

Dassault Systèmes

Price EUR72.40

Q2 2016 results roughly in line, acquisition of CST in Germany, FY 2016 guidance fine-tuned

Fair Value EUR64 (-12%)

SELL

Bloomberg	DSY.FP
Reuters	DAST.PA
12-month High / Low (EUR)	76.1 / 59.9
Market Cap (EURm)	18,625
Ev (BG Estimates) (EURm)	16,696
Avg. 6m daily volume (000)	274.1
3y EPS CAGR	11.7%

This morning Dassault Systèmes has reported Q2 2016 results roughly in line with our expectations and the consensus average. The company also announced the acquisition of CST, a German software vendor specialised in electromagnetic and electronic simulation. FY 2016 company guidance has been fine-tuned. We expect no significant share price reaction in the short term.

ANALYSIS

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.6%	-0.8%	10.0%	-1.9%
Softw. & Comp.	4.9%	3.5%	8.4%	0.9%
DJ Stoxx 600	0.9%	-2.8%	5.7%	-6.8%

YEnd Dec. (€m)	2015	2016e	2017e	2018e
Sales	2,839	3,099	3,401	3,720
% change		9.1%	9.8%	9.4%
EBITDA	897	1,013	1,136	1,276
EBIT	633.2	738.5	861.6	999.3
% change		16.6%	16.7%	16.0%
Net income	616.6	719.0	778.3	868.4
% change		16.6%	8.3%	11.6%

	2015	2016e	2017e	2018e
Operating margin	29.8	30.9	31.7	32.6
Net margin	14.2	16.3	16.7	17.7
ROE	11.5	13.2	13.3	13.8
ROCE	28.9	37.5	45.5	57.8
Gearing	-38.7	-50.3	-60.1	-68.6

(€)	2015	2016e	2017e	2018e
EPS	2.38	2.76	2.99	3.31
% change	-	16.1%	8.1%	10.9%
P/E	30.4x	26.2x	24.2x	21.9x
FCF yield (%)	2.9%	4.0%	4.3%	4.8%
Dividends (€)	0.43	0.49	0.56	0.64
Div yield (%)	0.6%	0.7%	0.8%	0.9%
EV/Sales	6.1x	5.4x	4.7x	4.1x
EV/EBITDA	19.3x	16.5x	14.1x	12.0x
EV/EBIT	20.4x	17.5x	14.9x	12.6x

• **Q2 2016 results roughly in line with expectations.** On a non-IFRS basis, Q2 revenues were up 4% (+6% non-IFRS at cc) to EUR754m, while operating margin stood at 30.4%, and EPS was up 8% to EUR0.57. These figures were roughly in line with our estimates for revenues (EUR766.1m, +6% at cc), operating margin (30.2%) and EPS (EUR0.59), while the consensus average was for revenues of EUR752.4m, operating margin of 29.8%, and EPS of EUR0.57. The figures were at the low-end of the company's guidance for revenues (non-IFRS sales of EUR735-745m, up 6-7% cc), but above the high-end of the range for non-IFRS op. margin (29-30%), and non-IFRS EPS (EUR0.53-0.55), which was based on EUR/USD and EUR/JPY assumptions of 1.15 and 130, vs. actual rates of 1.13 and 122 and the consensus at 1.14 and 126.2.

• **Q2 2016 details.** On a non-IFRS basis, initial licence fees were up 6% lfl, recurring licence fees were up 8% lfl, and total software sales were up 7% lfl. Services were down 3% lfl. On the product side, sales were up 1% lfl for Catia, 13% lfl for Enovia, and 13% lfl for SolidWorks (driven by x), while other solutions were up 10% lfl. By geography, Europe was up 9% lfl (driven by North, South and France, double-digit growth for new licence sales), the Americas were up 8% lfl (double-digit growth for new licence sales) and Asia was up 4% lfl (mixed performance and tough comps).

• **Acquisition of CST - Computer Simulation Technology.** Dassault Systèmes has announced the acquisition of German group CST - Computer Simulation Technology, for EUR220m in cash. Based in Frankfurt, CST is a leader in electromagnetic and electronics simulation. With 2015 revenues at EUR47m, the acquisition price worked out at 4.7x 2015 sales. CST should complement DS' industry solution experiences for multiphysics simulation on the 3DEXperience platform. CST Studio Suite is used by designers and engineers in high-tech, transportation, aerospace & defense, and energy with customers such as Airbus, Bosch, Frauscher and Sirona. Closing is expected for Q4.

• **FY16 guidance fine-tuned.** For 2016, based on the Q2 figures and updated fx assumptions for the full-year (EUR/USD 1.13 vs. 1.14, EUR/JPY 122.2 vs. 129.2), DS now expects: 1). Non-IFRS sales up 6-7% at cc to EUR2,990-3,015m (vs. EUR2,985-3,015m) while we expect EUR3,101m (consensus: EUR3,038m); 2). Non-IFRS op. margin of c. 31% (unchanged), while we expect 30.8% (consensus: 31.1%); 3). Non-IFRS EPS up 7% to EUR2.40 (unchanged), while we expect EUR2.45 (consensus: EUR2.45). For Q3 16, DS expects non-IFRS sales of EUR715-725m (BG est.: EUR738.9m; consensus: EUR733.5m), a non-IFRS op. margin of 30-30.5% (BG est.: 32.7%), and a non-IFRS EPS of EUR0.54-0.57 (consensus: EUR0.59). The company's guidance excludes CST.

VALUATION

- Dassault Systèmes' shares are trading at est. 17.5x 2016 and 14.9x 2017 EV/EBIT multiples.
- Net cash position on 30th June 2016 was EUR1,636.2m (net gearing: -46%).

NEXT CATALYSTS

Analysts' meeting at 10.30am CET / 9.30am BST / 4.30am EDT in Paris (Pavillon Gabriel, 5 avenue Gabriel, call +33 1 76 77 22 23 (France) or +44 20 34 27 19 00 (UK)). Conference call at 3pm CET / 2pm BST / 9am EDT (Europe: +44 14 52 55 55 66; USA: +1 631 510 74 98).

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