

Q326 Opening Commentary

SIMON MAYS-SMITH, VP INVESTOR RELATIONS

Thanks, operator, and good afternoon. Thank you for joining our conference call to discuss Autodesk's fiscal

26 third quarter results. Andrew Anagnost, our CEO, and Janesh Moorjani, our CFO, are on the line with me.

During this call, we will make forward-looking statements, including outlook and related assumptions, and on products, go-to-market, strategies, and trends. Actual events or results could differ materially. Please refer to our SEC filings, including our most recent Form 10-Q and the Form 8-K filed with today's press release, for important risks and other factors that may cause our actual results to differ from those in our forward-looking statements.

Forward-looking statements made during the call are being made as of today. If this call is replayed or reviewed after today, the information presented during the call may not contain current or accurate information. Autodesk disclaims any obligation to update or revise any forward-looking statements.

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We will quote several numeric or growth changes during this call as we discuss our financial performance.

Unless otherwise noted, each such reference represents a year-on-year comparison. All non-GAAP numbers referenced in today's call are reconciled in our press release and supplemental materials available on our investor relations website.

And now, I will turn the call over to Andrew.

ANDREW ANAGNOST, CEO

Thank you, Simon, and welcome everyone to the call.

We've delivered strong results today, with revenue and non-GAAP earnings per share topping the higher end of our guidance ranges; and billings, non-GAAP operating margin, and free cash flow exceeding our expectations. We are again raising our full-year guidance across the board.

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As demonstrated at Autodesk University, shared during our recent investor day, and reflected in our results today, we're well positioned to deliver for Autodesk's customers and investors even in an uncertain geopolitical, macroeconomic, and technological environment.

We are successfully executing one of the most far-reaching transformations in enterprise software—redefining our business model, go-to-market, products, and platform. In doing so, we are making Autodesk more resilient and unlocking new avenues for growth and margin expansion.

We're enhancing our products with cloud-based platforms and capabilities that seamlessly connect Design and Make workflows to deliver more value to our customers and expanding our addressable market opportunity.

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We're building a platform with a vibrant third-party ecosystem that will make our solutions more valuable, enable new monetization opportunities, and make Autodesk more efficient.

And we're defining the AI revolution for our industries, empowering customers with new task, workflow and system automations; and capturing shared value through subscription, consumption, and outcomes-based business models that blend human and machine capabilities.

Autodesk is building the future and the path to it. Our best days and greatest opportunities lie ahead. I've never been more confident in the long-term value we are creating for our customers, the industries that shape the world, and for you, our shareholders.

I will now turn the call over to Janesh to discuss our quarterly financial performance and guidance. I'll then come back to update you on our strategic growth initiatives.

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JANESH MOORJANI, CFO

Thanks, Andrew.

Q3 was another strong quarter. Overall, the underlying momentum of the business was similar to prior quarters and better than the assumptions we'd built into our guidance range. We again saw strength in AECO, where our customers are benefiting from sustained investment in data centers, infrastructure, and industrial buildings, which is more than offsetting softness in commercial. Up-front revenue, the Autodesk store, and billings linearity during the quarter were also stronger than expected. Our go-to-market optimization plan remains on track, and operational friction from the new transaction model implementation continues to ease.

Total revenue in the third quarter grew 18 percent as reported and in constant currency. The contribution from the new transaction model to revenue was approximately \$124 million in the third quarter. Total revenue grew 12 percent in constant currency and excluding the impact of the new transaction model. Please see the tables in our press release, earnings deck and Excel financials for details by product and region.

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Billings increased 21 percent as reported and 20 percent in constant currency. The contribution from the new transaction model to billings was approximately \$135 million in the third quarter. Billings grew 16 percent in constant currency and excluding the impact of the new transaction model. As a reminder, our billings growth rate this year is skewed by the new transaction model and by the transition to annual billings for most multi-year contracts. These tailwinds will significantly diminish next year.

RPO of \$7.4 billion and current RPO of \$4.8 billion both grew 20 percent, benefiting from tailwinds from the new transaction model.

Turning to margins, third-quarter GAAP and non-GAAP operating margins were 25 percent and 38 percent, respectively, reflecting year-over-year increases of approximately 330 and 120 basis points, respectively. This reflected operating leverage and ongoing cost discipline, and was partly offset by the margin drag from the new transaction model. Our margin progress this year sets us up well to achieve the long-term margin goals we talked about at our investor day. We still expect progress towards that goal to be non-linear given incremental headwinds to reported margins in fiscal 27 from the new transaction model.

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Third-quarter free cash flow was \$430 million, which benefited from the earlier timing of billings in the quarter and lower cash tax payments. As a reminder, our free cash flow growth rate this year is also skewed by the transition to annual billings for most multi-year contracts. This tailwind will also significantly diminish next year.

Moving on to capital allocation, we purchased approximately 1.2 million shares for \$361 million, at an average price of approximately \$306 per share. Year to date, we have repurchased 3.7 million shares for approximately \$1.07 billion.

Turning to guidance.

I will again speak to the numbers excluding the impacts of the new transaction model, and in constant currency, to give you a clearer view of the underlying dynamics of the business. In the earnings deck, you'll see that we've split the impact of the new transaction model and currency movements for our fiscal 26 guidance.

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We've assumed the underlying momentum of the business remains consistent with previous quarters for the remainder of fiscal 26. We have a large pool of EBA and product subscription renewals to close in the fourth quarter of the year and will also have our toughest new transaction model billings and revenue growth comparisons with last year. The macroeconomic environment seems broadly stable, but macro uncertainty remains elevated and we remain mindful of potential disruption as we continue to execute our sales and marketing optimization plan. So we've built some risk into our guidance range for the remainder of fiscal 26 and expect to again reflect these factors in our fiscal 27 outlook in February. We remain disciplined and focused on the controllable factors that drive our revenue, operating margin, earnings per share, and capital allocation, which are the key building blocks of free cash flow per share.

Reflecting all this, we've raised our billings guidance range to between \$7.465 billion and \$7.525 billion, and raised our revenue guidance range to between \$7.150 billion and \$7.165 billion, which flows through the current momentum of the business to our full-year underlying guidance. The bottom end of our full-year guidance range reflects some macroeconomic risk for the final quarter of the year.

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We've also raised our non-GAAP operating margin guidance for the year to approximately 37.5 percent, or approximately 40.5 percent on an underlying basis, which excludes the impact of the new transaction model.

We've also raised our free cash flow guidance range to between \$2.260 billion and \$2.290 billion. As we said last February, utilization of US deferred tax assets will mean we pay little US federal cash tax in fiscal 26. We do not, therefore, get incremental cash benefit from the One Big Beautiful Bill Act this year.

Further, we now expect to buy back approximately \$1.3 billion of stock which is at the high end of our previous guidance and a 50-percent increase compared to fiscal 25.

The slide deck on our website has more details on modeling assumptions for the fourth quarter and full-year fiscal 26.

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Andrew, back to you.

ANDREW ANAGNOST, CEO

Thank you, Janesh.

Autodesk is focused on the convergence of design and make in the cloud, enabled by platform, industry clouds, and AI. We are at the forefront of convergence because we've been evolving and investing in the business models, products and platforms, and go-to-market that capitalize on it. We are at the forefront of neural AI foundation models which we are deeply integrating into our products, not a surface-level add-on, and have access to decades of digital data enabling us to generate greater value for the next wave of AI for the physical world. AI will enable inference across tasks, workflows, and systems which will supercharge convergence. Let me give you a few examples of our progress in the quarter.

Our customers in AECO — architecture, engineering, construction and operations — are demanding convergence to reduce risk, increase quality, and optimize costs and resource use during the design and build

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phase of an asset; and to yield enhanced efficiency, resilience and reuse during the operations and maintenance phase of an asset.

Autodesk Construction Cloud has growing momentum with owners, designers, GCs, and subcontractors seeking to converge design and construction workflows. For example, a leading global food processor and asset owner is migrating over 700 active projects from a competitive solution to address challenges with end-to-end capital project management. Infrastructure owners, like the South Carolina Department of Transportation, will replace legacy tools with Autodesk solutions to execute long-term plans to improve state infrastructure and resolve maintenance and resilience challenges. Integrated design/build companies like Daiwa House Industry Co. Ltd., a pioneer of industrialized construction in Japan, is adopting Autodesk Construction Cloud and Autodesk Informed Design to connect its manufacturing and construction processes, placing Autodesk at the center of its Common Data Environment for Building Systems. And general contractors like Flynn Group are migrating to ACC to unify design intent with field execution in a single data environment to improve project coordination and efficiency.

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These stories have a common theme: converging people, processes and data across the project lifecycle to increase efficiency and resilience, while decreasing risk. Our comprehensive end-to-end industry clouds, and platform, drive convergence and extend our footprint further into the larger growth segments, like infrastructure and construction, that we discussed at investor day. All this is reflected in our sustained strong revenue and new customer momentum in infrastructure and construction.

Our manufacturing customers are also demanding convergence to drive cost and resource efficiency during the design and make process by converging product development workflows in the cloud, leveraging centralized and granular data in unified data models, and embracing AI-driven automation capable of industry transformation.

For example, Industrial Machinery customers like Micro Matic are replacing disconnected competitive solutions with our unified Design and Make platform to connect data and workflows which increases collaboration, and drives efficiency and speed to market, through component re-use and fast, reliable

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iterations. Machinists at an American cosmetics company will save hours per week by using Fusion for manufacturing and simulation to automate nesting, toolpaths, 3D printing, and programming of multi-axis machines to create spare parts. To further strengthen and scale its integrated design and manufacturing processes, Total Environment is leveraging Fusion's advanced capabilities in manufacturing, simulation, design, and data management. By unifying workflows on a single platform, the company will eliminate disconnected tools, enhance collaboration, and improve efficiency across its operations. And a French automobile manufacturer is adopting Fusion to produce electric motor prototypes after a benchmarking analysis showed the Fusion platform could complete a machining task in twelve hours, which is ten and fifteen days faster, respectively, than competitive solutions.

Converged data opens up new opportunities for Autodesk. As customers seek to drive efficient innovation, Fusion is driving strong growth with extension attach rates increasing and driving average sales prices higher. And we're delivering meaningful productivity gains to customers where we deploy AI. We have continued to see success with our AI powered Sketch AutoConstrain in Fusion. Since its launch this year, the AI model has

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delivered over 2.6 million constraints and has been retrained, and the UX improved, all along the way. The acceptance rates of AutoConstrain's suggestions to commercial users have grown to more than 60 percent, with 90 percent of those sketches fully constrained.

In Education, Wake Technical Community College, Kimley-Horn, and Autodesk have entered a strategic partnership to prepare more than 6,000 students for high-demand careers in design, engineering, and construction. This initiative will integrate Fusion, Forma, Civil 3D, and Autodesk Construction Cloud into WTCC's coursework with Kimley-Horn's nationally recognized internship program, creating a direct pipeline from classroom to career.

And lastly, we continue to find new ways for our customers to consume our products and services in ways that work best for them. For example, a multidisciplinary AEC consultancy firm, is using flex consumption to rapidly scale and manage projects across multidisciplinary teams and distributed supply chains to accelerate project delivery and reduce risk.

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Attractive long-term secular growth markets, our focused strategy of delivering ever-more valuable and connected solutions to our customers, and a resilient business, are generating strong and sustained momentum both in absolute terms and relative to peers. Our disciplined execution is driving greater operational velocity and efficiency. We are deploying capital to grow the business, further reduce share count, and enhance value creation over time. In combination, we believe these factors will deliver sustainable shareholder value over many years.

Operator, we would now like to open the call up for questions.