Simon Mays-Smith, VP Investor Relations

Thanks operator and good afternoon. Thank you for joining our conference call to discuss the results of our third quarter of fiscal year 21. On the line is Andrew Anagnost, our CEO, and Scott Herren, our CFO.

Today's conference call is being broadcast live via webcast. In addition, a replay of the call will be available at Autodesk.com/investor. You can find the earnings press release, slide presentation and transcript of today's opening commentary on our Investor Relations website following this call.

During the course of this call, we may make forward-looking statements about our outlook, future results and related assumptions, and strategies. These statements reflect our best judgment based on currently known factors. Actual events or results could differ materially. Please refer to our SEC filings for important risks and other factors including developments in the COVID-19 pandemic and the resulting impact on our business and operations 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.

During the call, we will quote a number of numeric or growth changes as we discuss our financial performance and unless otherwise noted, each such reference represents a year-on-year comparison. All non-GAAP numbers referenced in today's call are reconciled in the press release or the slide presentation 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. First off, I hope you and your families are remaining safe and healthy. Before jumping into our third quarter results, I would like to thank again our employees - and the families and communities that support them – as well as our partners and customers, for their sustained commitment during uncertain times.

That commitment was reflected in our execution, and demonstrated the resilience of our business model this past quarter. Together, they enabled us to deliver strong Q3 results - with billings, revenue, earnings and free cash flow coming in above expectations - despite the volatile macro-economic conditions resulting from the pandemic.

I'm pleased to see the acceleration of our SaaS business model, the secular shift to the cloud underpinning it, and the competitive opportunities it brings. We have many miles of opportunity ahead of us. Our enterprise customers are undertaking their own digital transformation and by enabling that transformation, we are becoming a strategic partner rather than a software vendor. These strategic partnerships are broader than in the past, with our customers expanding their Autodesk product portfolios. Our third quarter results reflect this trend, as our enterprise deal activity with large customers accelerated. We closed some of the largest transactions in the company's history, including a nine-digit deal. I am proud of our team's execution, which positions us well entering the fourth quarter with a strong pipeline of deals.

In the third quarter, we also saw the ebb and flow of the economic impact of the pandemic. As you know, our transition to the cloud means we are able to monitor the usage patterns of our products across the globe and see the positive correlation between increasing usage levels and new business growth in those regions. China, Korea, Japan, and most of Europe saw usage levels rise above pre-COVID levels. While usage trends in the US and UK have not yet returned to pre-COVID levels, while they have stabilized in the US and grown sequentially in the UK. In line with the usage trends, our new business remains impacted by the pandemic, but the diversity of our revenue stream and customer base is helping us deliver strong results.

As you know, Scott has decided to take on the next challenge in his career by accepting the CFO role at Cisco, starting mid-December. Scott has played a huge role in driving the business over the last six years, helping Autodesk successfully navigate the business model transition. We are sad to see him leave, but we are also excited for him. Thank you, Scott, for your many contributions to Autodesk, and I wish you continued success in the next chapter of your career. Scott is leaving behind a strong team to ensure smooth operations while we look for his replacement. We have started the search process, and it is my top priority in the near-term.

Now, I'd like to turn it over to Scott to take you through details of our quarterly performance, and guidance for the year. I'll then come back to provide insights into our strategic growth drivers.

SCOTT HERREN, CFO

Thanks Andrew.

I am leaving Autodesk with mixed emotions, as I am excited about what lies ahead for me, but also sad about leaving my colleagues at Autodesk. The last six years have been the most fun and rewarding of my entire career, as we have transformed the company from a traditional license revenue model to a cloud-based recurring revenue model. That transition is now complete, and I leave knowing Autodesk is well-positioned for the future with leading positions in attractive markets and accelerating momentum.

Looking at the quarter's results, several factors contributed to our out performance across all key metrics, including: strong enterprise deal activity, healthy subscription renewal rates, digital sales, a sequential improvement in new business trends, and foreign exchange rates.

Total revenue growth came in at 13 percent as reported, 14 percent in constant currency, with subscription plan revenue growing by 24 percent, and operating margin expanding by 3 percentage points. We previously told you we extended payment terms for customers impacted by the pandemic. The normalization of payment terms, combined with improving business trends and strong cash collections in Q3, helped drive healthy free cash flow of $340 million. Current RPO, which reflects committed revenue for the next twelve months, was up 16 percent, a slight improvement on the rate of growth we saw in the second quarter. Total RPO was up 21 percent.

We again benefited from the diversity of our customer base. Business softness in certain areas, like the US and parts of Europe, was offset by strength in other areas. Digital sales continued to drive double-digit billings growth through our online channel, supported by accelerated growth in our cloud-based Fusion offerings.

We are developing broader strategic relationships with our enterprise customers with multi-year commitments. As is typical for most enterprise agreements, the nine-digit deal Andrew mentioned is a three-year commitment, billed annually, and did not have a meaningful impact on our revenue or cash flow during the third quarter.

The run-rate business with our partners also continued to perform well. While we are seeing the traction of our transition to the named user business model, it results in a subset of our customers optimizing their installed base by reducing the number of named user seats needed after they take advantage of our 2-for-1 trade-in program. I'm pleased to report that these overall trends are in line with our expectations. As we have said in the past, in aggregate, the transition to the named user model is a revenue-neutral event for us, but enables us to offer more value to our customers, in a similar way as other SaaS providers.

Our net revenue retention rate remained within the 100 to 110 percent range we laid out in our guidance. Our product subscription renewal rates remained strong, reinforcing the critical nature of our products to our customers. As in the prior quarter, approximately 40 percent of the maintenance customers who came up for renewal converted to subscriptions. Our maintenance renewal rate declined sequentially, which was expected as we are nearing the end of our maintenance program.

Industry collections remained a stable share of our total business in Q3. As anticipated, multi-year payments were down year over year, but we saw modest sequential improvement in the share of multi-year payments across each geography as customers continue to make long-term investments in our products.

And finally, during the third quarter we spent $196 million dollars to buyback 800 thousand shares at an average price of approximately $231 per share. Year to date, we have repurchased 2.12M shares at an average price of approximately $186 per share, for a total spend of $393 million dollars.

Now let me turn to our guidance. We are raising the low end of our full-year revenue guidance to a range of $3.750 to $3.765 billion, bringing the mid-point growth rate up to 15 percent year over year. We are also raising our non-GAAP operating margin outlook to the upper end of prior range, a four-point improvement from last year.

Our fourth quarter performance will benefit from the strength in our third quarter results, but the business environment remains uncertain given the current wave of COVID cases. We expect product subscription renewal rates to continue to be very healthy. Churn on our maintenance offering will likely accelerate as we enter the final stages of ending our maintenance offering. And we expect our net revenue retention rate to remain between 100 and 110 percent for the quarter.

Our pipeline entering the fourth quarter is strong, but we have assumed that new business and multi-year contracts will continue to be under pressure. The narrowing of our billings and free cash flow outlook range is primarily driven by moderating assumptions around multi-year and the uncertainty presented by the current environment. It is a testament to the strategic value of our products to our customers, and the resiliency of our model, that we are still expecting to report 15 percent revenue growth despite the current economic headwinds.

Looking out to our fiscal year 2022, we expect an improving macro-economic environment as we exit this year will result in accelerating growth in new business over the course of fiscal 22. Given our subscription model, revenue growth will lag the improving sales environment. As we have said in the past, the path to fiscal 23 will not be linear. We expect our fiscal 22 revenue growth to be low- to mid-teens and free cash flow growth to re-accelerate to approximately 20 percent.

We are confident in our fiscal 23 free cash flow target of $2.4 billion as we will benefit from improving business momentum in fiscal 22 that will provide a tailwind to our revenue and free cash flow growth. In fiscal 23, we will also benefit from the renewals of our fiscal 20 transactions when we restarted multi-year payments for a part of our business. Beyond fiscal 23, our continued investment in cloud products and a subscription business model, backed by a strong balance sheet, give us a robust foundation and platform for double-digit growth.

And now, I'd like to turn it back to Andrew.

ANDREW ANAGNOST, CEO

Thank you, Scott.

Our strong performance in Q3 once again demonstrates the advantages of our diverse customer base, resiliency of our employees, the power of our SaaS offerings, and the strength of our business model.

At Autodesk University last week, we hosted approximately 100 thousand customers and partners, and made a series of product and partnership announcements as well as our acquisition of Spacemaker, which closed yesterday and offers industry leading functionality to architects. Spacemaker will enable us to support Design professionals much earlier in their workflow, by harnessing AI to rapidly create and evaluate options for a building or urban development. Through automated data capture, smart design, decision support, and collaboration functionality, Spacemaker enables users to quickly generate, optimize, and iterate on design. It also offers a fundamental shift in how we imagine and build cities in the future, and the time needed to evaluate various possible options. I encourage you to check out the demo from last week that is available on our website.

We also announced the Autodesk Construction Cloud platform, which unifies our AEC cloud offerings and the data held within them, to enable a connected project ecosystem across design and construction. Underpinning the Autodesk Construction Cloud is our common data environment, Autodesk Docs; this provides seamless navigation, integrated workflows and project controls, and enables a single source of truth across the project lifecycle. Autodesk Build, Quantify, and BIM Collaborate bring together the best of PlanGrid and BIM 360, with new functionality to create a comprehensive field construction and project management solution. For our design customers, BIM Collaborate Pro extends the capabilities of BIM 360 Design on the new platform to create a more seamless exchange of project data between design and construction.

During the quarter, Morgan Sindall, a leading construction group in the UK, committed to Autodesk as their strategic platform partner. As Lee Ramsey, Morgan Sindall’s Digital Design Director, said, “As

I researched all the marketplace solutions, Autodesk stood out to me. Autodesk Construction Cloud provides greater integration between different roles and functions, allowing data to be shared across projects, silos to be broken, and a vast amount of efficiency to be gained."

The breadth of our AEC business has underpinned its resilient performance, and enabled it to be a net beneficiary from secular and cyclical trends. Despite many construction projects being interrupted, delayed, or navigating new ways of working because of the pandemic, we are still seeing year-on-year growth across all our construction offerings. Our cloud-based products enable our customers to navigate the cycle today, and to be more efficient and sustainable for tomorrow. Our office-based solutions continued to do well while our field-based solutions improved sequentially, boosted by several competitive wins. Customers continue to choose PlanGrid to digitize their processes because it is easy to use and they only pay for what they need.

This quarter, our BIM 360 products set records for both worldwide weekly average users and projects. We also continue to see adoption with our larger customers and within the infrastructure industry.

During the quarter, one of the world's leading professional services firms which serves clients in the infrastructure and building sectors, increased its investment with Autodesk. We have been partnering together for over 15 years, and the renewal of our enterprise business agreement enables this firm to expand its use of BIM 360 and PlanGrid in order to adapt faster to industry changes and create new markets for its services.

In another instance, Japan's largest home builder, Daiwa House Industry Co, Ltd., renewed its enterprise business agreement with us. The company is making key investments in BIM, and has selected Autodesk to be its strategic innovation partner to achieve its goals for digital transformation, design for manufacturing, and industrialized construction. The company is adopting

BIM at all levels of the organization, and has made a commitment to adopt additional Autodesk products, including BIM 360 Docs and Design, and PlanGrid. We are thrilled to be working with Daiwa House at the forefront of industrialized construction.

Our cloud-based platform is also propelling growth in Manufacturing by enabling the convergence of Design and Make. On the commercial side, our market-leading cloud-based platform, Fusion 360, enjoyed another quarter of accelerating subscriptions; growing scale of deployments, and adding competitive displacements, to end the quarter with over 120 thousand subscriptions.

At AU, we introduced several extensions to Fusion 360 that further encourage adoption and usage of the platform by adding specialist functionality. As a reminder, extensions offer expanded tools and functionality that can be added on demand to the core Fusion 360 offering. This kind of functional flexibility and cost effectiveness enhances the value of our platform for designers, engineers, and manufacturers.

We also announced exciting partnerships with Sandvik Coromant and Rockwell Automation. With Sandvik Coromant, a metal cutting tools and services company, we took the first steps to realize a shared, long-term vision of accelerating the automation of manufacturing processes by making tool data and manufacturing recommendations available to users of Fusion 360. With Rockwell Automation, a provider of industrial automation and information technology, we combined factory layout capabilities available in our industry collection with their factory simulation tools. Together, these solutions will help our mutual customers digitally design and commission factories in less time and with greater efficiency.

This quarter we also announced the acquisition of CAMplete, a leading provider of post-processing and machine simulation solutions. CAMplete bridges the gap between CAM programming and shop floor machine tool operation. It allows manufacturers to digitally simulate and verify the machine code that drives their production equipment before running it on the shop floor. This will enable our customers to identify potential problems, in a digital environment, at the programming phase, that could otherwise scrap work or damage machine tools in production.

During the quarter, a large multinational defense, security, and aerospace company with an extensive global supply chain chose to increase its investment with Autodesk through an enterprise business agreement. To stay at the forefront of its industry, the company is using innovative manufacturing methods to save time and money, and has set a target to 3D print approximately one third of the components in its new jet. As it radically changes the way it designs and builds, the company has selected Autodesk as a key strategic partner. The adoption of our products is also driving change throughout its supply chain, which must adopt new ways of working. With Fusion 360, it now has access to our advanced manufacturing solutions to help it realize its business goals.

In education, we continue to expand our footprint. Tinkercad, our fully browser-based product development platform for aspiring designers, now has over 30 million users worldwide. Fusion 360 on Chromebooks is experiencing rapid adoption at high schools and universities, and is replacing entry-level, browser-based CAD/CAM with professional-grade, career-accelerating Fusion 360. For instance, the University of Illinois at Urbana-Champaign has now switched to Fusion 360 across multiple departments, including biomedical engineering, systems engineering, and mechanical engineering.

We are seeing early adoption of our Premium plan, with customers taking advantage of the enhanced subscription offering at renewal. Many of our multi-user customers who are transitioning to the named user model are finding great value in the Premium plan, due to its advanced user analytics, single sign-on capabilities, and enhanced support. For example, Scheuch, a leader in the field of innovative air and environment technology, decided to commit to a long-term investment in

Premium this quarter, primarily due to the SSO and user management capabilities. They see Autodesk as a strategic partner as it continues to harmonize its global IT infrastructure.

Let me finish by updating you on our progress monetizing non-compliant users. We continue to be sensitive to the short-term economic pressure faced by our customers, but remain optimistic about the long-term opportunity as we demonstrate the value of our cloud-based platform to our customers.

For example, in China, a customer which left us to try a lower cost competitor quickly returned due to AutoCAD's superior functionality, and invested further in Autodesk by purchasing collections for the first time to focus on growth. Our efforts to educate our customers about the benefits of staying compliant with our subscriptions are yielding results, as we are able to convert them to paying users in a customer friendly manner. During the quarter, we closed 8 deals over 500,000 dollars with our license compliance initiatives.

In closing, we continue to build a stronger Autodesk for the long term. Our early and sustained organic and strategic investment in critical capabilities like cloud computing and cloud-based collaboration – combined with a successful transition to a SaaS business model – give us significant competitive advantages and confidence to grow in the double-digit range in the foreseeable future. And we have multiple drivers that make us confident in our fiscal 23 free cash flow target of $2.4 billion.

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