S&P Global
Market Intelligence

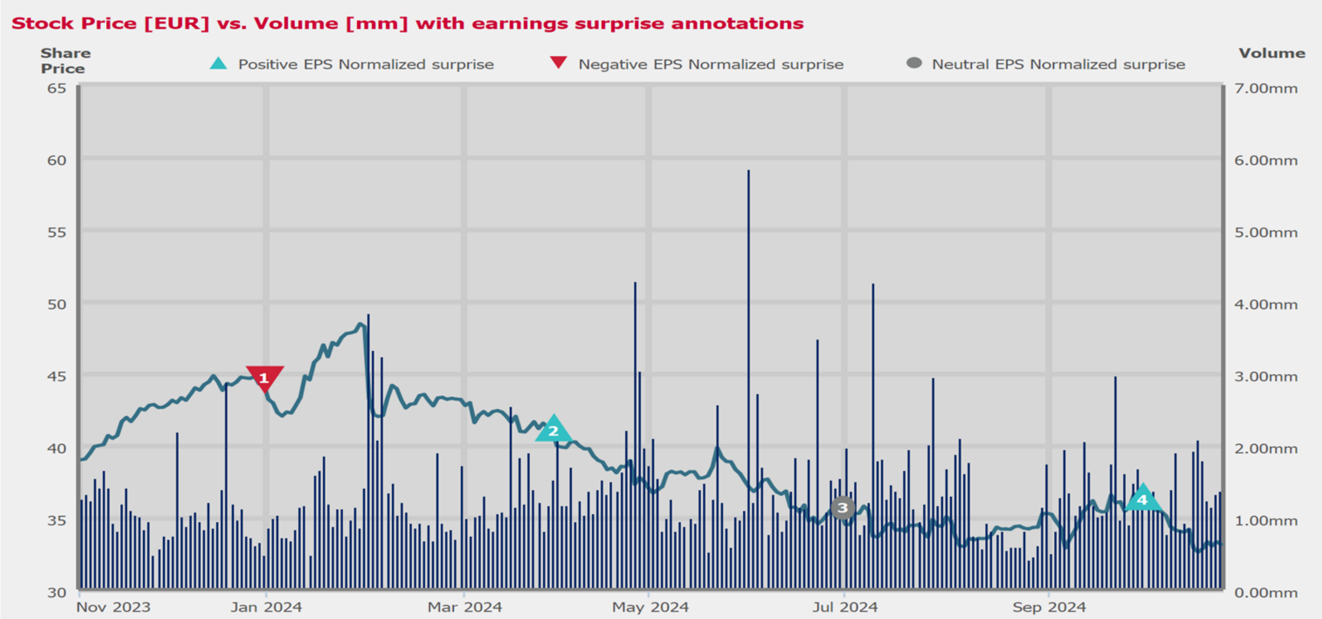
Dassault Systèmes SE ENXTPA:DSY
FQ3 2024 Earnings Call Transcripts

Thursday, October 24, 2024 8:00 AM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2024-			-FQ4 2024-	-FY 2024-	-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.28	0.29	3.57	0.41	1.29	NA
Revenue (mm)	1486.46	1463.90	(1.52 %)	1787.41	6249.04	NA

Currency: EUR
Consensus as of Oct-24-2024 7:52 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2023	0.37	0.36	1 (2.70 %)
FQ1 2024	0.29	0.30	2 3.45 %
FQ2 2024	0.30	0.30	3 0.00 %
FQ3 2024	0.28	0.29	4 3.57 %

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Call Participants

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Vice President of Investor Relations

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CEO & Director

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Presentation

Beatrix Martinez
Vice President of Investor Relations

Good morning, everyone. I'm Beatrix Martinez, Dassault Systèmes VP, Investor Relations. From the company, we have Pascal Daloz, CEO; and Rouven Bergmann, CFO.

I would like to welcome you to Dassault Systèmes Third Quarter 2024 Presentation. At the end of the presentation, we will take questions from participants first in the room and then online. Later today, we will also hold a conference call.

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

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

And I will now hand over to Pascal Daloz.

Pascal Daloz
CEO & Director

Thank you, Beatrix, and good morning to everyone joining us on the call, and thank you for the one being with us in the room. Really, it's always a good moment to be with us.

As you know, we issued our press release this morning for our third quarter 2024, so let me give you the tone first. So our Q3 results were in line, showing 4% revenue growth, driven by an 8% increase in subscriptions, and the year-to-date subscriptions grew by 9%. The EPS increased 8%, reflecting the solid overall performance.

And I would like to take and to highlight 3 key elements for the quarter. The first one is we have seen several end markets gaining momentum, specifically in Life Science, where MEDIDATA is back to sequential growth. At the same time, we had an excellent performance in consumer industries, driven by CENTRIC PLM, and SOLIDWORKS accelerated growth in revenue and seats. And my last comment is importantly, I think the Aerospace & Defense demonstrates resilience and delivered a solid performance this quarter.

The second message is we have seen, since last late summer, the automotive customers, typically in Europe and in U.S., which have been impacted by the contractions in volumes. And this accelerate the need for transformation decisions while, at the same time, it can elongate, if you want, the decision-making in the short term. In contrast, I think in Asia, specifically in China, the momentum remained extremely strong.

Finally, I think stepping back a little bit, we are well positioned to continue gaining market share with our robust pipeline in the industrial sectors. I think we are confident that the 3DEXPERIENCE platform with the data centricity will serve as a catalyst for our customer transformation in the age of AI, and virtualizing the industrial processes from design to manufacturing will be a prerequisite for many OEMs and suppliers to compete successfully in the next decade.

In the light of those factors, we reconfirm the full year EPS range from EUR 1.27 to EUR 1.30, and we anticipate a revenue growth acceleration in Q4, nevertheless, adjusted due to the slowdown in the automotive sector. And this acceleration is driven by the strength of the 3DEXPERIENCE pipeline.

Now let's dive into some key observations across the 3 main sectors of the economy we serve. First, if I zoom in the Manufacturing Industries, I will state I was already making the comment, but the key point is, really, the automotive makers have downgraded their 2024 forecast since last summer, now predicting a 1% to 2% decline in car productions, instead of previously anticipated growth. And this downgrade primarily impacts us in Europe and, to a later extent, in the U.S., while we continue to see a very strong growth in China.

Simultaneously, several other end markets are showing excellent momentum. Aerospace & Defense delivered a good performance this quarter, driven by our robust defense contracts and suppliers' contributions.

On the diversification front, I think we achieved an exceptional performance in Home & Lifestyle with CENTRIC PLM, and Rouven give -- will give more detail about this. And we consistently are winning new clients and securing the several large deals and strategic deals also.

In the High Tech, we also delivered robust growth this quarter, broad-based, but particularly also in Asia. And SOLIDWORKS accelerated its revenue growth to mid-single digits, while -- with the seat growth, which is on the high single digits while, at the same time, we are transitioning to subscription and cloud. And now this is representing about 1/3 of the bookings.

This diversity of the market we address, I think, brings resilience to our business model. And I think looking in Q3, there is also a point I really want to highlight is the competitiveness, which remains extremely robust. In Q3, to give you an order of magnitude, we have secured almost 100 significant competitive deals across key markets, China, Korea, France, Germany and North America, but also in sectors like Aerospace High Tech, Industrial Equipment, also Transportation & Mobility.

The key point is 1/3 of those deals has involved, in fact, a competitive displacement, which is, I think, the demonstration of our clients recognizing the value of our solutions. And if there is a good thing in certain domain where it's a little bit more difficult than it used to, this is foreseeing certain customer choices, and I think we are well positioned.

A few words related to Life Sciences. I know it was something you guys put under scrutiny. And Q3 demonstrated, I think, a broad-based improvement for MEDIDATA, driven by a few things. First of all, the market recovery, and it's a second consecutive quarter in growth of the clinical trial starts.

But also we experienced this positive engagement with our customers across enterprise and mid-markets, but also with our CRO partners. As we previously discussed, we are also benefiting from a new innovation cycle. Last quarter, we launched Medidata Clinical Studio, which was end of June. And this quarter, we are launching light versions of Rave, which has been designed for the early and the late studies. And as you may know, this phase and this market is extremely fragmented. And I think we have a way probably to dig the fragmented market by leveraging the reach across all the different stages. In terms of market share, we continue to strengthen our position, and we extend our reach to clinical trials to Manufacturing and PLMs. So in conclusion, I think this new innovation cycle is starting to pay off.

Zooming in Infrastructures & Cities, I think we -- as you know, we have few dominant players in this space, but we continue to gain references, specifically in the energy sector, which demonstrate our ability to disrupt the market with our data-centric experience platform and support our customer with their build and run processes.

Now let me spotlight some key wins we have this quarter. The first one, and I take this one on purpose, it's BYD, right? All of you, you know BYD. And we're expanding our partnership with them. And we -- specifically this quarter, we are focusing on the ModSims for battery and new energy vehicle developments.

Why I was taking this as a reference? It's because Europe is under pressure, but we are gaining a lot of momentum in Asia in the auto sector. And BYD, as you know, is probably one of the key references. And this deal again demonstrate our ability to continue to expand in a domain where, believe me, it -- this deal was highly competitive because it was already remaining to focusing on the battery developments and simulation and certifications. And you could imagine all the traditional players who were competing against us.

The second example and customer case I have selected is Merck. Why Merck? It's because we are expanding our partnership focusing on patient centricity. And for the ones who are following us, you know that Merck is usually used as a reference by Viva. So this is, again, a way to demonstrate to you that with the new solutions we are bringing on the market, we are progressively displacing what the clinical trial is about, integrating more and more this patient centricity, which is the core of what we do.

So here, what we do, we are broadening our partnership to support key studies in various therapeutic areas, including the Phase III on the infectious disease to this. But also, as you may know, we are completing the footprint we already have at Merck on the oncology studies. The net of this partnership is adding 1,400 new patients across 400 sites, adding to the 10,000 we are already participating and supporting in the decentralized clinical trial.

The last one I picked, it's an interesting one. The company is so called Snam, and it's a leading natural gas transport operator in Europe, in Italy. And they are managing 38,000 pipeline network. I picked this one because they are selected -- Snam has selected the 3DEXPERIENCE platform to digitally transform the management and the optimization of the gas network.

And why this is an interesting one it's because this win back is very similar to the one I presented a few quarters ago with Red Eléctrica, if you remember, the Spanish electricity distribution network. This was -- it was a win back, so it was against a displacement of Bentley, which was widely used inside this company.

So what do they do with the -- with our solutions? In fact, Snam is relying on the -- our solutions to do a few things. First, to create the virtual twins of the existing and the future assets, giving them the ability to optimize the asset operations, but also to improve the safety and to improve also and to reduce the emissions, which is something very important for this industry.

But it's also another way for them to extend, if you want, the ecosystem of assets and operators to ensure that they will be able to have a predictable supply of energy throughout Italy and internationally, which is something extremely important because the demand is fluctuating a lot. And having this ability to predict and to ensure that the network will be able to support the capacity requesting is extremely important right now.

So I think this case is a good illustration against our ability to combine the real-world data, the one which are coming from the operation with the model-based approach. And I think this is a game changer. And progressively, we are finding our way in this space.

The last comment I want to make is really related to AI. I know it's a big topic for you, but there are a few things I want you to keep in mind. The first one is, remember, we have the largest and the most diversified install base in the market, which means that we process, if you want, indirectly the largest cost base of data -- industrial data, but as well as business data and science data.

So in a way to use this as a strategic asset to maximize the potential AI, what do we do? We combine the AI with the ModSim approach in order to -- if you want to transform those set of data into knowledge and expertise and ultimately creating the generative experiences.

And as you can see on this framework, what I did, I took all the different steps of Dassault Systèmes for the last 40 years and I showcase, because those applications are live today, how we are leveraging AI for different purpose.

One is to put the knowledge and the know-how in the hand of the nonexperts. This is, for example, what we do with what we call the generative assembly. To connect design and engineering and manufacturing, this is, for example, what we do in the generative shopfloor, where, automatically, the system is capable to generate the shopfloor, the processes, the manufacturing will follow to master the system of systems, which is really what you can see in the generative infrastructure, for example, but also to achieve more and more the mass personalization at scale.

And here, I took an interesting case for you, which is how from the video and images we are capable in Life Sciences to recreate the 3D model of the organs, not only the brain or the heart, but any kind. So this is really transformative. And I think if you look at what we do, I'm claiming that there is no one single competitor capable to do this.

Now before handing over to Rouven, who will give you the details on the numbers, there are a few things I want to remind to you. The first one is, really, our 3DEXPERIENCE platform is powerful differentiator. And remember, we are unifying. It's unified. It's cloud native. It's data-centric, and it's pretty unique on the market. And why I'm saying this is because in all the sector where the pressure is extremely high, I think more and more, we are making the difference.

Second, this differentiation resonate with our customers, and we have been able to demonstrate significant win back and wins, and I think -- without compromising on the value of our solutions, which is probably something Rouven will come back on this.

And the third is, I think, the 3DEXPERIENCE pipeline for the rest of the year is high, healthy, and I think it supports with confidence the accelerations in terms of growth we are targeting for Q4 with a midpoint at 8%.

Now Rouven, the floor is yours.

Rouven Bergmann
CFO & Executive VP

Thank you, Pascal, and hello to everyone of you here in London. And also thank you for those joining on our call this morning.

As you heard from Pascal, the Q3 results were overall in line with our objectives. While the total revenue at 4% and software revenue growth at 3% came in at a lower end of the range, profitability was good with operating margin at 29.6%, at the midpoint of our guidance, and EPS at EUR 0.29, at the higher end of the objectives.

Yes, as you heard from Pascal, in Q3, we faced headwinds with our automotive customers in Europe and in the U.S. due to volume contractions. We see this as a short-term challenge impacting the timing of decisions. It was a factor in several pursuits this quarter.

However, what's important, we are confident that the 3DEXPERIENCE platform addresses the needs of this industry, as evidenced by our midterm pipeline. To complete the Q3 picture, subscription revenue was 8% cost and upfront license revenue was down by 7%.

Now 2 additional comments. First, as you know, Q3 is the anniversary of the mega deal we had last year, which added a significant headwind to close this quarter on the software revenue and particularly on the license revenue.

Second, subscription growth remains strong when excluding the temporarily lower contribution from MEDIDATA, 19% for the quarter and 20% year-to-date. The momentum reflects the continued healthy demand for the 3DEXPERIENCE platform and cloud. Important to highlight, the MEDIDATA performance was in line with our expectations, which I will discuss in more detail shortly.

Looking at the first 9 months, total revenue was EUR 4.5 billion, up 4%, driven by subscription revenue growth of 9%, operating margin of 30.2% and EPS of 8% growth, highlighting the resilient financial model, despite the back-end loaded year.

Now let me briefly review the deviations to the midpoint of our objectives for Q3. Total revenue came in at EUR 1.464 billion in the third quarter, at the low end of our objectives, excluding a negative currency impact. This performance reflects the headwinds evidenced by our automotive clients.

Operating margin was 29.6%, in the middle of our guidance range. Lower revenue was offset by effective cost containment. OpEx growth in Q3 was 6%. EPS was EUR 0.29, with a tax rate largely in line with guidance and financial income at peak. Starting Q4, we expect the contribution from financial income to be more muted due to rate cuts and the bond repayment that occurred in Q3.

We continue to take a disciplined approach to managing our business in the current environment in order to preserve our EPS objective, but we continue to invest in innovation to support our long-term growth potential.

Turning to our growth drivers. Looking at our growth drivers, I will focus on the year-to-date trend going forward as there can be quarter-to-quarter fluctuations impacting by the timing of large deals. The key message is that despite the current headwinds, the growth momentum with 3DEXPERIENCE and cloud remain resilient.

Subscription revenue growth in 3DEXPERIENCE was 57% year-to-date, driving the share of 3DEXPERIENCE platform to now 37% of software revenue, up 3% versus last year year-to-date Q3. This highlights the strength and the potential for revenue acceleration in the midterm. Our top 5 new 3DEXPERIENCE subscription deals in the quarter generated about 1/4 of the growth.

Cloud revenue was 7% year-to-date. Ex MEDIDATA, cloud revenue increased to 52% for the first 9 months, driven by strong momentum in the adoption of 3DEXPERIENCE Cloud. We had several customers expanding their adoption of the 3DEXPERIENCE platform this quarter, such as EDF, BoConcept, Conforama France, Dallara Automobile and Horse Powertrain, all on the cloud.

Now with this, let's go through the performance for the first 9 months of our geos and then the product lines. Across Europe and the Americas, we saw the impact of the weak auto sector in Q3. In the Americas, software revenue was up 6% in the quarter, and that momentum was led by mainstream innovation with an exceptional performance in Home & Lifestyle and an increasing momentum of SOLIDWORKS.

Europe was down minus 4% in the third quarter, remember, largely due to the very high comps. At the market segment level, the performance across the region was mixed, highlighted by the good results in the West and Central parts of Europe, while not due to the high comps and the Mediterranean region were rather soft.

Performance in Asia remained on track with 9% growth in the quarter and year-to-date. Unlike Europe and the Americas, Transportation & Mobility was strong, particularly in China. Also High Tech had a good quarter in the region. China, up double digit in the quarter and year-to-date as investment in the technology sector continued at healthy levels. Japan, Korea, India were up mid-single digits in the quarter.

Now over to the product lines. The impact of delayed decision-making headwinds on growth is most visible in Industrial Innovation, which is up 4% for the first 9 months and minus 1% for the quarter. The reacceleration of growth is associated with deals in our pipeline that will drive this momentum in the future.

One of the highlights of the quarter was a strong progression of SIMULIA, up high single digits. Pascal talked about BYD. They expanded the use of our SIMULIA solutions for multiphysics simulation, including all domains. To complement, they also signed deals with [Salba], HKMC and Honda Motors in China. Despite the lower total software revenue growth in Industrial Innovation, the moment in subscription continues strongly at 20% growth.

Now over to Life Sciences. We saw in Q3 the anticipated acceleration with sequential growth improvements for MEDIDATA. This uptick was driven mainly by continuous rebound in our study based booking growth over the last 4 consecutive quarters.

Also we saw broad-based momentum across enterprise and mid-market clients, as well as CROs globally. Just to name a few customers that expanded relationships, with [Zoka], Merck, Daiichi Sankyo, Revolution Medicines, Immunovant, Ipsen, BeiGene, EBERTH and Solventum. These are just a few.

We are signing more deals. However, on the flip side, we also saw fewer large deals in the quarter, similar to Q2. As mentioned during our Q2 call, we expect this trend to normalize as the share of large transactions will grow with upcoming renewals over the next quarters.

From a market perspective, it is now the second consecutive quarter with sequential growth in global clinical trial starts. While the increases over the last 6 months remained rather small in absolute terms, the trend is positive.

In terms of market share, we continue to gain share across all phases by 1 point on a trailing 12-month basis. This is driven by resilient momentum in pivotal Phase III and an uptick in late Phase IV studies. Phase I and II market share remains marginally unchanged.

And as you probably saw in our press release from last week, we are doubling down on the early and late phase market. This is a very fragmented market, as Pascal explained, and we believe we can consolidate it with the new offer Rave Lite.

The highlight this quarter was Mainstream Innovation with 15% growth in the third quarter. SOLIDWORKS had a good start in the second half of 2024, up mid-single digits in revenue and volumes. Centric delivered an outstanding quarter featured by competitive displacement and strong renewals with healthy expansions across the platform.

Now a few more comments that highlight the strong performance of CENTRIC PLM. You have seen this chart now a few times, but it's evolving. We are adding more logos to it, and it's expanding as evidenced by the numbers. Because the Centric team has made significant progress over the last 4 to 6 quarters in scaling the operation at a global level, it is evident in the growth trajectory and the value captured, reflected in large transactions.

The deals this quarter are spanning across retail, apparel, sports and cosmetics and including significant platform expansions. In Q3, competitive wins were PVH in the U.S. ASOS in U.K. and Kmart, a leading retailer in Australia.

Turning now to cash flow and balance sheet IFRS items. Cash and cash equivalents totaled EUR 3.658 billion compared to EUR 3.568 billion at the end of 2023, an increase of EUR 89 million. At the end of September, our net cash position totaled EUR 1.066 billion versus EUR 578 million in December 31, 2023.

Now let's look at the levers, the key levers impacting our cash position at the end of the third quarter. We generated EUR 1.353 billion of operating cash flow year-to-date versus EUR 1.272 billion last year. It reflects a growth of 6%. For the first 9 months, cash conversion from non-IFRS operating income was at 100%, which is 95% at the same time last year. For further detail, please see our operating cash flow reconciliation in our presentation published this morning.

To summarize, main drivers are the increase in net income adjusted for noncash items, lower tax payments, partially offset by lower compensation accruals and timing of payments for accounts payable.

Operating cash flow uses were as follows year-to-date. First, for financing purposes, we repaid EUR 700 million of bonds used to finance the MEDIDATA acquisition, which came due in September, offset by EUR 300 million of new commercial paper issuance. We repurchased treasury stock net of proceeds from the exercise of stock options of EUR 329 million and paid EUR 303 million in dividends.

Second, in terms of investing activities, we invested EUR 142 million in property, plant and equipment, of which EUR 89 million is related to IT CapEx supporting our growth. And the rest of EUR 53 million mainly to expand and modernize our office space and presence in France, the U.S. as well as India. We reiterate our commitment to invest and foster our culture of collaboration and innovation across our locations.

Now let's take a look at our full year outlook. Over the first 9 months, we experienced a certain volatility in key end markets, such as aerospace and now automotive, impacting the time to advance our large deal pipeline. This is clearly visible in Industrial Innovation.

On the flip side, we are seeing the Life Science's market stabilizing with MEDIDATA, advancing its progress back to growth. Also SOLIDWORKS accelerated growth in Q3, and CENTRIC PLM continues to outperform, expanding deal sizes across an increasing scope of verticals.

Now with this in mind, I have 3 key messages before outlining our Q4 and full year objectives. First, we are committed to deliver the EPS growth unchanged versus previous guidance of EUR 1.27 to EUR 1.30. This reflects strong operating efficiency and commitment to our midterm objectives.

Second, our pipeline of large 3DEXPERIENCE opportunities remain strong over the next quarters, and we are confident in growth acceleration in Q4.

Third, provided that the timing of decision-making can be less predictable in the current environment, we want to be cautious and adjust total revenue growth for the year to 5% to 7% growth, down from 6% to 8% previously.

Now consequently, total revenue is now in the range of EUR 6.155 billion to EUR 6.275 billion versus previously EUR 6.260 billion to EUR 6.335 billion. As you can see, we are increasing the range to EUR 120 million to reflect a larger variance of outcomes in Q4, while still expecting solid acceleration at the midpoint to 8% growth in Q4.

For software revenue, we expect 5% to 7% growth for 2024, with upfront license revenue in the range of minus 1% to plus 6% and recurring revenue up 6% to 7%. Subscription revenue is anticipated to be in the range of 10% to 12%, and service revenue will be in the range of 4% to 6%.

From a bottom line perspective, we now expect an operating margin in the range of 31.8% to 32.2% versus 32% to 32.4% previously. The guidance excludes any impact for the exceptional surtax applied by the French state, which we cannot exactly quantify at this stage. However, it will be excluded from the non-IFRS reporting as it's an exceptional and temporary item for now.

Now I would like to share some additional points to help shape your models reflecting Q4. As mentioned, we are increasing our range to EUR 120 million for revenue. The Q4 revenue translates to 5% at the low and 12% at the high end, or in absolute terms, to EUR 1.696 billion to EUR 1.860 billion. The new high end of the range was the midpoint of the previous guidance. Our pipeline reflects the potential for revenue acceleration.

We adjusted the low end in 2 steps: first, to reflect the potential of large deals being pushed out to 2025. And second, the pipeline in automotive convert into revenue at the same rate as it did in Q3.

The increased range is most visible in upfront license revenue of 0% to 20% growth. We expect subscription revenue in the range of 12% to 19%, reflecting a strong acceleration driven by 3DEXPERIENCE deals. And in this outlook, we expect MEDIDATA to continue to improve sequentially.

Operating margin is expected in the range of 35.9% to 36.9% and the EPS of EUR 0.38 to EUR 0.41, up between 5% to 13% ex FX, with usual strong seasonality of Q4.

Now in conclusion, I want to reiterate our commitment to investing and support our long-term growth objectives, while expanding our margins and delivering EPS costs. We continue to see strong customer demand and engagement across our 3DEXPERIENCE portfolio, CENTRIC PLM and MEDIDATA. While we experienced the current volatility in some of our end markets, our pipeline highlights the potential for growth acceleration.
Now Pascal and I are looking forward to your questions and the discussion. Thank you.

Question and Answer

Beatrix Martinez
Vice President of Investor Relations

And we'll start with the questions from the room.

Balajee Tirupati
Citigroup Inc., Research Division

Balajee Tirupati from Citi. Two questions from my side, if I may. Firstly, if you could share more color on what your -- what outcome you're factoring within the lower end and higher end of the fourth quarter outlook.

Second, at this point, when we are looking into 2025, if you can share any initial view on demand inflection expectation and as well as growth expectation for the year.

Pascal Daloz
CEO & Director

So you start with the first one, Rouven?

Rouven Bergmann
CFO & Executive VP

Yes. Thank you, Balajee, for the questions. On the low end, the situation is fairly straightforward. We experienced the volatility in the automotive sector starting this second semester. And what we experienced in the third quarter is what we reflected also in the fourth quarter in terms of the conversion of our pipeline of the automotive deals in the first quarter to be similar rate as we headed into the third quarter.

The impact of this in the third quarter was about EUR 40 million, which also, when you look at our Q3 range, it's the delta between the low and the high. So that impact has been factored in to lower the low end because the likelihood of the timing delays in the automotive sector is still in Q4, as the case, and it's -- that's what has been reflected.

The second element is the large deals. We have a back-end loaded year. You remember when we met in Q2, the objective of Q2 was to derisk the second half. Now as it -- as we see it at this point, Q3 was at the lower end of the range, so the trajectory is even more back-end loaded coming into the end of the year. And we simply adjusted for that profile in our Q4 outcome.

We have large deals in our pipeline. The timing of advancing those deals to the end of the year can be less predictable. And in order to be protected for that variability, we took the second step to further adjust the low end, which is the other half of the adjustment to the low end, which is about EUR 100 million compared to the previous guidance.

So call it, 50% related to the auto sector, 50% related to the derisking of the large deals that we have in our pipeline that could come into 2025. I think this gives you the elements of the construction of the guidance.

Pascal Daloz
CEO & Director

Related to 2025, I think it's a little bit early to speak about it. And from the management, I think we are clearly focused to deliver Q4 because it's not a light statement to say we will accelerate growth in Q4.

Now if you look at the trend, again, as I told you, the Aerospace & Defense is very resilient. And remember, many of our customers, they have a lot of backlogs, and we need to accelerate the ramp-up of production. And this is really where we are playing a role, and we are dragging the supply chain with it. So the trend is, in my view, very solid.

The auto sector, which is one we are discussing right now, I think we have been caught by surprise by the contraction of the volume. But the deals are there. And remember, we are not the problem. We are the solutions to many of the problems they are facing right now.

So as I was telling you in my introductory comments, I think this is creating forcing mechanisms to take decisions. And I can see it on many fronts where there is for certain of them, no any more room to have fragmented information systems and the temptations to standardize on one unique systems connecting design, manufacturing, test and having the backbone for the data is something which is extremely important.

And we have several deals in the auto sectors where big win backs are at stakes. So the question for us is much more to qualify in which quarter it will happen. This is the difficulty we are facing right now. However, the demand remain extremely solid, extremely solid.

The consumer industry is going extremely well. You have seen it for several quarters. And it's not only CENTRIC PLM, it's really everything we do in this space.

And last but not least, I think the starting of the year was a little bit soft for SOLIDWORKS, but we have seen an acceleration over the time. And this is well reflected in the volume because we have some fluctuations coming from the transition to subscriptions moving from license to subscription.

And a good way to measure the performance is to look at the volume. And from a volume standpoint, we are high single digits. And this trend is really broad-based. It's not only one specific geo, which is driving the growth.

So if you combine all those elements, I think they are solid enough, to my view, contribute to the growth in 2025. And when we are telling you the midpoint of the guidance for Q4 is 8, I think it's a good proxy to forecast what could be in 2025.

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

This is Mohammed Moawalla, Goldman Sachs. Pascal and Rouven, there's obviously a lot of uncontrollables in terms of the end market. You've talked about the pipeline. What is controllable from your standpoint in sort of driving that sort of acceleration of growth into Q4 and next year?

Is it the way you kind of approach the customer with some of the big deals in terms of how you kind of construct them or break them up to get that sort of momentum going because, obviously, the end markets are what they are?

And should we think about the range of outcomes? You talked about kind of the midpoint of Q4 as a proxy. Do you see as wide a range of outcomes for next year in terms of where things could land or perhaps, that delta is a bit more closer?

And just one last thing on bookings growth at MEDIDATA and Life Sciences. Could you give us any kind of color on that in terms of the kind of quantum of the improvement you're seeing?

Pascal Daloz
CEO & Director

Rouven, I'll take the first one and you're going to take the booking, yes.

It's a good question. My easiest answer is really the transactional part is really the one we are controlling the most. And if you look at who are the key product line contributing to the transactional part, on one hand, it's SOLIDWORKS. It is extremely transactional. And on the other hand, it's MEDIDATA because MEDIDATA, you remember, it's based on the volume of studies, so it's more transactional than transformational.

The two engine, one is recovering, and we are back to growth, and Rouven will give some proxy for this. And the SOLIDWORKS trend is really sustainable and good. So that's the reason why I think this is giving the foundations to at least have a minimum of contribution on the top line.

Then after you have the large transactions, and the last transactions, for sure, I do not want to place the price. It would have been easy for us to compromise on certain of the big transaction we have in order to maybe create the triggering event, if you want, to close in a given quarter.

But we learned something from the previous crisis is when it's tough, you need to protect your value. That's what we do. And believe me, Rouven and I, we are not compromising on the value that we would do, despite the fact that the competition on many fronts is playing this card.

So why we do this? It's because we are convinced about the value we are providing. We are convinced about the unique differentiation we have. And then after if we are not signing in a given quarter, we will sign it 1 or 2 quarters after. So I would prefer to play this game rather than to pay the price elasticity.

Rouven Bergmann
CFO & Executive VP

Yes. And just to add to this, Pascal, before I go to the MEDIDATA part. This is also reflected in the increasing range, to have that level of flexibility in terms of timing that we need in order to preserve the value at the right time, at the right moment.

For MEDIDATA, to give you some additional color in terms of the bookings and the cost potential, we are going to -- over the next 2 to 3 quarters, we'll have significant renewals. So we will see the bookings growth increasing of multiyear existing clients.

But there, and we are quite confident they will not just renew at par, they will renew with cost. So there's always been a catalyst of our business is to expand. And given we will be able to capitalize on the innovation that we introduced to the market next -- last year at next, and this coming next will be another inflection point for the next cycle.

Overall, the market for the clinical trial starts stabilizing, even though it's a small absolute volumes, but it is stabilizing. The trend is positive. We will continue to win market share. This quarter for MEDIDATA was flattish cost. And our expectation is to be back to growth in Q4.

And then for 2025, I think we discussed that. There's no change to the trajectory that we have set for '25 and '26. So it's the progressive recovery with all the elements, including the renewals.

Michael Briest
UBS Investment Bank, Research Division

Michael Briest, UBS. Rouven, just looking at the guidance, there's about EUR 100-odd million on the revenues there. Only EUR 20 million on profit given this is high-margin license business or subscription deals. Can you talk about what the flex is in the cost that keeps the margin range so tight?

And then just on CENTRIC PLM, could you just say how strong that was in the quarter given the mainstream innovation growth was 15% and SOLIDWORKS was mid-single? Maybe the size of that business, just remind us on that.

Rouven Bergmann
CFO & Executive VP

Okay. Thanks, Michael. Thanks for asking for more numbers. Well, the -- when you compare '23 with '24, in '23, the growth in OpEx was 9%. The year-to-date growth of OpEx is 6%. So it's a reduction of about 1/3 of the growth.

How did we do that? Twofold. First, we were controlling the headcount growth. It's -- the headcount growth is less than 50% of last year's growth, that's around 40%. And also the shift between young graduates and most senior hires is much more favoring young graduates. For example, in Q3, the majority of the increase was related to young graduates and interns that started in the company following their internships.

So we've been really focusing on this. We have been growing. About 1/3 of the growth is in our development center in Pune, which is going extremely well. So we have managed to reduce -- the payroll cost is more than 2/3, it's 3/4 of our expenses. That's where the optimization is coming from.

At the same point in time, we are investing more into cloud and infrastructure. That's going up, so we have two effects, one which is going down, one which is growing. And the net of it is a 6% growth, which we plan to stabilize also for 2025.

In the new outlook, at the top line, we'll discuss then in 2025. But between 5% to 6% OpEx cost, it has inherited a level of productivity in order to be able to reinvest at a much higher level. That's only the net, but the gross of expense growth, net of the productivity is much, much higher. So this gives you the main point.

Pascal Daloz
CEO & Director

About Centric, Rouven was qualifying this an outstanding performance. I can give you the percentage, it is 90% growth for this quarter. So since the beginning of the year, the growth is exceeding 50%.

So you remember a few times ago, I was telling you, we are building the roadmap for Centric to become a EUR 1 billion brand. And we are already on this track. The market is large enough. If you remember, when we made the acquisition, the software revenue was around EUR 70 million. Now we are exceeding by far EUR 200 million. So the next goal is the EUR 0.5 billion. That's what we are building.

And you have seen not only we are diversifying from an industry standpoint. It's not only more fashion and apparel. It's also food and beverage. It's also consumer electronics. But we are also expanding from a solution standpoint.

We started from the collection management. And more and more, we're expanding to -- with the planning, the supply chain optimization, the business analytics. And you should consider Centric being the business platform for the consumer industry.

And we are winning a lot of market share, which I think it's also an interesting data point for you. You have seen third quarter, we are gaining at minimum between 25 to 30 new logo. And now we start to have the renewal because the first deal we signed was for, some of them 3, 4 years ago. And when we are renewing, just because we are expanding the scope in terms of solution, we are also not renewing at par. We are increasing the spending.

So very confident with Centric. I think we are glad we made this diversification a few years ago. And this is driving against not only the Centric business, but the rest of what we do. Because if you remember, the most difficult is always to find a way to enter into the space. As soon as you are in, you have the ability to expand on multiple fronts. For example, in food and beverage, the manufacturing topic is becoming also hot, and we discovered that the solution we have are extremely relevant for this market as well.

Adam Dennis Wood
Morgan Stanley, Research Division

Adam Wood from Morgan Stanley. Sorry, just to come back on the guidance for the fourth quarter. But just on the low end, if I remember correctly, at the second quarter, you suggested that the low end already didn't have any big deals in the assumption. So is it more of the volume business because of the auto space has become weaker? Could you give us a little bit of clarification of what was assumed in Q2 and then what's come down versus that?

And then secondly, Pascal, the GenAI topic is obviously incredibly interesting. Could you just talk a little bit about how you're engaging with customers on that, what the appetite is and the monetization?

And maybe more importantly, I had understood in the past that what would be generated by computers often in design would be very difficult to do with the reductive manufacturing, and so it needed to be more additive, which is more complex.

I guess, when you're doing generative shopfloor, the shopfloor that's generated is quite difficult for companies to get to because it's actually quite difficult to change brownfield environments.

How do you manage that change process with customers? And how do you get things -- and is there a need to actually structurally change how these shopfloors are constructed from a hardware and software point of view to be able to take advantage of what's being done in GenAI to get to that optimized shopfloor of the future?

Pascal Daloz
CEO & Director

Thank you, Adam. I'll happily take the first one. You're right, for Q2, we made an adjustment related to the mega deals that we excluded from the guidance following the update in Q2 and Q3. And mega deals, I categorize EUR 15 million plus.

If I look at the Q3 adjustment, we also -- given the back-end loaded profile following the Q3 results, we need to look at this again and also take a look at the -- a more derisked look at the EUR 5 million to EUR 10 million sized deals to derisk them.

So I would characterize the difference between Q2 and Q3, it's a further step in reflecting a 5% growth in Q4 as a low, low scenario with good visibility to the midpoint of 8%. But the range of the pipeline is really covering from 8 -- from 5% to 12%, all the way to the high end if we can land some of those larger deals. So this is really the second step that was necessary. Thank you, Adam.

Rouven Bergmann
CFO & Executive VP

Related to AI, there are a few things. Point #1, the most important point you should remember is this is helping us to legitimate the platform as a data-centric platform.

If you survey our installed base, you still have a large fraction, which consider the 3DEXPERIENCE platform to be only model-based and to be relevant for the life cycle management. They are forgetting that the platform has been designed to be data-centric since day

1. So AI coming, this is drawing the attention of our customers that they can do a lot with the existing platform they already have in their hands. That's point #1.

Point #2, you know that our platform is managing the knowledge and the know-how. And if you look at the company we serve, you still have a collection of knowledge and know-how being prisoner of the documents. And the AI technology is a fantastic technology to extract from documents the knowledge and the know-how and to combine it with the models.

Let me give you an example. If you take the requirements, most of them are in written form. At best, you are using a specialized software, but it's still a document. If you could extract those information from the document and generate a model, what could you do?

You can start to stimulate, for example, the requirements. Concrete case of what I'm saying. If you take the auto sector, especially the new EVs, you have so much regulations coming every month that this industry have a hard time to follow if they are compliant or not.

Having this ability to read automatically the regulations, translate it into models, doing simulations, checking the compliancy with it, it's something which has extreme -- which is really valuable for them. This is the second point, moving from document to model.

The third point is, as you may know, what we do is extremely sophisticated, and the democratization is something extremely important. So AI, and especially with the Copilot approach, it's a way to give advanced functions into nonexperts' hands. And this is a way for us to enlarge our footprints in many, many customers and in many, many industries.

So the combination of those two elements, this is, Adam, how we are leveraging the AI trends right now and how we are engaged with customers. We can go far beyond this. But as many of you wrote, because I was reading your piece of research, the vast majority of the money is still spent on the infrastructure right now for AI.

And we need to have the infrastructure in place to start to see the shift moving from the infrastructure to the application and to the generative services on top of it. And we are ready for this. The portfolio is built. You are seeing the collections.

We can leverage what we have been as a legacy in terms of datasets for the last 40 years. And this will definitely have an additional, I think, percentage of growth in the coming years.

Operator

[Operator Instructions] We will now take the first question from the phone from the line of Fred Boulan from Bank of America.

Frederic Emile Alfred Boulan
BofA Securities, Research Division

First of all, on MEDIDATA, you mentioned that there's no change in your trajectory set for '25 and '26 of a progressive recovery. It would be good to get a bit more meat and detail beyond the -- that expectation, if you can be a bit more specific on what that means.

And then secondly, if you can spend a moment on free cash flow conversion and guidance. I think your previous guidance or indication was for free cash flow to full your EBIT growth. If you can be -- if you can kind of quantify what you expect for this year and maybe next in terms of growth or conversion.

Pascal Daloz
CEO & Director

Yes. Thank you, Fred. MEDIDATA, the progressive recovery for '25, '26, we are -- in 2025, we -- our objective is to end the year of 2025 with a backlog growth of double-digit entering into 2026, which will set us up for double-digit growth in 2026. That's the progressive recovery on which we are on.

It's supported by the stabilization of the market environment and the expansions that we are bringing to the market to our existing customers. So it's very consistent with our messaging. And I think the third quarter starting into the second semester of 2024 was a starting point on this journey.

Now to the cash flow, our operating cash flow was up 6% year-to-date at the conversion, very aligned with the operating income. Now what do we expect for the rest of the year? You have to reflect the back-end loaded nature of the year where large deals that potentially close in December, they won't have a cash impact on 2024. So we estimate that this to have an impact of around 3 points on the operating cash flow growth if I compare that to our year-to-date growth. Right now, we're up at 6%.

The operating income is largely flat year-over-year, non-IFRS. So I expect an operating cash flow to be low to mid-single-digit growth for 2024. Now it's a timing effect because those deals when we close will then drive cash flow in the quarters to follow, and so there should be a catch-up effect in 2025.

So that's -- these are the elements, right? So there is an element of the back-end loaded year that has an impact on the Q4 growth of operating cash flow compared to last year where, remember, Q3 was strong, and it had a good impact on our Q4 cash flow performance, which we will not have to that extend into -- this year in 2024.

Operator

We will now take the next question from the line of Toby Ogg from JPMorgan.

Toby Ogg
JPMorgan Chase & Co, Research Division

Just wanted to double deck just on MEDIDATA. I know Life Science's growth was 0%, but just wanted to double check what exactly MEDIDATA growth was and just whether it was still negative.

And then just on the gross margin. It looks like the gross margins have started to fall year-over-year over the past 2 quarters. This quarter was down 150 bps year-over-year. So just wondering if you could unpack the drivers of the gross margin and how we should be thinking about the gross margin going forward.

Pascal Daloz
CEO & Director

Well, thanks, Toby. So MEDIDATA performance was flattish, call it, minus 1% to 0% in that range. For the gross margin, it's very aligned with the operating margin, which is down also year-over-year due to the lower revenue contribution year-to-date total revenue at 4%, cost growing at 6%. That's essentially the element.

Operator

We will now take the next question from the line of Laurent Daure from Kepler Cheuvreux.

Laurent Daure
Kepler Cheuvreux, Research Division

I have two questions. The first is if you could take a deeper dive in the auto sector, giving us a bit more granularity on your positioning in Asia in terms of market share in the auto sector versus what you have in Europe, maybe the revenue per customer.

And more generally, if you position yourself 3, 5 years from now, with the hypothesis that, potentially, the auto European industry would collapse and replaced partially by the Asian OEM, what could be the impact on your revenues? So that's the first one.

The second one is easier. There's a lot of talks about M&A in the space, Bentley, Altair. How do you position yourself? And how is your pipeline looking on the M&A deals?

Pascal Daloz
CEO & Director

All right. I will answer, and feel free to add whatever you want, Rouven.

Related to the auto sector, I think, remember, you have to look at, Asian is not only one single market. So traditionally, we have a strong presence in Japan with Toyota and Honda. Also Nissan, but Nissan more on the manufacturing than on the engineering side, right, where we are the de facto standard.

If you look at Korea, I think we have most of the key players, HKMC, for sure, Mitsubishi as well. So -- and then after, you have the Chinese players. We entered into China in the auto sector more than a decade ago, starting by first the JVs that the large players needed. And that's the reason why in -- for most of the one who started more than a decade ago, CATIA V5 and ENOVIA is the de facto standard. And for all the newcomers, the one who started directly with the EV approach, I told you last time that more than 85% of them are standardized on 3DEXPERIENCE.

So why I'm saying this is because on the long run, this is giving to me a certain confidence that the auto sector will still represent a significant market for Dassault Systèmes, even if the competitiveness could shift from Europe to Asia on a certain front.

The second topic, which is related to M&A, yes, you're right. You have many, many activities or discussions going on. You have seen this morning Siemens declaring to be in discussion with Altair. Why I'm saying this? Because for many names you just mentioned, they would have been relevant 10 years ago when we never -- when we didn't have the platform, when we didn't have basically structured the company the same way.

Now spending more than EUR 10 billion, if not EUR 20 billion, for something which is just enlarging what we do, but not transforming what we do, I think there is no path to create values. And that's the reason why, believe me or not, we are looking the M&A in a very different manner compared to the movements which are happening right now.

The key point -- and remember, 20 years ago, the M&A was instrumental for us to build the product lines. This is how we have built the brands portfolios, and this is how we are expanding the scope. The last decade, the M&A was instrumental for us to diversify the industry, and this is how we came with the 3 sectors of the economies.

In the next 10 years, the M&A will be a lever for us to realize what we want to do, which is this V+R. We want to connect the virtual with the real. And by the way, this is our time lines, virtual world for real life.

So if you want to understand our way and our framework, you should think along this way. The point for us has come the time to connect both, and this is the reason why the M&A could be used as a lever to accelerate this transformation of Dassault Systèmes on the long run.

But coming back to your questions, I think there is limited value for us to spend billions for something we are already doing, even if it's sometimes partially, because that's not the way we are building our policy.

The M&A has always been a way to create the new positioning of the company, to do what we want to do and not to complement the missing piece to realize the plan. I know it's probably not answering to -- fully to your questions, but I'm giving to you the glasses you should wear in order to understand our thinking process.

Laurent Daure
Kepler Cheuvreux, Research Division

Pascal, maybe just to clarify. The last point is on -- when you take your biggest Chinese EV clients, if you position yourself, let's say, 5, 6 years from now, do you believe some of them could be in size relatively close to what you generate with historic clients like Honda or Stellantis?

Pascal Daloz
CEO & Director

Of course. And Laurent, for some of them, it's already the case.

Operator

We will now take the next question from the line of Nicolas David from ODDO BHF.

Nicolas David
ODDO BHF Corporate & Markets, Research Division

Yes. The first one is, sorry to come back on the automotive sector, but could you please share a bit more elements regarding the discussion you're having right now with those clients notably on the large or mega deals you have in the pipeline? Do you have the feeling that is really just -- those delays are really just linked to those clients having the need to reduce their budget and not having enough visibility to sign right now or the situation can inform them to rethink more broadly their approach on this kind of big contract, even, yes, from a scope or a technological standpoint?

And still on the automotive sector. Given that some clients are willing to streamline the number of programs they have, do you see also a risk on more of your current installed base of support revenue you have at some OEMs?

And the second question is a follow-up from Toby, one on the gross margin. We saw a decline on software gross margin. So if I understand well, your answer, Rouven, it's linked to lower growth directly. And if so, could you help us understand why this lower revenue growth has an impact on the gross margin rate? Or do you see something else like a move to cloud? It would be helpful.

Pascal Daloz
CEO & Director

So the purchasing behavior in the auto sector is the following. As you say, they are -- the industry has been caught by surprise in the summertime by the significant slowdown on the EV cell. And as you may know, many of them, they have invested a lot not only to develop the car, but to build the new production systems.

So why I'm saying this? It's because it's normal reactions for the next 6 following months. They will almost stop their investments in order to decide the right level of priorities. And we are in this phase, whereby the goal for us is always being the same, is to position what we do in the high-end priorities for all the customers we are discussing with.

This is really what is happening. I think we are doing, and to echo most questions, what is in our hands. What is in our hands is to do the conviction path on we are the solutions, not the problems. And we are ready, and we have everything you need.

What we are not controlling is how long they need to make their mind about what is the level of priorities for them for the coming months, quarters and years. But do what we know is usually this period is 6 months max.

The budget discussion, which is really happening right now in many companies for 2025, is giving to us the window at least to discuss it and to position our value proposal and to act. This is giving at least the compelling reasons if you want to position ourselves.

The second question was related to...

Rouven Bergmann
CFO & Executive VP

Yes. What are some of the programs...

Pascal Daloz
CEO & Director

Yes, yes, yes. the programs. So this is an interesting thing. Remember,that most of the programs are sharing common pieces. And if you stop, then you need to understand the consequences on the program you want to maintain.

Why I'm saying this is because our system is extremely helpful in this environment. I remember the time when Carlos Tavares took the management position at PSA. And the first thing he did was rationalizing all the car programs. That was the best moment for Dassault Systèmes at PSA because the management was blind, they were cutting, and they had no clue about the dependency between the programs themselves. And they realized that some of the common pieces was supposed to be developed by this program and irrigating all the others.

So the system we are developing for the car companies is really giving this ability to manage and to take the right decisions, taking into account all the interdependency between all the programs themselves.

So I will not say it's a good thing, but it's not a bad thing because this is a way to legitimate again the platform. This is a way to legitimate the life cycle management capabilities we have, and this is the way to legitimate all the analytics we have developed on top of it.

Remember, the platform is really used now as a business platform by many companies. You remember, I was mentioning Renault, who was doing all the pricing and the cost analysis using the platform. It's not something they do with an ERP system. They do it with the 3DEXPERIENCE platform right now.

So the nature of what we do is large enough to take the benefit of the situations as soon as the people are ready to spend. And this is the point I was mentioning previously.

Rouven Bergmann
CFO & Executive VP

Yes. And to the gross margin, Nicolas, to come back, it's really related to the lower revenue. That has exposed us with 4% revenue growth. It has an impact on the gross margin until we accelerate that.

Operator

We will now take the next question from the line of Ben Castillo-Bernaus from BNP Paribas.

Ben Castillo-Bernaus
BNP Paribas Exane, Research Division

Just a question on the cash conversion. So looks like Q3 was down about 600 basis points over last year. Just what drove that? And then the second point on if the full year operating cash flow is going to be growing low to mid-single digit, I think that implies Q4, the cash conversion deteriorates again.

Given that there's less large deals in H2 than last year, are we going to be seeing that cash conversion improve year-over-year? And I had a follow-up on tax, if that's okay.

Pascal Daloz
CEO & Director

Yes. So on the cash flow for the third quarter or year-to-date, the main part you see for the third quarter, the reduction in contract liabilities, that had an impact on the operating cash flow compared to last year. There was a stronger decrease in contract liabilities this quarter than last year at the same time.

And this really had the impact on the lower conversion in Q3. While year-to-date, the conversion is still good, and we are benefiting here also from lower tax payments that were very elevated last year in the nonoperating working capital.

So this gives you the elements why is it there's a stronger decrease. It's a result of some of the deals have moved into the end of the year. So it's business activity related and timing related.

And also please keep -- take note that the DSOs, the days of sales outstanding, is stable year-over-year at 85 days. For the Q4, yes, for the Q4, we have the back-end loaded year, as I mentioned before. That has an impact on the operating cash flow, which I outlined before, about 3 points versus the year-to-date number. And again, it's timing related. DSOs are stable, and collections remain pretty stable, too. And I expect it also to improve much on these versus Q3. It really depends on the timing of closing that not only has an impact on the revenue, but also on the cash flow.

Now you wanted to ask a question on tax. Maybe we can slot that in at the end.

Ben Castillo-Bernaus
BNP Paribas Exane, Research Division

Yes, yes. So that's great. Just year-to-date tax is about 200 basis points less than last year. So I just wondered how much of that is sustainable into 2025. Or are these kind of temporary tax liabilities or provisions you're taking advantage of this year?

Rouven Bergmann
CFO & Executive VP

Yes. So for tax, we are slightly -- we are lower by, you're right, 200 basis points versus last year, which takes into account some of the audits that we successfully completed and, as a result, adjusted some of our provisions and risk in our tax rate that had been reflected already at the end of Q2 and is consistent between Q2 and Q3.

And for the rest of the year, I know there was also a question, and I might address that implicitly through your question, the impact on the tax rate -- reduction of the tax rate on the full year outlook for EPS, the -- while it's -- the tax rate for the full year is now about 0.5 point lower than what it was in the initial guidance.

And keep in mind, that 0.5 point, the tax rate translates to about EUR 0.01 on the full year EPS. So it really has a marginal impact on the EPS compared to the guidance adjustment. The impact really comes from the lower revenue and is offset by 2/3 -- by the lower OpEx. And then improved financial income, plus the slightly adjusted tax rate makes the rest to keep the EPS in the range of EUR 1.27 to EUR 1.30.

Beatrix Martinez
Vice President of Investor Relations

And with that, we'll close the call for this morning. Thank you.

Pascal Daloz
CEO & Director

Thank you very much. Again, we remain confident for Q4 and for the acceleration. The pipeline is there, and the management is really focused on this. Hope to see you on the road. And I know, Rouven, you are planning to do some road show.

And for the one you would not have a chance to see face to face, we have the 13th or the 14th of November, an event so-called NEXT New York, which is dedicated to Life Sciences. You should have received the invitations. So if you are free, I encourage you to do the trip to come because you will see that what we are telling you about MEDIDATA, the landscape transformation and the new positioning of the company, Life Sciences, is a reality, and you will have the pleasure to meet with customers to discuss about it.
So thank you so much for the participation and for your questions, as usual. Thank you.