Simon Mays-Smith, VP Investor Relations

Thanks operator and good afternoon. Thank you for joining our conference call to discuss our fourth quarter and full-year fiscal 23 results. On the line with me are Andrew Anagnost, our CEO, and Debbie Clifford, 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 this call, we may make forward-looking statements about our outlook, future results and related assumptions, acquisitions, products and product capabilities, 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, including our most recent Forms 10-Q and

10-K 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.

During the call, we will quote several numeric or growth changes 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 or Excel financials and other 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.

Autodesk's strong financial and competitive performance in fiscal 2023, despite macroeconomic, policy, geopolitical and pandemic headwinds, is a testament to three enduring strengths: resilience, opportunity, and discipline.

While we fell short of the fiscal 23 goals we set in 2016, our resilient business model and geographic, product, and customer diversification enabled us to deliver strong growth and report record fourth quarter and full-year revenue, GAAP and non-GAAP operating margin, and free cash flow. The sum of our revenue growth and free cash flow margin, a hallmark of the most valuable companies in the world, was 55 percent for the year.

As we deliver next-generation technology and services to our customers, the transformation within and between the industries we serve will accelerate, generating significant new growth opportunities for Autodesk. We started seeing the shift towards connected digital workflows in the cloud in product design and manufacturing, then in architecture, followed by building engineering, and more recently construction. And we are now seeing growing momentum with owners. For example, in Q4 our partner, BLA-BIM Launch Alliance, was selected by a consortium of 20 U.S. states, led by the Iowa Department of Transportation, to facilitate the migration from legacy 2D project delivery processes to data-rich BIM delivery processes, which are more efficient and sustainable. In anticipation of this, the departments of transportation involved are also completely reimagining project delivery and developing open standards for all infrastructure projects. Together, these 20 states encompass more than 60 percent of the U.S. population. Over time, we expect more states, and more owners across the globe, to connect more workflows in the cloud.

Finally, our strategy is underpinned by disciplined and focused capital deployment through the economic cycle. This enables Autodesk to remain sufficiently well invested to realize the significant benefits of its strategy while mitigating the risk of having to make expensive catch-up investments in the future. Of course, discipline and focus mean not only consistent investment, but also constant optimization to ensure investment levels remain proportionate and directed at our largest opportunities. For example, Autodesk BIM Collaborate Pro for Civil 3D, which enables much more efficient collaboration on civil infrastructure projects, saw further significant enhancements in Q4. To support our work with public sector owners in the United States, Autodesk for Government expects to achieve FedRAMP Moderate Authorization soon, meaning that, through our partnership with the General Services Administration, customers will be able to start using our industry leading cloud collaboration and document management tools that meet key security standards for U.S. Government projects. I’m also pleased to report that Innovyze had a record quarter driven by adoption in a growing proportion of our Enterprise accounts which contributed over a million dollars in four deals.

Infrastructure is but one part of an expanding opportunity for Autodesk. There are so many more. And we'll tell you about them at our Investor Day on March 22. But you can see some of the fruits of that opportunity already. We signed our largest-ever EBA in the fourth quarter, encompassing more personas and connecting more workflows in the cloud to drive efficiency and sustainability.

I will now turn the call over to Debbie to take you through our quarterly financial performance and guidance for the year. I'll then come back to provide an update on our strategic growth initiatives.

DEBBIE CLIFFORD, CFO

Thanks, Andrew.

Our fourth quarter and full-year results were strong. Overall, the demand environment in Q4 remained consistent with Q3. The approaching transition from up-front to annual billings for multi-year contracts, and a large renewal cohort, provided a tailwind to billings and free cash flow. As Andrew mentioned, we continue to develop broader strategic partnerships with our customers and closed our largest deal to date during the quarter. The nine-digit deal is a multi-year commitment, billed annually, and did not have a meaningful impact on our financials during the quarter.

Total revenue grew 9 percent as reported and 12 percent in constant currency, with subscription revenue growing by 11 percent as reported and 14 percent in constant currency. By product: AutoCAD and AutoCAD LT revenue grew 9 percent and AEC revenue grew 11 percent. Manufacturing revenue grew 4 percent, but was up mid-teens excluding foreign exchange movements and upfront revenue. M&E revenue was down 10 percent. Recall that in Q4 last year, M&E won its largest-ever EBA, which included significant upfront revenue. Excluding up-front revenue, M&E grew 4 percent. Across the globe, revenue grew 13 percent in the Americas, 7 percent in EMEA and

4 percent in APAC. At constant exchange rates, EMEA and APAC grew 12 and 10 percent, respectively.

Direct revenue increased 5 percent and represented 36 percent of total revenue. Strong underlying enterprise and eCommerce revenue growth was partly offset by foreign exchange movements and lower up-front revenue.

Our product subscription renewal rates remained strong, and our net revenue retention rate remained comfortably within our 100 to 110 percent target range at constant exchange rates.

Billings increased 28 percent to $2.1 billion – our first quarter over $2 billion – reflecting continued solid underlying demand and a tailwind from both our largest multi-year renewal cohort and the pending removal of the discount for multi-year contracts billed up front.

Total deferred revenue grew 21 percent to $4.6 billion. Total RPO of $5.6 billion and current RPO of $3.5 billion grew 19 and 12 percent, respectively. About two percentage points of that current RPO growth was from early renewals.

Turning to the P&L, non-GAAP gross margin remained broadly level at 92 percent. Non-GAAP operating margin increased by 1 percentage point to approximately 36 percent, with ongoing cost discipline partly offset by revenue growth headwinds from foreign exchange movements. For the fiscal year, non-GAAP operating margin increased by 4 percentage points, reflecting strong revenue growth and ongoing cost discipline.

GAAP operating margin increased by 9 percentage points to approximately 21 percent. Recall in Q4 last year, we took a lease-related charge of approximately $100 million. That was part of our effort to reduce our real-estate footprint and to further our hybrid workforce strategy. For the fiscal year, GAAP operating margin increased by 6 percentage points.

We delivered record free cash flow in the quarter and for the full year of more than $900 million and $2 billion, respectively, reflecting our strong billings growth.

Turning to capital allocation, we continue to actively manage capital within our framework. As Andrew said, our strategy is underpinned by disciplined and focused capital deployment through the economic cycle. We will continue to offset dilution from our stock-based compensation program and to opportunistically accelerate repurchases when it makes sense. During Q4, we purchased 1.1 million shares for $210 million dollars at an average price of approximately $193 per share. For the full year, we purchased 5.5 million shares for $1.1 billion dollars at an average price of approximately $198 per share, and reduced total shares outstanding by 4 million. We retired a $350-million bond in December. Recall that we effectively refinanced this bond in October 2021 at historically low rates when we issued our first sustainability bond. Our average bond duration is now almost 7 years.

Now, let me turn to guidance.

Our strong finish to fiscal 23 sets us up well for the year ahead. Overall end-market demand in Q4 fiscal 23 remained broadly consistent with Q3 fiscal 23. Channel partners remained cautiously optimistic, usage rates grew modestly, excluding Russia and China, and bid activity on BuildingConnected remained robust.

As we said last quarter, foreign exchange movements will be a headwind to revenue growth and margins in fiscal 24. We expect FX to be about a 4-percentage point drag on reported revenue.

We continue to expect the absence of recognized deferred revenue from Russia will be about a 1-percentage point drag to revenue growth.

As we've highlighted before, most recently on our Q3 earnings call, the switch from up-front to annual billings for most multi-year customers creates a significant headwind for free cash flow in fiscal 24 and a smaller headwind in fiscal 25. You can see the impact on FY24 in slide 8 of our earnings deck. Change in deferred revenue increased fiscal 23 free cash flow by $790 million, but will reduce fiscal 24 free cash flow by approximately $300 million. The switch to annual billings for multi-year customers and a smaller multi-year renewal cohort are the key drivers of this $1.1 billion swing. The transition will also affect the linearity of free cash flow during the year, with Q1 fiscal 24 free cash flow benefiting from the strong billings in Q4 fiscal 23, and our largest billings quarters in the second half of the year proportionately more impacted by the switch to annual billings.

While we expect many customers to switch to multi-year contracts billed annually, some may choose annual contracts instead. All else equal, if this were to occur, it would proportionately reduce the unbilled portion of our total remaining performance obligations and would negatively impact total RPO growth rates. Deferred revenue, billings, current remaining performance obligations, revenue, margins, and free cash flow would remain broadly unchanged in this scenario. Annual renewals create more opportunities for us to drive adoption and upsell, but are without the price lock embedded in multi-year contracts. We'll keep you updated on this as the year progresses.

Our cash tax rate will return to a more normalized level of approximately 31 percent in fiscal 24, up from 25 percent in fiscal 23. We accrued significant tax assets as a result of the operating losses we generated during our business model transition. Growing profitability and, more recently, rising effective tax rates across the globe, have accelerated the consumption of those tax attributes. Absent changes in tax policy, we expect our cash tax rate to remain in a range around 31 percent for the foreseeable future.

Putting that all together, we expect fiscal 24 revenue to be between $5.36 billion and $5.46 billion, up about 8 percent at the mid-point, or about 13 percent at constant exchange rates and excluding the impact from Russia. We expect non-GAAP operating margins to be similar to fiscal 23 levels with constant currency margin improvement offset by FX headwinds. We expect free cash flow to be between $1.15 billion and $1.25 billion. The mid-point of that range, $1.2 billion, implies a 41 percent reduction in free cash flow compared to fiscal 23. As I outlined earlier, the key drivers of that reduction are: changes in long-term deferred revenue as a result of the shift to annual billings for multi-year customers and a smaller multi-year renewal cohort, FX, and our cash tax rate.

The slide deck and Excel financials on our website have more details on fiscal 23 results and modeling assumptions for the full-year fiscal 24.

At investor day, we'll be looking beyond this year. As Andrew noted earlier, we remain in the relatively early innings of a transformational shift to the cloud to drive efficiency and sustainability. This is generating demand for cloud-based platforms and services, which break down the silos within and between the industries we serve. Autodesk is uniquely well-positioned to seize these opportunities and we will continue to invest with discipline and focus to realize that growth potential.

While our subscription business model and geographic, product, and customer diversification give us resilience when compared to many other companies, we’re mindful that generational macroeconomic, policy, geopolitical, climate, and health uncertainty make the world more volatile and less predictable than in the past. Our business will grow somewhat faster in less volatile environments and somewhat slower in more volatile environments.

Finally, we're not **just** looking to have industry-leading growth – although we often do. Nor are we **just** looking to have industry-leading margins – although we often do. On average and over time, we **are** looking to have an industry-leading balance between growth and margins. And we often do.

We think this balance between compounding growth and strong free cash flow margins, captured in the rule-of-40 framework, is the hallmark of the most valuable companies in the world. And we intend to remain one of them.

With all this in mind, our target planning parameters over the next several years will be to grow revenue in the 10 to 15 percent range and generate free cash flow margins in the 30 to 35 percent range with a goal of reaching a "Rule of 40" ratio of 45 percent or more over time. The path to that 45-percent ratio will not be linear given the drag in fiscals 24 and 25 to long-term deferred revenue and free cash flow from the shift to annual billings of multi-year contracts. The rate of improvement will obviously also be somewhat determined by the macroeconomic backdrop. But, let me be clear, we're managing the business to this metric and feel it strikes the right balance between driving top line growth and delivering on disciplined profit and cash flow growth. We intend to make meaningful steps over time toward achievement of this rule-of-45 goal, regardless of the macroeconomic backdrop.

While macroeconomic and FX headwinds, along with sustained but disciplined investment in our products and platforms, will slow the rate of margin improvement, we continue to expect non-GAAP operating margins to be in the 38 to 40 percent range by fiscal 26, albeit more likely now in the lower half of that range. We continue to see scope for further margin growth thereafter. GAAP margins will further benefit from stock-based compensation as a percent of revenue trending down towards 10 percent and beyond over time.

Andrew, back to you.

ANDREW ANAGNOST, CEO

Thank you, Debbie.

Our strategy is to transform the industries we serve with end-to-end, cloud-based solutions that drive efficiency and sustainability for our customers. We'll tell you more about our long-term vision and plans at our investor day on March 22. But let me finish by updating you on our progress in the fourth quarter.

We continued to see strong growth in AEC, fueled by customers consolidating on our solutions to connect previously siloed workflows in the cloud. Sweco, Europe's leading architecture and engineering consultancy, is connecting our portfolio of products, from Spacemaker and Revit to Autodesk Construction Cloud and Innovyze, to streamline everything from transport and energy usage to lighting and water flows to ensure better transparency through the project lifecycle. Sweco has a thriving sustainability practice. Its new digital service, Carbon Cost Compass, which is built on Autodesk Platform Services, helps its customers model and calculate the carbon footprint and cost of different types of buildings.

For our construction customers, we continue to benefit from our complete end-to-end BIM solutions which encompass design, preconstruction and field execution. In Q4, a mid-market general contractor in California, specializing in design-build projects, chose to replace a competitive project management offering with Autodesk Build as it looked to improve integration further and minimize conflict with their design processes. While highlighting Build's cost management functionality as a differentiator, the customer ultimately chose Autodesk because of our long-standing and trusted partnership and shared vision on the future of construction.

We continue to make excellent progress on our strategic initiatives which is driving accelerating adoption of Autodesk Construction Cloud. We added almost a thousand new logos again, drove continued rapid growth in Autodesk Build's MAUs, and generated 3x quarter-on-quarter growth in our construction bundles, which combine multiple Autodesk Construction Cloud solutions and enable customers to standardize more rapidly on one platform. Outside the U.S., enabling our international channel partners to sell our construction portfolio continues to drive strong growth. We still see strong growth potential in construction and Autodesk remains uniquely well positioned to capture it.

In manufacturing, Tata Steel, one of the world's leading steel manufacturers, has used our solutions to increase efficiency and reduce costs in setting up new operations. To optimize effectively between its equipment, civil, structural, and plant infrastructure teams, Tata Steel uses Autodesk AEC and Manufacturing collections and Vault. Through the integration of data from various vendors on a single platform, Tata Steel leverages simulation and clash detection in a virtual environment, eliminating potential conflicts that can have a huge impact if they occur during physical installation.

In Automotive, we continue to strengthen and expand our partnerships, both within and beyond the design studio, as OEMs transform and connect factories. A leading manufacturer in the U.S. expanded its EBA in Q4, leveraging the cutting-edge visualization technology in VRED Pro to more effectively process executive design reviews and reach final designs more quickly. Autodesk is now partnering with the customer as it renovates its factories for its new fleet of electric vehicles, ensuring it controls the construction flow and owns its own data by standardizing on Autodesk Construction Cloud.

Customers are also beginning to merge their design, manufacturing and production management workflows with Fusion and Prodsmart. In Q4, a manufacturer based in the U.K., which has more than doubled in size in the last 18 months, switched from a competitor's CAD tool to Fusion 360 and extensions for its integrated CAD and CAM capabilities. With Prodsmart as part of its connected platform, the customer can instantly generate a bill of materials after creating a design and link directly to inventories, eliminating tedious work and saving time for higher-value opportunities.

We ended the quarter with 223 thousand Fusion 360 subscribers, a number which does not include extensions where units increased more than 100 percent year over year. During the quarter, we launched the Signal Integrity Extension for Fusion, powered by Ansys, which enables designers to analyze their PCB electromagnetic performance, ensure compliant products and power a faster development cycle at lower costs. We continue to see strength in PLM, signing our largest-ever cloud data management deal and growing more than 30 percent in the quarter.

In education, leading universities continue to modernize their courses ensuring students will learn the in-demand skills of the future. At Northumbria University, the prestigious “Design for Industry” program's students are now choosing to use Fusion 360 within their design process and across many of their modules along with real-world live projects led by industry partners. Their switch is primarily down to its ease of use and cross platform availability. While our software remains free for educators and students, tomorrow's design leaders are bringing Fusion 360 to new and established manufacturers.

We will continue to evolve our business model offerings to match customer needs and enable users to participate in our ecosystem more productively. For example, a European manufacturer which operates in over 100 countries and six R&D facilities worldwide, transitioned to our Named-

User model with Premium Plan providing enhanced security from single sign-on and improved efficiency from 24/7 technical support. Our partners at Mensch and Maschine supported the transition with detailed knowledge and analysis of the customer usage behavior, resulting in an optimized flex token package for its occasional users; providing them with ongoing software access without requiring a full-time subscription.

And finally, we continue to work with non-compliant users to find flexible and compliant solutions that ensure they have access to the most current and secure software. During the quarter, we closed 9 deals over 1 million dollars and 23 deals over 500 thousand dollars with our license compliance initiatives.

Returning to where I started – resilience, opportunity, and discipline were important contributors to our fiscal 23 results and will remain the key drivers of our future success. We're excited to share our plans with you at our investor day on March 22.

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