Q225 Opening Commentary

SIMON MAYS-SMITH, VP INVESTOR RELATIONS

Thanks, operator, and good afternoon. Thank you for joining our conference call to discuss the second quarter results of Autodesk's fiscal 25. On the line with me is Andrew Anagnost, our CEO, and Betsy Rafael, our interim CFO.

During this call, we will make forward-looking statements, including outlook and related assumptions, products, and strategies. 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.

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 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.

We finished the second quarter and first half of the year strongly, delivering 13 percent revenue growth in constant currency in both periods, and have raised guidance for the full year reflecting the sustained momentum of the business, and the smooth launch of the new transaction model in North America in June and expected launch in Western Europe in September. Once again, opportunity, resilience and discipline underpinned our performance.

In March last year, we laid out the secular growth trends in our markets from accelerating digital transformation in architecture, engineering and construction (or AEC) to the transition to the cloud in manufacturing and media and entertainment. These secular trends are driving customers to break down siloed workflows and seamlessly connect data end to end. Real-world experiences – from remote collaboration to supply chain disruption, and AI – are reinforcing these trends.

We are aggressively pursuing our strategy to benefit from these secular trends, including the development of next-generation technology and services; end-to-end digital transformation; and unique growth enablers such as business model evolution, customer experience evolution, and convergence between industries. Our investments in cloud, platform, and AI in pursuit of these growth opportunities, and ahead of our peers, enable Autodesk to provide its customers with ever-more valuable and connected solutions and to support a much broader customer and developer ecosystem and marketplace.

While macroeconomic, policy, geopolitical, and one-off factors, like the Hollywood strike, have impacted industry growth, Autodesk's subscription business model and diversified product and customer portfolio have proven resilient. The underlying momentum of the business and key

performance indicators remain consistent with previous quarters, as evidenced by increased product usage, record bid activity on BuildingConnected, and cautious optimism from our channel partners.

We realize the significant benefits of this strategy for shareholders through our disciplined and focused execution and capital deployment throughout the economic cycle. These investments mitigate the risk of expensive catch-up investments in the future and support sustained revenue, margin and free cash flow growth. To support our growth initiatives and margin improvement, we have been modernizing our go-to-market approach to create more durable and direct relationships with our customers and to serve them more efficiently. And we are transforming our platform to enable greater engineering velocity and efficiency and to support a broader customer and developer ecosystem and marketplace. We have already seen significant benefits from initiatives like these and there's more to come. Stripping out the effects on margins from FX and the new transaction model, we expect to be towards the mid-point of our fiscal 26 non-GAAP operating margin target of 38 to 40 percent in fiscal 25, a year ahead of schedule and representing about 300 basis points of improvements since fiscal 23. We are confident we will make further improvement in fiscal 26 on the same basis. Once complete, we expect the new transaction model and

subsequent go-to-market optimization to increase sales and marketing efficiency and deliver GAAP margins among the best in the industry. Non-GAAP operating profit including stock-based compensation costs will become a key metric to track as we make this transition.

Attractive long-term secular growth markets, a focused strategy 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. Disciplined execution and capital deployment is driving even greater operational velocity and efficiency within Autodesk and will underpin the mechanical build of revenue and free cash flow over the next few years and GAAP margins among the best in the industry. We expect the pace of buybacks to buy forward dilution will pick up into fiscal 26 as our free cash flow builds from the fiscal 24 trough. We expect this to result in a further reduction in shares outstanding over time, continuing the capital return trend of the last few years. In combination, we believe these factors will deliver sustainable shareholder value over many years.

I'd like to welcome Betsy and thank her for stepping in as interim CFO and will now turn the call over to her to take you through the details of our quarterly financial performance and guidance for the year. I'll then come back to provide an update on our strategic growth initiatives.

BETSY RAFAEL, INTERIM CFO

Thanks, Andrew.

Q2 was a strong quarter. We generated broad-based growth across products and regions in AEC and manufacturing which was partly offset by softness in media and entertainment, primarily due to the lingering effects of the Hollywood strike. Make continues to enhance growth driven by ongoing strength in construction and Fusion. Overall, macroeconomic, policy, and geopolitical challenges, and the underlying momentum of the business, were consistent with the last few quarters and included strong renewal rates and softer new business in China and Korea. The new transaction model did not make a material contribution to our second quarter results.

In his opening remarks, Andrew discussed the benefits we expect to derive from our go-to-market initiatives which support our growth and ongoing margin improvement. Before I discuss revenue,

billings, deferred revenue, RPO, and free cash flow, let me remind you of how these metrics naturally, and mechanically, evolve during the shift to annual billings for most multi-year contracts and the new transaction model.

The shift to annual billings for most multi-year contracts moves billed deferred revenue into unbilled deferred revenue in our financial reporting. Unbilled deferred revenue would then not be included in deferred revenue on our balance sheet but would be included in our remaining performance obligations (RPO) disclosure. Initially, this reduces billings, deferred revenue and free cash flow, as you saw in fiscal 24, but is gradually becoming a tailwind to billings and free cash flow as our annually billed multi-year cohorts rebuild. Metrics that include unbilled deferred revenue, like RPO, give a better view of performance during our transition to annual billings for most multi-year contracts. As we have said before, we will continue to offer multi-year contracts billed up front in certain circumstances, such as: in emerging countries where there is increased credit risk if not received up front; on the Autodesk store until we enable system changes to offer annual billing; and, on an exception basis, when it is driven by customer preference such as for our non-cloud enabled offerings. To give you some context on scale, multi-year contracts billed up front incrementally contributed less than 5 percent of total billings in Q2.

The new transaction model also has mechanical and timing impacts on billings, deferred revenue, revenue, and operating costs. The amount of impact is determined by the pace of the model roll out. In addition, channel partner and customer behavior can impact the results.

The mechanical impact is due to the way channel partner payments are recognized and accounted for in the P&L. Under the buy/sell model, channel partner payments are deducted from gross billings and revenue. We then report net billings and net revenue. In the new transaction model, we record channel partner payments in sales and marketing expense. So, as we shift from the old model to the new, there is an increase in billings, deferred revenue, revenue, and sales and marketing expense. That increase in revenue and operating cost, resulting from the change in the way that channel partner payments are recognized and accounted for, flows ratably through revenue and costs in the P&L over time. And the overall pace of that transition is determined by when we launch the new transaction model into each geography. In the short term, moving the P&L geography of channel partner payments from contra revenue to sales and marketing expense creates a headwind to the operating margin percentage but is broadly neutral to operating profit and free cash flow dollars. But, over the long term, we expect that this transition to the new

transaction model will enable us to further optimize our business, which we anticipate will provide a tailwind to revenue and deliver GAAP margins among the best in the industry on mechanically higher revenue and despite mechanically higher costs.

Channel partner and customer behavior during the roll out of the new transaction model are much harder to predict and model. For example, with channel partners better prepared ahead of launch, more customers in North America than Australia co-termed contract expirations to align the timing of renewals across their business. This had a negative impact on the timing of billings and deferred revenue. As we've seen many times before, co-termed contracts create an opportunity for larger contracts on renewal as we elevate our relationship with customers from subsidiaries to company wide. Along with more self-service functionality, it also enables us to reduce administrative costs and serve our customers more efficiently. While activity in the second quarter was possibly more tactical, co-terming is one of the expected benefits of the new transaction model and will be one of the drivers of our margin momentum over the coming years. As I'll discuss, this creates timing headwinds but is not a change in the underlying momentum of the business. We'll give you more details about the impact of the new transaction model on fiscal 25 results and expected fiscal 26 when we report our full-year results next February.

So, let's move onto the results.

Total revenue grew 12 percent, and 13 percent in constant currency. By product in constant currency: AutoCAD and AutoCAD LT revenue grew 8 percent, AEC revenue grew 15 percent, manufacturing revenue grew 17 percent, and in the low teens excluding up-front revenue, and M&E revenue grew 5 percent. Revenue grew 13 percent in all regions in constant currency.

Direct revenue increased 21 percent and represented 40 percent of total revenue, up three percentage points from last year, benefiting from strong growth in both EBAs and the Autodesk Store.

Net revenue retention rate remained within the 100 to 110 percent range at constant exchange rates.

Billings increased 13 percent in the quarter, reflecting a modest tailwind from the prior year's shift to annual billings for most multi-year contracts and a mechanical tailwind of approximately 2

percent from the transition to the new transaction model. Billings were also negatively impacted by more co-terming.

Total deferred revenue decreased 13 percent to $3.7 billion and was again impacted by the transition from up-front to annual billings for multi-year contracts. Total RPO of $5.9 billion and current RPO of $3.9 billion grew 12 percent and 11 percent, respectively.

Turning to margins, GAAP and non-GAAP gross margins were broadly level, while GAAP and non-GAAP operating margins increased by 4 and 1 percentage points, respectively. At current course and speed, the ratio of stock-based compensation as a percent of revenue peaked in fiscal 24, will fall by more than a percentage point in fiscal 25, and will be below 10 percent over time.

Free cash flow for the quarter was $203 million. As we said might happen back in February, some channel partners in North America booked business earlier in the quarter ahead of the transition to the new transaction model to de-risk month one after the transition. This accelerated free cash flow to the second quarter which was partly offset by the negative impact of more co-terming.

Turning to capital allocation, we continue to actively manage capital within our framework and deploy it with discipline and focus through the economic cycle to drive long-term shareholder value. During the second quarter, we purchased approximately 471 thousand shares for $115 million, at an average price of approximately $245 per share. We expect the pace of buybacks to pick up during the second half of the year as we had very minimal purchases in the first half of the year. We will also continue to deploy capital to offset dilution into fiscal 26 as our free cash flow grows from the fiscal 24 trough generated by the transition from up-front to annual billings for most multi-year contracts. We will continue to buy forward dilution which we expect to result in a further reduction in shares outstanding over time, continuing the capital return trend of the last few years. We have reduced our share count by about 5 million shares over the last three years with an average percentage reduction of about 70 basis points per year.

Now, let me finish with guidance.

As we said in February, the pace of the roll out of the new transaction model will create noise in billings and the P&L so we think free cash flow is the best measure of our performance. Taking out that noise, the underlying momentum in the business remains consistent with the expectations

embedded in our guidance range for the full year. Our sustained momentum in the second quarter, and smooth launch of the new transaction model in North America, reduce the likelihood of our more cautious forecast scenarios. Given that, we're raising the mid-points of our billings, revenue, earnings per share, and free cash flow guidance ranges. Let me give you a bit more detail.

The underlying momentum of billings is in line with our expectations but two of our modeling assumptions have changed. First, the new transaction model is expected to launch in Western Europe in September, rather than early in fiscal 26 which was our modeling assumption at the start of fiscal 25. This is a tailwind to reported billings. Second, more customers have co-termed contracts in North America than we modeled, and we've assumed the same thing happens in Western Europe. This timing effect is a headwind to reported billings in fiscal 25. The net effect of these is a 5- to 6-percentage point tailwind to billings from the new transaction model in fiscal 25 which includes a 3 to 4 percentage point tailwind from North America. We've raised our fiscal 25 billings guidance to a range between $5.88 to $5.98 billion.

The underlying momentum of revenue is in line with our expectations. The $40 million increase to the top end of revenue guidance reflects the expected launch of the new transaction model in

Western Europe in September and acquisitions in roughly equal measures. The $90 million increase to the bottom end of the guidance range includes that $40 million with the remainder an underlying increase due to the reduced likelihood of our more cautious forecast scenarios. At the mid-point, we are increasing revenue guidance by $65 million, or $25 million excluding the impact of acquisitions and the new transaction model. Our fiscal 25 revenue guidance range is now between $6.08 and $6.13 billion, translating into revenue growth of about 11 percent at the mid-point when compared to fiscal 24, and includes 1- to 1.5-percentage points from the new transaction model.

Underlying margins are slightly better than our previous guidance and that enables us to offset higher expected costs from the earlier launch of the new transaction model in Western Europe. While we still expect non-GAAP operating margins between a range of 35 and 36 percent in fiscal 25, that now includes a 1- to 1.5-point underlying margin improvement that is broadly offset by the margin headwinds from the new transaction model and incremental investment in people, processes, and automation.

The underlying momentum of free cash flow is in line with our expectations. The headwind to billings from co-terming that I mentioned earlier is largely being offset by faster collections and improved underlying margins. We've raised the lower end of our fiscal 25 free cash flow guidance resulting in a range between $1.45 and $1.5 billion. We expect strong free cash flow growth in fiscal 26 because of the return of our largest multi-year renewal cohort, the natural mechanical stacking of multi-year contracts billed annually, and a larger EBA cohort. With our current trajectory, we still estimate free cash flow in fiscal 26 to be around $2.05 billion at the midpoint.

While the transition to annual billings for multi-year contracts and the deployment of the new transaction model create noise in billings and the P&L, they do provide a natural tailwind to revenue and free cash flow growth over the next few years. Combined with a resilient business model and sustained competitive momentum, Autodesk has enviable sources of visibility and certainty given the context of significant macroeconomic, geopolitical, policy, health and climate uncertainty.

We continue to manage our business using a rule-of-40 framework with a goal of reaching 45 percent or more over time. We are taking significant steps towards our goal this year and next. We

think this balance between compounding revenue 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.

The slide deck on our website has more details on modeling assumptions for Q3 and full-year fiscal 25.

Andrew, back to you.

ANDREW ANAGNOST, CEO

Thank you, Betsy.

Let me finish by updating you on our strong progress in the second quarter.

We continue to see good momentum in AEC, particularly in infrastructure and construction, fueled by customers consolidating onto our solutions to connect and optimize previously siloed workflows through the cloud. The cornerstone of that growing interest is our comprehensive end-

to-end solutions encompassing design, preconstruction, field execution, through handover and into operations. This breadth of connected capability enables us to extend our footprint further into infrastructure and construction and also expand our reach into the mid-market. As a sign of that growing momentum, our construction business had another strong net-new customer quarter as the benefits of our end-to-end solution become more apparent. Let me give you a few examples.

Thornton Tomasetti is an internationally recognized engineering design and analysis firm which uses Revit and other advanced technologies to enable it to deliver projects at all scales and levels of complexity. We have been a proud partner as it has transformed its business to excellence and interoperability in BIM. The transition from BIM 360 to Autodesk Construction Cloud has optimized project workflows and cloud collaboration. Autodesk virtual reality tools have reimagined its visualization workflows. And Dynamo and Generative Design have enabled its teams to focus on high value, creative work. During the quarter Thornton Tomasetti renewed its EBA with Autodesk and expanded it by more than 50 percent.

To address challenges of a fragmented ecosystem and siloed working environments, a European consortium of 9 public water operators, serving millions of residents across numerous municipalities, decided to expand its relationship with Autodesk by adding BIM Collaborate and BIM Collaborate PRO, and an upgraded Premium plan, to its existing AutoCAD, Docs, AEC collections, and InfoWorks subscriptions. With these expanded capabilities, it will continue its digital transformation, accelerating its transition from 2D to 3D and its ability to manage all assets in a Common Data Environment across all consortium members.

In the quarter, a leading single-source specialty subcontractor based in the Midwest of the United States began looking to replace point solutions that no longer supported custom workflows. With the help of a channel partner, after a 45-day evaluation, the subcontractor chose to adopt Autodesk Build which compliments its virtual construction and design capabilities, streamlines communication between design and construction teams and, importantly, gives it control over, and ownership of, its own data.

Again, these stories have a common theme: managing people, processes and data across the project lifecycle to increase efficiency and sustainability, while decreasing risk. Over time, we

expect the majority of all projects to be managed this way and we remain focused on enabling that transition through our industry clouds.

Moving on to manufacturing, we made excellent progress on our strategic initiatives. Customers continue to invest in their digital transformations and consolidate on our Design and Make platform. In automotive, we continue to strengthen and expand our partnerships, both within and beyond the design studio. In the second quarter, a leading European manufacturer renewed and expanded its EBA to accelerate its time to market and help drive its business transformation initiatives. In addition to Alias for concept design, it will leverage VRED for virtual prototypes and Flow Production Tracking for project management. These solutions democratize visualization across the organization, reducing the reliance on physical prototypes, improving design collaboration, and speeding up the product development process. Additionally, as the manufacturer moves to build new battery factories, it is exploring the adoption of Integrated Factory Modeling to reduce costs and increase collaboration across suppliers and contractors throughout the project lifecycle.

Meissner, a global leader in complex tool and plant construction, is leveraging Autodesk solutions to adapt more quickly to a fast-moving automotive industry. It is driving business growth through improved production cycle times while meeting high-quality reliability standards at reduced cost. To achieve this, Meissner has adopted PowerMill for complex, simultaneous, 5 axis milling, PowerInspect for programming 3D measurement inspection routines of machined parts, and PowerShape to produce blow-molded plastic hollow parts, while leveraging Fusion for its collaboration capabilities. Fusion remains one of the fastest growing products in the manufacturing industry. As customers seek to drive innovation and growth at lower cost, Fusion Extension attach rates are increasing which is helping to drive the average sales price higher.

In education, we are preparing future engineers to drive innovation through next-generation design, analysis, and manufacturing solutions. Three years ago, Bochum University, a public research university in Germany, evaluated Fusion for its Mechanical Engineering department but determined the solution didn’t fulfill existing requirements. In the second quarter, impressed with Fusion’s significantly expanded capabilities in Electronics and PCB Design, Configurations, Drawing Automation, and cloud collaboration, Bochum decided to replace a high-end competitive solution with Fusion for all mechanical engineering courses. With the Fusion platform, Bochum's students

can now acquire end-to-end workflow skills, from simulation in the cloud through data management, with just one installation, enabling better collaborative learning and employability for students while saving time and administration costs for the university.

And finally, we continue to leverage unique growth enablers such as business model evolution, customer experience evolution, and convergence between industries, to grow our market opportunity. For example, Mercury Engineering is a European leader in construction solutions. The company builds and manages complex engineering and construction projects for the world's leading corporations across a range of sectors including Data Centers, Semiconductor, and Life Sciences. To support its Digital Edge initiatives, and the ability to deliver large-scale projects wherever its clients operate, Mercury increased its investment in Flex during the quarter. Using Flex to access solutions such as Navisworks, Revit, ReCap, AutoCAD, and Plant 3D, coupled with Account Based Autodesk Construction Cloud, Mercury enjoys frictionless consumption, limitless cloud access, the ability to rapidly scale up new projects with the right tools, and the ability to collaborate across its eco-system.

I know many of you pay close attention to the American Institute of Architects' data, and we do too, but maybe not always to the same data. In 2022, the AIA said that almost half of architecture firms' total billings came from reconstruction and renovation projects, up from about a third 20 years ago, with the rest coming from new build. In commercial and industrial, and institutional sub-sectors, reconstruction and renovation accounted for more than 60 percent of billings. From infrastructure exceeding its design life to regulations mandating greater energy efficiency, and with climate change making action more urgent, renovation and reconstruction are growing trends both in the United States and worldwide. For buildings and infrastructure, Autodesk is a leader in BIM and digital technologies across the project lifecycle that underpin these reconstruction and renovation projects. That's why we're delighted to be named as the Official Design and Make Platform of the LA28 Olympic and Paralympic Games to support LA28's no-new-permanent-venues plan and commitment to build LA28's footprint by adapting existing, or building temporary, infrastructure. Autodesk will support LA28's more than $1B temporary overlay and construction plan, including retrofitting more than 40 venues across the Los Angeles Metro Area. Over the next four years, LA28 will use Autodesk's software and Building Information Modeling (BIM) tools to bring to life an ambitious venue plan, consultative support to help LA28 meet its delivery and sustainability plan, and Autodesk Construction Cloud as a central tool to facilitate better

collaboration with thousands of critical stakeholders on the design, development, and ultimate delivery of the venues. Autodesk’s technology is used every day to design and make a better world and we’re thrilled to be LA28’s official Design and Make Platform.

Before I open the call for questions, I’d like to quickly update you on our CFO search. We have some excellent candidates and are making good progress. Once our new CFO is up to speed and we've launched the new transaction model in all developed markets, we'll set out our plans in more detail. We’ll update you when we have more to say.

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