Simon Mays-Smith, VP Investor Relations

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

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-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.

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.

As I am sure you can appreciate with legal matters like this, I am restricted in what I can say regarding the Audit Committee investigation but let me say what I can.

The summary findings of the Audit Committee investigation are in our May 31st press release and recently filed Form 10K – please refer to those documents for details. We don't have further commentary beyond what we have described there.

Regarding the process, we also covered that in detail in our press release. The investigation took time to complete because it was rigorous and covered all three years included in the 10K.

Betsy Rafael has been appointed by the Board as Interim Chief Financial Officer. We have initiated a selection process for a new chief financial officer. The board and I are very focused on finding the right candidate. In the interim, we are in great hands with Betsy and Debbie will continue to contribute to the business in her new capacity as Chief Strategy Officer.

With the conclusion of the investigation, we have determined that there will be no restatement or adjustment of any audited or unaudited, filed or previously announced, GAAP or non-GAAP financial statements. And as we'll discuss in more detail shortly, we are already underway in the transition to annual billing with the trough in free cash flow behind us. The mechanical stacking of multiyear contracts, a larger enterprise cohort, and our largest product subscriber cohort will provide a tailwind to free cash flow in fiscal 26.

We appreciate your patience as we worked through this important process. We take situations like this very seriously and are grateful to put the investigation behind us.

Let's move on to our strong first quarter results. Autodesk's resilience, discipline, and opportunity again underpinned our robust financial and competitive performance. Our resilience is fortified by our subscription business model and our diversified product and customer portfolio. Renewal rates remain solid, and the momentum of new business growth and key performance indicators are consistent with the previous quarter, evidenced by increased product usage, record bid activity on BuildingConnected, and cautious optimism from our channel partners.

Our disciplined and focused approach in executing our strategy and deploying capital throughout the economic cycle empowers Autodesk to realize the significant benefits of its strategy while mitigating the risk of expensive catch-up investments in the future. As our customers migrate to our industry clouds and utilize our higher-value AI products and services, our investments in the cloud will continue to grow. At the same time, the new transaction model will allow us to optimize our sales and marketing, and we expect Autodesk Platform Services will, over time, boost the velocity and efficiency of our R&D. By optimizing the allocation of our resources we can invest to compound revenue growth and market share gains while also driving margin improvement and free cash flow growth over time. Reductions in stock-based compensation as a proportion of revenue will provide an additional tailwind to GAAP margins, while our transition to annual billing for multi-year contracts will amplify free cash flow growth over the next few years. We believe that constant resource optimization and our long-term investment horizon has positioned us ahead of our peers in cloud, platform, and AI. We intend to retain and extend that lead while also driving to an industry-leading "Rule of Forty" ratio of 45 or more.

Our Project Bernini announcement on May 8th, is a great example of what I mean. Bernini uses generative AI to quickly generate functional 3D shapes from a variety of inputs including 2D images, text, voxels and point clouds. Bernini is different from other AI models in five important ways. First, Bernini is trained on 3D data, rather than commoditized external imagery, and is therefore capable of reasoning on the internal structure of an object. Second, Bernini generates shape and texture separately and does not confuse, or meld, those variables. Third, Bernini can be conditioned on multiple types of input data and is therefore applicable across a much greater spectrum of workflows. Fourth, Bernini generates many design options from a single set of inputs which better serves the creative process of designers. And fifth, Bernini can be quickly, and cost effectively, fine-tuned on customers' existing 3D repositories to align it to the unique creative needs of a particular organization.

Autodesk AI will enable Autodesk, its customers, and partners, to create more valuable, data-driven, and connected products and services. It will automate low-value and repetitive tasks and generate more high-value, complex designs more rapidly and with much greater consistency. Over time, Autodesk Platform Services will enable greater engineering velocity and efficiency and support a much broader developer ecosystem and marketplace. Autodesk is ahead of its peers in 3D AI and the industry clouds, platform, and business model evolution that will be needed to deliver 3D AI products and services at scale. We are well on the way to reasoning about all CAD geometry. We will update you as we make further progress.

Let's move on to our quarterly financial performance and guidance for the second quarter and the full year.

Q1 was a strong quarter. We generated broad-based growth across products and regions in AEC and manufacturing, which was partly offset by softness in China and in media and entertainment, the latter being primarily due to the lingering effects of the Hollywood strike. Overall, macroeconomic, policy, and geopolitical challenges, and the underlying momentum of the business, were consistent with the last few quarters. If we compare first quarter revenue with guidance, the out performance was mainly due to that broad strength with the timing of price increases also improving revenue linearity during the quarter. The impact of the new transaction model was immaterial in the first quarter.

Total revenue grew 12 percent, and 13 percent in constant currency. By product in constant currency: AutoCAD and AutoCAD LT revenue grew 10 percent, AEC revenue grew 17 percent, manufacturing revenue grew 11 percent, and M&E revenue grew 3 percent. By region in constant currency: revenue grew 12 percent in the Americas, 14 percent in EMEA, and 14 percent in APAC.

Direct revenue increased 20 percent and represented 38 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.

As expected, billings declined 5 percent in the quarter as a result of the transition from up-front to annual billings for multi-year contracts. For the same reason, total deferred revenue decreased 12 percent to $4.0 billion. Total RPO of $5.9 billion and current RPO of $3.9 billion grew 9 percent and 12 percent, respectively, which continued to benefit from the EBA strength we saw in the second half of fiscal 24 and current RPO also benefited by about a point from early renewals.

Turning to the P&L, GAAP and non-GAAP gross margin were broadly level, while GAAP and non-GAAP operating margin increased by 4 and 3 percentage points, respectively, in part reflecting the absence of costs we incurred last year to repurpose roles. 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 $487 million driven by collections of prior quarter billings and strong results in the current quarter.

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. In the first quarter, we acquired Payapps and PIX for a total of $653 million, which, with the late filing of our Form 10K, meant we only purchased approximately 30 thousand shares for $9 million, at an average price of approximately $255 per share during the quarter. We will continue to repurchase shares opportunistically to offset dilution from stock-based compensation when it makes sense to do so.

Moving on to guidance, overall, end-market demand has remained pretty consistent over many quarters. Macroeconomic and one-off factors, like the Hollywood strike, have dragged on new business growth rates and continue to drag on revenue growth, but Autodesk's resilience, and robust underlying demand for its products and services, reinforce its long-term growth momentum and potential.

With regards to revenue guidance, we highlighted some puts and takes last quarter that impact fiscal 25 revenue growth and refer you back to our comments then. The new transaction model implementation is on track. Australia and New Zealand are performing in line with our expectations. North America went live yesterday. As we said last quarter, our fiscal 25 guidance assumes the new transaction model is deployed in North America and provides about a 1-percentage-point tailwind to Autodesk's revenue growth and a 3- to 4-

point tailwind to billings growth. Once the North America launch is successfully under way, we will likely start communicating our plans to channel partners and customers in parts of EMEA and Japan. We modeled various possible scenarios at the start of the year, reflecting different potential launch dates, channel partner behavior ahead of launch, the mechanics of the transition, and a host of other factors and we are executing within our modeled scenarios. Longer term, we remain excited by the benefits this more direct relationship with our customers and partners offers – an ability to better understand and serve them, enriched by data, with more automation and self-service, and greater predictability.

Our fiscal 25 revenue guidance range, between $5.99 and $6.09 billion, is unchanged and still translates into revenue growth of about 9 to 11 percent compared to fiscal 24. Our strong start sets us up well to achieve our goals for the year.

Moving on to margins, we still expect non-GAAP operating margins between a range of 35 and 36 percent in fiscal 25 and roughly level with fiscal 24. This includes a roughly 1-point underlying margin improvement that we expect will be broadly offset by the margin headwinds from the new transaction model. As a reminder, as we transition to the new transaction model, we'll see operating margin headwinds from the accounting change of moving reseller costs from contra revenue to sales and marketing expense. We'll also have incremental investment in people, processes, and automation. 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, operating income and free cash flow dollars, even after the incremental costs we expect to incur.

Moving on to free cash flow, we still expect to generate between $1.43 and $1.5 billion of free cash flow in fiscal 25. Excluding $200 million from fiscal 24 free cash flow from multi-year up front billings which are now billed annually, in fiscal 25 we expect free cash flow growth of about 35 percent at the mid-point of our guidance. We expect faster free cash flow growth in fiscal 26 because of the return of our largest multi-year renewal cohort, the mechanical stacking of multi-year contracts billed annually, and a larger EBA cohort.

As discussed last quarter, the transition and rollout will create noise in the P&L, making free cash flow the best measure of our performance. With our current trajectory, we estimate free cash flow in fiscal 26 to be around $2.05 billion at the midpoint. In the context of significant macroeconomic, geopolitical, policy, health and climate uncertainty, the mechanical rebuilding of our free cash flow as we transition to annual billings for multi-year contracts gives Autodesk an enviable source of visibility and certainty.

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 Q2 and full-year fiscal 25.

Let me finish by updating you on our strong progress in the first 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 one of its best net-new customer quarters. Let me give you a few examples.

BL Harbert International provides design-build, construction management, and general contracting services to national and international clients. It leverages advanced technology to maintain its most crucial customer and partner relationships and enhance its in-house capabilities. We have built a trusted partnership with the company over many years and share its integrated platform vision for the industry. In the first quarter, it decided to standardize on Autodesk Construction Cloud across all regions for its design-build process, signing its first EBA and increasing its investment in Autodesk.

Meriton designs, develops, and builds residential apartment towers, and is the largest residential apartment developer in Australia. After a competitive process, it chose Autodesk to replace six point solutions and unify its operations, from design through to maintenance and asset management. This comprehensive solution will enable Meriton to have one common data environment, streamline its workflows, and have access to real-time insights.

State Window Corporation offers complete design, engineering, manufacturing, and installation of custom window wall systems. It is standardizing on Autodesk's AEC and manufacturing products so that it can effectively manage inventory levels, improve cash flow and reduce waste caused by siloed data and disconnected workflows. Leveraging Revit for 3D design, our manufacturing collection for PDM and PLM, and Autodesk Build for installation, State Windows will have an end-to-end solution connecting data and workflows across, design, manufacture and build.

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, for both products and factories, to grow their business and make it more resilient. A multi-format packing solutions manufacturer in Europe had been leveraging our advanced manufacturing portfolio, including Inventor and Vault, for its machine design and product data management. In the first quarter, it expanded its partnership with Autodesk to include Factory Design which digitizes complete factory layouts to reduce the potential for delays and rework during the delivery process. As an existing Flexsim customer for factory simulation, the manufacturer will now have a comprehensive, connected end-to-end solution that helps increase efficiency, throughput, and quality.

A major multi-product maintenance, repair, and overhaul, or MRO provider, began using Fusion to convert and visualize 3D models of third-party files. With those files now in the Fusion ecosystem, it added the Fusion Manufacturing Extension in the first quarter to leverage Fusion for light repair and part testing. Fusion remains one of the fastest growing products in the manufacturing industry with double-digit commercial subscriber growth, driven by the growing number of customers who recognize the value of cloud-based workflows in enhancing efficiency, sustainability, and resilience within their organizations. With over a million monthly active users, a vast amount of contextual data is generated within Fusion. For example, an average of 33 million new component designs were being produced in Fusion each month over the last 12 months. This data can help us train the next generation of generative AI products and services. For example, our recently launched Drawing Automation tool in Fusion, which is powered by AI, has generated 2.7 million automatic dimensions since its launch earlier this year.

In education, we are preparing future engineers to drive innovation through next-generation design, analysis, and manufacturing solutions. The Katayanagi Institute in Japan is a leading provider of technical education that equips its students with industry-relevant education and helps address the growing skills gap across design and make industries. In the first quarter, it made Fusion the standard Design and Make solution for its 5,000+ students, faculty, and affiliated institutions, replacing two legacy solutions to leverage Fusions AI design and cloud collaboration capabilities.

And lastly, we continue to work with our customers to ensure they are using the latest and most secure versions of our software. Through a collaborative process, we helped a large European infrastructure and railway operator achieve compliance, providing visibility into existing usage and, by understanding its true needs, delivering a tailored solution that included upgrading to newer versions of our software and the addition of more subscription licenses.

Let me finish with a story. The opening ceremony of the Summer Olympic games will take place on the banks of the river Seine in Paris on the evening of July 26th. Over the following months, many of the approximately 10,500 athletes and 8,000 para-athletes will reside in the athletes' village on the Ile Saint-Denis, a suburb of Paris. This is, in part, a story about innovative architects, engineers, and construction professionals collaborating efficiently and effectively in the cloud, enabled by open file formats, and using modularized industrialized construction techniques to seamlessly span AEC and manufacturing.

It is also a story about embracing complexity, managing wastewater and flood risk in a sensitive ecosystem of the river Seine; and change, by minimizing embodied carbon today, and creating a built environment that embraces a warmer climate tomorrow. But it is also a story about regeneration and hope. The Seine-Saint-Denis suburb of Paris is one of the poorest in France, with a young, diverse population with higher-than-average unemployment rates. After the games, the Village will become a neighborhood with new homes and social housing, offices, neighborhood shops, a student residence and a hotel, enveloped within gardens and parklands.

Two years ago, I told you about Autodesk's role in the reconstruction of Notre Dame cathedral which will be completed, on schedule, later this year. I share the athletes' village story because I am reminded again of Autodesk's purpose, to design and make a better world for everyone. That purpose has never been more important or urgent. Together, we can meet the generational challenges posed by carbon, water and waste. Autodesk's central role in meeting these challenges underpins my confidence this year and my optimism for the future.

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