



Autodesk, Inc. Announces Fiscal 2021 Third Quarter Results

November 24, 2020

- Revenue and Earnings Per Share Exceeded Guidance Range

- Total and Current Remaining Performance Obligations Growth Improved Sequentially, Increasing 21 and 16 Percent Year Over Year, Respectively

SAN RAFAEL, Calif., Nov. 24, 2020 /PRNewswire/ -- Autodesk, Inc. (NASDAQ: ADSK) today reported financial results for the third quarter of fiscal 2021. All growth rates are compared to the third quarter of fiscal 2020 unless otherwise noted. A reconciliation of GAAP to non-GAAP results is provided in the accompanying tables. For definitions, please view the Glossary of Terms later in this document.



Third Quarter Fiscal 2021 Financial Highlights

- Total revenue increased 13 percent to \$952 million;
- GAAP operating margin was 18 percent, up 5 percentage points;
- Non-GAAP operating margin was 30 percent, up 3 percentage points;
- GAAP diluted EPS was \$0.59; Non-GAAP diluted EPS was \$1.04;
- Cash flow from operating activities was \$361 million; free cash flow was \$340 million.

"Our strong third quarter results reflect the growing customer value of our cloud-based platform and the resilience of our subscription business model," said Andrew Anagnost, Autodesk president and CEO. "Our enterprise customers are undertaking their own digital transformation and, by enabling that transformation, we are becoming strategic partners. For example, we signed a nine-digit deal in the quarter. We are confident in our fiscal 2023 targets and expect to see continued double-digit growth thereafter."

"Third quarter revenue, earnings, and free cash flow were above expectations, driven by the strength of our healthy subscription renewal rates and continued success with enterprise customers," said Scott Herren, Autodesk CFO. "We are executing with strength, with current remaining performance obligations growing 16 percent year over year despite uncertain macro-economic conditions. The business model transition we have made leaves us well positioned as the secular-industry shift to the cloud accelerates."

Additional Financial Details

- Total billings decreased 1 percent to \$1.01 billion.
- Total revenue was \$952 million, an increase of 13 percent as reported, and 14 percent on a constant currency basis. Recurring revenue represents 97 percent of total.
- Design revenue was \$848 million, an increase of 13 percent as reported, and 15 percent on a constant currency basis. On a sequential basis, Design revenue increased 3 percent as reported and on a constant currency basis.
- Make revenue was \$77 million, an increase of 32 percent as reported and on a constant currency basis. On a sequential basis, Make revenue increased 8 percent as reported and on a constant currency basis.
- Subscription plan revenue was \$884 million, an increase of 24 percent as reported, and 25 percent on a constant currency basis. On a sequential basis, subscription plan revenue increased 5 percent as reported and on a constant currency basis.
- Maintenance plan revenue was \$40 million, a decrease of 56 percent as reported, and 55 percent on a constant currency basis. On a sequential basis, maintenance plan revenue decreased 22 percent as reported and on a constant currency basis.
- Net revenue retention rate was within the range of 100 to 110 percent.
- GAAP operating income was \$168 million, compared to \$111 million in the third quarter last year. GAAP operating margin was 18 percent, up 5 percentage points.
- Total non-GAAP operating income was \$287 million, compared to \$225 million in the third quarter last year. Non-GAAP operating margin was 30 percent, up 3 percentage points.
- GAAP diluted net income per share was \$0.59, compared to \$0.30 in the third quarter last year.

- Non-GAAP diluted net income per share was \$1.04, compared to \$0.78 in the third quarter last year.
- Deferred revenue increased 21 percent to \$2.93 billion. Unbilled deferred revenue was \$650 million, an increase of \$100 million compared to the third quarter of last year. Remaining performance obligations (RPO) increased 21 percent to \$3.6 billion. Current RPO increased 16 percent to \$2.4 billion.
- Cash flow from operating activities was \$361 million, an increase of \$85 million compared to the third quarter last year. Free cash flow was \$340 million, an increase of \$74 million compared to the third quarter last year.

Third Quarter Fiscal 2021 Business Highlights

Net Revenue by Geographic Area

(In millions, except percentages)	Three Months Ended October 31,		Change compared to prior fiscal year		Constant currency change compared to prior fiscal year
	2020	2019	\$	%	%
Net Revenue:					
Americas					
U.S.	\$ 328.5	\$ 287.3	\$ 41.2	14 %	*
Other Americas	64.4	62.0	2.4	4 %	*
Total Americas	392.9	349.3	43.6	12 %	13 %
EMEA	364.3	329.6	34.7	11 %	12 %
APAC	195.2	163.8	31.4	19 %	18 %
Total Net Revenue	\$ 952.4	\$ 842.7	\$ 109.7	13 %	14 %
Emerging Economies	\$ 114.9	\$ 101.6	\$ 13.3	13 %	14 %

* Constant currency data not provided at this level.

Net Revenue by Product Family

Our product offerings are focused in four primary product families: Architecture, Engineering and Construction ("AEC"), AutoCAD and AutoCAD LT, Manufacturing ("MFG"), and Media and Entertainment ("M&E").

(In millions, except percentages)	Three Months Ended October		Change compared to prior fiscal year	
	31, 2020	31, 2019	\$	%
AEC	\$ 419.4	\$ 358.0	\$ 61.4	17 %
AutoCAD and AutoCAD LT	278.8	245.4	33.4	14 %
MFG	194.1	182.2	11.9	7 %
M&E	54.0	50.6	3.4	7 %
Other	6.1	6.5	(0.4)	(6) %
	\$ 952.4	\$ 842.7	\$ 109.7	13 %

Business Outlook

The following are forward-looking statements based on current expectations and assumptions, and involve risks and uncertainties, some of which are set forth below under "Safe Harbor Statement." Autodesk's business outlook for the fourth quarter and full-year fiscal 2021 takes into consideration the current economic environment and foreign exchange currency rate environment. A reconciliation between the fiscal 2021 GAAP and non-GAAP estimates is provided below or in the tables following this press release.

Fourth Quarter Fiscal 2021

Q4 FY21 Guidance Metrics	Q4 FY21 (ending January 31, 2021)
Revenue (in millions)	\$999 - \$1,014
EPS GAAP	\$0.53 - \$0.59
EPS non-GAAP (1)	\$1.04 - \$1.10

(1) Non-GAAP earnings per diluted share excludes \$0.49 related to stock-based compensation expense, \$0.07 for the amortization of purchased intangibles, \$0.01 for acquisition-related costs, partially offset by (\$0.06) related to GAAP-only tax benefit.

Full Year Fiscal 2021

FY21 Guidance Metrics	FY21 (ending January 31, 2021)
Billings (in millions) (1)	\$4,070 - \$4,130 Down (3%) - (1%)

Revenue (in millions) (1)	\$3,750 - \$3,765
GAAP operating margin	Up 15%
Non-GAAP operating margin (2)	Approx. 16%
EPS GAAP	Approx. 29%
EPS non-GAAP (3)	\$1.86 - \$1.92
Free cash flow (in millions) (4)	\$3.91 - \$3.97
	\$1,300 - \$1,360

(1) Excluding the approximately \$10 million impact of foreign currency exchange rates and hedge gains/losses, billings guidance would be \$4,080 - \$4,140 million and revenue guidance would be \$3,760 - \$3,775 million.

(2) Non-GAAP operating margin excludes approximately 11% related to stock-based compensation expense, approximately 2% for the amortization of purchased intangibles, and less than 1% related to acquisition-related costs.

(3) Non-GAAP earnings per diluted share excludes \$1.80 related to stock-based compensation expense, \$0.30 for the amortization of purchased intangibles, \$0.14 related to losses on strategic investments and dispositions, \$0.06 related to acquisition-related costs, partially offset by (\$0.25) related to a GAAP-only tax benefit.

(4) Free cash flow is cash flow from operating activities less approximately \$95 million of capital expenditures.

The fourth quarter and full-year fiscal 2021 outlook assume a projected annual effective tax rate of 21 percent and 16 percent for GAAP and non-GAAP results, respectively. Shifts in geographic profitability continue to impact the annual effective tax rate due to significant differences in tax rates in various jurisdictions. Therefore, assumptions for the annual effective tax rate are evaluated regularly and may change based on the projected geographic mix of earnings.

Earnings Conference Call and Webcast

Autodesk will host its third quarter conference call today at 5 p.m. ET. The live broadcast can be accessed at autodesk.com/investor. A transcript of the opening commentary will also be available following the conference call.

A replay of the broadcast will be available at 7 p.m. ET at autodesk.com/investor. This replay will be maintained on Autodesk's website for at least 12 months.

Investor Presentation Details

An investor presentation providing additional information can be found at autodesk.com/investor.

To help better understand our financial performance, we use several key performance metrics including billings, recurring revenue and net revenue retention rate ("NR3"). These metrics are key performance metrics and should be viewed independently of revenue and deferred revenue. These metrics are not intended to be combined with those items. We use these metrics to monitor the strength of our recurring business. We believe these metrics are useful to investors because they can help in monitoring the long-term health of our business. Our determination and presentation of these metrics may differ from that of other companies. The presentation of these metrics is meant to be considered in addition to, not as a substitute for or in isolation from, our financial measures prepared in accordance with GAAP.

Glossary of Terms

Billings: Total revenue plus the net change in deferred revenue from the beginning to the end of the period.

Constant Currency (CC) Growth Rates: We attempt to represent the changes in the underlying business operations by eliminating fluctuations caused by changes in foreign currency exchange rates as well as eliminating hedge gains or losses recorded within the current and comparative periods. We calculate constant currency growth rates by (i) applying the applicable prior period exchange rates to current period results and (ii) excluding any gains or losses from foreign currency hedge contracts that are reported in the current and comparative periods.

Design Business: Represents the combination of maintenance, product subscriptions, and all EBAs. Main products include, but are not limited to, AutoCAD, AutoCAD LT, Industry Collections, Revit, Inventor, Maya and 3ds Max. Certain products, such as our computer aided manufacturing solutions, incorporate both Design and Make functionality and are classified as Design.

Enterprise Business Agreements (EBAs): Represents programs providing enterprise customers with token-based access to a broad pool of Autodesk products over a defined contract term.

Free Cash Flow: Cash flow from operating activities minus capital expenditures.

Maintenance Plan: Our maintenance plans provide our customers with a cost effective and predictable budgetary option to obtain the productivity benefits of our new releases and enhancements when and if released during the term of their contracts. Under our maintenance plans, customers are eligible to receive unspecified upgrades when and if available, and technical support. We recognize maintenance revenue over the term of the agreements, generally one year.

Make Business: Represents certain cloud-based product subscriptions. Main products include, but are not limited to, Assemble, BIM 360, BuildingConnected, PlanGrid, Fusion 360 and Shotgun. Certain products, such as Fusion 360, incorporate both Design and Make functionality and are classified as Make.

Net Revenue Retention Rate (NR3): Measures the year-over-year change in subscription and maintenance revenue for the population of customers that existed one year ago ("base customers"). Net revenue retention rate is calculated by dividing the current quarter subscription and maintenance revenue related to base customers by the total corresponding quarter subscription and maintenance revenue from one year ago. Subscription and maintenance revenue is based on USD reported revenue, and fluctuations caused by changes in foreign currency exchange rates and hedge gains or losses have not been eliminated. Subscription and maintenance revenue related to acquired companies, one year after acquisition, has been captured as existing customers until such data conforms to the calculation methodology. This may cause variability in the comparison. Beginning with the first quarter of fiscal

2021, Autodesk modified its definition of NR3 to the definition above. The effect of this change is not material for the periods presented.

Other Revenue: Consists of revenue from consulting, training and other services, and is recognized over time as the services are performed. Other Revenue also includes software license revenue from the sale of products that do not incorporate substantial cloud services and is recognized up front.

Product Subscription: Provides customers the most flexible, cost-effective way to access and manage 3D design, engineering, and entertainment software tools. Our product subscriptions currently represent a hybrid of desktop and SaaS functionality, which provides a device-independent, collaborative design workflow for designers and their stakeholders.

Recurring Revenue: Consists of the revenue for the period from our traditional maintenance plans and revenue from our subscription plan offerings. It excludes subscription revenue related to consumer product offerings, select Creative Finishing product offerings, education offerings, and third-party products. Recurring revenue acquired with the acquisition of a business is captured when total subscriptions are captured in our systems and may cause variability in the comparison of this calculation.

Remaining Performance Obligations (RPO): The sum of total short-term, long-term, and unbilled deferred revenue. Current remaining performance obligations is the amount of revenue we expect to recognize in the next twelve months.

Spend: The sum of cost of revenue and operating expenses.

Subscription Plan: Comprises our term-based product subscriptions, cloud service offerings, and EBAs. Subscriptions represent a combined hybrid offering of desktop software and cloud functionality which provides a device-independent, collaborative design workflow for designers and their stakeholders. With subscription, customers can use our software anytime, anywhere, and get access to the latest updates to previous versions.

Subscription Revenue: Includes subscription fees from product subscriptions, cloud service offerings, and EBAs.

Unbilled Deferred Revenue: Unbilled deferred revenue represents contractually stated or committed orders under early renewal and multi-year billing plans for subscription, services and maintenance for which the associated deferred revenue has not been recognized. Under FASB Accounting Standards Codification ("ASC") Topic 606, unbilled deferred revenue is not included as a receivable or deferred revenue on our Condensed Consolidated Balance Sheet.

Safe Harbor Statement

This press release contains forward-looking statements that involve risks and uncertainties, including quotations from management, statements in the paragraphs under "Business Outlook" above and other statements about our short-term and long-term goals, and other statements regarding our strategies, market and product positions, performance and results. There are a significant number of factors that could cause actual results to differ materially from statements made in this press release, including: failure to achieve our revenue and profitability objectives; failure to successfully manage transitions to new business models and markets; failure to maintain cost reductions or otherwise control our expenses; difficulty in predicting revenue from new businesses and the potential impact on our financial results from changes in our business models; developments in the COVID-19 pandemic and the resulting impact on our business and operations; general market, political, economic, and business conditions, including from an economic downturn or recession in the United States or in other countries around the world; any imposition of new tariffs or trade barriers; the impact of non-cash charges on our financial results; fluctuation in foreign currency exchange rates; the success of our foreign currency hedging program; our performance in particular geographies, including emerging economies; the ability of governments around the world to meet their financial and debt obligations, and finance infrastructure projects; weak or negative growth in the industries we serve; slowing momentum in subscription billings or revenues; difficulties encountered in integrating new or acquired businesses and technologies; the inability to identify and realize the anticipated benefits of acquisitions; the financial and business condition of our reseller and distribution channels; dependence on and the timing of large transactions; pricing pressure; unexpected fluctuations in our annual effective tax rate; significant effects of tax legislation and judicial or administrative interpretation of tax regulations, including the Tax Cuts and Jobs Act; the timing and degree of expected investments in growth and efficiency opportunities; changes in the timing of product releases and retirements; and any unanticipated accounting charges. Our estimates as to tax rate are based on current tax law, including current interpretations of the Tax Cuts and Jobs Act, and could be affected by changing interpretations of that Act, as well as additional legislation and guidance around that Act.

Further information on potential factors that could affect the financial results of Autodesk are included in Autodesk's Form 10-K and subsequent forms 10-Q, which are on file with the U.S. Securities and Exchange Commission. Autodesk disclaims any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

About Autodesk

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	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Net revenue:				
Subscription	\$ 884.4	\$ 715.0	\$ 2,528.6	\$ 1,974.5
Maintenance	39.8	91.2	153.1	306.7
Total subscription and maintenance revenue	924.2	806.2	2,681.7	2,281.2
Other	28.2	36.5	69.5	93.8
Total net revenue	952.4	842.7	2,751.2	2,375.0
Cost of revenue:				
Cost of subscription and maintenance revenue	60.7	54.2	176.6	166.9
Cost of other revenue	15.4	16.9	47.5	48.6
Amortization of developed technology	7.6	8.4	22.4	26.2
Total cost of revenue	83.7	79.5	246.5	241.7
Gross profit	868.7	763.2	2,504.7	2,133.3
Operating expenses:				
Marketing and sales	359.3	330.7	1,051.5	960.8
Research and development	233.0	213.0	682.9	634.0
General and administrative	98.8	99.1	296.8	299.6
Amortization of purchased intangibles	9.6	9.7	28.8	29.2
Restructuring and other exit costs, net	—	0.1	—	0.5
Total operating expenses	700.7	652.6	2,060.0	1,924.1
Income from operations	168.0	110.6	444.7	209.2
Interest and other expense, net	(11.9)	(14.2)	(69.1)	(37.7)
Income before income taxes	156.1	96.4	375.6	171.5
Provision for income taxes	(23.9)	(29.7)	(78.7)	(88.8)
Net income	\$ 132.2	\$ 66.7	\$ 296.9	\$ 82.7
Basic net income per share	\$ 0.60	\$ 0.30	\$ 1.35	\$ 0.38
Diluted net income per share	\$ 0.59	\$ 0.30	\$ 1.34	\$ 0.37
Weighted average shares used in computing basic net income per share	219.6	219.7	219.4	219.6
Weighted average shares used in computing diluted net income per share	222.3	221.9	222.1	222.1

Autodesk, Inc.
Condensed Consolidated Balance Sheets
(In millions)

	October 31, 2020	January 31, 2020
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,537.0	\$ 1,774.7
Marketable securities	78.5	69.0
Accounts receivable, net	540.4	652.3
Prepaid expenses and other current assets	183.9	163.3
Total current assets	2,339.8	2,659.3
Computer equipment, software, furniture and leasehold improvements, net	191.5	161.7
Operating lease right-of-use assets	426.4	438.8
Developed technologies, net	65.4	70.9
Goodwill	2,484.2	2,445.0
Deferred income taxes, net	44.3	56.4
Long-term other assets	392.9	347.2
Total assets	\$ 5,944.5	\$ 6,179.3
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 121.3	\$ 83.7
Accrued compensation	272.4	272.1
Accrued income taxes	43.2	21.2
Deferred revenue	2,161.5	2,176.1
Operating lease liabilities	64.1	48.1
Current portion of long-term notes payable, net	—	449.7
Other accrued liabilities	149.1	168.3
Total current liabilities	2,811.6	3,219.2
Long-term deferred revenue	771.3	831.0
Long-term operating lease liabilities	398.2	411.7
Long-term income taxes payable	20.4	19.1
Long-term deferred income taxes	85.1	82.5

Long-term notes payable, net	1,636.6	1,635.1
Long-term other liabilities	152.0	119.8
Stockholders' equity (deficit):		
Common stock and additional paid-in capital	2,507.1	2,317.0
Accumulated other comprehensive loss	(156.4)	(160.3)
Accumulated deficit	(2,281.4)	(2,295.8)
Total stockholders' equity (deficit)	69.3	(139.1)
Total liabilities and stockholders' equity (deficit)	<u>\$ 5,944.5</u>	<u>\$ 6,179.3</u>

Autodesk, Inc.
Condensed Consolidated Statements of Cash Flows
(In millions)

	Nine Months Ended October 31,	
	2020	2019
	(Unaudited)	
Operating activities:		
Net income	\$ 296.9	\$ 82.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	92.2	96.4
Stock-based compensation expense	291.5	257.4
Deferred income taxes	13.0	47.9
Restructuring and other exit costs, net	—	0.5
Other	48.6	10.8
Changes in operating assets and liabilities		
Accounts receivable	112.8	(47.2)
Prepaid expenses and other assets	(61.6)	37.6
Accounts payable and other liabilities	42.3	(94.2)
Deferred revenue	(78.3)	328.8
Accrued income taxes	22.2	(3.8)
Net cash provided by operating activities	<u>779.6</u>	<u>716.9</u>
Investing activities:		
Purchases of marketable securities	(21.0)	(19.9)
Sales of marketable securities	—	22.4
Maturities of marketable securities	17.0	5.0
Capital expenditures	(67.6)	(39.2)
Purchases of developed technologies	(4.8)	—
Acquisitions, net of cash acquired	(44.8)	—
Other investing activities	(55.5)	(11.0)
Net cash used in investing activities	<u>(176.7)</u>	<u>(42.7)</u>
Financing activities:		
Proceeds from issuance of common stock, net of issuance costs	112.9	91.8
Taxes paid related to net share settlement of equity awards	(105.0)	(79.9)
Repurchases of common stock	(399.4)	(261.9)
Repayment of debt	(450.0)	(350.0)
Other financing activities	(2.5)	—
Net cash used in financing activities	<u>(844.0)</u>	<u>(600.0)</u>
Effect of exchange rate changes on cash and cash equivalents	3.4	(4.0)
Net (decrease) increase in cash and cash equivalents	(237.7)	70.2
Cash and cash equivalents at beginning of period	1,774.7	886.0
Cash and cash equivalents at end of period	<u>\$ 1,537.0</u>	<u>\$ 956.2</u>
Supplemental cash flow disclosure:		
Non-cash financing activities:		
Fair value of common stock issued to settle liability-classified restricted stock units	\$ 28.7	\$ —

Autodesk, Inc.
Reconciliation of GAAP financial measures to non-GAAP financial measures
(In millions, except per share data)

To supplement our condensed consolidated financial statements presented on a GAAP basis, we provide investors with certain non-GAAP measures including non-GAAP net income per share, non-GAAP operating margin, non-GAAP spend, non-GAAP EPS and free cash flow. For our internal budgeting and resource allocation process and as a means to evaluate period-to-period comparisons, we use non-GAAP measures to supplement our condensed consolidated financial statements presented on a GAAP basis. These non-GAAP measures do not include certain items that may have a material impact upon our future reported financial results. We use non-GAAP measures in making operating decisions because we believe those

measures provide meaningful supplemental information regarding our earning potential and performance for management by excluding certain expenses and charges that may not be indicative of our core business operating results. For the reasons set forth below, we believe these non-GAAP financial measures are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) they are used by our institutional investors and the analyst community to help them analyze the health of our business. This allows investors and others to better understand and evaluate our operating results and future prospects in the same manner as management, compare financial results across accounting periods and to those of peer companies and to better understand the long-term performance of our core business. We also use some of these measures for purposes of determining company-wide incentive compensation.

There are limitations in using non-GAAP financial measures because non-GAAP financial measures are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies. The non-GAAP financial measures are limited in value because they exclude certain items that may have a material impact upon our reported financial results. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management about which charges are excluded from the non-GAAP financial measures. We compensate for these limitations by analyzing current and future results on a GAAP basis as well as a non-GAAP basis and also by providing GAAP measures in our public disclosures. The presentation of non-GAAP financial information is meant to be considered in addition to, not as a substitute for or in isolation from, the directly comparable financial measures prepared in accordance with GAAP. We urge investors to review the reconciliation of our non-GAAP financial measures to the comparable GAAP financial measures included in this presentation, and not to rely on any single financial measure to evaluate our business.

The following table shows Autodesk's non-GAAP results reconciled to GAAP results included in this release.

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
GAAP cost of subscription and maintenance revenue	\$ 60.7	\$ 54.2	\$ 176.6	\$ 166.9
Stock-based compensation expense	(4.5)	(3.1)	(12.3)	(10.1)
Acquisition-related costs	(0.2)	(0.3)	(0.5)	(0.3)
Non-GAAP cost of subscription and maintenance revenue	<u>\$ 56.0</u>	<u>\$ 50.8</u>	<u>\$ 163.8</u>	<u>\$ 156.5</u>
GAAP cost of other revenue	\$ 15.4	\$ 16.9	\$ 47.5	\$ 48.6
Stock-based compensation expense	(1.6)	(1.6)	(4.7)	(4.3)
Non-GAAP cost of other revenue	<u>\$ 13.8</u>	<u>\$ 15.3</u>	<u>\$ 42.8</u>	<u>\$ 44.3</u>
GAAP amortization of developed technologies	\$ 7.6	\$ 8.4	\$ 22.4	\$ 26.2
Amortization of developed technologies	(7.6)	(8.4)	(22.4)	(26.2)
Non-GAAP amortization of developed technologies	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
GAAP gross profit	\$ 868.7	\$ 763.2	\$ 2,504.7	\$ 2,133.3
Stock-based compensation expense	6.1	4.7	17.0	14.4
Amortization of developed technologies	7.6	8.4	22.4	26.2
Acquisition-related costs	0.2	0.3	0.5	0.3
Non-GAAP gross profit	<u>\$ 882.6</u>	<u>\$ 776.6</u>	<u>\$ 2,544.6</u>	<u>\$ 2,174.2</u>
GAAP marketing and sales	\$ 359.3	\$ 330.7	\$ 1,051.5	\$ 960.8
Stock-based compensation expense	(45.4)	(38.7)	(129.5)	(107.2)
Acquisition-related costs	(1.5)	(0.2)	(4.8)	(0.3)
Non-GAAP marketing and sales	<u>\$ 312.4</u>	<u>\$ 291.8</u>	<u>\$ 917.2</u>	<u>\$ 853.3</u>
GAAP research and development	\$ 233.0	\$ 213.0	\$ 682.9	\$ 634.0
Stock-based compensation expense	(35.4)	(30.8)	(103.6)	(88.3)
Acquisition-related costs	(0.3)	(1.8)	(0.7)	(2.2)
Non-GAAP research and development	<u>\$ 197.3</u>	<u>\$ 180.4</u>	<u>\$ 578.6</u>	<u>\$ 543.5</u>
GAAP general and administrative	\$ 98.8	\$ 99.1	\$ 296.8	\$ 299.6
Stock-based compensation expense	(10.5)	(19.8)	(41.4)	(47.5)
Acquisition-related costs	(2.5)	(0.2)	(3.9)	(18.4)
Non-GAAP general and administrative	<u>\$ 85.8</u>	<u>\$ 79.1</u>	<u>\$ 251.5</u>	<u>\$ 233.7</u>
GAAP amortization of purchased intangibles	\$ 9.6	\$ 9.7	\$ 28.8	\$ 29.2
Amortization of purchased intangibles	(9.6)	(9.7)	(28.8)	(29.2)
Non-GAAP amortization of purchased intangibles	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
GAAP restructuring and other exit costs, net	\$ —	\$ 0.1	\$ —	\$ 0.5
Restructuring and other exit costs, net	—	(0.1)	—	(0.5)
Non-GAAP restructuring and other exit costs, net	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
GAAP operating expenses	\$ 700.7	\$ 652.6	\$ 2,060.0	\$ 1,924.1
Stock-based compensation expense	(91.3)	(89.3)	(274.5)	(243.0)
Amortization of purchased intangibles	(9.6)	(9.7)	(28.8)	(29.2)
Acquisition-related costs	(4.3)	(2.2)	(9.4)	(20.9)

Restructuring and other exit costs, net	—	(0.1)	—	(0.5)
Non-GAAP operating expenses	<u>\$ 595.5</u>	<u>\$ 551.3</u>	<u>\$ 1,747.3</u>	<u>\$ 1,630.5</u>
GAAP spend	\$ 784.4	\$ 732.1	\$ 2,306.5	\$ 2,165.8
Stock-based compensation expense	(97.4)	(94.0)	(291.5)	(257.4)
Amortization of developed technologies	(7.6)	(8.4)	(22.4)	(26.2)
Amortization of purchased intangibles	(9.6)	(9.7)	(28.8)	(29.2)
Acquisition-related costs	(4.5)	(2.5)	(9.9)	(21.2)
Restructuring and other exit costs, net	—	(0.1)	—	(0.5)
Non-GAAP spend	<u>\$ 665.3</u>	<u>\$ 617.4</u>	<u>\$ 1,953.9</u>	<u>\$ 1,831.3</u>
GAAP operating margin	18 %	13 %	16 %	9 %
Stock-based compensation expense	10 %	11 %	11 %	11 %
Amortization of developed technologies	1 %	1 %	1 %	1 %
Amortization of purchased intangibles	1 %	1 %	1 %	1 %
Acquisition-related costs	— %	— %	— %	1 %
Non-GAAP operating margin (1)	<u>30 %</u>	<u>27 %</u>	<u>29 %</u>	<u>23 %</u>
GAAP income from operations	\$ 168.0	\$ 110.6	\$ 444.7	\$ 209.2
Stock-based compensation expense	97.4	94.0	291.5	257.4
Amortization of developed technologies	7.6	8.4	22.4	26.2
Amortization of purchased intangibles	9.6	9.7	28.8	29.2
Acquisition-related costs	4.5	2.5	9.9	21.2
Restructuring and other exit costs, net	—	0.1	—	0.5
Non-GAAP income from operations	<u>\$ 287.1</u>	<u>\$ 225.3</u>	<u>\$ 797.3</u>	<u>\$ 543.7</u>
GAAP interest and other expense, net	\$ (11.9)	\$ (14.2)	\$ (69.1)	\$ (37.7)
Loss on strategic investments and dispositions, net	0.3	0.4	31.2	3.2
Non-GAAP interest and other expense, net	<u>\$ (11.6)</u>	<u>\$ (13.8)</u>	<u>\$ (37.9)</u>	<u>\$ (34.5)</u>
GAAP provision for income taxes	\$ (23.9)	\$ (29.7)	\$ (78.7)	\$ (88.8)
Discrete GAAP tax items	3.7	0.3	4.8	1.3
Income tax effect of non-GAAP adjustments	(23.8)	(8.7)	(47.6)	(4.2)
Non-GAAP provision for income tax	<u>\$ (44.0)</u>	<u>\$ (38.1)</u>	<u>\$ (121.5)</u>	<u>\$ (91.7)</u>
GAAP net income	\$ 132.2	\$ 66.7	\$ 296.9	\$ 82.7
Stock-based compensation expense	97.4	94.0	291.5	257.4
Amortization of developed technologies	7.6	8.4	22.4	26.2
Amortization of purchased intangibles	9.6	9.7	28.8	29.2
Acquisition-related costs	4.5	2.5	9.9	21.2
Restructuring and other exit costs, net	—	0.1	—	0.5
Loss on strategic investments and dispositions, net	0.3	0.4	31.2	3.2
Discrete GAAP tax items	3.7	0.3	4.8	1.3
Income tax effect of non-GAAP adjustments	(23.8)	(8.7)	(47.6)	(4.2)
Non-GAAP net income	<u>\$ 231.5</u>	<u>\$ 173.4</u>	<u>\$ 637.9</u>	<u>\$ 417.5</u>
GAAP diluted net income per share	\$ 0.59	\$ 0.30	\$ 1.34	\$ 0.37
Stock-based compensation expense	0.44	0.42	1.31	1.16
Amortization of developed technologies	0.04	0.04	0.10	0.12
Amortization of purchased intangibles	0.04	0.04	0.13	0.13
Acquisition-related costs	0.02	0.02	0.04	0.10
Loss on strategic investments and dispositions, net	—	—	0.14	0.01
Discrete GAAP tax items	0.02	—	0.02	0.01
Income tax effect of non-GAAP adjustments	(0.11)	(0.04)	(0.21)	(0.02)
Non-GAAP diluted net income per share	<u>\$ 1.04</u>	<u>\$ 0.78</u>	<u>\$ 2.87</u>	<u>\$ 1.88</u>

(1) Totals may not sum due to rounding.

Reconciliation of GAAP net cash provided by operating activities to non-GAAP free cash flow (unaudited)

(In millions)	Net Cash Provided by Operating Activities	Capital Expenditures	Free Cash Flow
Nine months ending October 31, 2020	\$ 779.6	\$ (67.6)	\$ 712.0
Less six months ending July 31, 2020	418.5	(46.7)	371.8
Three months ending October 31, 2020	<u>\$ 361.1</u>	<u>\$ (20.9)</u>	<u>\$ 340.2</u>

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