

Dassault Systèmes

Price EUR69.81

FY15 results slightly above our estimates, investments will weigh on the margin in 2016

Fair Value EUR65 (-7%)

SELL

Bloomberg	DSY FP
Reuters	DAST.PA
12-month High / Low (EUR)	76.1 / 54.8
Market Cap (EUR)	17,922
Ev (BG Estimates) (EUR)	16,487
Avg. 6m daily volume (000)	300.9
3y EPS CAGR	18.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.4%	-4.1%	0.1%	-5.4%
Softw. & Comp.	-5.1%	-2.9%	1.4%	-5.1%
DJ Stoxx 600	-9.9%	-12.9%	-17.5%	-9.9%

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	2,294	2,822	3,161	3,480
% change		23.0%	12.0%	10.1%
EBITDA	677	887	1,046	1,191
EBIT	430.8	630.3	802.1	943.6
% change		46.3%	27.3%	17.6%
Net income	486.3	632.2	729.8	822.9
% change		30.0%	15.4%	12.8%

	2014	2015e	2016e	2017e
Operating margin	27.6	29.7	31.5	32.7
Net margin	12.7	15.0	16.8	17.9
ROE	9.8	13.0	14.4	15.1
ROCE	22.6	33.9	44.9	59.7
Gearing	-27.6	-43.8	-56.7	-67.5

(€)	2014	2015e	2016e	2017e
EPS	1.88	2.43	2.79	3.15
% change	-	29.7%	14.9%	12.6%
P/E	37.2x	28.7x	25.0x	22.2x
FCF yield (%)	2.5%	4.2%	4.4%	4.8%
Dividends (€)	0.43	0.45	0.52	0.61
Div yield (%)	0.6%	0.6%	0.7%	0.9%
EV/Sales	7.5x	5.8x	5.0x	4.3x
EV/EBITDA	25.3x	18.6x	15.1x	12.7x
EV/EBIT	27.0x	19.6x	15.9x	13.3x

This morning Dassault Systèmes reported FY15 results slightly above our expectations and ahead of the consensus average, posting Q4 revenues 6% above the top-end of the guidance range (o/w an est. 3% on fx) and a non-IFRS operating margin 1.8ppt above the group's projections. FY16 company guidance (sales up 6-7% lfl, op. margin up 0.2ppt to c. 31%) is below our ests. and embeds the impact of a more volatile economic environment and investments in R&D and sales channels, which will weigh on the operating margin. We expect a negative share price reaction in the short term.

ANALYSIS

- FY15 results slightly above our expectations.** For 2015, on a non-IFRS basis, revenues were up 23% (+12% non-IFRS at cc and an est. +7% lfl) to EUR2.877bn, while the operating margin was up 1ppt to 30.8%, and EPS rose 24% to EUR2.25. On a lfl basis, the non-IFRS operating margin was up 1.2ppt and new licence sales grew by 11%. These figures were slightly above our ests. (sales EUR2,859m, operating margin 30.7%, EPS EUR2.17) and ahead of the consensus average (sales EUR2,843m, operating margin 30.3%, EPS EUR2.23). The figures were also above the high-end of the company's guidance range (non-IFRS sales up c. 12% cc to EUR2,820-2,830m, non-IFRS operating margin of c. 30%, and a non-IFRS EPS of c. EUR2.20, all based on EUR/USD and EUR/JPY assumptions of 1.12 and 135, vs. actual rates of 1.11 and 134).
- Q4 2015 details.** With non-IFRS lfl sales growth of 8% to EUR802.1m and a 35.8% non-IFRS op. margin (+3.3ppt) for Q4, Dassault Systèmes was 6% (o/w an est. 3% on fx) above the top-end of its sales target (+5%/+6% cc to EUR745-755m) and 1.8ppt ahead of its op. margin (c. 34%) goal. On the product side, sales were up 8% lfl for Catia (licence sales up double-digit), up 14% lfl for Enovia (increasing 3DEXperience adoption), and up 11% cc (driven by maintenance) for SolidWorks, while other software products were up 6% lfl (solid performance of Simulia). At the geographical level, on a lfl basis, Europe was up 5% (tough comps), the Americas were up 9% (driven by North America) and Asia was up 12%. Finally, on a lfl basis, non-IFRS initial licence fees and recurring licence fees were respectively up 11% and 7% - the latter being driven by strong growth in maintenance.
- FY16 guidance below our forecast.** We consider the FY16 guidance (non-IFRS sales up 6-7% lfl to EUR2,980-3,010m based on double-digit lfl growth in new licence sales, non-IFRS op. margin up 0.2ppt to c. 31%, non-IFRS EPS up 7% to c. EUR2.40, based on EUR/USD and EUR/JPY of 1.14 and 130), is, restated from the fx assumptions we had so far (EUR/USD 1.09, EUR/JPY 131), 3% below our expectations for sales (BG est.: EUR3,163m or +9.5% at cc; consensus: EUR3,065m), and 0.5ppt behind our ests. on the non-IFRS op. margin (BG est.: 31.5%; consensus: 31.7%). The company anticipates a more back-end loaded year based on a volatile economic environment, while DS plans to accelerate investments in R&D and sales channels. For Q1 2016, DS expects non-IFRS sales up an est. 5-8% lfl to EUR685-695m (BG est.: EUR732m), a non-IFRS op. margin of 24-25% (-1.8ppt/-0.8ppt), and a non-IFRS EPS of EUR0.42-0.45 (-2%/+5%).

VALUATION

- Dassault Systèmes' shares are trading at est. 15.9x 2016 and 13.3x 2017 EV/EBIT multiples.
- Net cash position on 31st December 2015 was EUR1,351.3m (net gearing: -39%).

NEXT CATALYSTS

Analysts' meeting at 10.30am CET / 9.30am BST / 4.30am EDT in Paris (Pavillon Gabriel, 5 avenue Gabriel) – call +33 1 70 48 01 66 (France) or +44 20 34 27 19 07 (UK). Conference call at 3pm CET / 2pm BST / 9am EDT (Europe: +44 14 52 54 10 03; USA: +1 646 741 21 20).

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