ABHEY LAMBA, VP Investor Relations

Thanks operator and good afternoon. Thank you for joining our conference call to discuss the results of our fourth quarter and full year fiscal 20. 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 website following this call.

During the course of this conference call, we may make forward-looking statements about our outlook, future results and strategies. These statements reflect our best judgment based on factors currently known to us. Actual events or results could differ materially. Please refer to our SEC filings 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 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 would like to turn the call over to Andrew.

ANDREW ANAGNOST, CEO

Thanks, Abhey.

We closed fiscal year 20 with outstanding Q4 results with revenue, earnings and free cash flow coming in above expectations. Recurring revenue grew 29% and we delivered $1.36 billion in free cash flow for the year. Our results were driven by strong growth in all geographies. This was a landmark year for us in

Construction as we absorbed our acquisitions and integrated our offerings under one platform – the Autodesk Construction Cloud. Subscriptions now represent around 85 percent of our revenue, and we exited the year with maintenance contributing less than 10 percent. Fiscal year 20 marked the end of the business model transition for us, and we are entering fiscal 21 firmly positioned to deliver strong, sustainable growth through fiscal 23 and beyond.

It was three years ago that we first communicated our fiscal 20 free cash flow goal. We have delivered on that goal, which is a testament to the adaptability and focused execution of the Autodesk ecosystem, and the power of our products.

I want to acknowledge and thank our employees, partners, customers, long-term investors and everyone who helped us achieve these results. While the path to delivering on our long-term targets was not always smooth, everyone who stayed with us and believed in the transition has been rewarded. Beyond that, the dramatically reduced upfront costs created by the subscription model have enabled a whole new class of customers to purchase our most powerful tools; opening up not only new opportunities for our business, but for the businesses of our customers as well.

Before we get into our results and guidance, I want to mention that our thoughts are with those affected by the Coronavirus. The safety and security of our employees is our top priority. We are also minimizing potential impact to our customers and partners. The events are not currently impacting our service levels for our customers or global R&D efforts. We will continue to monitor the situation and take precautionary steps.

Now I will turn it over to Scott to give you more details on our results, and fiscal 21 guidance. I'll then return with a summary of some important recognitions we received, and insights on key drivers of our business – including updates on Construction, Manufacturing and our progress in monetizing non-compliant users – before we open it up for Q&A.

SCOTT HERREN, CFO

Thanks, Andrew.

As you heard from Andrew we had strong performance across all metrics with revenue, earnings and free cash flow coming in above expectations. Demand in our end markets was strong as indicated by our robust billings and current RPO growth. And the sum of our revenue growth plus free cash flow margin for the year was 69 percent.

Revenue growth in the quarter came in at 22 percent, versus a strong Q4 fiscal 19, with acquisitions contributing 3 percentage points of the growth. Strength in revenue was driven by subscription revenue growth of 41 percent. For the full year, subscription revenue was up 53 percent and, as Andrew mentioned, subscriptions now represent approximately 85 percent of our revenue. With the success of our Maintenance-to-Subscription program, we exited the year with maintenance revenue contributing less than 10 percent of total.

Total ARR came in at $3.43 billion, up 25 percent. Core ARR grew 21 percent and Cloud ARR grew 102 percent to $255 million. When adjusted for acquisitions, Cloud ARR grew an impressive 30 percent driven by strong performance of BIM 360 Design. Now that a year has passed since we completed the acquisitions, our entire Construction portfolio will be organic starting first quarter of fiscal 21.

Moving onto details by product and geography: Starting with AutoCAD and AutoCAD LT, revenue grew 24 percent in the fourth quarter, again versus a strong Q4 fiscal 19, and 30 percent for the year. AEC grew 30 percent in Q4 and 35 percent for the year, while Manufacturing rose 15 percent in Q4 and 18 percent for the year. M&E was down 5 percent in the quarter primarily due to a large upfront transaction in the fourth quarter of last year. M&E revenue was up 9 percent for the year. Geographically, we saw broad-based strength across all regions. Revenue grew 21 percent in the Americas and EMEA and 26 percent in APAC during the quarter.

We also saw strength in direct revenue, which rose 26 percent versus last year, and represented 31 percent of our total sales, relatively in-line with the fourth quarter of last year. The strength in our direct business was driven by large enterprise business agreements and our digital sales.

As we indicated in the past, we plan to provide an annual update on our subs and annualized revenue per subscription, or ARPS, performance. During the year, we grew total subscriptions 12 percent to 4.9 million with subscription plan growing 26 percent. We added 181 thousand cloud subscriptions due to strong adoption of our BIM 360 family products as well as 79 thousand subscriptions from PlanGrid and BuildingConnected. ARPS grew by 11 percent for the year to $704 with Core ARPS growing by 10 percent to $798.

With only one quarter left in our maintenance to subscription, or M2S, program we have approximately 400 thousand maintenance subscriptions left. I am proud to share that we have converted over 1 million maintenance subscriptions to date. We will be retiring maintenance after May 2021 and customers will have one last opportunity to renew their maintenance or trade-in their maintenance seat for a subscription between now and May 2021. Please refer to the slide deck posted on our investor relations website for additional details around the trade-in offer.

As expected and consistent with last quarter, the maintenance conversion rate was 40 percent. Of those that migrated, upgrade rates came in at 26 percent.

Net revenue retention rate was again within the 110 to 120 percent range, continuing to demonstrate the growing strategic value we deliver to our existing customers.

Billings growth of 43 percent in the quarter and 55 percent for the year was driven by organic growth and, as expected, the normalization of our multi-year contracts. The strength in our multi-year commitments from our customers is an indicator of the strategic importance and business critical nature of our products. Our long-term deferred revenue ended up slightly higher than we anticipated but our multi-year business is at a sustainable level and is not creating a headwind to our future free cash flows. In fiscal 20, we delivered $1.36 billion in free cash flow with $684 million coming in the fourth quarter, delivering on a key goal we set out three years ago. We expect to post annual growth in our free cash flows through fiscal 23 and beyond as net income will start driving a greater portion of our free cash flows versus deferred revenue.

Our total remaining performance obligation of $3.6 billion is up 33 percent and our current remaining performance obligation of $2.4 billion grew 23 percent.

On the margin front, we continue to realize significant operating leverage due to strong revenue growth and diligent expense management. For the full year, non-GAAP gross margins were very strong at 92 percent, up 2 percentage points from last year. Our non-GAAP operating margin expanded by 12 percentage points to 25 percent. We are on track to deliver further margin expansion and attain approximately 40 percent non-GAAP operating margin in fiscal 23.

Consistent with our capital allocation strategy, we continued to repurchase shares with excess cash. During the fourth quarter we purchased a little over 1 million shares for $191 million at an average purchase price of $189.52 per share. During the year, we fully offset dilution from our equity plans, purchasing a total of 2.7 million shares for $456 million at an average purchase price of $168.63 per share.

Now I'll turn the discussion to our outlook. We have taken into account the current macro environment and potential risks involved with any disruptions. Our direct exposure to China is small, and our experience with past outbreaks showed limited impact to our sales. While we will continue to monitor the situation more broadly, we expect total revenue to grow by 20 to 22 percent in fiscal 21 and expand non-GAAP operating margin by about five percentage points.

During the year, we plan to deliver free cash flow in the range of $1.63 billion to $1.69 billion, up 20 to 24 percent. When looking at the quarterization of free cash flow for fiscal 21, given normal seasonality and strength of payment collections and large deals signed in the fourth quarter, we expect about two-thirds of our free cash flow to be generated in the second half of the year.

Looking at our guidance for the first quarter, our strength in the fourth quarter presents a tough sequential compare. Given our normal seasonality, other revenue in Q1 is expected to be about half as much as we experienced in Q4. The slide deck on our website has more details on modeling assumptions for the fiscal first quarter and full year 2021.

Now, I'd like to turn it back to Andrew.

ANDREW ANAGNOST

Thanks, Scott.

We just closed a landmark fiscal year and delivered on the free cash flow target we set over three years ago when we began the business model transition. Now let me give you some details about what is happening across our business.

First off, fiscal 20 was not only a year of financial achievements, but also a year where we increasingly enabled our customers to realize more sustainable outcomes in their work. In fact, we were recognized by the Corporate Knights for being in the top 5 of the world's most sustainable companies and Barron's ranked us tenth on their list of one hundred most sustainable companies, making us the highest-ranking software company on both lists. This recognition is not only a testament to how responsibly we run our own business, but – more importantly – how we help our customers meet their own sustainability goals.

Which brings me to construction. Our construction business had an outstanding year and ended the year with great momentum. We are looking at construction in a more connected way than ever before, and our offerings are resonating with customers. The Autodesk Construction Cloud delivers advanced technology, a network of builders, and the power of predictive analytics to drive projects from the earliest phases of design, through planning, building, and into operations. Customers are excited about the unified platform and are recognizing that the breadth, depth, and connectivity across our portfolio sets us apart from our competition.

For example, CRB, a design-build firm with offices across the US and internationally, was using each of our four products independently. When they understood our vision for Autodesk Construction Cloud to deliver a unified solution that integrates workflows connecting the office, trailer, and field, CRB signed an enterprise business agreement with Autodesk for the solutions offered under the Construction Cloud. They are aligned with our vision of a unified solution that provides the entire construction lifecycle – from design through long-term maintenance – with all the design and make data they need in one place so information is not siloed or lost, and work gets done more efficiently. Leveraging data efficiently is critical to CRB's new project execution concept: ONEsolution™, which will bring time, cost, quality and safety benefits to everyone involved.

We provide the only truly connected solution for construction, and during the quarter Metropolitan Mechanical Contractors (MMC), a Revit customer, decided to go with our Construction solutions over a competitor's. Based in Minnesota, MMC, is a single source solution for the design and build of complex mechanical systems focused on quality, speed and sustainable outcomes all driving towards a lower total cost of ownership. After completing a pilot with a competitor, MMC was ready to move forward with the competitor, but they gave us one shot to demo our solutions due to our leadership in design. After one demo, they chose our PlanGrid solution and also decided to increase the deal to include BuildingConnected, two integral parts of the Autodesk Construction Cloud. The fast ramp time and ability to own their data, no matter what system a general contractor uses, were key differentiators and they were impressed by the ease of pushing awarded bids to PlanGrid.

Selling synergies between our acquired sales teams and the Autodesk sales team also showed strong momentum this year and we expect it to be a business growth driver for us both here in the US and internationally in FY21. During the quarter, one of the largest mechanical subcontractors in Australia increased their deployment of our solutions. Historically, the customer was using BIM 360 Docs on some projects and was interested in using either PlanGrid or BIM 360 on additional projects. Our team explained the value PlanGrid brings to the field and BIM 360 Docs brings to the office, highlighting the long-term vision. Wanting to make a long-term investment and recognizing the power behind the integration, the customer invested in our portfolio. As demonstrated by this example, we believe we are better positioned than any other vendor to capitalize on the international opportunity and we are aggressively investing in fiscal 21 to expand our reach globally.

Other notable accomplishments of the year for our Construction business include:

- PlanGrid delivered over $100 million in ARR, beating the target we laid out at the beginning of the year.
- BuildingConnected crossed 1 million users.
- The acquired construction solutions were included in 45 enterprise deals.
- The product teams rolled out a comprehensive long-term product integration plan and over 300 enhancements.

I am very pleased with the progress our construction business made in fiscal 20 and even more excited to continue building our world class platform.

We also made impressive strides in our core architecture market where we continue to benefit from customers migrating from 2D to 3D design. Arcadis, a global design and consultancy firm headquartered in the Netherlands, substantially increased their engagement with us this quarter as they work to become a leader in AI-driven design. Involved in some of the world's most complex projects, Arcadis is aggressively transitioning from 2D to 3D collaborative workflows using Revit, Civil 3D, InfraWorks, and BIM 360. And they are not stopping there. We are assisting in their adoption of Generative Design with Fusion 360 as they are re-imagining traditional processes, like façade design, by exploring the redesign of elements without restrictions of traditional design processes and manufacturability.

Moving to manufacturing, we continue to gain share and delivered revenue growth of 15 percent for the quarter and 18 percent for the year. Our advanced technology solutions are enabling our customers to migrate from traditional workflows to operate more efficiently in the cloud. We added 20 thousand Fusion 360 commercial subscriptions this year, establishing us as the leading cloud-based multi-tenant design and make solution provider in the market.

During the quarter, Spinner Group, a German manufacturer of radio frequency technology, invested in our Product Design & Manufacturing Collection over SolidWorks. Their decision was driven by the comprehensive value of the collection and the ability to work with just one partner versus multiple vendors for various point products. In another example, one of the world's iconic guitar manufacturers standardized on Fusion 360 for design – replacing SolidWorks and Rhino. The catalyst was collaboration as Fusion enables them to collaborate across their acoustic, electric and PCB divisions for the first time ever.

We are also seeing our leadership in BIM drive business with building product manufacturers as they need to fabricate products for buildings designed by our solutions. A multinational company, well known in their industry for drywall gypsum boards, selected our Manufacturing Collection and our AEC Collection this quarter to extend their offerings from drywall to premanufactured building components in the industrialized construction market. Our design and manufacturing solutions enable them to develop machines and factories for production, and our AEC solutions enable them to connect and work collaboratively with their customers.

Adoption of generative design is also continuing to drive business. For example, Goodyear used generative design to optimize an internally produced hand tool. They were able to cut production time, design the tool 4x faster and make the part 10x faster than would have been the case using a traditional machining process. And by combining additive manufacturing with CNC machining, they reduced their overall material costs and manufacturing time by 10x. Business results like these drove an increase in their EBA investment, as Goodyear continues to drive faster innovation in design and manufacturing.

Given that we just finished the Oscars, I also want to highlight some of the success we are having in Media and Entertainment. Many Autodesk customers are recognized for their industry leading work throughout the year. One such example is LAIKA, an Oregon-based stop-motion animation studio, recently nominated for an Academy Award and winner of the 2020 Golden Globe for best animated feature. LAIKA uses the full breadth of the Autodesk media and entertainment portfolio including 3ds Max, Maya, and Shotgun Software.

Now onto the progress with monetizing non-compliant users. Our ongoing investments in digital transformation have helped us significantly in this area. As one indicator of this, I am excited to share that this fiscal year we signed 62 license compliance deals over $500 thousand per deal and 14 of those deals were over $1 million; this is almost three times the number we did in fiscal 19. The deals were across all regions and almost 20 percent of the fiscal 20 deals over $500k were in China. We are very pleased with our success in monetizing non-compliant users so far and this remains a key long-term growth driver and area of investment.

Moving forward, one of the key steps we are taking is moving to plans for people instead of serial numbers. This will allow us to better serve our paying customers and will make our solutions harder to pirate. Plans based on named users will give our customers visibility into their usage data allowing them to optimize their license costs and enable us to better understand their needs. We moved our single user subscriptions to named users in fiscal 20 and will now transition all of our multi-user subscriptions. This will mark the final milestone to becoming a true SaaS company giving us the ability to deliver incremental value and customized services to our customers.

We are also introducing a premium plan that offers additional security, tailored administrative capabilities, support, and reporting. Please refer to the appendix of the slide deck posted on our investor relations website for more details.

To close, I would like to look back at the last few years and take a moment to highlight what we have accomplished. Three years ago, we set a free cash flow target of $1.4 billion. This year we delivered on that target. *We did what we said we would do.* We are executing well and know how to adapt and flex in changing market conditions. We know how to manage our journey and have proven that with our fiscal 20 results. Looking out to fiscal 23 and beyond, I am more confident than ever in our strategy and the team executing on it. We will continue to deliver great value to our customers with our connected and comprehensive platform in Construction. We expect to keep gaining share in the Manufacturing market as it moves to the cloud with less siloed workflows, and – over time – we are going to increasingly monetize the non-compliant user base.

We look forward to seeing many of you at our Investor Day, on March 25th, where we will have more time to share our strategic initiatives.

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