S&P Global
Market Intelligence

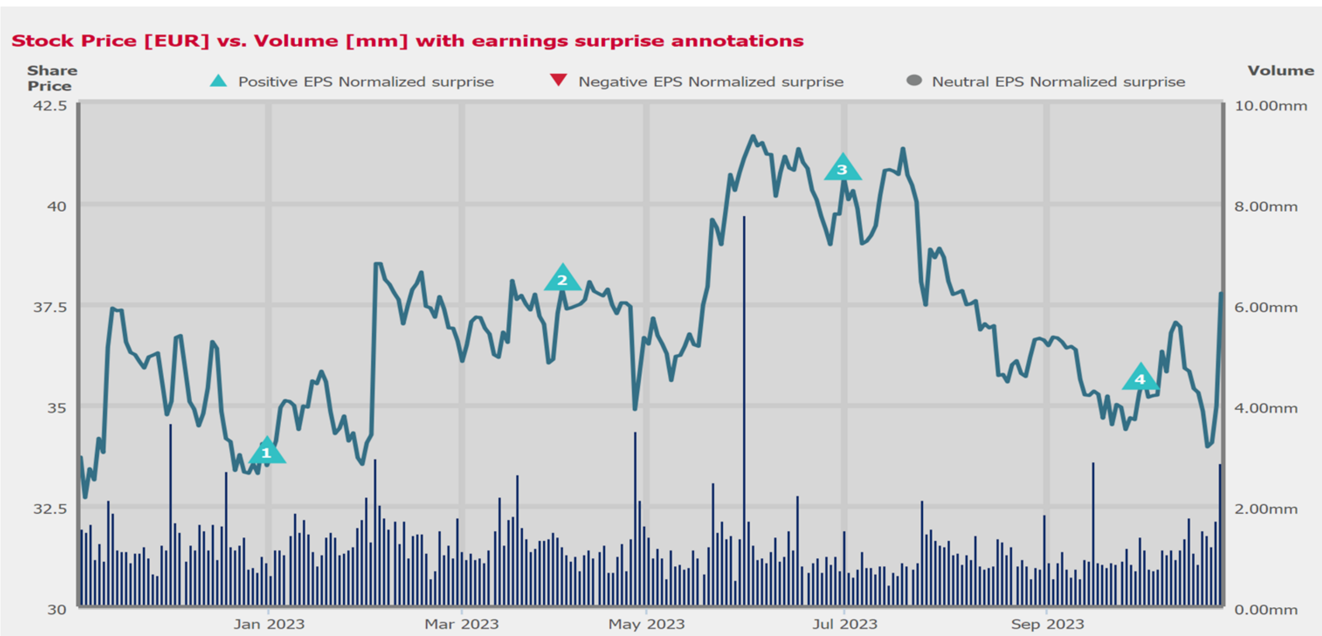
Dassault Systèmes SE ENXTPA:DSY
FQ3 2023 Earnings Call Transcripts

Wednesday, October 25, 2023 8:00 AM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2023-			-FQ4 2023-	-FY 2023-	-FY 2024-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.27	0.28	▲3.70	0.37	1.20	NA
Revenue (mm)	1419.49	1424.70	▲0.37	1665.60	5964.85	NA

Currency: EUR
Consensus as of Oct-25-2023 4:51 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2022	0.33	0.34	▲3.03 %
FQ1 2023	0.27	0.28	▲3.70 %
FQ2 2023	0.27	0.28	▲3.70 %
FQ3 2023	0.27	0.28	▲3.70 %

Table of Contents

Call Participants

EXECUTIVES

Beatrix Martinez
Vice President of Investor Relations

Bernard S. Charles
Chairman & CEO

Pascal Daloz
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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 today, Bernard Charlès, joining us remotely. So our Chairman and CEO; Pascal Daloz, Deputy CEO and COO; and Rouven Bergmann, CFO. I would like to welcome you to Dassault Systèmes Third 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 universal registration document.

I will now hand over to Bernard Charlès.

Bernard S. Charles
Chairman & CEO

Thank you very much, Beatrix. Good morning, everyone. I am delighted to connect with you this morning. The very solid and differentiating foundation of Dassault Systèmes are very well illustrated [Audio Gap]. As you do know, the virtual twin is science-based. It's being adopted by all industries we serve. It's a way to capitalize knowledge and know-how, and it can be experienced, can be simulated. It's better to not see things only but verify that it works.

So as a result of that, the software revenue is up 12%, above the objective of the quarter. Subscription is very strong, which demonstrate and Rouven will sure will tell more about that, that our successful transition is happening for subscription, up 18%, accelerating sequentially despite the fact that we continue to invest, and we did invest last year and we continue to invest this year, with headcount up 5%, unlike many competitors reducing their capacity. We continue to increase. The operating margin is at 31%, up 50 basis points year after year. And EPS is up 20%. So it enabled us to confirm our full year objectives. Rouven and Pascal will tell more about that.

But not only that, I think remember, our 5 years plan, which was announced, remember well at the end of 2018, is well on track, I think. We'll come back on this in February. So beyond that, our opportunities are, I think, very strong. They are very strong for the new lead team, led by Pascal Daloz on the team. Really, I think we have created next-generation platform.

We have the opportunity to serve all types of industries, manufacturing, life science and health care as well as infrastructure with what we call the move to software-defined solutions, where there is really a conjunction between the experience economy and the sustainable economy. And we are investing massively, and we continue to expand what we started 15 years ago. The use of AI is already there in CATIA, V5 was there and continue to expand in all our brands now to complement modeling, simulation, data science. It's good to know the laws of science. When you don't know them, then you do AI on the data science. So I think this connectivity is making us unique from that standpoint.

So with that, I leave the floor to Pascal and Rouven to tell you more.

Pascal Daloz
Deputy CEO, COO & Director

Thank you, Bernard. So good morning, and it's always a pleasure to be with you at this physically in London with some of you and for the others over the phone.

So let's come back to a few statements about the vision. We had the Capital Market Day a few months ago, and I just want to remind a few things. The first one is, you remember, we have craft the next horizons, the 2040 horizons. And the 2 fundamental trends behind are the following: the fact that we are shifting from product to experiences, and this is happening in all the industry we serve. And the second thing is the economy is also transitioning from what we call a linear approach to a circular approach in order to take care about the sustainability challenges. And those 2 bets are really the one where, to a certain extent, we are building the next horizon for

Dassault Systèmes, and we call it metamorphosis because it's more than a transition or a radical change. It's a reinvention. So that's for you to give the context.

The second thing is why -- we were the one inventing the PLM early 2000s and why it's time to redefine what PLM is about. For the last 40 years, the PLM was focusing on the left side of this loop, which is how to use a virtual twin to do the imagination, the creation and the production and the delivery virtually. Now it's time also to connect the twin with what is happening in the real world. And this is the best way to deliver the experiences. So the twin is not only a way to create and to imagine, but it's also more and more a way to manage the life of the things in usage.

The second topic is PLM means product life cycle management. And with this circularity, the product could have multiple life. So the topic right now is not only to manage one life. It's to manage multiple life of the products. And the twin is really the way to couple the 2 together. An illustration of this, and Bernard just mentioned a few words about it, is what is happening in the auto sector. We have what we call the software-defined vehicles. And it's really a new concept where you see more and more the value transitioning from the physical assets, if you want, to the software piece in order to create this new mobility experience economy.

And the twin is, again, a way to do the personalization, the connections to provide additional services in order to reinvent what the mobility is about. And why -- maybe a longer story, we could have a video.

[Presentation]

Pascal Daloz
Deputy CEO, COO & Director

Really the knowledge and the know-how of the company, and this is giving a foundation, which is extremely unique compared to many others.

The second thing is we are mixing the modeling and the simulations with the generative AI approach. And this is giving the ability to do those 3 things. It's a way to open new space of possibility. And here, you have an example of how the system is helping you to guide to find new materials for battery, for example. You remember, it's also something we do in the therapeutics, where the AI is generating automatically the molecules. It's empowering the people with a new level of synthesis. And this is extremely important. We believe the generative AI is not a way to substitute people. It's a way to empower them, to elevate them if you want.

And last but not least, it's, I think, helping the people to navigate in the complexity of the decisions. And there is a big difference by deciding the uncertainty and deciding in unknown. And when you are addressing the innovations market to a certain extent, you need to take a lot of decision without having the full knowledge. And this is where the generative AIs could help you. And you remember, it was an example I shared last time where the AI was helping the OEMs to figure out the impact of the fluctuation of the raw materials, right? And it was extremely difficult to predict. However, having this ability all the time to manage and to build the contingency plan, this is extremely valuable for the industry at large.

Speaking about the quarter, I think I will characterize this quarter by a number of significant large commercial agreements, right? That's probably the most visible part of the Q3, and I will say a few words about this.

It happened specifically in the manufacturing industry. You have seen the press release. I mean the momentum is extremely good. And why it's coming at the right time because it's a mix of constraint this industry is facing. They need to gain the competitive edge advantage. They need to meet the regulatory sustainability deadline. But at the same time, they need to manage the profitability and also to decouple, if you want, the economic growth from the resource consumption. So it's a real challenge, and that's the reason why many of our customers are really more than rediscovering if you want, the value of the platform approach. So it's really happening in the manufacturing industry, especially in the core industry we serve. So the Auto, Transportation & Mobility, Aerospace & Defense, but also in the Consumer Packaged Goods, and I will give you some example of this.

In the Life Sciences and Healthcare, I think the investment cycle is probably less favorable for the time being, but, there is a big but, we believe it's time for this industry to have new efficient and affordable drugs with a breakthrough. And this is an aspect which is really the core of Dassault Systèmes, and I will come back, and I will give you details about this. And regarding the infrastructure and cities, you remember the value of the twin is proven. What is missing is, to an extent, the scale from a go-to-market standpoint. And I will illustrate how we are partnering with interesting company in this space.

So let's move to few comments. Let's start with Jaguar Land Rover. So you know they were the -- almost the first one adopting the 3DEXPERIENCE platform at the early days, and we renew and extend our contract for the next 5 years, aligning, obviously, the entire program with their strategy. But the most important thing is the one which is written in bullet points.

First of all, we are expanding the reach in terms of number of users from a little bit more than 8,000 to a little bit less than 20,000 users. Why so? Because the platform is becoming the single environment for the entire value network. And you remember, it's a topic we discussed many times is how the OEM can drag, if you want, the adoption of the entire supply chain of the -- by the -- of 3DEXPERIENCE platform adoption. And this is really happening.

The second thing, which is, I think, noticeable with this deal, is the first time we are combining, if you want, a hybrid model, giving the ability for the customer to migrate progressively on the cloud. As you know, there is -- it's difficult for many of our customers to shift overnight. So the question when we do those long-term agreements is how we are giving the flexibility for them to do it in a smooth way without disrupting the business model, without having to reopen the negotiations. And this is what we did with JLR.

And last but not least, obviously, it's an important thing for them to reach their net zero carbon by 2039, and the program is instrumental for that. So this is a major deal, and Rouven will probably give more details about it.

So we have a lot to say related to the Life Sciences. And as you may know, I think for -- since the acquisition of MEDIDATA, we have directed a lot of investments on the new domain. The patient centricity is one of them. The AI is another one. Why so? Because we believe this industry is really shifting from the way they approach clinical trials. And this, I have many examples this quarter. I could have focused on the National Cancer Institute, which renew a contract, which is a significant contract for us. But I think [indiscernible] difficult, it's probably more than another one, promoting the most decentralization of the clinical trials. And this [week], on the growth portfolio, it's not only for one drug, it's really for the entire portfolio.

And why they are believing that decentralization is the way to move forward. There are 3 reasons. The first one is when you got a trial, the frequency you are collecting the data is extremely important. If you collect the data each time you go to hospital, it's not anymore enough. You need to collect data almost real time every day, every hour. And the only way [indiscernible] with centers and collecting real-time data.

Two, actually, capturing some of that data which are important for important the clinical trials [indiscernible] having the context of the data is also extremely important, especially if you want to understand what are the external factors influencing the clinical trial. And that's also a way to do it when you decentralize the clinical trial.

And last but not least, the diversity is a big topic in the clinical trial. Why? Because you want to represent the entire population. And if you are subject to the site and the site obviously localized, they are, I would say, limited by definitions. It's extremely difficult to have the same representation of the diversity. So the 3 factors combined are really reshaping what the clinical trial is about.

Now let's move to infrastructure and cities. I'm very pleased to announce this new partnership we signed with WSP. Maybe you don't know this company, but if you have 5 minutes, look at their website. It's a Canadian company. It's probably one of the largest engineering and consulting firm in infrastructure. And they are #1 in many, many sectors like, obviously, the energy, the waste infrastructure but also the transportation infrastructure. And why it's an interesting case because we are partnering with them to do 2 things: one, to equip all the large projects they are handling and they are managing. And you remember, this market is highly fragmented. Addressing the company one by one, it's a difficult thing to do. However, if you can -- if the platform could become the collaborative environment for all the large projects, there is a way to connect almost all the stakeholders they want, and that's what we are doing with WSP.

The second thing we do with them, it's an engineering firm. And more and more, they are expanding into the maintenance and operations of the infrastructures. And they are betting on the fact that the twin will be -- the virtual twin will be the way to do it. So this is the reason why I think it's a valuable example, illustrating relatively well what we are doing in this space.

Speaking about the performance for the Q3. A few comments related to the geo. Let's start with Europe. As you can see, 21% growth for Europe, 14% since the beginning of the year. I mean it's really an outstanding performance. And you should notice that this growth is really broad-based. It's not only one country. It's almost all the countries within Europe. It's driven by large deals. As I was saying, JLR is one of them, but it's not the only one. So in Transportation & Mobility but also Home & Lifestyle. So this is also important to notice that the diversification is also contributing to the momentum in Europe. And last but not least, the subscription adoption is also, I mean, driving the momentum in Europe.

Americas, plus 9%, plus 8% since the beginning of the year. Again, we continue to have good momentum driven by subscriptions, specifically in Transportation & Mobility, and for example, we signed the deal with General Motors this quarter. But also Aerospace & Defense, Infrastructure, Energy & Materials. And I should add High Tech as well. We have a sizable transaction with Apple also.

Asia, plus 5%, plus 2% since the beginning of the year, with continued improvements driven by India. India is still delivering a double-digit growth. We have also an excellent performance in Japan especially in the industrial sector, a little bit softness in Korea. And China is back to growth with plus 6%. And I -- to a certain extent, I have a good visibility for Q4 in China.

So if we move to the software by revenue lines, you will notice that the Industrial Innovation software is growing at 18%. So it's really an outstanding performance, plus 10% compare since the beginning of the year. And you can see almost all the brands are growing double digits, all the product lines. And it's driven by both the upfront license but also by subscriptions. So which is also a point that the transitioning to subscription is happening in the core industry we serve and the core product lines.

Life Sciences software revenue, plus 3%, with MEDIDATA in line with what we say, which is the cloud subscription is mid-single digits. And again, we will probably come back through the Q&A on this topic.

Mainstream Innovation software, plus 7%. SOLIDWORKS transition to subscription is really accelerating. Just keep in mind that the subscription is representing 1/3 of the booking for SOLIDWORKS. It was 15% a year ago. So the transition is really happening. And we have a strong momentum with CENTRIC PLM, and you will see it's coming from multiple fronts.

So if we zoom on CENTRIC PLM, and I really want to take a few times to say a few words about it. Not only we have established a large footprint with almost 13,000 brands fully equipped, and they do the collection management with it, but we are expanding along multiple axis. The first one is really the market expansion. We have subsegment the market. You remember, CENTRIC PLM was really serving the fashion industry. And more and more, we're expanding into the outdoor and sports, cosmetics, food and beverage, consumer goods. So this is really a market expansion.

The second thing is from a community expansion standpoint, they were focusing a lot on the brands, and now we see sizable deals in the retail industry as well. So ALDI is one of them. It's a large transaction we signed in Q2. This quarter, we signed Decathlon. But this is interesting because if you take ALDI, it's a 5 years contract. They are deploying the collection management across all the different stores, and they are managing all the programs, all the marketing and the incentives for all the different programs at the same time.

And we are also expanding the value propositions from the collection management to the business planning and more and more to e-commerce. And we continue to invest, and I'm pleased to announce a small acquisition we did in order to fulfill this strategy, which is in the domain of the pricing. And it's an AI-based company. What they do, they are basically using AI as a way to predict the pricing and to guide the decision on the -- if you want, the sensibility of the price if you can basically accelerate your growth by playing with the pricing. So a little bit less than EUR 4 million. The base price was EUR 15 million, and we have an earnout on top of this, 40 employees based in Germany, and they're part of CENTRIC for since months.

Why I'm saying this? Because if you combine those 3 axis, I think with Centric PLM, we are on the road to build EUR 1 billion brand. If you remember, when we acquired this company, it was below EUR 100 million, EUR 90 million -- a little bit less than EUR 90 million. Now we will reach more than EUR 200 million this year. The next milestone is EUR 500 million, which is really -- the momentum is already there. And with the 3 axis we are building, I think we are creating the foundations to build EUR 1 billion brand.

Conclusions for my section. I think we are extremely pleased with the Q3 performance, and Rouven will come back on this because this is putting us in an ideal situation to conclude our 5 years plan, reaching EUR 1.20 EPS. And I think this is also giving a good foundation for the next one, which is calling for doubling the EPS again in the next 5 years.

So Rouven, you have the floor.

Rouven Bergmann
CFO & Executive VP

Thank you, Pascal, and also good morning from my side. Welcome here in London and online. As Pascal mentioned, clearly, Q3 highlights the anticipated acceleration in the second half of 2023, with software revenue up 12% year-on-year, which is above the high end of our objectives we set.

We can go to the next slide or I have to click. Good. That's good to know. This momentum is driven by continued acceleration of subscription revenue growth, as Bernard already mentioned. It's up 18% year-over-year, and it's reflecting an increasing share of large 3DEXPERIENCE wins but also a continued good momentum with SOLIDWORKS adopting the subscription model, as Pascal mentioned, and strong performance of CENTRIC PLM, which is operating in the subscription model.

The subscription growth drivers are broad-based and evidence across geos and the industries and give me the confidence that also our annual subscription revenue growth will continue to accelerate moving forward despite the temporary lower contribution of MEDIDATA, as explained during our last earnings call.

For the first 9 months, recurring revenue now accounts for 81% of total software revenue, which is up 80 basis points versus last year. To complement the strong software revenue growth, we also saw a rebound in upfront license revenue, which is up 20% year-over-year. And all of the above is reflecting the strength in new business growth and the anticipated acceleration versus the first 6 months. Service revenue was up 2% at constant currency, in line with our objectives.

Now following the strong top line performance, we also advanced towards expanding our profitability. As evidenced by an operating margin at 31%, which is up 50 basis points year-over-year and an EPS at EUR 0.28, which is up 20%, and it's all above the objective. With these strong results in Q3, we confirm our full year objectives.

Before moving on to our long-term growth drivers, let me briefly share a few remarks highlighting the impact of large deals. The framework we are applying is the following. We are expanding our relationships with existing clients as well as winning new ones, which we refer to as value up and value wide. From a revenue growth perspective, you see a healthy contribution to in-quarter growth and upfront license revenue, and more importantly, we are building the run rate and momentum in our subscription growth for quarters to come.

To this end, we signed several multiyear subscription deals where the customers have the flexibility to adopt our cloud at day 1, laying the foundation for long-term ratable revenue growth.

Now to the growth drivers. Consequently, the increasing share of predictable revenue provides us greater visibility and resiliency. Our strategic growth drivers of 3DEXPERIENCE and cloud are at the center of the shift to our subscription strategy. 3DEXPERIENCE revenue rose 46% in Q3 at constant currency. This reflects a share of 40% of 3DEXPERIENCE addressable software revenue, the highest contribution ever.

In the first 9 months, 3DEXPERIENCE revenue grew 18% to 34% of software revenue. Cloud revenue grew 10% in Q3, representing now 25% of software revenue, while MEDIDATA growth contribution was lower this quarter, as anticipated, due to the strong comparison base. The growth in 3DEXPERIENCE cloud remains at a very healthy level. So we are well positioned to continue to capitalize on our leading position in key industries, capturing above-market growth with 3DEXPERIENCE and cloud.

Now let's review how we performed relative to the objectives we set for the third quarter. To make it simple, we delivered strong results, beating all our key objectives.

Total revenue was EUR 24 million above the mid and EUR 13 million above the high end, offsetting a negative currency impact of about EUR 12 million. Operating margin was 70 basis points above the midpoint at 31%, net of negative currency impact of 40 basis points, and we continue to invest to support our strategic initiatives with a net headcount growth of over 1,100 for the first 9 months, which is up 5%.

Most importantly, this overperformance in Q3 highlights that the impact of the expense carryover, which muted the margin performance in the first 6 months, is behind us, and we are now back to a more normal trend, with year-over-year margin improvement of about 50 basis points. The strong operating performance in Q3 translates to EUR 0.28 in EPS, driving the upside was at the high end of our objectives. In addition, the contribution of higher financial income was neutralized by a negative FX impact.

In summary, I've been talking with you about the revenue growth acceleration for some time now this year. As evidenced by the Q3 results, we are delivering against what we said. While I will be addressing the full year outlook in a moment, it is important to highlight that we are trending well within our objectives for the first 9 months. This further strengthens our confidence in our full year financial plan for revenue and for profitability.

Now let's turn to cash flow and balance sheet. Cash and cash equivalents totaled EUR 3.368 billion compared to EUR 2.769 billion at the end of 2022, which is an increase of EUR 599 million. At the end of the quarter, our net cash position totaled EUR 378 million, an increase of EUR 605 million versus a net financial debt of EUR 227 million at the end of last year.

Now let's look at what's driving our cash position at the end of the third quarter. We generated EUR 1.272 billion in operating cash flow year-to-date in line with last year. Net income adjusted for noncash items and the balance of changes in working capital are almost flat year-to-date versus last year. And we expect the operating cash flow to resume to growth in Q4.

To sum up, operating cash flow was mainly used for the use of cash dividends paid in Q2 of over EUR 276 million, the net purchase of treasury shares at a total of EUR 240 million and CapEx of EUR 103 million and repayment of lease liabilities of EUR 63 million. Lastly, the total FX impact is not significant this year as compared to the first 3 quarters last year where it was more pronounced.

Now let's turn to our fiscal year 2023 objectives. There are 2 key messages to be shared with you. The first one is we are confirming our guidance for revenue and operating margin while increasing the outlook for EPS to now EUR 1.20 at the midpoint of our range, which used to be the high end of the guidance previously.

The second point to address is the notion of risk associated with a back-end loaded year, which some of you expressed. As mentioned before, Q3 highlights the anticipated growth acceleration in the second half, and it now puts us in a position of strength to derisk the fourth quarter outlook and remove these concerns. As such, we keep the midpoint of our total revenue objectives unchanged by narrowing the range of total revenue to be now at EUR 5.945 billion to EUR 5.985 billion. So the range is now EUR 40 million.
For the full year margin, we apply the same logic: no change to the midpoint of 32.5%. And in fact, we are compensating the FX headwind with a stronger operating performance. This reflects the positive trend of the margin uplift in the second half of the year versus the first 6 months, as mentioned before.

To summarize our full year 2024 objectives, we maintained growth rates at constant currency for software revenue of 8% to 9% and total revenue of 8% to 9%. This implies upfront license revenue in the range of 3% to 4% and recurring revenue to be in the range of 10% to 11%, with subscription growth unchanged in the range of 16% to 17%. Services revenue is expected in the range of 8% to 9%. The operating margin range remains at 32.3% to 32.6%, with no change to the midpoint.

Before closing, let me provide a few additional data points that will help to shape your Q4 models. Given the strong operating performance of Q3, we now project software revenue to grow at 8% to 10% in Q4. This implies recurring revenue growth in the range of 11% to 13%, with subscription revenue increasing in the range of 18% to 23%. We slightly adjust the upfront license revenue to be now in the range of minus 1% to plus 3% as we remain confident for the full year range of 3% to 4% growth. These objectives reflect continued momentum in subscription revenue growth from new deals and increasing contribution from our run rate.

Now one additional comment regarding MEDIDATA. We expect growth to reaccelerate in Q4 to achieve double-digit growth for the full year.

In terms of profitability, we expect the operating margin in the range of 35.8% to 36.6% and diluted EPS of EUR 0.35 to EUR 0.37. This reflects the year-over-year improvement of 190 basis points and 10% to 14% growth ex FX, respectively.

Now of course, for additional information, please review today's earnings presentation in more detail.

So let me conclude. As evidenced by our strong Q3 results, we are on track to achieve our full year objectives for revenue and profitability. Q3 performance is broad-based, driven by growth in 3DEXPERIENCE, closely aligned with our growth strategy as discussed during our Capital Market Day. Our subscription revenue is driving the momentum of the company while we deliver the productivity gains in the second half as planned. Finally, the confidence in the full year plan is supported by rebalancing our Q4 growth with a strong Q3 upside.
And now Bernard, Pascal and I will be happy to take your questions.

Question and Answer

Beatrix Martinez
Vice President of Investor Relations

And from the room, we can start with Mo or Adam.

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

A couple from me. Firstly, it was quite encouraging to see the -- some of your comments around some of these larger 3DX deals. Rouven, you alluded to some recognition in the upfront license. But how should we think of the kind of the impact on the kind of subscription line, given the kind of accelerating trajectory you've already started to see in the quarter? And if you could also comment on the pipeline of the deals that you have and perhaps the visibility around closure amidst the current environment. And what has been kind of the trigger now to cause this inflection and perhaps bring better line of sight?

Second one is just on MEDIDATA. It sounds like it's -- the comp is a bit or less difficult in Q4, but how should we think of that kind of reacceleration in the MEDIDATA to shape? And as a result, when you put these 2 together, how should we think of that sort of run rate on the subscription, with MEDIDATA being less of a drag, but then you've obviously got the momentum kind of on the core?

And then the last point was really on the OpEx. It sounded like you invested a bit more in the quarter, but some of the accelerated investments you made in the hiring should start to normalize. So how should we think about the flexibility you have to invest if the revenue outlook potentially is getting more constructive and the margin evolution?

Pascal Daloz
Deputy CEO, COO & Director

Rouven, you start with the revenue recognition.

Rouven Bergmann
CFO & Executive VP

Yes. And I maybe tackle the margin as well.

Pascal Daloz
Deputy CEO, COO & Director

Yes.

Rouven Bergmann
CFO & Executive VP

You do the 2 others.

Okay. So on the subscription impact, so 13% growth in Q2, 18% growth in the third quarter. And the growth in the subscription line is really driven by the run rate that we are building. There is no onetime impact or upfront component in the subscription line. It's all reported under the license -- upfront license revenue. So as investors, what you have to expect is that the recurring and subscription revenue should show continuous growth as we are transitioning our model.

I think one of the key takeaways of this quarter is that the transition to the subscription model is happening very fast. The large transactions that we are signing are subscription deals. More and more are cloud-based as well, which allows us to have the 2 performance obligations to really have a ratable revenue recognition over the term of the contract. And we'll see that reflected in the subscription revenue growth in the quarters to come because the large transactions that we signed, the majority of the value will be recognized in the future periods. And what is in quarter is more the upfront component.

So the real value of what we will see in growth going forward is still to be recognized in future periods. That gives us a good visibility also for Q4 and, I think, gives us a good starting point for 2024. So maybe that's to the subscription, which also partly addresses the pipeline question and the visibility. But of course, there is also the upfront license to it.

But I would like to refer now to the OpEx part. We had -- coming into the year, we had the top line more back-end loaded from a revenue standpoint. And we, at the same point in time, had a strong investment cycle in 2022 that was carrying forward into 2023, plus the impact of inflation. And you saw that in our first 6 months operating margin where we were lower than last year. And we anticipated that starting Q3, we will catch up and that trend will reverse. And that's what we see reflected now. The cost increase from the carryover of last year is now about 3%. It's less than 5%. It used to be 6% to 8% in the quarters before. So we are essentially consuming that carryover effect, and it will be even less in Q4. This gives us the operating leverage to make investments. I mentioned year-to-date, we hired 1,100 FTEs. So we are investing in the future while, at the same point in time, we are expanding our margin to 50 basis points, and we expect to further improve the margin in the fourth quarter because the carryover effect from last year will be neutralized.

And the strong -- the acceleration of revenue, of course, does its part as well to help improve the margin in the second half of the year, which then going forward, I think, sets us up nicely. Again, we have the flexibility, to your point, to manage the margin at around 40 to 50 basis points of improvement, which we already show in Q4 -- in Q3. Q4 will be better. On aggregate for the full year, we will be still on target, which will be slightly down year-over-year. But for next year, we are projecting growth.

Pascal Daloz
Deputy CEO, COO & Director

Related to the pipeline, I think we have a decent number of large deals in the pipe, specifically in Transportation & Mobility and Aerospace & Defense. As you can imagine, they are the one embracing at large the platform. And you remember last time I shared with you the fact that the platform is really the standard in aerospace. And it is also the standard in the auto sector, specifically for the electrical vehicles. So I think this is giving a lot of visibility. I will not mention the names, but I'm sure you have them in mind.

Related to MEDIDATA, I think there are a few things to consider. One is exactly what you say more the comp is not helping. And if you remember, in Q3 last year, Rouven, correct me if I'm wrong, but it was 17%, right, the growth of MEDIDATA, which was by far outperforming the market growth.

The second thing is we have a volume compression in terms of study starts on the market at large. And I was computing the data recently. It's minus 13% for Q3 compared to Q3 last year, almost minus 10% since the beginning of the year. It's for the industry at large. It's not only for us, of course. And more importantly, since you remember, the peak was doing at the COVID time, it's minus 14%. So why I'm seeing this? Because the vast majority are usually from those -- to these starts are coming from the CROs. And they are the ones facing the volume drop for the time being. And as you may know, we have a larger exposure to the CROs, more than any else -- anyone else, at least more than any of our competitors. So this is the reason why you have this adjustment.

Now let's speak about the competitiveness because I think this is what is behind the questions. I was checking the win rate is still at -- exceeding 80%. So clearly, we had a good win rate, and we are not suffering. I check also taking the large top customers we have, if we have a significant drop of number of license, a number of trials or studies, this is not the case, right? And when we renew because it's also an indicator, which is extremely important, are we renewing at parity or are we renewing with an extension of what we do. And for Q3, the renewal was at 120%.

So all those indicators are extremely good. And another one, which is, I think, is also important for you, the total bookings increased by a little bit less than 20%. Okay. This is the second piece of my answer.

The third piece, which is probably more important is, as I was stating in my comments, this market is changing, right? EDC was invented 20 years ago. And EDC is nothing more than the PDM for clinical trial. And the platform is really coming. And the 2 fundamental things which are really reshaping this industry is the decentralization on one hand, and I took an example to explain the reasons behind -- and you know that we are the one investing in this. We are the one leading the pack. And I can give you some statistic about this.

If you take the top 20, more than half of them, have standardized their DCT, their decentralized clinical trial with patient cloud, which is our dedicated solution for that, right? In Q3, we rescue 3 big DCT studies, was handled by competitors because they were struggling to make it happen. So I would say on this front, we are not only leading the pack, but we are the one helping this industry to be transformed.

If you look at AI, AI is also an interesting thing. I was telling you last time that AI is becoming more and more the norm also with the DCT control arm. And right now, I think we have more than 50 large controlled arm studies running in parallel to the physical one, to the traditional one. So this is really, again, something extremely important for you to keep in mind because this is shaping not only what the industry will do but also where the growth is -- will come from. And if you look at the Patient Cloud, I mean the growth is -- I mean, it's by far exceeding 20% on a quarter-to-quarter.

Last comment I will make, we have NEXT New York. NEXT is the big event for MEDIDATA. It's, I think, November 7 and 8. And if you have few times, I will encourage you to at least connect if you cannot attend. Just to have a testimonial to have the people from MEDIDATA and from Dassault Systèmes presenting this transformation, and you will understand why the confidence is there. And as you say, Rouven, you will see automatic -- you will already see in Q4, the reacceleration because we are still planning to deliver double-digit growth with MEDIDATA for the full year.

Adam Dennis Wood
Morgan Stanley, Research Division

Adam Wood from Morgan Stanley. Maybe just to ask Mo's first question in a slightly different way. It's obviously great to see the licenses in the quarter. I guess we're a bit accustomed to thinking of that as one-off revenue, but there's a lot of big deals in there with subscription recurring in there as well. Is there any way to give some feel in terms of TCV signed in Q3, what that mix was? Are we 10%, 20%, 30% licenses? And any feel as to how derisked the recurring number is for the fourth quarter? Because I guess at this point now, most of that revenue will be coming off the balance sheet rather than needing to be signed.

Secondly, on the JLR deal, it's great to have the updates in terms of the number of users. I mean just to give a feel in terms of revenue, would that be a kind of similar revenue uplift as we saw when you signed that big standardization deal with Boeing? Is that the kind of similar order of magnitude in terms of revenue uplift?

And then maybe finally on MEDIDATA. You talked specifically about MEDIDATA rather than Life Sciences recovering in the fourth quarter. I guess the other unknown there is BIOVIA. Is that kind of lack of commentary and commitment on the BIOVIA side just because you don't know because there's more volatile license business in there? Or are you actually expecting BIOVIA to still be weak in the fourth quarter and dilute the growth?

Pascal Daloz
Deputy CEO, COO & Director

The first part, Rouven. And then we'll take the other 2.

Rouven Bergmann
CFO & Executive VP

Thank you. Thank you for the additional question, Adam. So when we look combined at the total contract value of the top 6 deals we signed this quarter, less than 15% is recognized in the quarter, and 85% or more will be recognized in the future. That will start in Q4. But of course, that will be multiyears of revenue recognition to drive value. And that's the power of the subscription model and the platform. That's why the value up strategy is so critical here. At these -- in many ways, these deals are starting points with the ability to do more in the future. But the foundation is the subscription model, and the [ratable] revenue recognition.

Pascal Daloz
Deputy CEO, COO & Director

Speaking about GLR, yes, you're right, Adam, it's the same order of magnitude than Boeing on a yearly basis, except it's 5 years. It's not 30 years.

Related to BIOVIA No, no, no. BIOVIA, we are moving to subscription as well. So it used to be a license model for the vast majority of [that] we are doing, and we are moving to subscriptions. And the fact that I did not mention BIOVIA it's not because it's not core. More than ever, against -- it's -- another thing I should add, the clinical trial is managed, to a certain extent, independently from the research and discovery and the production. With the platform, we are connecting also the 2 together. And BIOVIA is extremely instrumental in this industry, especially with the new techniques, which is generative AI, therapeutics solutions we are putting on the market. The adoption by the market is extremely fast on this.

Unknown Analyst

Just a couple for me. Firstly, I know you love talking about 2024 at this stage of the year. But you've teased us with accelerating subscription growth. Is there any reason why we shouldn't assume that you'll do double-digit software growth next year? Or are these large deals creating tough comps that mean we should hold back some of our enthusiasm?

And then secondly, just on the cash flow. I know you said you're expecting Q4 cash to be higher than last year, but Q4 is not a particularly high hurdle. Are you expecting, on a full year basis, cash flow to be higher than last year?

Rouven Bergmann

CFO & Executive VP

Yes. I'll start. Just to answer the second question. The answer is yes, it's for the full year. It's an operating cash flow improvement, also an improvement in working capital that we expect in the fourth quarter. Remember, we signed some large transactions also this quarter, and we'll see the benefit of this in the cash flow next quarter to come.

Related to the subscription acceleration, I think you see now the arc, right, from -- between the first half of the year. We also started to guide to subscription beginning of the year in anticipation of the transition the trajectory we are on to give you the visibility of the model transition that is underway. And the acceleration quarter-over-quarter sequentially from 13% to 18% is substantial. And for the fourth quarter, if you look at the guidance range, it will be around 20% with the visibility we have.

Now related to next year, I think we've laid the foundation with all the elements of growth drivers that are in place across all segments of our business. Also, the acceleration of MEDIDATA in 2024 will drive that from a year-over-year standpoint. In these numbers of 18% in the third quarter, we have the muted MEDIDATA performance. That will improve. And so that will further support the subscription growth in 2024.

I don't want to guide now to 2024. That's too early. We have important Q4 in front of us, where there's deals that similarly, like in Q3, we are signing them in the fourth quarter, and they will fill our backlog for next year. And based on that visibility, then we'll give you the transparency on what to expect, but the trend is clear.

Balajee Tirupati
Citigroup Inc., Research Division

Balajee Tirupati from Citi. Two from my side, if I may. Firstly, thanks for sharing color on MEDIDATA and competitive environment there. One of your competitors for SOLIDWORKS has also recently talked about winning customers who assist us. So if you can talk about competitive environment there in SOLIDWORKS.

And the other question would be on pricing. Dassault has been taking pricing action like other software companies this year. What is the view going forward? And if you can share any color on how much of tailwind pricing is providing to revenue growth this year?

Pascal Daloz
Deputy CEO, COO & Director

Okay. I take SOLIDWORKS, and you will answer for the pricing.

So SOLIDWORKS, the main key highlight for the quarter is really the one I just highlight to you, which is the fact that the subscription is really taking off, right? And 1/3 of the new booking is -- it means something, right, because by far, SOLIDWORKS is #1 solution in the market. And when we speak about new booking, we are speaking about big numbers.

To just make a sanity check, I was looking at the number of units, which is always a good way to see if at the end, we are losing the share or not. And in terms of number in units, we are still growing at the mid-single digit, right? So that's the reason why I think I'm pretty confident about the fact that we continue to expand.

Overall, for the full year, we are talking about, I don't know, more than 80,000 new units, almost a little bit more than 20,000 per quarter, just for you to have an idea, which could be compared to the competitors claiming that time to time, they are taking 1 unit on their side.

Rouven Bergmann
CFO & Executive VP

Okay. So the pricing, thank you. You're right. We have -- I think we have a very good practice of evaluating our pricing power in the market. In 2023, we made pricing adjustments in the range of 3% to 5% depending on geo and depending on product. What is the contribution of this in 2023 itself? It's probably 1/3 that we see reflected because it takes time until -- depending on the timing of renewal, it really varies. But so far, we are -- we have not seen pushback or challenges with this, and it's a sound approach.

For next year, we are carefully evaluating this also from a standpoint of affordability of various markets. It's a country-by-country exercise to assess this. But yes, we are also looking at price increases for next year, but more to be shared in the future.

Beatrix Martinez
Vice President of Investor Relations

Okay. We can now take some questions from the call.

Operator

[Operator Instructions] And now we're going to take our first question, and it comes from Toby Ogg from JPMorgan.

Toby Ogg
JPMorgan Chase & Co, Research Division

Perhaps just again on the MEDIDATA side. I know you've talked about mid-single-digit growth there for MEDIDATA cloud subscription revenue. But I know there's also a transactional component there to MEDIDATA. So could you help us just with the overall growth for MEDIDATA in Q3? And then just thinking about the drivers of the confidence for the MEDIDATA reacceleration into 2024 and beyond the level required to hit the cloud targets, could you perhaps just help us understand some of those building blocks, I guess, just in the context of that more difficult environment?

And then lastly, just on the M&A and capital allocation. Could you just give us an update on what the latest thinking is here with respect to any potential large transaction? And then just how you're balancing that with the midterm targets, which incorporate a degree of M&A?

Rouven Bergmann
CFO & Executive VP

Sure. Thanks, Toby, for the questions. First on MEDIDATA, for the overall revenue, it's in line with cloud subscription. It's mid-single digit. For the comp to come -- for the comp -- for the outlook on 2024 and the drivers of growth acceleration, clearly, we highlighted the Patient Cloud and decentralization of clinical trials to be a very strong driver and transformational driver of clinical trials in the future. The basics of -- the basis of EDC is transitioning from a site-centric approach to a patient-centric approach. And that we are convinced it's going to drive more demand and our ability to grow and differentiate from our competitors.

We are the market leader in this space already. And for the reasons Pascal mentioned, we are confident that we are -- we will be able to separate ourselves from the competition.

Also, around data AI, we have the richest and largest data set of clinical trial data, and we are recognized as leaders with synthetic control arms, and this creates massive value for our clients. And we expect that the best is yet to come. We started with this journey. And 2024 -- and the future will bring more and more evidence of the value of our data and how we can transform clinical trials. So that's what's giving us the confidence. And we talked about the renewal rates, our strong foothold with our subscription customers, our enterprise clients, where we have very successful renewals. We mentioned a few of them throughout this year, and we have a good pipeline for Q4 as well.

What's really right now, and this is the comp question, the headwind we are facing is the volume compression because the industry is going through a transformation. There was a search, and a number of clinical trials starts at the back of the COVID crisis, and this trend is normalizing, and we are seeing that volume compression impacting us through our CRO partnerships. But that will normalize over time as well and is, in part, will be reflected in our baseline when we move to 2024. But it's too early to say what the new norm of clinical trial activity with the CRO will be. I think we need 1 or 2 more quarters of numbers to see the leveling of the CRO growth profile, which will have an impact on our performance.

But overall, we are in a position of strength. And we defend our market share, also evidence in the win rates and in some competitive takeaways that Pascal was referring to on the Patient Cloud side.

Now your last question on M&A and capital allocation. Very clear, we have improved our net cash position significantly this year. We have a strong cash balance. We are -- we -- you know our 5-year commitment to double EPS by 2028. There's a strong organic component. There is a strong conviction that the 3DEXPERIENCE platform is significantly expanding the value we create with clients, and you see it represented in the type of size of transactions we are making. Of course, M&A has always been a catalyst for us, and it will continue to be, and it's going to have a long-term impact -- mid- to long-term impact to further add to our growth, but we are focused on the organic growth. And I think the third quarter reflects that the strategy is working.

Operator

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

Nicolas David
ODDO BHF Corporate & Markets, Research Division

I have 2, actually. The first one is when I look at the Q4 license growth, which is to be low single-digit constant currency, is it mainly reflecting the impact of the move to subscription? Or are you also factoring some -- the fact that some deals might be pulled forward in Q3 from Q4? And also, did you take into account some potential softness into the underlying demand?

And my second question is regarding SOLIDWORKS, I appreciate the details regarding the new bookings on the cloud. But if could you share more details in terms of the phasing of this move to subscription and notably the impact this will have on the top line. First, should we expect deeper impact in the coming quarters or Q3 was already a good example of what we should see? And how long should we see this impact? And what do you think about the acceleration and the multiplication effect -- multiplicator effect of this mode of subscription on a typical deal or typical set of deals?

Pascal Daloz
Deputy CEO, COO & Director

That was subscription, the first question.

Rouven Bergmann
CFO & Executive VP

The first question, so on the license part, Nicolas, thank you for the question and the opportunity to clarify this. So for Q4, the license at minus 1% to plus 3% growth really reflects the discipline we have to be focused on our full year plan. We knew we had a strong second half of the year coming into the year. That was the reason why the year was more back-end loaded. Q3 had a good -- very good license. But Q4, it's more of a normal trajectory of what to expect in license revenue and go forward, but still growing. That's what we expect. And it's off a strong comparison base of last year. So -- but there's no softness -- potential softness or there's also no pull forward from Q4 to Q3 that we had. So it's a normal trend that for the second half of the year that we have reflected in our guidance.

Pascal Daloz
Deputy CEO, COO & Director

SOLIDWORKS, maybe I can say a few words about this. Again, the move to subscription is -- needs to be connected with the fact that the market has also adopted the 3DEXPERIENCE SOLIDWORKS approach, which is how we connect SOLIDWORKS with the platform and with the cloud. So why I'm saying this because you have additional revenue coming from this. You have obviously the cloud space, and we are pricing this. And why so? Because this is creating value for the customer. And we also have the access to the platform, which is an extension of what SOLIDWORKS is doing. So the trends to subscription is not only a trend in the business model, but it's a trend also by the nature of the solutions being adopted by the market being a little bit different.

So why I'm saying this because at the end, the fact that we are moving from a license to a subscription model is also linked to the fact that we are expanding the value we do for our customers, and to a certain extent, we are also expanding the revenue coming from the SOLIDWORKS installed base.

Nicolas David
ODDO BHF Corporate & Markets, Research Division

And in terms of acceleration, when do you expect this to pay off? Already in '24? Or is it too early?

Pascal Daloz
Deputy CEO, COO & Director

Again, if you look at the broad base view on SOLIDWORKS, I think we are growing nicely in many, many countries. I mean, for sure, for the largest one, but also, for example, like in India, the momentum is extremely high for SOLIDWORKS as well. So more than ever, I'm confident.

Remember, if you step back, you still have millions of people still working in 2D. Believe me or not, we have not yet finished the migration from 2D to 3D. So every year, it's almost 5% of those millions installed base which are migrating to 3D, and we are still continuing to capture more than half of this. So the fundamentals are here in order to continue to do the value wide. But in addition, that's what Rouven was explaining. We are building the value up on top of the SOLIDWORKS installed base, and this is related to my previous comments.

So if you combine 2 [axis] -- I mean we are still confident on the -- as we say, the high single-digit growth for SOLIDWORKS.

Nicolas David
ODDO BHF Corporate & Markets, Research Division

Okay. Congrats from my side for those great results.

Operator

Now we're going to take our next question that comes from the line of Laurent Daure from Kepler Cheuvreux.

Laurent Daure
Kepler Cheuvreux, Research Division

Congratulations from my end as well. I have 3 quick questions, please. The first is you alluded briefly on China and the visibility you're having for the months to come. If you could elaborate a little bit on this.

My second one is on the different verticals you stressed on the ones that are performing extremely strongly. But do you have other verticals in Life Sciences that are, for the time, a little bit weaker?

And my final question is coming back to your June CMD and your aspiration to grow 10% organic on average for the years to come, do you still see the same breakdown of the growth? Or would it be fair to say that maybe you could grow a little less on Life Sciences and compensate that with product like Centric PLM that are doing even better than what you thought? Or is the situation the same as a couple of months back?

Pascal Daloz
Deputy CEO, COO & Director

Okay. Thank you, Laurent, for the questions. Let's come back to China. I think you remember the story at the beginning of the year. You were almost blaming us. We were too careful with the Chinese forecast at that time.

Now I will tell you the opposite. I have much more confidence, and I have the pipeline. And I see the momentum, again, 6% this quarter. I'm relatively confident we could be, if not double-digit but close to double digit for Q4, right? And why? So, there is a fundamental reason. Whatever the economic situations China is facing, this country is investing a lot in innovation on multiple fronts. And to a certain extent, we are benefiting from this huge investment cycle they do.

From a vertical standpoint, if you look at since the beginning of the year, I mean, it's relatively consistent. I mean the core industry, whatever -- it's the Transportation & Mobility, Aerospace & Defense, industrial equipment are growing in line with basically the growth of Dassault Systèmes. Consumer Packaged Goods and consumer goods is starting to take off not only from a growth standpoint, but also it's material for Dassault Systèmes, which is an expansion of what the manufacturing industry is about.

Life Sciences, we spoke about it, but again Life Sciences, it's not only Dassault Systèmes MEDIDATA. It's Dassault Systèmes BIOVIA. It's Dassault Systèmes DELMIA. It's Dassault Systèmes ENOVIA, all the other brands. And this piece is also increasing. You remember, I told you many times that the biologics are really changing the way to produce. And we have large deals in the pipes. People are considering the entire manufacturing solutions in order to basically rethink the way to produce.

The last comment, which is related to -- if on the long-term plan, we are, to a certain extent, offsetting part of the Life Sciences growth expected by something else, the answer is no for the reason I just mentioned to you. The Life Sciences strategy of Dassault Systèmes is not only dependent on Dassault Systèmes MEDIDATA. It's the entire set of solutions we are providing for this market, which are the one you should take into consideration.

So that's what I can say.

Operator

And now we'll take our next question from Frederic Boulan from Bank of America.

Frederic Emile Alfred Boulan
BofA Securities, Research Division

So first of all, if we could spend a bit of time on the cloud, if you could discuss appetite you're seeing for -- you got solutions, 10% growth in Q3 was a bit underwhelming, I guess, largely driven by MEDIDATA. But if you could discuss the traction outside of MEDIDATA, what type of offering customers are going for.

Second, on AI engine, you talked a lot about embedding AI in your portfolio. If you can discuss a little bit your road map and any difference in opportunity you see for customers using your software on-prem versus in the cloud?

And then lastly, a follow-up on the previous questions around MEDIDATA. Can you discuss a little bit what you're seeing in terms of competitive behavior? So from a pricing standpoint or commercial aggressivity, and then what kind of assumptions are you taking on the trials end market for next year when you talk about that improvement you're expecting at MEDIDATA?

Pascal Daloz
Deputy CEO, COO & Director

Okay. Start with the cloud.

Rouven Bergmann
CFO & Executive VP

Frederic, yes, thank you for the question. On the cloud, 10% growth this quarter. I mentioned we expect this also to accelerate. It was impacted by the lower contribution from MEDIDATA. For outside of MEDIDATA, the cloud growth is strong, and the acceleration with some of the transactions we signed this quarter, we will see that in quarters to come in next quarter.

What's really at the core of this cloud growth is the 3DEXPERIENCE platform. And here across all the segments from smaller clients where we talked about SOLIDWORKS cloud but also for 3DEXPERIENCE cloud transformation of large OEMs. You're familiar with the Renault story. And now we are starting a new story with JLR, and we have several large customers who are using the 3DEXPERIENCE platform in the cloud. And you know that from a product road map standpoint, all our roles, all our processes are cloud -- available as cloud solutions. And this gives us the opportunity now to really go into the market and offer our clients the right to use with their subscriptions, the cloud and on-premise based on their flexible needs. And this makes the cloud transition very simple for our large customers. That's a big advantage. And I expect that to be an unlocking event for 2024. As we, more and more, will have those type of agreements that will help us to adopt the cloud within our customer base and accelerate cloud growth.

Pascal Daloz
Deputy CEO, COO & Director

Following the question on MEDIDATA. Again, we -- I gave the statistic of the industry. Just for you to figure how much compared to the peak we are right now. And my expectation for 2024 will maybe normalize in terms of the growth for the number of new studies. And we are back to where we used to be, which is between 5% to 7%. That's the underlying assumptions because, I mean, the peak has been basically absorbed, and we are back to a stabilized situation.

Relating to the pricing, the way we do pricing at Dassault Systèmes is related to the value we are creating for the customers. And this is a good question because there is a battle going on with newcomers. We need to drop the price and, to a certain extent, try to commoditize things. That's the reason why, again, I was insisting on the fact that if you believe into the patient centricity, if you believe in the fact that AI is a way to shrink dramatically the time to do the trial, you are changing the equation.

For the one, we are not the expert. Remember, the clinical trial are the most, I mean, expensive phase in the drug development. So each time you can reduce it, it's a significant game, not only from a time-to-market standpoint but from an investment standpoint. And that's really how we are building our plan for the coming years.

Related to AI, again, I say already a lot, I think AI start with the data set. Remember this all the time. If you do not have the data sets, there is little things you can do. And in our space, the data sets are pretty complex. It's not transactions. [We're not] speaking about this, we are speaking about knowledge and know-how. And it's a difficult thing to handle if you are not expert. And I think the fact that, as Bernard was mentioning, I mean, AI is something we have introduced in our solution a long time ago. I mean it's maybe not visible from you guys, but from our users, it is. And we believe in the combination of the different techniques to serve the problem.

Why so? Because if you try to solve everything with an AI-based approach, maybe you will have a more expensive way to do things we are currently doing in a nice way with modeling and simulation. So we should use AI on specific use cases where the approach we are currently using is not giving a proper answer. And that's the reason why I was mentioning those elements, which is how you empower the users with new capabilities, especially when you have to do a complex synthesis or when you have to navigate in the unknown when things are becoming unpredictable, you need all the time in real time to evaluate all the different options you have in order to guide your decision process. And that's really what AI is about for us.

In the context again, where the virtual twin is now connected to the -- what we call the real-world evidence, where the products are used, we are connecting the real-time of information, and we are dealing with it, and we are extracting insight using the AI techniques to make it happen. So that's the things. And I believe more than ever, it's a way to expand what we do more than to reduce what we do from a value proposal standpoint.

Beatrix, I think it's time to conclude. Bernard, if you are still connected, you want to say a few words as the conclusions.

Bernard S. Charles
Chairman & CEO

So it was great to participate in this call. And I suspect, Pascal, you will invite me for the February meeting, just to say hello to my friends. I wish you a good day on -- I'm very proud with the new team on their capacity to execute. I think this is -- this company is really, more than ever, long-term solid resilience on growing double-digit growth. All the best and see you soon.

Pascal Daloz
Deputy CEO, COO & Director
Thank you. This is concluding our session for this morning.