I think we have enough visibility to tell you that it will be done.

Related to the priority for the M&A. Again, let's say this way, we never failed because we were not capable to convert on the valuations in any discussion we had in the past. Why so? Because if you have a good strategic framework, if the people, the founders or the managers wants to do it, we always find a common ground. But when a company is for sale, it's also because the management start to feel the limit of what they do, right? And for some of them, they need to feel the pressure before to take the decision to take another road. So to a certain extent, the current situation is helping us much more on this side than the pure valuation side, let's say it this way. That's what I can say.

From a priority standpoint, remember, the framework for the M&A has been architected along 3 legs. One is to complement the domain of expertise and we still have some where we could reinforce. Supply chain, for example, is one of them. Continue to expand from an industry standpoint. I was mentioning that Centric is becoming a platform to address the consumer market at large, and there are many things we can build around it, and we will continue to do this. And Bernard shared with you the loop. We spent 40 years to focus on the innovation cycle. We want now to be a significant player in the product in use and I think this is opening also a new thought process on our side to consider different type of targets. That's what I can say at this stage.

Adam Dennis Wood
Morgan Stanley, Research Division

Adam Wood from Morgan Stanley. Just maybe a quick follow-up to Mo's question. You mentioned big deals quite a lot in the comments. Is there unusual reliance on big deals in the pipeline? Or is it just a normal kind of exposure? That was the first one.

SOLIDWORKS it feels like that's been running a little bit slower for a few quarters. And I guess you've commented on Centric being strong, so that would suggest SOLIDWORKS is a bit weaker. The pickup there is that macro dependent, partner training dependent, China dependent? Just help us on why we should see acceleration on that side?

And maybe finally, just to come back on that point around the product in use side. In terms of collecting the data and then feeding it into the platform to be able to inform what you do on the design side. Is that a partnership? We always have the discussion around IoT and being able to collect data. Is that something that you feel now is more central to you? You're still very comfortable to partner for that to be able to cap that data and get it into the platform?

Bernard S. Charles
Chairman & CEO

So I start with the large deal, and maybe Rouven, you can say a few words about SOLIDWORKS, if you want? No, the large deals, I think we had a good Q4, right? But as you know, when we have a good Q4, it's usually because of we close large transactions, and we did most of them, especially in the U.S. in Q4. So we knew when we came to you with the guidance that Q1 will be light in terms of significant transactions. Significant means for us 10 million strikes, that's what it means.

Nevertheless, if I look at the pipelines in 2023 compared to 2022, the mix is equivalent. I mean there is no discrepancy between the size of the deals compared to what we have seen in 2022. Obviously, it's much better than what we used to have in 2020, right, at the time of the COVID. And it is true across all the regions of the world. I mean, the large transactions are not only a new logo, right? They are also significant customers continuing to deploy. And I was mentioning Ford. Ford, we are just opening, right? The fact that they are adopting the 3DEXPERIENCE platform means ultimately, they will connect not only the design, but the simulation, the manufacturing. And it's not only for the product design, for the vehicle design, it's also for the battery designs and the Gigafactory topic will be also on the agenda. So to a certain extent, this is a route to expand significantly. And this is how we fulfill the machine with the large transactions. SOLIDWORKS?

Rouven Bergmann
CFO & Executive VP

Yes. On the SOLIDWORKS side, you're right, Adam, SOLIDWORKS has had an impact on the macro in 2022. And we were referring to that, that there's a connection, but the good news is, in the first quarter, we saw actually a very good uptick in our pipeline and performance in March. So we expect the SOLIDWORKS contribution and growth to progressively increase throughout the year. And please also keep in mind that Q1 last year, it was a very, very strong quarter. And so the comparison was tough. Nevertheless, we delivered growth in SOLIDWORKS. And that's because the momentum picked up in March, and we expect the trend to be positive to continue in Q2.

Bernard S. Charles
Chairman & CEO

Coming back to under the umbrella of IoT. In fact, a lot of our existing customers have collected massive data that they have never used. I think few real examples in aerospace engines, for example. They have all the records, all of them. They basically never used it. We did amazing program with Safran to really reveal through NETVIBES, AI, data science, the health of each engine, and it works very well.

So the first message is there is a big discussion on IoT, but there are a lot of data which have not been used. The same goes with airplane health, like massive data related to the maintenance of the airplane, different characteristics of parts evolution. Now we see customers coming back to us and say, can you help integrate those excel files, those data records in a way where they can be projected against the virtual twin of the plane, the engine or something else. We have done it. It's a real showcase. We have a big showcase also in equipment availability, especially in A&D. We have a big program on that to do predictive maintenance. It has been a topic on the agenda, but very little has been done in the reality of things.

And if you look at EVs and new cars, they are connected. There is much more records. Before there were basically no records. You could not basically load the data that you had in your car. But now it's going the other way around and it provides a completely different view to the way things have been engineered and produced. So I think IoT isolated will not solve the problem. We can solve the problem. And that's why the EXPERIENCE platform being able to massively connect the dots, we call this connect the dots. We did it for Renault, we did it for Gulfstream. We did it for -- when I say we did it, we did it already in operation for Jaguar Land Rover. We did it for Dassault Aviation. So we have enough proof points now. And we need, as Pascal implied, we need to set up the evolution of our sales team to really engage on that side, because those are different decision-makers.

Related to IoT, and not to take too much time on this, but it's this real life experimentation is a very core one. I think it's a bigger market than the one we have been serving up to now personally. And when you think about a clinical trial, it's on the right side, not the left. It's because we observe what's happening to people. You create AI to reveal what is not observed by human, and you conclude about the value and the risk to really do precision medicine. So MEDIDATA is a proof point at scale that in those 2 spirals, the one on the right side related to real life experimentation, it's called real-world evidence. So we are not taking an IoT approach, we are talking a real world evidence approach. We are applying biologic to physical world, and yes, cooperation, of course.

Frederic Emile Alfred Boulan
BofA Securities, Research Division

Fred with Bank of America. If we can get a quick update on Cloud demand appetite from customers, tractions you're seeing on 3DX, what type of upsell metrics we can discuss? And then back in Q3, you said some of the impact on licenses were due to some customers shifting to subscription contracts. Is it something we've seen to a degree in Q1? And what do we expect for the rest of the year?

Bernard S. Charles
Chairman & CEO

Okay. So the Cloud for us, you remember, more than ever, it's a way to expand the footprint. In our strategy, what we call the value up and the value wide, the value up is really how we increase the total value of the solutions, and the value wide is how we continue to conquest new domains, new users we cannot reach with the current system we have in place. And I think the real value for the Cloud is this. It's, come with new proposal to reach new users you are not able to equip with the traditional way. That's the primary objective for us. So this is the reason why, on the management side, we spend more attention on how many new logos we continue to win, what is the usage of those solutions on the cloud, how many content, how many activities they do, which are the real KPIs we are tracking. Why? Because if this is happening, the revenue will follow, right? That's the right sequence.

Now having said that, from an industry standpoint, it's easier to start when we do not have a legacy, so for all the new industry, whatever it's Life Sciences, the Consumer Goods, Consumer Packaged Goods; to a certain extent, Infrastructure & Cities, Construction for sure, we start from day 1 with Cloud. That's point number one. Point number two, for all the industries which are project-based, it's extremely relevant to use the Cloud, because this is giving the people the flexibility. The project is starting, but at the end, not sure they will have another project. And to a certain extent, you can see the trial like this there is a start and there is an end.

So this flexibility to connect different people each time is extremely valuable for those industries. So clearly, Life Sciences, Construction is one of them, the Design offices are also the one adopting massively the Cloud. All the start-ups, right, whatever is the sector, I mean, they start with the Cloud. Time to time, believe it or not, we have to shift from the Cloud to on-prem for regulations and compliance reasons. For example, if you develop systems to fly and transport people, at some point of time, you need a certification.

And then you need to certify not only the object, but the tools, the processes, the people, the entire systems. And if you come with the Cloud with the regular updates, this is becoming so much trouble, because you need to freeze, for certain times, the entire systems to get the certifications. So why I'm taking this as an anecdote, because we started with a very innovative company, adopting the Cloud for all the reasons you know. But when you start to scale, when you start to become industrial, you face different set of constraints and the ability to, again, offer the mix environment is extremely valuable for many of our customers.

The last comment I can make on the Cloud, we start to -- for the vast majority of our large customers, they have a road map to move to the Cloud, right? Obviously, it's not something they can do overnight. It's 5 to 10 years road map. And we are one of the players, I mean helping them to craft this road map and to make it happen. I mean, Renault is a good case. They had a huge legacy on our systems, and we are moving them to the cloud. We started with some programs. We started with some specific use cases, again, and progressively, everything is moving smoothly. So I think what is probably behind your question, are we on track to deliver the commitment we have to have the EUR 2 billion revenue, I think we are. We are.

Frederic Emile Alfred Boulan
BofA Securities, Research Division

Yes. The second question was about subscription in Q1...

Pascal Daloz
Deputy CEO, COO & Director

No. I think the -- again, it's obvious that the subscription is growing faster than the license, but it's not repurpose of an existing installed base, we are moving to subscriptions. It's much more new program, new projects or extension of existing programs, which are moving to subscriptions. You have different -- I mean, there are differences from a geo to another one. it's becoming almost a standard in the U.S. The vast majority of the new programs, the new projects are subscription-based. It's balanced in Europe. And in Asia, it's an exception for the vast majority of the countries. So this is where we are.

Again, it's not something dictated by the customer. because we still have many industries willing to keep a CapEx-based approach. And that's the reason why I can claim that the upfront license model will not disappear completely. Remember, it used to be 30% of the total revenue. Now it's 16%. And we are pretty convinced we will land at around 10%, right? And not go below 10%, at least for a certain time. That's what I can say.

Charles Brennan
Jefferies LLC, Research Division

It's Charlie Brennan here from Jefferies. Just 2 questions from me. Firstly, a high-level one. It sounds like you spent more time talking about the medium-term positioning today than maybe in normal presentations. If I'm being critical, you've maybe underperformed the growth potential that it feels like there is in Dassault. What do you think the gating factor is to get Dassault back to sustainable double-digit growth? Is there some license to subscription dilution? Is it possible that market shares can be too high? If you've got an 85% market share, does that limit your growth? Do you need to invest more in sales? Do you need to lower your margin to capture it? What's the high-level driver to get this business to sustainable double-digit growth?

And then secondly, just a modeling question. You did 14% subscription growth in Q1. It looks like you're targeting 17% in Q2. We're used to see subscriptions driving recurring revenues. Getting a 3-point acceleration in growth in a recurring revenue business is quite challenging. Is there more point in time revenue recognition coming into that business model?

Pascal Daloz
Deputy CEO, COO & Director

Okay. So I will start with the first question. It's a valid question, by the way. I accept it. But remember, it's only Q1. I think the question will be valid at the end of the year, If I may. Last year, I remember, in Q3, you asked almost the same questions. And finally, we landed properly. So if you look at the fundamentals of the business, we are not constrained by the size of the market, right? It's obvious. It's already EUR 100 billion. And with the extension we do, as Bernard was stating, it's a factor of the multiplications.

We are not constrained also by the penetration of our installed base. We still have a lot to do, and I have many proof points I shared with you over the last few quarters where in, for example, transportation and mobility, in large account, you were convinced we were set and we have been able to double the size. We are not yet also constrained on the on the ability to cover the market. I think having a direct sales approach and an indirect sales approach is giving a lot of room to foster the coverage of the market.

So if you look at all those things, frankly speaking, there is no limitation. Now the competition, and I'm glad you come back to this topic. Because again, I saw some research coming -- whatever, it's by the way coming from the financial industry, also from the specialists, where I think they have a hard time to compute the numbers. And why so? Because I think the definition of the market is not the same. That's probably where the trick is coming. But I can guarantee to you that the winning rates we are facing in all the product lines we have in all the verticals is exceeding 80%.

I mean it's something we are monitoring precisely and that's really the case. So there may be some domain or subsegment of the market we are not covering properly. That's probably the reason why others continue to expand, but the competitiveness is not at stake. So, I think execution, that's where we are focusing right now, and to a certain extent, I like having, let's say, a year which is backloaded, because this is putting a lot of pressure on the quality of the execution, if you want to deliver at the end of the year. That's my duty. I am accountable for that, and I think the management team knows it. And this is clearly the focus.

Now why we are speaking about much more the midterm. We have the Capital Markets Day coming, right? And usually, we know that if we come with the story only once, it's not enough. We have to repeat. And Bernard is starting to tease it, right? That's what he's doing.

Rouven Bergmann
CFO & Executive VP

Okay. And to your question on the subscription growth, I think first, to make sure to clarify, everything that is onetime related is not part of the subscription revenue line item, right? It's in Software and other license and other revenue. So the upfront component moves to the license and other component. And when you think about the acceleration in recurring, it's always a function of the timing of renewals of existing transactions as well as new transactions, right? We renewed in Q1. That will have an impact to Q2. And we also have sizable transactions in Q2 that are incremental and new, so that's where the acceleration is coming from.

Michael Briest
UBS Investment Bank, Research Division

Michael Briest from UBS. Just 2 quick ones. So on the cloud growth of 17%, obviously, it's deceleration. Pascal, you said you're going to hit the EUR 2 billion, you need to grow over 20%. So can you talk about the dynamics of when that will accelerate? And maybe specifically on MEDIDATA 2 quarters at 13% growth, the midterm ambition is 13% to 15%. Can we get back into the upper end of that corridor anytime soon?

And then maybe just a sort of preamble to the CMD, I remember [Tibo] a few years ago had a slide showing the lifetime value equivalents between License, Subscription, Cloud. Can you just refresh where we are on maybe a 3-year value, if you like, between them as prices have moved around and mix has moved around.

Pascal Daloz
Deputy CEO, COO & Director

Okay. So you're right to achieve the EUR 2 billion. The CAGR should be up 20%, but from quarter to another one, you have some volatility anyway. I mean you have some seasonality topic also. Now if you look at the performance, where I'm very pleased, if we are growing at 17% and MEDIDATA is growing, to be precise, at 13.5%, right? It means that the rest is growing much faster. And to a certain extent, the most important for us is the growth of the rest. So I'm very pleased with the traction we have with ENOVIA. I mean ENOVIA is really moving to the Cloud, Subscription and Cloud at the same time. And why so? Because again, it's a way for us to reach people which are not equipped, not having a deep usage of all the set of applications we do. I mean, sometimes we have some casual users we need to connect into the product life cycle. And we have a collection of application for that.

CATIA is also moving to the Cloud definitively with all the newcomers and the Tesla of the world, the BIOD of the world, they used to be small 10 years ago, now they have large engineering departments and many of them are on the Cloud. And now we start to see also the traction coming from this front. So clearly, most is coming from the newcomers and also the transition of some large customers we are orchestrating over the time.

MEDIDATA, I think, again, the performance of MEDIDATA is coming from different things, the number of trials, price. So the number of trials is still growing. We do not have any more of the extra growth coming from the COVID. But nevertheless, the trend is still at 6% to 7%, which is good. And we are capturing most of it, which is probably the most important.

The second thing is the ability to expand outside of the core product, which is Rave, and the 2 flagship products for us are really AI on one hand and Patient Cloud on the other hand. And both are becoming mainstream. I mean if you look at the attach rates, it's extremely high.

And the third piece is the renewal. So the renewal is extremely important because for the large enterprise, the way it works, usually, we have a contract for multiple years. And the renewal is the time to uplift the value up. Last year, we didn't have too much renewal. This year, we have a lot of renewal, which gives us the ability -- and in average, when we do a renewal, the uplift is around 20% to 25%. So by doing so, to a certain extent, we are fulfilling the bookings and you will start to see also the benefit of it in the MEDIDATA performance.

The last point is, the Life Sciences revenue is not only related to MEDIDATA. The other part is also starting to take a significant piece. BIOVIA, I think we are starting to reach the end of the transition to subscription. And the pipeline is good for BIOVIA.

We are not yet at the level of the transaction we want. There are still small and midsized transactions. It's probably due to the nature of the market itself. However, we have large transactions coming from DELMIA and ENOVIA in this field. And this is very important for the future.

And again, remember when we did the acquisition of MEDIDATA, it was not to have a coexistence of the business. It's to link with the rest of what we do. And now I have been engaged personally with at least many discussions where this is a topic. This is really the topic. And why it's the topic, it's because, believe it or not, this industry, the process is broken. I mean, there are so many, many pieces of software they are using in order to connect and they spend their life to connect them in order to have workflows. Now they have to understand the difference between the workflows and the single source of tools. And this is happening. This is really happening.

So pretty confident for MEDIDATA for sure and the Life Science at large.

Bernard S. Charles
Chairman & CEO

And Michael, to the lifetime value. I think the theory would suggest that the breakeven point is somewhere between 3 to 4 years. The reality, though, is, in our situation, where, as I said before, the shift to subscription is really happening to the 3DEXPERIENCE adoption. And that is a multiplier of deal size in terms of value up opportunity, that in many, many cases, deal sizes are actually increasing and are much larger as we are moving to subscription 3DEXPERIENCE-based compared to a traditional license transaction, right, of a client who was using V5 before. So we've made a lot of progress on this transition. We talked about all the customers today our 3DEXPERIENCE based, and so we see that acceleration in terms of the value of opportunity and potential.

So yes, our standard pricing models have the breakeven between years 3 and year 4, but the reality is that we are exceeding that in most of the cases, because we're able to expand from a value proposition and an adoption standpoint. And another example for MEDIDATA, for example, when you compare it to its already established SaaS Cloud opportunity, for most of the enterprise contracts that we renew, as Pascal was saying before, on average, we are increasing the rate compared to the baseline by 25%. We just renewed with a top 5, top 10 Life Sciences sponsor. And we've almost doubled the deal size because we were able to value up significantly. So that's really the strategy, it's to bring, adopt and expand to more users, expand along our platform, and with this, drive higher contribution to growth outside, I would say, the traditional breakeven model.

Michael Briest
UBS Investment Bank, Research Division

And Cloud relative to license...

Bernard S. Charles
Chairman & CEO

Yes, cloud relative to license. It really depends on the deployment, right, and the size. But typically, it was at 3 to 4 years on a like-for-like basis.

And the multiplier effect that you say is for 3DEXPERIENCE platform is a minimum of 2x, and with the Cloud it is 1.5x. So if you move to 3DEXPERIENCE platform on the cloud and subscriptions, right, have the benefit of the 3 levers, if you want. That's the strategy.

Beatrix Martinez
Vice President of Investor Relations

We will now take 1 or 2 questions from the call.

Operator

[Operator Instructions] We will take our first question. The first question comes from the line of James Goodman from Barclays.

James Arthur Goodman
Barclays Bank PLC, Research Division

Just on the discussion around China and Asia. I mean, I wasn't entirely clear. I mean, Asia, I think, is about 10 points lower growth than Q4. I might be off a bit on the China weighting within that, but it looks like there was some broader weakness across APAC. So maybe you could clarify. And just within China, I mean, the discussion we've been having for a few quarters has been almost exclusively around the SOLIDWORKS distribution in China. Was it a broader product issue this time around?

And then the other question is, could you just give a quick update on the adoption around the WORKS family, which you'll talk more about it at the CMD, but any color on the adoption there and around 3D Creator perhaps would be helpful.

Bernard S. Charles
Chairman & CEO

Okay, James, thank you for your question. I'll address the first one around APAC. Just to clarify, first of all, on the numbers, and then I go one step further. So APAC, as Pascal presented, it was down minus 3% in Software. China was, in this, minus 8% in Software. Remember, in Q1 last year, China was up 20%. So it was on a difficult comparable basis. Nevertheless, for the reasons that we've discussed, right, starting the production, accelerating the consumer cycle, it took a little bit longer to reaccelerate the investments into innovation. That is the backdrop of the lower performance in China that we see progressively improving.

Now about broader Asia, we referred to the very strong double-digit performance in India and the growing pipeline we see there. It's a market that is very, very promising to us. There's lots of customer conversation, and we see the growth to continue. So we're very, very optimistic on this market. Japan and Korea were more flat year-over-year, but also compared to a stronger Q1 of last year. So in essence, right, the minus 3% in Asia is due to the miss in China, and we expect Asia to return back to mid-single-digit growth when we return to growth in China, which we're confident to see starting Q2.

Rouven Bergmann
CFO & Executive VP

Regarding the WORKS family, we continue to expand the portfolio with simulation, manufacturing. Remember the IQMS acquisition are now making it in WORKS, as well as providing web browser based solutions. More and more start-ups are using browser-based laptop -- not laptops, tablets to do design. And I think it's working very well. So I think the biggest challenge with the WORKS family is -- the 3DEXPERIENCE WORK family is to train the resellers who are being used to sell PC-based desktop application called SOLIDWORKS to really have them being trained to sell the platform for collaboration and sell the platform as a way to expand.

This is probably in the next coming quarters, the biggest topic of attention. We have proof points that certain resellers have done this transition extremely well, and we have also proof points that there are new resellers that we have hired while doing only cloud-based 3DEXPERIENCE works with efficiency. It's a transition, as Pascal said, for the speed of execution to create a double-digit growth there. But I'm confident it will happen.

Beatrix Martinez
Vice President of Investor Relations

Gentlemen, we have to finish here. We have a call this afternoon to take some further questions.

Bernard S. Charles
Chairman & CEO
So thank you very much for all of you participating here in London and all of you connected and we have the call as always, as Beatrix said, this afternoon. We are always here to answer your questions. Thank you very much and see you, if not this afternoon, at the CMD on June 9 at The Compass, and the dinner before. Don't forget the dinner. Thank you very much. Have a good day.