

THOMSON REUTERS STREETEVENETS

# EDITED TRANSCRIPT

ADSK - Q4 2017 Autodesk Inc Earnings Call

EVENT DATE/TIME: MARCH 02, 2017 / 10:00PM GMT

## OVERVIEW:

Co. reported 4Q17 results.



MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

## CORPORATE PARTICIPANTS

**Dave Gennarelli** Autodesk, Inc. - Director of IR

**Amar Hanspal** Autodesk, Inc. - SVP, Products

**Andrew Anagnost** Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

**Scott Herren** Autodesk, Inc. - CFO

**Richard - Scott Herren** Autodesk, Inc. - CFO

## CONFERENCE CALL PARTICIPANTS

**Saket Kalia** Barclays Capital - Analyst

**Heather Bellini** Goldman Sachs - Analyst

**Sterling Auty** JPMorgan - Analyst

**Jay Vleeschhouwer** Griffin Securities, Inc. - Analyst

**Phil Winslow** Wells Fargo Securities - Analyst

**Ken Wong** Citigroup - Analyst

**Kash Rangan** BofA Merrill Lynch - Analyst

**Keith Weiss** Morgan Stanley - Analyst

**Rob Oliver** Robert W. Baird & Co. - Analyst

**Gal Munda** Berenberg Bank - Analyst

**Monika Garg** Pacific Crest Securities - Analyst

## PRESENTATION

### Operator

Good day, ladies and gentlemen and welcome to the Autodesk Incorporated fourth-quarter FY17 earnings conference call. At this time all participants are in a listen-only mode. Later, we'll conduct a question-and-answer session and instructions will be given at that time.

As a reminder, this conference is being recorded. I would you now like to hand the floor over to Dave Gennarelli, Head of Investor Relations. Please go ahead had, sir.

### Dave Gennarelli - Autodesk, Inc. - Director of IR

Thanks, operator. Good afternoon. Thank you for joining our conference call to discuss the results of our fourth quarter and full year FY17.

On the line are our co-CEOs, Amar Hanspal and Andrew Anagnost. 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](http://Autodesk.com/investor).

As noted in our press release we have published our prepared remarks on our website in advance of this call. Those remarks are intended to serve in place of extended formal comments and we will not repeat them on this call.

During the course of this conference call we will make forward-looking statements regarding future events and the anticipated future performance of the Company. Such as our guidance for the first quarter and full year FY18, our long-term financial model guidance, the factors we use to estimate



## MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

our guidance, including currency headwinds, our transition to new business models, ARPS, customer value, cost structure, our market opportunities and strategies, and trends for various products, geographies and industries.

We caution you that such statements reflect our best judgment based on factors currently known to us and that actual events or results could differ materially. Please refer to the documents we file from time to time with the SEC, specifically our Form 10-K for the FY16, our Form 10-Q for the period ended October 31, 2016, and our current reports on Form 8-K including the 8-K filed with today's press release and prepared remarks.

Those documents contain and identify important risks and other factors that may cause our actual results to differ from those contained 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 provide guidance on today's call but will not provide any further guidance or updates on our performance during the quarter unless we do so in a public forum.

During the call we will discuss non-GAAP financial measures. These non-GAAP measures are not prepared in accordance with Generally Accepted Accounting Principles. A reconciliation of our GAAP and non-GAAP results is provided in today's press release, prepared remarks, and on the Investor Relations section of our website.

We will quote a number of numeric or growth changes as we discuss our financial performance. Unless otherwise noted each such reference represents a year on year comparison. And now I'd like to turn the call over to Amar.

---

### **Amar Hanspal** - Autodesk, Inc. - SVP, Products

Thanks Dave. We rounded out a fantastic year with strong fourth quarter results, new model ARR grew 109% at constant currency. New model subscriptions grew by a record 227,000 sequentially.

Recurring revenue jumped to 84% of total revenue and we're beginning to see meaningful volume in our cloud services. It's clear that we're making real progress in our two major initiatives, growing lifetime customer value by moving customers to the subscription model, and increasing adoption of our cloud based solutions. Let's dive into the numbers a little more.

For the quarter we added 154,000 net subscriptions bringing the total additions for the year to 530,000. Total subscriptions at the end of the year stood at 3.11 million, an increase of 21%. We're really pleased with the continued momentum of new model subscription additions which grew more than three-and-a-half times as compared to Q4 of last year.

Bear in mind, we accomplished this without having a significant promotion in the market during Q4, so we're really pleased with the overall demand for product subscriptions. Taking a closer look at new model subscriptions, once again product subscriptions drove the majority of the new model sub additions as will likely be the case in most quarters. New customers represented about one third of our new product subscriptions for the quarter which is a consistent trend we've been seeing. These new customers come from a mix of market expansion, growth in emerging countries, former pirates or people who may have been using an alternate design or simulation tool. It's clear that a subscription model is broadening our market opportunity.

We're experiencing continued success with the EBA program in our enterprise named accounts. EBA subscription additions more than doubled over Q4 of last year and total EBA subs grew over 40% for the year. Q4 has always been our biggest quarter for signing large transactions with our enterprise customers and this quarter was no exception. We signed nearly 70 deals worth more than \$1 million and over 50 of these were EBAs.

The EBA deal volume was up 50% over Q4 of last year and this is a clear sign that we're successfully and effectively moving our biggest customers to the new model. It's important to remember that these EBAs help drive subscription growth going forward. Since we introduced EBAs, customers that have moved from our older license agreement to the token based EBA have resulted in subscriptions nearly three times higher than before.



## MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

Keep in mind that most of the EBAs we signed up in Q4 won't start contributing to the subs account until Q1 of this year, consistent with prior years.

Product subscriptions and EBA subscriptions are the business model transition part of our story. The third component of our new model subscription is our cloud products. This is a TAM expansion part of our transition and we continue to build on our leadership in the cloud. We had a record quarter for the cloud, adding three times more cloud subscriptions than in any other quarter in our history. Cloud subscription was driven by BIM 360, our BIM management and collaboration tool, closely followed by Fusion, our cloud based design, simulation and fabrication tool. For the year, cloud subscriptions grew more than 150%.

BIM 360 continues to gain momentum with big wins at large construction companies. A perfect example of this is a multi-million dollar Q4 deal with a large US based contractor. Historically, this customer had been a relatively minor user of some of our design tools like Revit, AutoCAD and Navisworks. Over the past couple of years they've been expanding their deployment and utilization of BIM 360 and their new contract covers an 8,000 subscription mix of BIM 360 Field, Glue and Docs, to be used in 95% of their projects. More than anything else, this transaction illustrates how we're strengthening our alignment with builders and contractors enabling us to reach parts of the \$10 trillion construction market like never before.

I also want to note that in Q4 we launched Fusion Ultimate which provides enterprise level customers access to advanced design, simulation and manufacturing capabilities. The list price for an annual subscription to Fusion Ultimate is \$1,500, which includes consumption credits and this provides us with new opportunities to continue to introduce cutting edge products to our customers.

Now, partly offsetting the growth in new model subscriptions was the expected decline in maintenance subscriptions. The fourth quarter has long had the biggest pool of renewal opportunities, so with the maintenance renewal rates similar to our recent trends and no new maintenance agreements being sold, the sequential step-up in attrition was as expected. As we said in the past, we expect to see ongoing declines in maintenance subscriptions going forward. The rate of decline will vary based on the number of subscriptions that come up for renewal, the renewal rate at the time, and our ability to incent maintenance customers to switch over to EBAs or to product subscription.

That's a perfect segue for me to turn things over to Andrew to talk about ARR and ARPS. Importantly, Andrew will also cover our new program to incent those maintenance customers to move to subscription. Andrew?

---

**Andrew Anagnost** - Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

Thanks, Amar. When we started the business model transition we indicated that subscription growth was a key metric for tracking our progress. Clearly we feel good about the trends we're seeing with subscriptions but ultimately it's the growth in ARR that will enable us to achieve our free cash flow goals.

So we're happy to report that the trends we're seeing in both are positive. New model ARR growth surged to 109% on a constant currency basis and reflects the continued strong uptake of all of our new model subscription offerings. The total ARR grew 19% in constant currency and about one third of our total ARR is now driven by new model subscriptions. That's up from just 19% in Q4 of last year and it's a clear indicator of the significant progress we've made this year.

You might also recall that at the Investor Day, I said that we would start to see ARPS trending up in the second half of FY18. In Q4 2017 we did experience a sequential increase in ARPS but this does not indicate a permanent trend or an inflection point.

As you recall, in Q1 and Q3 we had successful legacy promos which brought in a lot of subscriptions at lower ARPS. We did not run a promo in Q4 and that positively impacted ARPS. Going forward, the ARPS calculation will continue to be extremely sensitive to short-term shifts in term length, geo mix, promotions, et cetera. We expect to see ARPS flux up or down on a quarterly basis and it will not increase monotonically throughout the year.



## MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

Now I want to pick up where Amar left off regarding our maintenance subscription base and build on my comments from Investor Day. At the end of Q4 we had just over 2 million maintenance subscriptions. Starting today we are starting taking a number of steps to encourage these customers to move to product subscription and to do so sooner rather than later. We want the best for these customers and product subscription provides them the greatest value and access to our offerings.

So let me get into the information that you've been asking for since we talked about this at Investor Day. Information we just communicated to our customers and channel partners this morning. Beginning in June, maintenance customers can move to product subscription for a loyalty discount of 60% less than the cost of a new product subscription.

This discount will decrease by 5% for each of the following two years. So the earlier the customer switches, the more they'll save. This discount allows the maintenance customer to move to subscription at a 5% increase over their current price and lock that price in for three years. In exchange for turning in their perpetual license. A maintenance customer can choose to stay on maintenance but they will be subject to a 5% increase this year, a 10% increase in FY19, and a 20% increase in FY20. In addition, maintenance customers will no longer be able to purchase multi-year contracts.

So why are these customers going to move? Product subscription offers the greatest value to our customers as it provides increased flexibility, support, and access to our cloud products. The loyalty pricing will be a big driver.

This program blends all the right elements, a customer friendly element with the loyalty price and the pressure driver of the maintenance price increases. It's a simple program, the partners know how to run it, the sales force knows how to run it and they're highly motivated to do it well. Beyond that, the program offers our customers the most attractive pricing for moving to collections they will ever see. And we expect many customers to move their standalone maintenance seats to collections.

It's also important to remember that the maintenance customer will be subject to a 5% increase this year whether they take advantage of the loyalty pricing and move to product subscription or if they stick with their traditional maintenance. This migration will be good for both Autodesk and our customers as it moves them to the newest and best product experience. Now I'll turn it over to Scott for a closer look at some of the financials.

---

### **Scott Herren** - Autodesk, Inc. - CFO

Thanks, Andrew. All of you should have the prepared remarks document which is the best source for our financial details so I'm not going to walk you through them all. But I do want to hit on a couple of noteworthy items and talk about our business outlook for FY18.

Starting with revenue, total direct revenue for the fourth quarter increased once again and represented 32% of total revenues. That's up from 23% in Q4 last year and just 19% two years ago. That's a lot of progress over a relatively short period of time as we continue to grow the volume of business with both our large enterprise customers as well as on our e-store. As we indicated we believe there is still room for our direct business to grow over the next few years as we progress on the model transition.

Moving to spend management. We're really proud of what we've accomplished on the expense side. We started the year with a goal of keeping non-GAAP spend flat to down 1%. We ended up reducing it by 3% for the fiscal year and 4% in the fourth quarter. We accomplished this by making sure we're investing in consider elements of our transition while reducing spend in other areas.

Part of the reduction this year was the result of the restructuring we announced at the beginning of the year, coupled with a relentless focus on driving efficiencies across the organization. We significantly reduced our M&A activity this year and we've been simplifying the product portfolio. We remain committed to keeping spend flat through FY19 and believe we can do so without compromising the long-term health of the Company.

During this stage of our transition deferred revenue is a better measure of our business than reported revenue. Total deferred revenue grew 18% against a tough compare last year when we attached a very high percentage of maintenance contracts along with the last sale of perpetual licenses for individual products.



## MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

As I mentioned in December, the work we've been doing over the past several quarters on our operating structure has allowed us to move about \$1.7 billion of our offshore cash into foreign subsidiaries that are branches of Autodesk US. If we look at our cash balance at quarter end, approximately 85% can be used without incremental US tax. That equates to \$1.9 billion. Of course, we need to keep some of our cash for operating needs but we intend to put the majority of it into our stock buyback program and execute on that over the next several quarters using both programmatic and opportunistic means.

We've been increasing our buyback this year and in Q4 we repurchased 2.9 million shares. For the year we repurchased nearly 10 million shares, resulting in a reduction of over 4 million. We're making steady progress on this front and over the past two years have reduced our basic share count by about 3%.

Overall we're extremely pleased with our Q4 and full year FY17 results. We have increased confidence that the transition is working for our customers, for our partners, and for Autodesk. And that we're on track for the FY20 targets we set.

Turning now to our outlook. Our view of the global economic conditions remains consistent with our view over the past several quarters. With most of the mature markets performing relatively well while many of the emerging markets have been challenging.

We continue to monitor for changes in Europe stemming from Brexit but to date we have not experienced any impact. With the new administration in the US it's far too early to determine any impact from proposed policy changes around tax reform, trade and tariffs, infrastructure spend, or whatever the next executive order might be. As we look ahead to FY18 it will be our first full year in the subscription only model and as such we believe it's prudent to take an appropriately conservative approach to our outlook for the year, while remaining confident in our ability to achieve our long-term targets.

Here are primary financial goals we're setting for FY18. We're projecting that total ARR growth will increase to between 24% and 26%.

Subscription additions are projected to increase by 600,000 to 650,000, which equates to about a 20% increase. Bear in mind that the sales team focus that goes into the maintenance to subscription program Andrew discussed earlier will drive higher lifetime values from those who convert but will not drive any additional subscription adds. Spending will be about flat and we expect the percentage of recurring revenue to increase to approximately 90% beginning in Q1. As we look at our outlook for Q1 keep in mind that total ARR growth and subscription additions will build over the course of the year.

Another item that I mentioned in December is that we are working to further improve the transparency of our revenue reporting. As such, starting in the first quarter we're planning to have three revenue lines. One for subscriptions, one for maintenance, and one for other revenue. In this format I'll new model subscription revenue will be reported in the subscription line and all of maintenance revenue will be reported in the maintenance line. Any remaining nonrecurring revenue will be reported as other revenue.

To alleviate the need for the recon table we've been including in prepared remarks and should significantly improve the link between our financials and our business model transition. In this format subscription revenue times four will equal new model ARR, maintenance revenue times four will equal maintenance ARR. And you'll be able to better isolate the nonrecurring revenues that flow into the other revenue line.

One side effect of this change to call out is that it changes the inputs to our ARR calculation to include a couple of small legacy products. If we applied this methodology to our FY17 results, our total ARR would have been about \$40 million higher. We have factored this change into our guidance assumptions for FY18 so that we're comparing apples-to-apples. And we will give you visibility to all of FY17 with this small tweak.

To wrap things up we've executed well over the past several quarters and we're looking forward to building on this success as we head into FY18 and the next stage of our transition. I want to thank our employees and partners who have worked so hard to make last year a success. I also want to recognize Carl Bass for his leadership and tireless service to Autodesk over the past 20-plus years. We look forward to his continued input as a special advisor over the next few months and an ongoing Board member.

## MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

As we undergo the CEO transition both Andrew and Amar have our full confidence to lead the Company to continued success. Operator, we'd now like to open up the call for questions.

### QUESTIONS AND ANSWERS

#### Operator

Thank you.

(Operator Instructions).

Our first question for today comes from the line of say Saket Kalia from Barclays.

#### Saket Kalia - Barclays Capital - Analyst

Hi, guys, thanks for taking my questions here. Maybe just first to start with, Andrew. Andrew, you kind of talked about some of the changes that you're making to maintenance pricing and new model to incentivize that conversion.

Could you quickly recap the promotion that you're specifically running on product subscription if they trade in their perpetual license? More broadly, how are you thinking about the maintenance subs to new model subs conversion in 2018?

#### Andrew Anagnost - Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

Let me just recap some basic details here so you get the understanding. The way this works is the customer in return for trading in their perpetual license gets a very big discount to move to subscription. Essentially what they're doing is they're paying 5% more than they would pay today on their current maintenance if they were going right now today.

So they get to of move over at that price and they get to lock that price in for three years. If they move early they get much more advantage than if they wait. One of the things that's important about this program is things we're looking at is we want to move as many of these maintenance customers as possible.

Really we want to move 100%. Churn is the enemy of this program. The reason we structured it the way we have with these 5% increases and this discount to move is because we want 100% of them to move.

And the advantages we're going to get out of this is look, as they move, they're going to be making different kinds of choices. A lot of them are going to have the best possible price to get to collection that they've ever seen. So what we're going to see instead of a customer moving from maintenance on AutoCAD to subscription on AutoCAD, they're going to move from AutoCAD maintenance to collections subscription. Which by the way adds a greater uplift on top of the maintenance base than just what we're doing.

In addition, some of the customers are going to stay behind on maintenance. This is just going to be their preferred path. They're going to stay there until the second year of the program and maybe not move until the third year of the program.

They're obviously going to see continual price increases to maintain that perpetual license, but if it's important to them. They're going to end up paying more.



## MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

But the net result of what we're trying to do is over a three year period move the majority of that base over. I'm not going to give you specifics about how many we expect to move over this year but we certainly expect people to start considering this program. We expect to see a lot of our larger customers at the top of the pyramid and down at the bottom where they get a lot of engagement from partners moving quickly.

---

**Saket Kalia** - *Barclays Capital - Analyst*

Great. That's really helpful. And then maybe for my follow-up, actually for you again, Andrew, I just want to confirm, I think you mentioned that new model ARPS of course was up this quarter, but could flux quarter to quarter.

I may have missed it but can you just confirm, it sounded like it should be roughly flat from a dollar perspective throughout 2018. Is that correct?

---

**Andrew Anagnost** - *Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer*

So if you remember what I said at Investor Day earlier, it's going to start to trend up in the second half of the year. The increase we saw in Q4 is basically a result of the fact that we didn't have a promo in Q4 and we had one in Q3. So you're not going to see that continue.

You're going to see some kind of variability as we head through Q1, Q2 and into Q3 but as we move into the second half it's not going to be flat. It's actually going to trend up in the latter half of the year. And that's just going to be a result of the accumulation of new model ARPS that we're going to be seeing especially on the product sub side and the mix of more mature markets buying product subs.

---

**Saket Kalia** - *Barclays Capital - Analyst*

That's very helpful. Thanks very much.

---

**Andrew Anagnost** - *Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer*

You're welcome.

---

**Operator**

Thank you. Our next question comes from the line of Heather Bellini from Goldman Sachs.

---

**Heather Bellini** - *Goldman Sachs - Analyst*

Great. Thank you. I was wondering if you could give us a little bit more color.

I remember at the investor day and I apologize if you touched on this in earlier comments. If you could give us a little bit more color about the mix of the cloud subs versus the new -- versus the desktop subscriptions. Let us know, one, kind of where are you seeing strength in that and how do you -- how are you thinking about splitting that out going forward they terms of disclosure?

---

**Amar Hanspal** - *Autodesk, Inc. - SVP, Products*

Well, Heather, let me take the first part of that question and then Scott can weigh in on the disclosure part. We saw strength across the board on all types of subscriptions. Clearly product subscriptions were very strong and we saw EBAs as I mentioned in the earlier remarks, we had lots of strength in the EBA.



## MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

We had a record quarter in the cloud because I think it was three times the number of subscriptions that we had seen in any prior quarter. So we are definitely seeing a lot of growth from our new cloud based offerings. But we have continued strength in product subscriptions across the board and we expect that momentum to be carried into this fiscal year.

---

**Richard - Scott Herren** - Autodesk, Inc. - CFO

Heather, within that, the strength comes from BIM 360, largely followed by fusion and then shotgun. It was a very strong quarter. It's good to see the cloud products, which will be key to kind of the second wave of the transition, but the cloud products begin to take off.

In terms of disclosure, I would he say at this point while it's -- we're seeing good growth, it's still good growth off a small base and it's having a bigger effect obviously on subs than it is on ARR. As that becomes material, or we think it's clouding the results and making it too difficult to model, that's when we'll consider breaking it out.

---

**Heather Bellini** - Goldman Sachs - Analyst

One quick follow-up if you don't mind. In regards to the changes that you sent out to the channel partners today, what's been -- have you heard any -- I imagine you kind of tested the waters on this of before you did it.

What type of feedback did you get from customers or from channel partners about the strategy to basically customer maintenance -- customers paying that increase in price and the move to subscription. Basically trading they your license to move to subscription. What type of feedback did you hear if you ran that by any of your larger customers before you did this in.

---

**Andrew Anagnost** - Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

So Heather, we do test a lot of these things. Amar and I just got back from our sales conference and I think the most relevant feedback I can give you is that our partners are very positive about this program. Mostly because they really -- they see an opportunity for them to go in and have a conversation with the customer.

They also see a big opportunity to get the customer's collections and frankly living in two worlds where they have a maintenance model and a subscription model isn't exactly in the partner's or the customer's best interest. With regard to the customer reaction, I think it's going to take us a little bit more time to gather that reaction.

The net that the customers are going to see in terms of value is going to increase. It's going to take us time to really get that -- obviously we didn't test all of this with our customers before we rolled it out because of the nature of the program.

---

**Amar Hanspal** - Autodesk, Inc. - SVP, Products

What I'd add to that, just what I'd add to that is when from the customer's perspective we're seeing our largest customers really respond very well to the flexibility of product subscriptions. It suits their way of doing business and also at the low end we're seeing people really respond well to the lower cash outlay that subscriptions demand from them and the channel is really energized and is excited.

This is a thing they know how to do well and that was the feedback that Andrew referred to that we got at OTC. I think right now it feels like the right set of things that are under way.

---

**Heather Bellini** - Goldman Sachs - Analyst

Great. Thank you.



## MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

### Operator

Thank you. Our next question comes from the line of Sterling Auty from JPMorgan.

### Sterling Auty - JPMorgan - Analyst

Yes, thanks. Hi, guys. Andrew, I didn't quite catch, if somebody moves from AutoCAD maintenance to collections, what's the actual uplift that we would see?

### Andrew Anagnost - Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

Yes, so let me kind of do a little quick -- I'm not going to do all the math. I'll give you a quick example. If they just move to AutoCAD to AutoCAD it's essentially a 5% increase from the maintenance as it is used today.

However, if they move that AutoCAD to a collection, it's going to be several hundred dollars higher than that. All right. And it's basically the delta.

So it's a significant uplift over what they'd be paying normally, much more than 5%. But it's the smallest delta they'll ever see in terms of getting to collections.

I think what you need to focus on is the fact that they'll never have a better way to get to collections than this path. Essentially if they wait and they find that collections are important part of their solution in the future they're going to pay a lot more.

A lot of customers, just like back in the sweeps days when we ran all the sweeps plays, they're going to opt to take the collection route because the price is so attractive now. But it's still -- they're still going to pay more because they moved to the collections. It's not going to be just a 5% uplift of their current maintenance, it's much more than that.

### Sterling Auty - JPMorgan - Analyst

That makes sense. The follow-up is, not that I'm expecting you to quantitatively tell us what's built into the guidance. But can you give us a feel for, okay how did you go about baking in the impact of this program into the guidance?

So if there's a massive, everybody says yes, I really want to convert, I really want to go to collections. What does that do to -- is it an immediate impact to revenue and cash flow?

How does it come in? On the flip side, if everybody says yes, I get what you're doing but I'm just not interested and it's light of what you expect. What kind of magnitude impact can we see to the way you guided?

### Andrew Anagnost - Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

So the most important thing you need to remember is it's plus 5% on the maintenance base no matter what happens. There's a price increase in the maintenance base that happens just as a matter of course. The whole entire maintenance base is going to see a 5% price increase.

They can choose to roll that 5% price increase into a subscription program at a three-year lock if they want to. But they're all going to see a 5% increase.

To your second question about a specifics about how many are going to move to collections, that's something we're going to watch over time. I expect most of that will be -- we'll see later in the year as people try to decide. But everybody's going to see 5%.



MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

**Richard - Scott Herren** - Autodesk, Inc. - CFO

Sterling, said another way, the price for maintenance after the 5% uplift is the exact same price they would pay if they converted to subscription instead. So it's from a modeling standpoint for FY18 it's the same whether they convert or not.

**Sterling Auty** - JPMorgan - Analyst

Makes sense. Thank you guys.

**Operator**

Thank you. Our next question comes from the line of Jay Vleeschhouwer from Griffin Securities.

**Jay Vleeschhouwer** - Griffin Securities, Inc. - Analyst

For Amar and Andrew, could you talk about how you've arranged the division of labor between yourselves as co-CEOs, so long as this arrangement lasts. How are you dividing your respective responsibilities for overseeing product sales, operations and the like?

**Amar Hanspal** - Autodesk, Inc. - SVP, Products

Yes, Jay, we are sharing responsibilities rather than dividing them. Andrew and I have been sort of co-architects of the plan that you're seeing unfold right now. We're continuing to work very closely together on both the technology transition, as well as the business model transition that's implied.

What he and I have been focusing on is driving greater focus and urgency on the execution of the plan and basically making decisions jointly through this period. So I wouldn't -- while Andrew continues to do his marketing role and I continue to do my product role, the executive decisions we are making we're making jointly.

**Andrew Anagnost** - Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

Jay, just so you know how we moved into this mode. We started this mode well before the announcement of Carl's departure. We got ourselves into a cadence of how we were going to make decisions, how we were going to work together on some of these things.

Jay, you know, we've worked together for a long time. We have a pretty good cadence set up already. There was no disruption as we moved from the pre to the post Carl era.

**Jay Vleeschhouwer** - Griffin Securities, Inc. - Analyst

My follow-up is. Did you say at Analyst Day or the last call that you expected the new models subs base to exceed the classic maintenance subs base by the end of this fiscal year.

**Andrew Anagnost** - Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

That's correct. This is the crossover year, Jay.



MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

**Jay Vleeschhouwer** - *Griffin Securities, Inc. - Analyst*

Okay. And related to that, could you talk about how you're thinking about the channel comp effects of this program in terms of their activity, how they get comped as they look you through this program and what the --

**Andrew Anagnost** - *Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer*

Are you talking about the maintenance to subscription program?

**Jay Vleeschhouwer** - *Griffin Securities, Inc. - Analyst*

Correct.

**Andrew Anagnost** - *Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer*

Okay. Obviously the comp structure is going to change on maintenance a bit as time goes on. Otherwise the incentives wouldn't be in the right direction.

A partner is going to make more moving a customer to subscription than they're going to make keeping the customer on maintenance. Obviously it's going to be take a little bit from one and give it to the other.

**Jay Vleeschhouwer** - *Griffin Securities, Inc. - Analyst*

Thanks very much.

**Andrew Anagnost** - *Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer*

Thanks, Jay.

**Operator**

Thank you. Our next question comes from the line of Phil Winslow from Wells Fargo.

**Phil Winslow** - *Wells Fargo Securities - Analyst*

Thanks, guys. Congrats on a great end of the year. Just have two questions here.

When you look at the subscriptions right now, the net new subscriptions that you're seeing, where are people most compelled to move. Obviously you have products here in the manufacturing vertical, civil vertical, commercial construction. Where are you seeing the earliest uptake.

**Amar Hanspal** - *Autodesk, Inc. - SVP, Products*

I would certainly say AEC has been a place where -- we see strength across all our verticals, honestly. We started this journey on product subscriptions actually with our M&E business first. As we rolled it out into other product segments, we've seen strength in demand across all verticals.



## MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

I would say that our AC business grows, is continuing to grow very -- at a very healthy rate, really driven by the adoption of building information modeling around the world. That's in building, in civil, all the sub-verticals in AEC. Manufacturing has been extremely strong for us as well.

In fact, in manufacturing, in addition to product subscriptions we've seen a growing uptake of the cloud based solutions with fusion, both on the design side, on the simulation side, as well as in the new sort of additive manufacturing piece. So we're very pleased with our growth across the vertical segments.

---

**Phil Winslow** - *Wells Fargo Securities - Analyst*

Got it. Then just a question for Scott and Andrew here about just the path of maintenance pricing. If you look at the price increases that you talked about 5%, 10%, 20%, it does become very compelling to make the move this year and lock that 5% increase going forward for three years if you're on subscription.

How do you think about converting the base? Obviously the maintenance rates are going up and you'll be paying substantially more one or two years out. You is there potential this year where you see even faster subscriber growth because it's act now or never and these are long duration software applications, obviously a long life cycle.

Could you see a faster move? Then as you think about the long-term guidance, sort of more of a hockey stick than actual ARR and revenue.

Potentially faster subs but a hockey stick later on they call it the ARR and revenue to get to those targets. How are you sort of thinking through that because obviously it's a pretty compelling program.

---

**Andrew Anagnost** - *Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer*

Let me correct something you said. Remember, this program is net neutral on subs adds because they're basically moving from one type of recurring revenue to another type of recurring revenue.

So it's not a subs adds accelerator. It's an ARR phenomenon.

---

**Phil Winslow** - *Wells Fargo Securities - Analyst*

That's what I meant, maintenance to subscription.

---

**Andrew Anagnost** - *Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer*

Absolutely have a cumulative effect as we move into FY19 and FY20. There's no doubt about it. It definitely builds on itself, the program.

Now, when you look at who's going to move, the people who have the largest installations are going to be the ones that are looking right now to try to consider, hey, should I move. It's going to make a material difference in their maintenance renewal moving forward and coming into next year. Smaller accounts, they'll absorb the 5%.

They might even absorb the 10%. As they start looking out to the 20% they're obviously going to move. You're going to see a chunk that moves in the first year representing a certain size of customer.

Then you're going to see the next chunk that's going to move in the next year and then the people who are really attached to their perpetual license, which we don't think is going to be a lot of people will move later in the program. You can see this absolutely a cumulative effect to this



## MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

and not only a cumulative effect from people moving, but remember, the discount to move drops 5% every year, as well. The ones that move in the second year move at a higher loyalty price than the ones that move in first year.

The ones that move in the third year get a higher loyalty price. When these people who have locked in the three year price drop off their three year lock period they then bounce up to the loyalty price at the end of the program, which is a little bit more than 15% what they're paying now. You can see there's a buildup here and that will also provide us some runway into FY21 and beyond in terms of how the base grows in terms of ARR.

---

**Amar Hanspal** - *Autodesk, Inc. - SVP, Products*

What I'd add is that -- I don't know whether you'd characterize this as a hockey stick. It's more a cumulative effect of ARR as Andrew talked about.

This is what gives us a lot of confidence in our FY20 plan. We do see programs like M2S and the other things that we're driving really set us up for success in the long run.

---

**Phil Winslow** - *Wells Fargo Securities - Analyst*

Great, guys. Thanks a lot.

---

**Andrew Anagnost** - *Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer*

Thanks, Phil.

---

**Operator**

Thank you. Our next question comes from the line of Ken Wong from Citigroup.

---

**Ken Wong** - *Citigroup - Analyst*

Hey, guys. So when looking at the maintenance sub decline of 73,000 this quarter, any sense as to how many of those guys converted over to a product subscription?

---

**Amar Hanspal** - *Autodesk, Inc. - SVP, Products*

Ken, I don't think we can project that. What we'd say is that the 73K number was as expected. This was our largest pool of maintenance customers up for renewal and our renewal rates was exactly where we'd expect them to be.

The number's not unusual or unexpected for us. We will get better at tracking every single customer that goes from column A to column B, especially as we do the maintenance to subscription program. There was nothing unusual about the 73K number that we saw.

---

**Ken Wong** - *Citigroup - Analyst*

Maybe a follow-up to that. As we try to kind of put this in the context of seasonal Q4 and then the loyalty program you guys are putting in place, should we see that number grow?

Again, not grow in a bad way but obviously that could convert over. But is that 73 number a pretty good pace or too high, too low? Too low?



---

MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

---

**Andrew Anagnost** - Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

Yes, Ken. If you look at the seasonality of where we typically sold licenses. Which is when the maintenance agreements will expire, right, annual maintenance agreement, when you sold the license becomes the same quarter that the maintenance comes due.

The two biggest quarters for that are Q4 and Q1. So 73,000 in Q4 as Amar said was really churn rate was right in line with our expectations.

It is a big quarter in Q1 of renewal opportunities. There's another big -- I'm sorry, in Q4.

There's another big opportunity for renewals in Q1, as well. So obviously we're not guiding to that level of granularity but it's not out of line with what I would expect to see us just based on the size of the renewal opportunity.

---

**Ken Wong** - Citigroup - Analyst

Got it. And then maybe last thing on kind of the same point. I might have missed when the program officially kicks in and then I guess would we expect some pull forward during that particular quarter?

---

**Andrew Anagnost** - Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

The program starts in June and it's tied to their renewal. There's no kind of pull forward effect here. It's all tied to their renewal event.

As people come up for renewal in a quarter they get to choose which path they go on. So it's June and it's all tied to their renewal event.

---

**Ken Wong** - Citigroup - Analyst

Got it. Okay. Thanks a lot, guys.

---

**Andrew Anagnost** - Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

Thanks, Ken.

---

**Operator**

Thank you. Our next question comes from the line of Keith Weiss from Morgan Stanley. Keith, your line is open.

Could you check your mute button, please. He might have stepped away.

We'll move on. Our next question comes from the line of Kash Rangan from Bank of America.

---

**Kash Rangan** - BofA Merrill Lynch - Analyst

One K to another K. Give us a little bit of -- certainly appreciate the detail on the pricing uplift, et cetera.

What is the incentive for the customer to do the 5% price increase or the maintenance. How is the Company going to explain to the customer what is the value they're going to get for the 5% price increase. Also if you could take a step back I think from the Analyst Day and from this conversation.



## MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

What is the value to the customer not from a financial standpoint, disincentive or an incentive. How does the product fundamentally do different things in the cloud-based versions or subscription, broadly speaking the subscription arrangement relative to what they're getting from the desktop software they currently use. Not a lot of discussion, but would love to get enlightened there.

---

### **Andrew Anagnost** - Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

First off, a 5% increase on anything is just -- that's normal course of business in some respects. So the maintenance customers in terms of seeing a 5% price increase, that's not going to change things very significantly in their view. From our view, it's complicated for them.

It's complicated for our partners and it's complicated for the whole infrastructure to maintain these two models. So basically sending out a signal that if you want to maintain a perpetual license it's going to cost you more is a positive signal for the whole ecosystem. Amar and I will both answer the second question.

I want to put a little bit of a beginning on it. When a customer moves to the subscription model they're moving to a model that has a lot more access sees control and insight into how they're using things. I think that's an important value proposition, just without additional products.

The access is any time, anywhere products. They actually get access to different types of versions of the product. They get a mobile, a web and a desktop experience.

They're able to control how they're used, turn them on and off. They get a lot more flexibility.

As we move forward throughout the year the customers are going to see a lot more value add in the control side and the insight side into you how they're using the products that I think he's is I actually real money saved for them. They're going to see real value.

---

### **Amar Hanspal** - Autodesk, Inc. - SVP, Products

Andrew's absolutely right about the installation and deployment experience that customers get, the increased flexibility in materials of where to access and who gets to access what. The other thing that we're doing is actually also changing the core product value proposition.

There's increasing availability of cloud services on the product subscription side. In fact there are pieces of our desktop software right now that are being rewritten as cloud services and really it's only those things are available as part of product subscription.

So the product is not the same product as we move from the license model to the subscription model. We are actively evolving it to be much more of a hybrid experience. I think customers totally get that and they see that they're going to get access to a stream of innovation as opposed to the annual update that they used to get.

---

### **Kash Rangan** - BofA Merrill Lynch - Analyst

Thank Amar and Andrew. It's been so good to hear your voice on an earnings conference call. Not to leave you out, Scott. Any thoughts on when you'd be starting to -- if you could give us a little breakdown from this quarter between the EBA, cloud and the desktop subscriptions.

---

### **Andrew Anagnost** - Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

Yes, Kash. We're not providing that level of granularity under new model. But as always happens in Q4, Q4 and Q1 are the biggest quarters for enterprise subscription adds.



## MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

Q4 because we sell the most EBAs and then they come on throughout the -- come online throughout the quarter. Q1 is where we typically get the cash-up. We measure the active users because it's a consumption model.

It's not a named user model. We have to measure the active users and that takes 60 days before we can report those. Think of enterprise being heavier in Q4 and Q1.

Product subs were very strong. We mentioned that in had the opening commentary. That was the leading driver of the growth of 227,000 new model sub adds during the quarter and cloud was also strong albeit from a smaller base.

---

**Kash Rangan** - *BofA Merrill Lynch - Analyst*

Wonderful. Thanks.

---

**Andrew Anagnost** - *Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer*

Thanks, Kash.

---

**Operator**

Thank you. Our next question come from Keith Weiss of Morgan Stanley.

---

**Keith Weiss** - *Morgan Stanley - Analyst*

Excellent. Thank you guys. Sorry about being on mute before.

Nice quarter. So one question just a clarification. Just so I'm clear.

When a customer comes up for he renewal they're being faced with a choice either pay 5% more for your renewal or pay 5% and go onto desktop subscription. The only reason they wouldn't want to go onto desktop subscription is if they like are afraid at some point they don't want to pay maintenance anymore. They want to have that perpetual license is that the correct way to think about it.

---

**Andrew Anagnost** - *Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer*

That's really the correct way to think about it. A lot of the customers -- .

Because we took the unusual step of basically announcing what our intended price increase path is for maintenance. A lot of customers are going to be making the decision, okay how much is that perpetual license worth for me when I get this multi-year lock on a smaller price increase. Also we're going to be making it pretty clear to them over time, look at all the additional value you get on the subscription side.

You thought it out right. That's how it's going to work an the renewal event.

---

**Keith Weiss** - *Morgan Stanley - Analyst*

You're not losing functionality when you go to a desktop subscription. You gain functionality from.



## MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

**Andrew Anagnost** - Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

You gain functionality. You're gaining more control over you how you use and manage the software. It's a gain for the customer experience wise and capability wise.

---

**Keith Weiss** - Morgan Stanley - Analyst

You lock in the price for three years but there's no sorts of definition of what happens after three years, not like after three years you're coming off a promotional pricing and you get jacked up to some higher pricing.

---

**Andrew Anagnost** - Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

Every year there's a different loyalty price for them to move. In year one it's 5% more than their current. In year two it's going to be little over 10% more than their current maintenance.

And in year three it's a little over 15% above their current maintenance. So there's a different price for each year.

When that three year lock in expires, that customer immediately goes up to the terminal loyalty price of a little over 15%, roughly 16% more than their maintenance price. Then they're kind of subject to ongoing price increases that would you affect what our long-term pricing strategy is.

There's no giant leap up to the full subscription price. You can see there's still going up to a higher value level.

---

**Keith Weiss** - Morgan Stanley - Analyst

Got it. Makes sense. If I can sneak one last one in.

You mentioned the uplift in value you see when you bring a customer to an EBA. I think you said three times the subscription rate. Should I think about that -- is that three times the monetization level that you were able to get out of these customers previously or is it like maintenance to subscription so it's not truly like full monetization if we think about it lifetime value of the customer.

---

**Amar Hanspal** - Autodesk, Inc. - SVP, Products

Let's clarify that come. It's three time the number of users that we see inside the enterprise account.

Generally leads to a higher level of token consumption, generally leads to ever increasing values of EBA over time. But the multiplier isn't exactly three.

---

**Keith Weiss** - Morgan Stanley - Analyst

Any sense you'd give us of what the increase in monetization you get out of moving a customer over to an EBA?

---

**Andrew Anagnost** - Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

Keith, we typically see at the -- I think Steve gave some stats back at our Investor Day. We typically see an uplift in the 30% range at the point of renewal. In other words, when they go from maintenance and they convert over to an EBA.



## MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

**Keith Weiss** - *Morgan Stanley - Analyst*

got it. Thank you very much, guys. Nice quarter.

**Amar Hanspal** - *Autodesk, Inc. - SVP, Products*

You're welcome.

**Operator**

Thank you. And our next question comes from the line of Rob Oliver from Baird.

**Rob Oliver** - *Robert W. Baird & Co. - Analyst*

Hey, guys. Thanks for taking one from the new guy. Have you guys noticed any change to the pace of new customer acquisitions?

Then a follow-up for Scott. Andrew may have just answered this in response to Kash Rangan's question talking about additional access control, increased cloud services. Scott, you mentioned the high degree of confidence that 606 rev rec isn't going to impact you guys.

Can you talk a little bit more about that, add some color there? Thanks so much.

**Amar Hanspal** - *Autodesk, Inc. - SVP, Products*

Sure. Let me take the new customer acquisition. The place where we've seen growth in new customer acquisition has really been from the cloud products.

We've certainly made penetration into construction, into manufacturing. We've seen growing momentum on that side, the ability to acquire customers that we didn't have before. I would say that depending on how you think about license compliance, these are customers that have not paid us before.

We're starting to make a dent with our new model subscription in that customer base. That's why a third of the new model subscriptions were really new to our Company in the result that we saw in Q4. We are definitely seeing new logos coming in as a result of both the combination of the cloud as well as product subscription.

**Richard - Scott Herren** - *Autodesk, Inc. - CFO*

And then to the second part of your question, Rob, on 606. I could probably let Amar that as well because he's been -- he has been into it up to his eye balls. We are not expecting it to have any impact.

I think I mentioned to you last time we met and I've said it a couple times. The person who is now our assistant controller used to run our rev ops team and has been a member of the AICPA task force on 606 for a couple of years. We've had great insight into where this is headed and kind of how it's going to be interpreted and how the guidelines will be applied.

Going through what we're going through at the business model transition, the last thing we wanted to get to the end of this and have all that revenue flip back to upfront. We've been working this for quite some time.



## MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

I think Andrew just mentioned, and Amar did as well, we built into our product subscription a fair amount of integrated cloud functionality. Such that a significant amount of the value comes not just from the executables that come down to the end point, but from the interaction with the cloud services. We're quite confident that we're going to have a nominal impact from 606.

---

**Rob Oliver** - *Robert W. Baird & Co. - Analyst*

Got it. That's helpful. Thanks a lot guys, appreciate it.

---

**Richard - Scott Herren** - *Autodesk, Inc. - CFO*

Thanks, Rob.

---

**Operator**

Thank you. Our next question comes from the line of Gal Munda from Berenberg.

---

**Gal Munda** - *Berenberg Bank - Analyst*

Hi, guys. Just a few questions if I can. The first one is just to understand your pool of active users.

If we take a look back retrospectively at the start of 2016, we had a 5.1 million users which we said at the last Capital Markets Day was kind of underestimated. Under that us users we had 2.3 million subs. Now we're up to 3.1 millions subs.

What is your best guess on the other part of the pool, which initially was 2.8 million today. How big is it?

Because I'd imagine it would be bigger than 2 million, the difference between 3.1 and 5.1. How do you look at that.

---

**Andrew Anagnost** - *Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer*

Actually one of our biggest opportunities as we move over the next couple years is converting users into subscribers. I mean that pretty basically. They're using it, but they're not paying us.

And if you remember from Investor Day, they come in two pools. Actually we have fairly high fidelity in terms of information on how many of these people are active. So if you look at this non-subscriber base, meaning people who bought a perpetual copy of software from us and then dropped off, the active level there is about a 2.2 million.

So there's about 2.2 million active people using our software that aren't paying us but have paid us in the past. The more interesting number is the 6 million plus pirates who are actively using our software. We know that they're using the software because we're able to track the pirated serial numbers and the pirated activity.

That's a more interesting number for us long term and it's interesting to note that about 4 million of those pirates are in mature markets and 1.2 million of them are in accounts that we know and have worked with in the past. So there's a very large base of users out there that are not subscribers.

We're not going to be moving all of those over to us at once. One of the things that's really important especially when it comes to the subscriber growth you're going to see this year is the momentum we're going to be building into FY17. Because, all of these programs that are targeted at the nonsubscribers, for instance, are going to start seeing rapid acceleration as we head to the second half of the year, which is going to carry into FY17.



## MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

The products that Omar talked about earlier are actually going to have some pretty significant pull for these non-subscribers to move forward. That will not only be good for this year, it's going to be very good for FY17. The next thing we're doing this year is we're main streaming all of our piracy efforts, the efforts that are targeting these non-users.

As we move into the end of this year and into FY17, we'll actually have end product purchasing capability for a pirate, so the pirate will actually get a notification saying hey, you might want to pay for this software. This base is going to move over several years but as you can see, it's pretty big.

---

**Gal Munda** - *Berenberg Bank - Analyst*

Okay. So at least 2.2 active non subscribers now plus at least --

---

**Andrew Anagnost** - *Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer*

2.2 active non-subscriber's plus another 6 million plus pirates.

---

**Gal Munda** - *Berenberg Bank - Analyst*

Okay. That makes sense.

---

**Andrew Anagnost** - *Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer*

Much bigger than our current paying base.

---

**Gal Munda** - *Berenberg Bank - Analyst*

Just as a follow-up, on the guidance you are expecting north of 600,000 net new users over the next year is indicating some acceleration. Especially considering historically when you guys talked about the volume of licenses, you would be saying between 600,000 and 700,000 would be the total volume licenses that you see in any given year.

Now taking some churn that we're seeing at the moment into that. That would indicate that you're on the volume expecting more something like 900,000 if I'm just very high level calculation. Does that indicate that you have -- how does that compare to FY17 that just finished and also does it indicate there's some access acceleration of the new user acquisition, maybe some activation of that old pool.

---

**Amar Hanspal** - *Autodesk, Inc. - SVP, Products*

Good question. Look, I think our unit volume for this year was right where we expected it to be and I think we're growing momentum.

Based on the factors that Andrew touched upon, we are certainly seeing increasing momentum through license compliance, through what we would have called a legacy customer base. One of the places where we're definitely accelerating acquisition of customers is also the cloud. As regions around the world, whether emerging countries or places in Asia as they come back to better economic health they will contribute to this overall unit volume growth.

That's why we're very confident that the momentum we're carrying into this year, combined with license compliance legacy as well as momentum in cloud as well as the changes that we talked about in the product that really drive customers to be more current. They're all factors that we believe will drive that result that we pointed to.



## MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

**Andrew Anagnost** - Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

Gal One of the things that of course was not in that historic range of -- actually we said 500,000 to 800,000. The midpoint's the same with your 600,000 to 700,000. What's not in there of course is cloud.

And so as we've seen the cloud begin to accelerate, and it's not in the unit volumes that we've referred to from time to time either. Take that as what's happening in the core business.

Layer on the increase we're seeing as Amar just pointed out, both legacy recapture and some of our piracy programs and put cloud on top of that. Those how you get to the total grows.

**Gal Munda** - Berenberg Bank - Analyst

The total gross you're expecting, is it around 900,000? Is that fair to I say?

**Andrew Anagnost** - Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

We're not guiding at that level. We're not providing that type of insight. But we feel confident in the 600,000 to 650,000 net sub adds for the year.

**Gal Munda** - Berenberg Bank - Analyst

Okay. Thank you so much.

**Andrew Anagnost** - Autodesk, Inc. - SVP, Business Strategy and Marketing and Chief Marketing Officer

Thanks, Cal.

**Operator**

Thank you. And our next question comes from the line of Monika Garg from Pacific Crest Securities.

**Monika Garg** - Pacific Crest Securities - Analyst

Given that in Q4 you saw your perpetual license was merely subscription, why would revenue guidance for Q1 is flattish to more lower?

**Richard - Scott Herren** - Autodesk, Inc. - CFO

Yes, Monika. The one thing when you look year on year and you've got the data now for the full year of FY17, the nonrecurring element of course included six months of sweep perpetual license sales. There won't be any suite perpetual license sales of course.

That means the total nonrecurring revenue year on year is coming down pretty significantly. So we gave you a couple of data points earlier.

So we guided revenue into a range of \$2 billion to \$2.05 billion. And said in the opening commentary that we expect 90% to be recurring. If you do the quick math you could say the nonrecurring piece is going to basketball park \$200 million.



## MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

If you look at what that was last year, that was closer to \$500 million. Where the difference is in the year on year it's certainly we're seeing great growth on the recurring side.

You see that in our ARR guide. But the nonrecurring element of course is coming down year on year.

---

**Monika Garg** - *Pacific Crest Securities - Analyst*

I was actually looking Q over Q from 4Q to 1Q.

---

**Richard - Scott Herren** - *Autodesk, Inc. - CFO*

You'll see the same thing from Q4 to Q1. You'll see the nonrecurring elements coming down pretty significantly.

---

**Monika Garg** - *Pacific Crest Securities - Analyst*

Got it. Then coming back to the maintenance pricing increase.

The loyalty program you talked about, what is the risk of losing customers to competition due to this maintenance price increase you talked about with your channel over the next year? Thank you.

---

**Richard - Scott Herren** - *Autodesk, Inc. - CFO*

One of the reasons we structured the program the way we did is we were really focused on minimizing the churn off of that maintenance base. We feel that the way we structured the program, the huge incentives for loyalty that we're giving to maintenance customers is really a churn minimization plan. We're feeling pretty confident.

Our competitors have historically tried to make incursions into our installed base as we moved to subscription. The truth of the matter is none of them have been particularly successful.

It's really hard to compete with software that's at prices and accessibility levels that are far below what they've been historically when you come in with more expensive perpetual software. Competitors try to make incursions.

They haven't been successful. I think we structured this program as a churn minimization program with a primary goal.

---

**Monika Garg** - *Pacific Crest Securities - Analyst*

Thank you so much.

---

**Richard - Scott Herren** - *Autodesk, Inc. - CFO*

Thanks, Monika.

---

**Operator**

Thank you. And that concludes our question-and-answer session for today. I would like to turn things over to David Gennarelli for any closing comments.



MARCH 02, 2017 / 10:00PM, ADSK - Q4 2017 Autodesk Inc Earnings Call

**Dave Gennarelli** - Autodesk, Inc. - Director of IR

Thanks, Karen. That concludes our conference call for today. If you have any follow-up questions you can e-mail me or call me direct at 415-507-6033. Thanks.

**Operator**

Thank you. Ladies and gentlemen, thank you for your participation in today's conference.

This does conclude the program and you may now disconnect. Everyone have a great day.

**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2017, Thomson Reuters. All Rights Reserved.

