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AUTODESK INC

Form 10-K

March 22, 2018

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xbrli:shares xbrli:pure adsk:Plan adsk:Position

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
X EXCHANGE ACT OF 1934

For the fiscal year ended January 31, 2018

or

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 0-14338

AUTODESK INC.

(Exact name of registrant as specified in its charter)

Delaware

94-2819853

(State or other jurisdiction
of incorporation or organization)

(I.R.S. employer
Identification No.)

111 McInnis Parkway,
San Rafael, California 94903

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (415) 507-5000

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 Par Value	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 ("Exchange Act"). Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 31, 2017, the last business day of the registrant's most recently completed second fiscal quarter, there were approximately 218.5 million shares of the registrant's common stock outstanding that were held by non-affiliates, and the aggregate market value of such shares held by non-affiliates of the registrant (based on the closing sale price of such shares on the NASDAQ Global Select Market on July 31, 2017) was approximately \$24.2 billion. Shares of the registrant's common stock held by each executive officer and director have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 12, 2018, the registrant had outstanding 218,327,862 shares of common stock.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for registrant's Annual Meeting of Stockholders (the "Proxy Statement"), are incorporated by reference in Part III of this Form 10-K to the extent stated herein. The Proxy Statement will be filed within 120 days of the registrant's fiscal year ended January 31, 2018.

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FORWARD-LOOKING INFORMATION

The discussion in this Annual Report on Form 10-K contains trend analyses and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are any statements that look to future events and consist of, among other things, our business strategies, future financial results (by product type and geography) and subscriptions, the effectiveness of our restructuring efforts, the effectiveness of our efforts to successfully manage transitions to new business models and markets, our expectations regarding the continued transition of our business model, expectations for and our ability to increase our subscription base, expected market trends, including the growth of cloud and mobile computing, the effect of unemployment, the availability of credit, the effects of global economic conditions, the effects of revenue recognition, the effects of newly recently issued accounting standards, expected trends in certain financial metrics, including expenses, the impact of acquisitions and investment activities, expectations regarding our cash needs, the effects of fluctuations in exchange rates and our hedging activities on our financial results, our ability to successfully expand adoption of our products, our ability to gain market acceptance of new businesses and sales initiatives, and the impact of economic volatility and geopolitical activities in certain countries, particularly emerging economy countries, the timing and amount of purchases under our stock buy-back plan, and the effects of potential non-cash charges on our financial results and the resulting effect on our financial results. In addition, forward-looking statements also consist of statements involving expectations regarding product capability and acceptance, statements regarding our liquidity and short-term and long-term cash requirements, as well as statements involving trend analyses and statements including such words as “may,” “believe,” “could,” “anticipate,” “would,” “might,” “plan,” “expect,” and similar expressions or the negative of these terms or other comparable terminology. These forward-looking statements speak only as of the date of this Annual Report on Form 10-K and are subject to business and economic risks. As such, our actual results could differ materially from those set forth in the forward-looking statements as a result of a number of factors, including those set forth below in Item 1A, “Risk Factors,” and in our other reports filed with the U.S. Securities and Exchange Commission. We assume no obligation to update the forward-looking statements to reflect events that occur or circumstances that exist after the date on which they were made, except as required by law.

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PART I

ITEM 1. BUSINESS

Note: A glossary of terms used in this Form 10-K appears at the end of this Item 1.

GENERAL

We are a global leader in design software and services, offering customers productive business solutions through powerful technology products and services. We serve customers in architecture, engineering and construction; product design and manufacturing; and digital media and entertainment industries. Our customers are able to design, fabricate, manufacture and build anything by visualizing, simulating and analyzing real-world performance early in the design process. These capabilities allow our customers to foster innovation, optimize their designs, streamline their manufacturing and construction processes, save time and money, improve quality, communicate plans, and collaborate with others. Our professional software products are sold globally, both directly to customers and through a network of resellers and distributors.

Segments

We report segment information based on the “management” approach. The management approach designates the internal reporting used by management for making decisions, allocating resources and assessing performance as the source of our reportable segments. The Company's chief operating decision maker ("CODM") allocates resources and assesses the operating performance of the Company as a whole. As such, Autodesk has one segment manager (the CODM), and one operating segment.

A summary of our revenue by geographic area and product family is found in Note 13, “Segment, Geographic and Product Family Information,” in the Notes to our Consolidated Financial Statements.

Corporate Information

We were incorporated in California in April 1982 and were reincorporated in Delaware in May 1994. Our principal executive office is located at 111 McInnis Parkway, San Rafael, California 94903, and the telephone number at that address is (415) 507-5000. Our internet address is www.autodesk.com. The information posted on our website is not incorporated into this Annual Report on Form 10-K. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on the Investor Relations portion of our web site at www.autodesk.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The public may also read and copy any material we file with the SEC at the SEC's Public Reference Room at 100 F Street N.E. Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1 (800) SEC-0330.

PRODUCTS

Our architecture, engineering and construction products improve the way building, infrastructure, and industrial projects are designed, built, and operated. Our product development and manufacturing software provides manufacturers in automotive, transportation, industrial machinery, consumer products and building product industries with comprehensive digital design, engineering, manufacturing and production solutions. These technologies bring together data from all phases of the product development and production life cycle, creating a digital pipeline that

supports greater productivity and accuracy through process automation. Our digital media and entertainment products provide tools for digital sculpting, modeling, animation, effects, rendering, and compositing for design visualization, visual effects and games production. Our portfolio of products and services enables our customers to foster innovation, optimize and improve their designs, save time and money, improve quality, communicate plans, and collaborate with others.

Autodesk's product offerings include:

AutoCAD

AutoCAD software, which is our largest single revenue-generating product, is a customizable and extensible CAD application for professional design, drafting, detailing, and visualization. AutoCAD software provides digital tools that can be

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used independently and in conjunction with other specific applications in fields ranging from construction and civil engineering to manufacturing and plant design.

AutoCAD LT

AutoCAD LT software is purpose built for professional drafting and detailing. AutoCAD LT includes document sharing capability without the need for software customization or certain advanced functionality found in AutoCAD. Users can share all design data with team members who use AutoCAD or other Autodesk products built on AutoCAD. AutoCAD LT software is our second largest revenue-generating product.

Industry Collections

Autodesk's Industry Collections provide our customers with increased access to a broader selection of Autodesk products, greater value, more flexibility, and a simpler way to subscribe and manage Autodesk subscriptions. The collections are tailored to provide the essential software needed by professionals within each industry: AEC, Product Design, and M&E.

The AEC Collection aims to help our customers design, engineer, and construct higher quality, more predictable building and civil infrastructure projects, commonly used by AEC industry experts, such as AutoCAD, AutoCAD Civil3D, and Revit.

The Product Design Collection offers connected, professional-grade tools that help our customers make great products today and compete in the changing manufacturing landscape of the future. The collection offers access to a wide range of our products, including AutoCAD and Inventor.

The M&E Collection provides end-to-end creative tools for entertainment creation. This collection enables animators, modelers and visual effect artists to access the tool they need, including Maya and 3ds Max, to create compelling effects, 3D characters and digital worlds.

CAM Solutions

Our computer-aided manufacturing ("CAM") software offers industry-leading solutions for Computer Numeric Control ("CNC") machining, inspection, and modeling for manufacturing. A comprehensive line-up of expert products, including PowerMill, FeatureCAM, PowerInspect, PowerShare, and others, help our customers manufacture complex, innovative products and components with maximum quality, control, and production efficiency.

AutoCAD Civil 3D

AutoCAD Civil 3D products provide a surveying, design, analysis, and documentation solution for civil engineering, including land development, transportation, and environmental projects. Using a model-centric approach that automatically updates documentation as design changes are made, AutoCAD Civil 3D products enable civil engineers, designers, drafters, and surveyors to significantly boost productivity and deliver higher-quality designs and construction documentation faster. With AutoCAD Civil 3D products, the entire project team works from the same consistent, up-to-date model so they stay coordinated throughout all project phases.

Maya

Maya software provides 3D modeling, animation, effects, rendering and compositing solutions that enable film and video artists, game developers, and design visualization professionals to digitally create engaging, lifelike images, realistic animations and simulations, extraordinary visual effects, and full length animated feature films.

3ds Max

3ds Max software provides 3D modeling, animation, and rendering solutions that enable game developers, design visualization professionals and visual effects artists to digitally create realistic images, animations, and complex scenes and to digitally communicate abstract or complex mechanical, architectural, engineering, and construction concepts.

Revit

Revit software is built for Building Information Modeling ("BIM") to help professionals design, build, and maintain higher-quality, more energy-efficient buildings. Using the information-rich models created with Revit, architects, engineers,

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and construction firms can collaborate to make better-informed decisions earlier in the design process to deliver projects with greater efficiency. Revit includes features for architectural, mechanical, electrical and plumbing design as well as structural engineering and construction, providing a comprehensive solution for the entire building project team.

Inventor

Inventor enables manufacturers to go beyond 3D design to digital prototyping by giving engineers a comprehensive and flexible set of tools for 3D mechanical design, simulation, analysis, tooling, visualization, and documentation. Engineers can integrate AutoCAD drawings and model-based design data into a single digital model, creating a virtual representation of a final product that enables them to validate the form, fit, and function of the product before it is ever built.

BIM 360

BIM 360 construction management cloud-based software enables almost anytime, anywhere access to project data throughout the building construction lifecycle. BIM 360 empowers those in the field to better anticipate and act, and those in the back office to optimize and manage all aspects of construction performance.

Shotgun

Shotgun is cloud-based software for review and production tracking in the M&E industry. Creative companies use the Shotgun platform to provide essential business tools for managers and visual collaboration tools for artists and supervisors, who often work globally with distributed teams.

Fusion 360

Fusion 360 is the first 3D CAD, CAM, and Computer-aided Engineering ("CAE") tool of its kind. It connects the entire product development process on a single cloud-based platform that works on both Apple and PC operating systems.

PRODUCT DEVELOPMENT AND INTRODUCTION

The software industry is undergoing a transition from the personal computer to cloud, social, and mobile computing. In fiscal 2018, we continued to successfully implement a strategic transition of our business model announced in fiscal 2014. To support our transition, effective February 1, 2016, we discontinued the sale of new commercial seats of most individual software products, which are now exclusively available by desktop subscription, and discontinued selling perpetual licenses of suites while introducing industry collections effective August 1, 2016. Industry collections allow access to a broad set of products and cloud services th

We dedicate considerable technical and financial resources to research and development to further enhance our existing products and to create new products and technologies to expand our market opportunity. For example, in fiscal 2018, we continued and expanded our investments in construction. We continued to make investments in the traditional data creation tools to support the design and pre-construction phases, while expanding our investment in the areas of site execution with process and project management cloud-based tools. Recognizing the value of data continuity across the construction lifecycle of design, building and operations, we made investments in the handover and operations phase of the project through our cloud-based tools. To connect the phases of construction upstream with design, we invested in and announced our cloud-based project delivery platform that allows individuals, teams and projects to be connected across all phases in a common data platform. We anticipate ongoing investments in construction that support pre-construction, site execution as well as the handover phase of the project and will continue to invest in connecting workflows and data across the ecosystem of the project.

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Research and development expenditures were \$755.5 million or 37% of fiscal 2018 net revenue, \$766.1 million or 38% of fiscal 2017 net revenue and \$790.0 million or 32% of fiscal 2016 net revenue. Our software is primarily developed internally; however, we also use independent firms and contractors to perform some of our product development activities. Additionally, we acquire products or technology developed by others by purchasing or licensing products and technology from third parties. We continually review these investments in an effort to ensure that we are generating sufficient revenue or gaining a competitive advantage to justify their costs.

The majority of our research and product development is performed in the United States, China, Singapore, Canada, and the United Kingdom. However, we employ experienced software developers in many of our other locations. Translation and localization of our products are performed in a number of local markets, principally Singapore and Switzerland. We generally localize and translate our products into German, French, Italian, Spanish, Russian, Japanese, Korean, and simplified and traditional Chinese.

We plan to continue managing significant product development operations internationally over the next several years. We believe that our ability to conduct research and development at various locations throughout the world allows us to optimize product development, lower costs, and integrate local market knowledge into our development activities. We continually assess the significant costs and challenges, including intellectual property protection, against the benefits of our international development activities.

For further discussion regarding risks from our product development and introduction efforts, see Item 1A, “Risk Factors.”

MARKETING AND SALES

We license or sell our products and services globally, primarily through indirect channels consisting of distributors and resellers. To a lesser extent we also transact directly with our enterprise and named account customers and with customers through our online Autodesk branded store. Our indirect channel model includes both a two-tiered distribution structure, where distributors sell to resellers, and a one-tiered structure, where Autodesk sells directly to resellers. We have a network of approximately 1,600 resellers and distributors worldwide. For fiscal 2018, approximately 70% of our revenue was derived from indirect channel sales through distributors and resellers.

We anticipate that our channel mix will continue to change, particularly as we scale our online Autodesk branded store business and our largest accounts shift towards direct-only business models. Importantly, we expect our indirect channel will continue to transact and support the majority of our future revenue. We employ a variety of incentive programs and promotions to align our reseller channel with our business strategies. Our ability to effectively distribute our products depends in part upon the financial and business condition of our distributor and reseller networks. The loss of, or a significant reduction in, business with any one of our major distributors or large resellers could harm our business; see Item 1A, “Risk Factors,” for further discussion.

Sales through our largest distributor, Tech Data Corporation and its global affiliates, accounted for 31%, 30%, and 25% of our net revenue for fiscal years ended January 31, 2018, 2017, and 2016, respectively. We believe our business is not substantially dependent on Tech Data. Our customers through Tech Data are the resellers and end users who purchase our software licenses and services. Should any of the agreements between us and Tech Data be terminated for any reason, we believe the resellers and end users who currently purchase our products through Tech Data would be able to continue to do so under substantially the same terms from one of our many other distributors without substantial disruption to our revenue. No other distributor, reseller, or direct customer accounted for 10% or more of our revenue.

Our customer-related operations are divided into three geographic regions, the Americas; Europe, Middle East, and Africa (“EMEA”), and Asia Pacific (“APAC”). Each geographic region is supported by global marketing and sales organizations. These organizations develop and manage overall marketing and sales programs and work closely with a network of domestic and international sales offices. Fiscal 2018 net revenue in the Americas, EMEA, and APAC was \$871.1 million (42%), \$815.4 million (40%), and \$370.1 million (18%), respectively. We believe that international sales will continue to comprise the majority of our total net revenue. Adverse economic conditions and currency exchange rates in the countries that contribute a significant portion of our net revenue, including emerging economies, may have an adverse effect on our business in those countries and our overall financial performance. A summary of our financial information by geographic location is found in Note 13, “Segment, Geographic and Product Family Information,” in the Notes to Consolidated Financial Statements. Our international operations and sales subject us to a variety of risks; see Item 1A, “Risk Factors,” for further discussion.

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We also work directly with reseller and distributor sales organizations, computer manufacturers, other software developers, and peripherals manufacturers in cooperative advertising, promotions, and trade-show presentations. We employ mass-marketing techniques such as webcasts, seminars, telemarketing, direct mailings, sponsorships, advertising in business and trade journals, and social media. We have a worldwide user group organization and we have created online user communities dedicated to the exchange of information related to the use of our products and services.

We generate revenue primarily through various offerings that provide recurring revenue. Under our maintenance plan program, our customers who own a perpetual use license for the most recent version of the underlying product are able to renew a previously purchased maintenance plan that provides them with unspecified upgrades when and if available, and receive online support during the term of their maintenance contract. Under our subscription plan, customers can use our software anytime, anywhere, and get access to the latest updates to previous versions through term-based product subscriptions, cloud service offerings, and enterprise business agreements. With the discontinuation of the sale of perpetual licenses, we have transitioned away from selling a mix of perpetual licenses and maintenance plans in favor of a consolidated subscription model.

CUSTOMER AND RESELLER SUPPORT

We provide technical support and training to customers through a multi-tiered support model, augmented by direct programs designed to address certain specific customer needs. Most of our customers receive support and training from the resellers and distributors from which they purchased subscriptions or licenses for our products or services, with Autodesk in turn providing second tier support to the resellers and distributors. Other customers are supported directly via self-service using the Autodesk Knowledge Network which guides customers to answers in our online support assets, support forums, webinars or to support representatives using a number of different modalities such as social media, phone, email and webchat. We also support our resellers and distributors through technical product training, sales training classes, webinars and other knowledge sharing programs.

EDUCATION, SUSTAINABILITY, AND PHILANTHROPIC PROGRAMS

Education

Autodesk is committed to helping fuel a lifelong passion for design and making among students of all ages, both within and outside the classroom. We offer free educational licenses of Autodesk's professional software to students, educators, and accredited educational institutions worldwide. We inspire and support beginners with Tinkercad, a simple online 3D design and 3D printing tool. Through Autodesk Design Academy, we provide secondary and postsecondary schools hundreds of standards-aligned class projects to support design-based disciplines in Science, Technology, Engineering, Digital Arts, and Math (STEAM) using Autodesk's professional-grade design, engineering and entertainment software. Autodesk Design Academy curricula is also syndicated on iTunes U and Udemy, where millions of students go to learn online. Classes and projects are available on our Instructables website for anyone looking to expand their "making" skills. Our intention is to make Autodesk software ubiquitous and the design and making software of choice for those poised to become the next generation of professional users.

Sustainability Programs

To help our customers imagine, design, and make a better world, our Sustainability initiatives focus our efforts on the area where we can have the greatest impact enabling sustainable practices through our products delivering free sustainable-design learning and training resources, providing software grants to qualifying nonprofits and entrepreneurs, and leading by example with our sustainable business practices. Through our products and services, we

are supporting our customers to better understand and improve the environmental performance of everything they make.

Climate Change

In addressing the global challenges posed by climate change, we make it possible for our customers to innovate and respond to associated changes in regulation, building code, physical climate parameters and other climate-related developments. This effort can directly and indirectly create more demand for existing and new Autodesk products and services in the short and long-term. Furthermore, our leadership is committed to taking climate action and that commitment goes hand-in-hand with our reputation in the marketplace.

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Climate Change Management Actions

To drive continued progress and meet growing demand, we continue to expand the solutions, education, and support we offer, helping customers secure a competitive advantage for a low-carbon future by designing high-performance buildings, resilient cities and infrastructure, and more efficient transportation and products. To continue to grow this market, we provide software and support to early stage entrepreneurs and start-up companies who are designing clean technologies. We plan to expand these offerings in the future based upon demand and opportunity in response to challenges posed by climate change.

Internally, we are investing in best practices to mitigate our greenhouse gas emissions and climate change risk through investments in renewable energy, energy efficiency, disaster management and recovery strategies, and materials innovation. We are on track to meet our science-based greenhouse gas reduction target of 43% absolute emissions by 2020.

Climate Change Governance

With oversight from our CEO, the Sustainability & Foundation Team has direct responsibility for setting and implementing the corporate sustainability strategy, including the climate change strategy.

Emissions Performance & Other Key Performance Indicators

By end of fiscal 2017, Autodesk had reduced its net greenhouse gas emissions for its operational boundary by 44% from our fiscal year 2009 baseline to 156,000 metric tons of carbon dioxide equivalent. This reduction was accomplished through increased investment in renewable energy and energy efficiency in our global real estate portfolio, and continued transition from physical software delivery to cloud and electronic software delivery. More information about our sustainability commitment can be found in our annual sustainability reports, which we have published on our website since 2008. Our fiscal 2018 sustainability report will be published in the second quarter of fiscal 2019.

Philanthropy

The Autodesk Foundation (the "Foundation"), a privately funded 501(c)(3) charity organization established and solely funded by us, leads our philanthropic efforts. The purpose of the Foundation is twofold: to support employees to create a better world at work, at home, and in the community by matching employee's volunteer time and/or donations to nonprofit organizations; and to support organizations and individuals using design to drive positive social and environmental impact. In the latter case, we use grant funding, software donations, and training to accomplish this goal, selecting the most impactful and innovative organizations around the world, thus, leading to a better future for our planet. On our behalf, the Foundation also administers a discounted software donation program to nonprofit organizations, social and environmental entrepreneurs, and others who are developing design solutions that will shape a more sustainable future.

DEVELOPER PROGRAMS

Our business and our customers benefit from our relationships with an extensive developer network. These developers create and sell their own interoperable products that further enhance the range of integrated solutions available to our customers. One of our key strategies is to maintain an open-architecture design of our software products to facilitate third-party development of complementary products and industry-specific software solutions. This approach enables customers and third-parties to customize solutions for a wide variety of highly specific uses. We offer several

programs that provide strategic investment funding, technological platforms, user communities, technical support, forums, and events to developers who develop add-on applications for our products. For example, we have created our web services platform, Autodesk Forge. The Forge Platform includes a number of web services that enable software developers to rapidly develop the next generation of applications, and experiences that will power the future of making things. Forge facilitates the development of a single connected ecosystem for integrating Autodesk applications with other enterprise, web and mobile solutions.

COMPETITION

The markets for our products are highly competitive, are subject to rapid change, and can have complex interdependencies between many of the larger businesses. We strive to increase our competitive separation by investing in research and development, allowing us to bring new products to market and create exciting new versions of existing products that offer compelling efficiencies for our customers. We also compete through investments in marketing and sales to more effectively reach new customers and better serve existing customers.

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Our competitors include large, global, publicly traded companies; small, geographically focused firms; startup firms; and solutions produced in-house by their users. Our primary global competitors include Adobe Systems Incorporated, ANSYS, Inc., Apple Inc., AVEVA Group plc, Avid Technology, Inc., Bentley Systems, Inc., Dassault Systèmes S.A. and its subsidiary Dassault Systèmes SolidWorks Corp., Intergraph Corporation, a wholly owned subsidiary of Hexagon AB, MSC Software Corporation, Nemetschek AG, PTC, 3D Systems, Siemens PLM, SONY Corporation, Technicolor, and Trimble Navigation Limited, among others.

The software industry has limited barriers to entry, and the availability of computing power with continually expanding performance at progressively lower prices contributes to the ease of market entry. The industry is presently undergoing a platform shift from the personal computer to cloud and mobile computing. This shift further lowers barriers to entry and poses a disruptive challenge to established software companies. The design software market is characterized by vigorous competition in each of the vertical markets in which we compete, both from existing competitors and by entry of new competitors with innovative technologies. Competition is increasingly enhanced by consolidation of companies with complementary products and technologies and the possibility that competitors in one vertical segment may enter other vertical segments that we serve. In addition, some of our competitors in certain markets have greater financial, technical, sales and marketing, and other resources than we do. Because of these and other factors, competitive conditions in these industries are likely to continue to intensify in the future. Increased competition could result in price reductions, reduced net revenue and profit margins, and loss of market share, any of which could harm our business. See Item 1A, “Risk Factors,” for further discussion of risks regarding competition.

We believe that our future results depend largely upon our ability to better serve customers by offering new products, including cloud and mobile computing products, whether by internal development or acquisition, and to continue to provide existing product offerings that compete favorably with respect to ease of use, reliability, performance, range of useful features, continuing product enhancements, reputation, price, and training.

INTELLECTUAL PROPERTY AND LICENSES

We maintain an active program to legally protect our investment in technology through intellectual property rights. We protect our intellectual property through a combination of patent, copyright, trademark and trade secret protections, confidentiality procedures, and contractual provisions. The nature and extent of legal protection associated with each such intellectual property right depends on, among other things, the type of intellectual property right and the given jurisdiction in which such right arises. We believe that our intellectual property rights are valuable and important to our business.

Nonetheless, our intellectual property rights may not be successfully asserted in the future or may be invalidated, circumvented or challenged. In addition, the laws and enforcement of the laws of various foreign countries where our products are distributed do not protect our intellectual property rights to the same extent as U.S. laws. Enforcement of intellectual property rights against alleged infringers can sometimes lead to costly litigation and counterclaims. Our inability to protect our proprietary information could harm our business.

From time to time, we receive claims alleging infringement of a third party’s intellectual property rights, including patents. Disputes involving our intellectual property rights or those of another party have in the past and may in the future lead to, among other things, costly litigation or product shipment delays, which could harm our business.

We retain ownership of software we develop. Our combined hybrid offerings include both desktop software and cloud functionality. Desktop software is licensed to users pursuant to ‘click through’ or signed license agreements containing restrictions on duplication, disclosure, and transfer. Cloud software and associated services are provided to users pursuant to on-line or signed terms of service agreements containing restrictions on access and use.

We believe that because of the limitations of laws protecting our intellectual property and the rapid, ongoing technological changes in both the computer hardware and software industries, we must rely principally upon software engineering and marketing skills to continually maintain and enhance our competitive market position.

While we have recovered some revenue resulting from the unauthorized use of our software products, we are unable to measure the full extent to which piracy of our software products exists. We believe, however, that software piracy is and can be expected to be a persistent problem that negatively impacts our revenue and financial results. We believe that our transition from perpetual use software licenses to a subscription-based business model combined with the change from desktop to cloud-based computing will shift the incentives and means by which software is pirated.

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In addition, through various licensing arrangements, we receive certain rights to intellectual property of others. We expect to maintain current licensing arrangements and to secure licensing arrangements in the future, as needed and to the extent available on reasonable terms and conditions, to support continued development and sales of our products and services. Some of these licensing arrangements require or may require royalty payments and other licensing fees. The amount of these payments and fees may depend on various factors, including but not limited to: the structure of royalty payments, offsetting considerations, if any, and the degree of use of the licensed technology.

See Item 1A, “Risk Factors,” for further discussion of risks related to protecting our intellectual property.

PRODUCTION AND SUPPLIERS

The production of our software products and services involves duplication or hosting of software media. The way that we deliver software has evolved during our business model transition. For certain cloud-based products, we use a combination of co-located hosting facilities and increasingly Amazon Web Services and to a lesser degree other infrastructure-as-a-service providers. Over 95% of our customers choose an electronic software download option for both initial product fulfillment and subsequent product updates. Customers who choose electronic fulfillment receive the latest version of the software from our vendor’s secure servers. Customers may also obtain our software through media such as DVDs and USB flash drives available from multiple sources. The purchase of media and the transfer of the software programs onto media for distribution to customers are performed by us and by licensed subcontractors. Packaging materials are produced to our specifications by outside sources. Production is performed in leased facilities operated by independent third-party contractors. To date, we have not experienced any material difficulties or delays in the production of our software and documentation.

EMPLOYEES

As of January 31, 2018, we employed approximately 8,800 people. None of our employees in the United States are represented by a labor union. In certain foreign countries, our employees are represented by work councils. We have never experienced any work stoppages and believe our employee relations are good. Reliance upon employees in other countries entails various risks and changes in these foreign countries, such as government instability or regulation unfavorable to foreign-owned businesses, which could negatively impact our business in the future.

ACQUISITIONS

Over the past three years, we acquired new technology or supplemented our technology by purchasing businesses or technology related assets focused in specific markets or industries. For the fiscal years ended January 31, 2018, 2017, and 2016, we acquired companies and technology related assets, some of which were accounted for as business combinations. The following were significant acquisitions for fiscal years 2018, 2017, and 2016:

<u>Date of closing</u>	<u>Company</u>	<u>Details</u>
November 2015	netfabb GmbH ("netfabb")	The acquisition of netfabb GmbH (“netfabb”) provided Autodesk with software solutions that reduced production costs and increased efficiency in 3D printing and additive manufacturing.

DEFERRED REVENUE AND UNBILLED DEFERRED REVENUE

Our deferred revenue balance at January 31, 2018 was \$1,955.1 million and primarily relates to subscription and maintenance agreements invoiced for which the revenue has not yet been recognized but will be recognized as revenue ratably over the life of the contracts. The term of our subscription contracts is typically between one and three years.

We define unbilled deferred revenue as contractually stated or committed orders under multi-year billing plans for subscription, services, license and maintenance for which the associated deferred revenue has not been recognized and the customer has not been invoiced. Unbilled deferred revenue is not included on our Condensed Consolidated Balance Sheet until invoiced to the customer.

	Fiscal Year Ended January 31, 2018
<i>(in millions)</i>	
Deferred revenue	\$ 1,955.1
Unbilled deferred revenue (1)	326.4
Total	\$ 2,281.5

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(1) This is our first year presenting this metric and we are not able to provide historical information at this time. Comparative information will not be available until fiscal 2019.

We expect that the amount of unbilled deferred revenue and deferred revenue will change from quarter to quarter for several reasons, including the specific timing, duration and size of large customer subscription and support agreements, varying billing cycles of such agreements, the specific timing of customer renewals, foreign currency fluctuations and the timing of when billed and unbilled deferred revenue are recognized as revenue.

GLOSSARY OF TERMS

Annualized Recurring Revenue (ARR)—Represents the annualized value of our average monthly recurring revenue for the preceding three months. "Maintenance plan ARR" captures ARR relating to traditional maintenance attached to perpetual licenses. "Subscription plan ARR" captures ARR relating to subscription offerings. Refer to the definition of recurring revenue below for more details on what is included within ARR. 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.

ARR is currently one of our key performance metrics to assess the health and trajectory of our business. ARR should be viewed independently of revenue and deferred revenue as ARR is a performance metric and is not intended to be combined with any of these items.

Annualized Revenue Per Subscription (ARPS)—Is calculated by dividing our annualized recurring revenue by the total number of subscriptions.

Building Information Modeling (BIM)—Describes a model-based technology linked with a database of project information, and is the process of generating and managing information throughout the life cycle of a building. BIM is used as a digital representation of the building process to facilitate exchange and interoperability of information in digital formats.

Cloud Service Offerings—Represents individual term-based offerings deployed through web browser technologies or in a hybrid software and cloud configuration. Cloud service offerings that are bundled with other product offerings are not captured as a separate cloud service offering.

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.

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

Industry Collections—Autodesk industry collections are a combination of products and services that target a specific user objective and support a set of workflows for that objective. Our Industry Collections consist of: Autodesk Architecture, Engineering and Construction Collection, Autodesk Product Design Collection, and Autodesk Media and Entertainment Collection. We introduced industry collections effective August 1, 2016 to replace our suites.

License and Other Revenue—Represents (1) perpetual license revenue and (2) other revenue. Perpetual license revenue includes software license revenue from the sale of perpetual licenses, and Creative Finishing. Other revenue includes revenue such as standalone consulting and training, and is recognized over time as the services are performed.

Maintenance Plans—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 between one and three years.

Product Subscriptions—Provide 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.

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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.

Subscription Plans—Comprises our term-based product subscriptions, cloud service offerings, and enterprise business agreements (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 enterprise business agreements (EBAs) and all other services as part of a bundled subscription agreement accounted for as a single unit of accounting. (i.e. cloud services, maintenance, and consulting).

Total Subscriptions—Consists of subscriptions from our maintenance plans and subscription plan offerings that are active and paid as of the fiscal year end date. For certain cloud service offerings and enterprise business agreements (EBAs), subscriptions represent the monthly average activity reported within the last three months of the fiscal year end date. Total subscriptions do not include education offerings, consumer product offerings, select Creative Finishing product offerings, Autodesk Buzzsaw, Autodesk Constructware, and third party products. Subscriptions acquired with the acquisition of a business are captured once the data conforms to our subscription count methodology and when added, may cause variability in the comparison of this calculation.

Unbilled deferred revenue—Unbilled deferred revenue represents contractually stated or committed orders under multi-year billing plans for subscription, services, license and maintenance for which the associated deferred revenue has not been recognized and the customer has not been invoiced. Unbilled deferred revenue is not included on our Consolidated Balance Sheet until invoiced to the customer.

ITEM 1A. RISK FACTORS

We operate in a rapidly changing environment that involves significant risks, a number of which are beyond our control. In addition to the other information contained in this Form 10-K, the following discussion highlights some of these risks and the possible impact of these factors on our business, financial condition, and future results of operations. If any of the following risks actually occur, our business, financial condition, or results of operations may be adversely impacted, causing the trading price of our common stock to decline. In addition, these risks and uncertainties may impact the “forward-looking” statements described elsewhere in this Form 10-K and in the documents incorporated herein by reference. They could affect our actual results of operations, causing them to differ materially from those expressed in “forward-looking” statements.

Global economic and political conditions may further impact our industries, business and financial results.

Our overall performance depends largely upon domestic and worldwide economic and political conditions. The United States and other international economies have experienced cyclical downturns from time to time in which economic activity was impacted by falling demand for a variety of goods and services, restricted credit, poor liquidity, decreased government spending, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies and overall uncertainty with respect to the economy. These economic conditions can occur abruptly. If economic growth in countries where we do business slows or if such countries experience further

economic recessions, customers may delay or reduce technology purchases. Our customers include government entities, including the U.S. federal government, and if spending cuts impede the ability of governments to purchase our products and services, our revenue could decline. In addition, a number of our customers rely, directly and indirectly, on government spending.

Geopolitical trends toward nationalism and protectionism and the weakening or dissolution of international trade pacts may increase the cost of, or otherwise interfere with, conducting business. These trends have increased levels of political and economic unpredictability globally, and may increase the volatility of global financial markets; the impact of such developments on the global economy remains uncertain. Political instability or adverse political developments in any of the countries in which we do business could harm our business, results of operations and financial condition.

A financial sector credit crisis could impair credit availability and the financial stability of our customers, including our distribution partners and channels. A disruption in the financial markets may also have an effect on our derivative counter-parties and could also impair our banking partners, on which we rely for operating cash management. Any of

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these events could harm our business, results of operations and financial condition.

If we fail to successfully manage our business model transition to cloud-based products and more flexible product licenses, our results of operations could be negatively impacted.

To address the industry transition from personal computer to cloud, mobile, and social computing, we accelerated our move to the cloud and are offering more flexible product licenses. To support our transition, we discontinued selling new perpetual licenses of most individual software products effective February 1, 2016, and discontinued selling new perpetual licenses of suites effective August 1, 2016. On June 15, 2017, we commenced a program to incentivize maintenance plan customers to move to subscription plan offerings. Through this program we offer discounts to those maintenance plan customers that move to subscription plan offerings, while at the same time increasing maintenance plan pricing over time for customers that remain on maintenance.

As a result, we expect to derive an increasing portion of our revenues in the future from subscriptions. This subscription model prices and delivers our products in a way that differs from the historical perpetual pricing and delivery methods. These changes reflect a significant shift from perpetual license sales and distribution of our software in favor of providing our customers the right to access certain of our software in a hosted environment or use downloaded software for a specified subscription period. During the first three years of the transition, revenue, billings, gross margin, operating margin, net income (loss), earnings (loss) per share, deferred revenue, and cash flow from operations have been impacted as more revenue is recognized ratably rather than upfront and as new offerings bring a wider variety of price points.

Our ability to achieve our financial objectives is subject to risks and uncertainties. The new offerings require a considerable investment of technical, financial, legal, and sales resources, and a scalable organization. Market acceptance of such offerings is affected by a variety of factors, including but not limited to: security, reliability, performance, current license terms, customer preference, social/community engagement, customer concerns with entrusting a third party to store and manage their data, public concerns regarding privacy and the enactment of restrictive laws or regulations. Whether our business model transition will prove successful and will accomplish our business and financial objectives is subject to numerous risks and uncertainties, including but not limited to: customer demand, attach and renewal rates, channel acceptance, our ability to further develop and scale infrastructure, our ability to include functionality and usability in such offerings that address customer requirements, tax and accounting implications, pricing, and our costs. In addition, the metrics we use to gauge the status of our business model transition may evolve over the course of the transition as significant trends emerge. If we are unable to successfully establish these new offerings and navigate our business model transition in light of the foregoing risks and uncertainties, our results of operations could be negatively impacted.

Our strategy to develop and introduce new products and services exposes us to risks such as limited customer acceptance, costs related to product defects, and large expenditures, each of which may not result in additional net revenue or could result in decreased net revenue.

Rapid technological changes, as well as changes in customer requirements and preferences, characterize the software industry. Just as the transition from mainframes to personal computers transformed the industry 30 years ago, we believe our industry is undergoing a similar transition from the personal computer to cloud, mobile, and social computing. Customers are also reconsidering the manner in which they license software products, which requires us to constantly evaluate our business model and strategy. In response, we are focused on providing solutions to enable our customers to be more agile and collaborative on their projects. We devote significant resources to the development of new technologies. In addition, we frequently introduce new business models or methods that require a considerable investment of technical and financial resources such as our introduction of flexible license and service offerings. It is

uncertain whether these strategies will prove successful or whether we will be able to develop the necessary infrastructure and business models more quickly than our competitors. We are making such investments through further development and enhancement of our existing products and services, as well as through acquisitions of new product lines. Such investments may not result in sufficient revenue generation to justify their costs and could result in decreased net revenue. If we are not able to meet customer requirements, either with respect to our software or hardware products or the manner in which we provide such products, or if we are not able to adapt our business model to meet our customers' requirements, our business, financial condition or results of operations may be adversely impacted.

In particular, a critical component of our growth strategy is to have customers of our AutoCAD and AutoCAD LT products expand their portfolios to include our other offerings and cloud-based services. We want customers using individual Autodesk products to expand their portfolio with our other offerings and cloud-based services, and we are taking steps to accelerate this migration. At times, sales of licenses of our AutoCAD and AutoCAD LT or individual Autodesk flagship products have decreased without a corresponding increase in industry collections or cloud-based

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services revenue or without purchases of customer seats to our industry collections. Should this continue, our results of operations will be adversely affected. Also, adoption of our cloud and mobile computing offerings and changes in the delivery of our software and services to our customers, such as product subscription offerings, will change the way in which we recognize revenue relating to our software and services, with a potential negative impact on our financial performance. The accounting impact of these offerings and other business decisions are expected to result in an increase in the percentage of our ratable revenue, as well as recurring revenue, making for a more predictable business over time, while potentially reducing our upfront perpetual revenue stream.

Our executive management team must act quickly, continuously, and with vision, given the rapidly changing customer expectations and technology advancements inherent in the software industry, the extensive and complex efforts required to create useful and widely accepted products and the rapid evolution of cloud computing, mobile devices, new computing platforms, and other technologies, such as consumer products. Although we have articulated a strategy that we believe will fulfill these challenges, if we fail to execute properly on that strategy or adapt that strategy as market conditions evolve, we may fail to meet our customers' expectations, fail to compete with our competitors' products and technology, and lose the confidence of our channel partners and employees. This in turn could adversely affect our business and financial performance.

A significant portion of our revenue is generated through maintenance revenue; if decreases in maintenance revenue are not offset by increases in subscription revenue, our future revenue and financial results will be negatively impacted.

Our maintenance customers have no obligation to renew their maintenance contracts after the expiration of their maintenance period, which is typically one year. The discontinuance of our perpetual licenses for most individual software products on February 1, 2016 and for perpetual suites on August 1, 2016 resulted in the loss of future opportunities to sell maintenance. On June 15, 2017, we commenced a program to incentivize maintenance plan customers to move to subscription plan offerings. As a result, we expect customer renewal rates will decline or fluctuate over time as a result of a number of factors, including the overall global economy, the health of their businesses, the perceived value of the maintenance program and planned maintenance pricing increases. If our non-renewing maintenance customers do not transition to subscriptions, our future revenue and financial results will be negatively impacted.

We may not be able to predict subscription renewal rates and their impact on our future revenue and operating results.

Our customers are not obligated to renew their subscriptions for our offerings, and they may elect not to renew. We cannot assure renewal rates, or the mix of subscriptions renewals. Customer renewal rates may decline or fluctuate due to a number of factors, including offering pricing, competitive offerings, customer satisfaction, and reductions in customer spending levels or customer activity due to economic downturns or financial markets uncertainty. If our customers do not renew their subscriptions or if they renew on less favorable terms, our revenues may decline.

Revenue from our offerings may be difficult to predict during our business model transition.

The discontinuance of our perpetual licenses for most individual software products on February 1, 2016 and for perpetual suites on August 1, 2016 has and will continue to result in the loss of future upfront licensing revenue. This also has frozen the growth of our maintenance revenue because there will be no further opportunities to attach maintenance licensing. On June 15, 2017, we commenced a program to incentivize maintenance plan customers to move to subscription plan offerings. As a result, we expect our maintenance revenue to decline over time, but it may decline more quickly than anticipated due to low maintenance renewals. At the same time, our subscription revenue

may not grow as rapidly as anticipated. Our subscription pricing allows customers to use our offerings at a lower initial cost when compared to the sale of a perpetual license. Although our subscriptions are designed to increase the number of customers who purchase offerings and create a recurring revenue stream that is more predictable over time, it creates risks related to the timing of revenue recognition and expected reductions in cash flows in the near term.

Actions that we are taking to restructure our business in alignment with our strategic priorities may not be as effective as anticipated.

During the fourth quarter of fiscal 2018, we commenced a world-wide restructuring plan to support the Company's strategic priorities of completing the subscription transition; digitizing the Company; and re-imagining manufacturing, construction, and production. Through the restructuring, we seek to reduce our investment in areas not aligned with our strategic priorities, including in areas related to research and development and go-to-market activities. At the same time, we plan to further invest in strategic priority areas related to as digital infrastructure, customer success, and construction.

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As a result of these actions, we will incur additional costs in the short term that will have the effect of reducing our GAAP operating margins. We may encounter challenges in the execution of these efforts, and these challenges could impact our financial results. If we are unable to successfully complete our restructuring efforts, our business and operating results may be harmed.

We are dependent on international revenue and operations, exposing us to significant regulatory, global economic, intellectual property, collections, currency exchange rate, taxation, political instability and other risks, which could adversely impact our financial results.

We are dependent on our international operations for a significant portion of our revenue. International net revenue represented 64% and 63% of our net revenue in fiscal 2018 and 2017, respectively. Our international revenue, including that from emerging economies, is subject to general economic and political conditions in foreign markets, including conditions in foreign markets resulting from economic and political conditions in the U.S. Our revenue is also impacted by the relative geographical and country mix of our revenue over time. At times, these factors adversely impact our international revenue, and consequently our business as a whole. Our dependency on international revenue makes us much more exposed to global economic and political trends, which can negatively impact our financial results, even if our results in the U.S. are strong for a particular period.

We anticipate that our international operations will continue to account for a significant portion of our net revenue, and, as we expand our international development, sales and marketing expertise, will provide significant support to our overall efforts in countries outside of the U.S.

Risks inherent in our international operations include:

- economic volatility;
- fluctuating currency exchange rates, including risks related to any hedging activities we undertake;
- unexpected changes in regulatory requirements and practices;
- delays resulting from difficulty in obtaining export licenses for certain technology;
- different purchase patterns as compared to the developed world;
- tariffs, quotas, and other trade barriers and restrictions;
- operating in locations with a higher incidence of corruption and fraudulent business practices, particularly in emerging economies;
- increasing enforcement by the U.S. under the Foreign Corrupt Practices Act, and adoption of stricter anti-corruption laws in certain countries, including the United Kingdom;
- difficulties in staffing and managing foreign sales and development operations;
- local competition;
- longer collection cycles for accounts receivable;

U.S. and foreign tax law changes impacting how multinational companies are taxed;

tax arrangements with foreign governments, including our ability to meet and renew the terms of those tax arrangements;

laws regarding the management of and access to data and public networks;

possible future limitations upon foreign owned businesses;

increased financial accounting and reporting burdens and complexities;

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- inadequate local infrastructure;
- greater difficulty in protecting intellectual property;
- software piracy; and
- other factors beyond our control, including popular uprisings, terrorism, war, natural disasters, and diseases.

Some of our business partners also have international operations and are subject to the risks described above.

The Brexit vote has exacerbated and may further exacerbate many of the risks and uncertainties described above. The proposed withdrawal of the United Kingdom from the European Union could, among other potential outcomes, adversely affect the tax, tax treaty, currency, operational, legal and regulatory regimes to which our businesses in the region are subject. The withdrawal could also, among other potential outcomes, disrupt the free movement of goods, services and people between the United Kingdom and the European Union and significantly disrupt trade between the United Kingdom and the European Union and other parties. Further, uncertainty around these and related issues could lead to adverse effects on the economy of the United Kingdom and the other economies in which we operate.

Even if we are able to successfully manage the risks of international operations, our business may be adversely affected if our business partners are not able to successfully manage these risks.

We are subject to governmental export and import controls that could impair our ability to compete in international markets or subject us to liability if we violate the controls.

Our offerings are subject to U.S. export controls and economic sanctions laws and regulations that prohibit the shipment of certain products and services without the required export authorizations or export to locations, governments, and persons targeted by U.S. sanctions. While we have processes in place to prevent our offerings from being exported in violation of these laws, including obtaining authorizations as appropriate and screening against U.S. Government and international lists of restricted and prohibited persons, we cannot guarantee that these processes will prevent all violations of export control and sanctions laws.

We also note that if our channel partners fail to obtain appropriate import, export or re-export licenses or permits, we may also be adversely affected, through reputational harm as well as other negative consequences including government investigations and penalties. We presently incorporate export control and sanctions compliance requirements in our channel partner agreements. Complying with export control and sanctions regulations for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities.

Violations of U.S. sanctions or export control laws can result in fines or penalties. While we have extensive compliance procedures in place, licensing of our product offerings may have been made in potential violation of the export control and economic sanctions laws. We filed a Voluntary Self Disclosure in December 2016 with the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") with respect to the sale of certain licenses in an aggregate amount of less than \$700,000. We are currently waiting for OFAC to complete its review of this matter. We could be subject to monetary penalties or other sanctions by OFAC in connection with its review of this issue.

Our software is highly complex and may contain undetected errors, defects or vulnerabilities, each of which could harm our business and financial performance.

The software products that we offer are complex, and despite extensive testing and quality control, may contain errors, defects or vulnerabilities. Some errors, defects and vulnerabilities in our software products may only be discovered after the product or service has been released. Any errors, defects or vulnerabilities could result in the need for corrective releases to our software products, damage to our reputation, loss of revenue, an increase in product returns or lack of market acceptance of our products, any of which would likely harm our business and financial performance.

Existing and increased competition and rapidly evolving technological changes may reduce our revenue and profits.

The software industry has limited barriers to entry, and the availability of computing devices with continually expanding performance at progressively lower prices contributes to the ease of market entry. The industry is presently undergoing a platform shift from the personal computer to cloud and mobile computing. This shift further lowers barriers

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to entry and poses a disruptive challenge to established software companies. The markets in which we compete are characterized by vigorous competition, both by entry of competitors with innovative technologies and by consolidation of companies with complementary products and technologies. In addition, some of our competitors in certain markets have greater financial, technical, sales and marketing, and other resources. Furthermore, a reduction in the number and availability of compatible third-party applications, or our inability to rapidly adapt to technological and customer preference changes, including those related to cloud computing, mobile devices, and new computing platforms, may adversely affect the sale of our products. Because of these and other factors, competitive conditions in the industry are likely to intensify in the future. Increased competition could result in price reductions, reduced net revenue and profit margins and loss of market share, any of which would likely harm our business.

We are exposed to fluctuations in currency exchange rates that could negatively impact our financial results and cash flows.

Because we conduct a substantial portion of our business outside the U.S., we face exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve and economic conditions change. Our exposure to adverse movements in foreign currency exchange rates could have a material adverse impact on our financial results and cash flows.

We use derivative instruments to manage a portion of our cash flow exposure to fluctuations in foreign currency exchange rates. As part of our risk management strategy, we use foreign currency contracts to manage a portion of our exposures of underlying assets, liabilities, and other obligations, which exist as part of our ongoing business operations. These foreign currency instruments have maturities that extend for one to twelve months in the future, and provide us with some protection against currency exposures. However, our attempts to hedge against these risks may not be completely successful, resulting in an adverse impact on our financial results.

The fluctuations of currencies in which we conduct business can both increase and decrease our overall revenue and expenses for any given fiscal period. Although our foreign currency cash flow hedge program extends beyond the current quarter in order to reduce our exposure to foreign currency volatility, we do not attempt to completely mitigate this risk, and in any case, will incur transaction fees in adopting such hedging programs. Such volatility, even when it increases our revenues or decreases our expenses, impacts our ability to accurately predict our future results and earnings.

Security incidents may compromise the integrity of our or our customers' products, services, data or intellectual property, harm our reputation, damage our competitiveness, create additional liability and adversely impact our financial results.

As we digitize the Company and use cloud and web base technologies to leverage customer data to deliver the total customer experience, we are exposed to increased security risks and the potential for unauthorized access to, or improper use of our and our customers' information. Like all software products and systems, ours are vulnerable to security incidents. We devote resources to maintain the security and integrity of our systems, products, services and applications (online, mobile and desktop). We accomplish this by enhancing security features, conducting penetration tests, code hardening, releasing security vulnerability updates and accelerating our incident response time. Despite these efforts, we may not prevent security incidents.

Hackers regularly have targeted our systems, products, services and applications, and we expect them to do so in the future. The impact of security incidents could disrupt the proper functioning of our systems, products or services; cause errors in the output of our customers' work; allow unauthorized access to sensitive, data or intellectual property, including proprietary or confidential information of ours or our customers; or other destructive outcomes.

The risk of a security incident, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has increased as the number, intensity and sophistication of attempted

attacks and intrusions from around the world have increased. These threats include but are not limited to identity theft, unauthorized access, DNS attacks, wireless network attacks, viruses and worms, advanced persistent threat (APT), application centric attacks, peer-to-peer attacks, phishing, malicious file uploads, backdoor trojans and distributed denial of service (DDoS) attacks. In addition, third parties may attempt to fraudulently induce our employees, vendors, partners or users to disclose information to gain access to our data or our users' data and there is the risk of employee, contractor, or vendor error or malfeasance. Any of the foregoing could attack our systems, products or services. Despite efforts to create security barriers to such programs, it is virtually impossible for us to entirely eliminate this risk.

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If any of the foregoing were to occur, our reputation may suffer, our competitive position may be diminished, customers may stop buying our products and services, we could face lawsuits and potential liability, and our financial performance could be negatively impacted.

Increasing regulatory focus on privacy issues and expanding laws may impact our business or expose us to increased liability.

Our strategy to digitize the Company involves increasing our use of cloud and web based technologies and applications to leverage customer data. To accomplish this strategy, we must collect customer data, which may include personal data. Federal, state and foreign government privacy and data security laws apply to the treatment of personal data. Governments, the plaintiffs' bar, privacy advocates and customers have increased their focus on how companies collect, process, use, store, share and transmit personal data.

The General Data Protection Regulation ("GDPR") will apply in all EU member states effective May 25, 2018, and replace the current EU Data Protection Directive. The GDPR introduces new data protection requirements in the EU and substantial fines for non-compliance. The GDPR increases our responsibility and potential liability in relation to personal data, and we have and will continue to put in place additional processes and programs to demonstrate compliance. Compliance with these laws is costly and could delay or impede the development of new offerings. Any failure to comply with GDPR or other data privacy laws could lead to government enforcement actions and significant penalties. Further, any perceived privacy right violation could cause result in reputational harm, third-party claims, lawsuits or investigations. Additionally, we store customer information and content and if our customers fail to comply with contractual obligations or applicable laws, it could result in litigation or reputational harm to us.

GDPR, other new laws and self-regulatory codes may affect our ability to reach current and prospective customers, to understand how our products and services are being used, to respond to customer requests allowed under the laws, and to implement our new business models effectively. These new laws and regulations would similarly affect our competitors as well as our customers. These requirements could impact demand for our products and services and result in more onerous contract obligations.

We rely on third-parties to provide us with a number of operational and technical services; third-party security incidents could expose us to liability, harm our reputation, damage our competitiveness and adversely impact our financial performance.

We rely on third-parties, such as Amazon Web Services, to provide us with operational and technical services. These third parties may have access to our systems, provide hosting services, or otherwise process data about us, our customers, employees, or partners. Any third party security incident could compromise the integrity or availability or result in the theft of data. In addition, our operations, or the operations of our customers or partners, could be negatively affected in the event of a security breach, and could be subject to the loss or theft of confidential or proprietary information, including source code. Unauthorized access to this data may be obtained through break-ins, network breaches by unauthorized parties, employee theft or misuse, or other misconduct. If any of the foregoing were to occur, our reputation may suffer, our competitive position may be diminished, customers may stop buying our products and services, we could face lawsuits and potential liability, and our financial performance could be negatively impacted.

We rely on third-party services; any interruption or delay in service from these third parties could expose us to liability, harm our reputation, damage our competitiveness and adversely impact our financial performance.

We rely on a number of third party suppliers, such as Amazon Web Services, in the operation of our business for the provision of various services and materials that we use in the operation of our business and production of our products. We may from time to time rely on a single or limited number of suppliers, or upon suppliers in a single country, for these services or materials. The inability of such third parties to satisfy our requirements could disrupt our business operations or make it more difficult for us to implement our business strategy. If any of these situations were to occur, our reputation could be harmed, we could be subject to third party liability, including under data protection

and privacy laws in certain jurisdictions, and our financial performance could be negatively impacted.

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If we do not maintain good relationships with the members of our distribution channel, our ability to generate revenue will be adversely affected. If our distribution channel suffers financial losses, becomes financially unstable or insolvent, or is not provided the right mix of incentives to sell our products, our ability to generate revenue will be adversely affected.

We sell our software products both directly to end-users and through a network of distributors and resellers. For fiscal 2018 and fiscal 2017, approximately 70% and 72%, respectively, of our revenue was derived from indirect channel sales through distributors and resellers and we expect that the majority of our revenue will continue to be derived from indirect channel sales in the future. Our ability to effectively distribute our products depends in part upon the financial and business condition of our distributor and reseller network. Computer software distributors and resellers typically are not highly capitalized, have previously experienced difficulties during times of economic contraction and experienced difficulties during the past several years. We have processes to ensure that we assess the creditworthiness of distributors and resellers prior to our sales to them. In the past we have taken steps to support them, and may take additional steps in the future, such as extending credit terms and providing temporary discounts. These steps, if taken, could harm our financial results. If our distributors and resellers were to become insolvent, they would not be able to maintain their business and sales, or provide customer support services, which would negatively impact our business and revenue.

We rely significantly upon major distributors and resellers in both the U.S. and international regions, including the distributor Tech Data. Tech Data accounted for 31% and 30% of our total net revenue for fiscal 2018 and 2017, respectively. Although we believe that we are not substantially dependent on Tech Data, if Tech Data were to experience a significant disruption with its business or if our relationship with Tech Data were to significantly deteriorate, it is possible that our ability to sell to end users would be, at least temporarily, negatively impacted. This could in turn negatively impact our financial results.

Over time, we have modified and will continue to modify aspects of our relationship with our distributors and resellers, such as their incentive programs, pricing to them and our distribution model to motivate and reward them for aligning their businesses with our strategy and business objectives. Changes in these relationships and underlying programs could negatively impact their business and harm our business. Further, our distributors and resellers may lose confidence in our business model transition, move to competitive products, or may not have the skills or ability to support customers under the new model. The loss of or a significant reduction in business with those distributors or resellers could harm our business. In particular, if one or more of such distributors or resellers were unable to meet their obligations with respect to accounts payable to us, we could be forced to write off such accounts and may be required to delay the recognition of revenue on future sales to these customers. These events could have a material adverse effect on our financial results.

Our financial results fluctuate within each quarter and from quarter to quarter making our future revenue and financial results difficult to predict.

Our quarterly financial results have fluctuated in the past and will continue to do so in the future. These fluctuations could cause our stock price to change significantly or experience declines. We also provide investors with quarterly and annual financial forward-looking guidance that could prove to be inaccurate as a result of these fluctuations. In addition to the other factors described in this Part I, Item 1A, some of the factors that could cause our financial results to fluctuate include:

general market, economic, business, and political conditions in particular geographies, including Europe, APAC, and emerging economies;

failure to produce sufficient revenue, billings or subscription growth, and profitability;

failure to achieve anticipated levels of customer acceptance of our business model transition, including the impact of the end of perpetual licenses and the introduction of our maintenance-to-subscription program;

restructuring or other accounting charges and unexpected costs or other operating expenses;

changes in product mix, pricing pressure or changes in product pricing;

weak or negative growth in one or more of the industries we serve, including AEC, manufacturing, and digital media and entertainment markets;

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- the success of new business or sales initiatives;
- security breaches, related reputational harm, and potential financial penalties to customers and government entities;
- timing of additional investments in the development of our platform or deployment of our services;
- changes in revenue recognition or other accounting guidelines employed by us and/or established by the Financial Accounting Standards Board or other rule-making bodies;
- fluctuations in foreign currency exchange rates and the effectiveness of our hedging activity;
- failure to achieve and maintain cost reductions and productivity increases;
- dependence on and the timing of large transactions;
- changes in billings linearity;
- adjustments arising from ongoing or future tax examinations;
- the ability of governments around the world to adopt fiscal policies, meet their financial and debt obligations, and to finance infrastructure projects;
- lower renewals of our maintenance program;
- failure to expand our AutoCAD and AutoCAD LT customer base to related design products and services;
- our ability to rapidly adapt to technological and customer preference changes, including those related to cloud computing, mobile devices, new computing platforms, and 3D printing;
- the timing of the introduction of new products by us or our competitors;
- the financial and business condition of our reseller and distribution channels;
- failure to accurately predict the impact of acquired businesses or to identify and realize the anticipated benefits of acquisitions, and successfully integrate such acquired businesses and technologies;
- perceived or actual technical or other problems with a product or combination of products;
- unexpected or negative outcomes of matters and expenses relating to litigation or regulatory inquiries;
- increases in cloud services-related expenses;
- timing of product releases and retirements;
- changes in tax laws or regulations, tax arrangements with foreign governments or accounting rules, such as increased use of fair value measures;
- changes in sales compensation practices;

failure to effectively implement our copyright legalization programs, especially in developing countries;

failure to achieve sufficient sell-through in our channels for new or existing products;

renegotiation or termination of royalty or intellectual property arrangements;

interruptions or terminations in the business of our consultants or third-party developers;

the timing and degree of expected investments in growth and efficiency opportunities;

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failure to achieve continued success in technology advancements;

catastrophic events or natural disasters;

regulatory compliance costs;

potential goodwill impairment charges related to prior acquisitions; and

failure to appropriately estimate the scope of services under consulting arrangements.

We have also experienced fluctuations in financial results in interim periods in certain geographic regions due to seasonality or regional economic or political conditions. In particular, our financial results in Europe during our third quarter are usually affected by a slower summer period, and our APAC operations typically experience seasonal slowing in our third and fourth quarters.

Our operating expenses are based in part on our expectations for future revenue and are relatively fixed in the short term. Accordingly, any revenue shortfall below expectations has had, and in the future could have, an immediate and significant adverse effect on our profitability. Greater than anticipated expenses or a failure to maintain rigorous cost controls would also negatively affect profitability.

Our business could suffer as a result of risks, costs, charges and integration risks associated with strategic acquisitions and investments.

We regularly acquire or invest in businesses, software products and technologies that are complementary to our business through acquisitions, strategic alliances or equity or debt investments. The risks associated with such acquisitions include, among others, the difficulty of assimilating products, operations and personnel, inheriting liabilities such as intellectual property infringement claims, the failure to realize anticipated revenue and cost projections, the requirement to test and assimilate the internal control processes of the acquired business in accordance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, and the diversion of management's time and attention.

In addition, such acquisitions and investments involve other risks such as:

the inability to retain customers, key employees, vendors, distributors, business partners, and other entities associated with the acquired business;

the potential that due diligence of the acquired business or product does not identify significant problems;

exposure to litigation or other claims in connection with, or inheritance of claims or litigation risk as a result of, an acquisition, including but not limited to, claims from terminated employees, customers, or other third parties;

the potential for incompatible business cultures;

- significantly higher than anticipated transaction or integration-related costs;

potential additional exposure to fluctuations in currency exchange rates; and

the potential impact on relationships with existing customers, vendors, and distributors as business partners as a result of acquiring another business.

We may not be successful in overcoming such risks, and such acquisitions and investments may negatively impact our business. In addition, such acquisitions and investments have in the past and may in the future contribute to potential fluctuations in our quarterly financial results. These fluctuations could arise from transaction-related costs and charges associated with eliminating redundant expenses or write-offs of impaired assets recorded in connection with acquisitions and investments. These costs or charges could negatively impact our financial results for a given period, cause quarter to quarter variability in our financial results or negatively impact our financial results for several future periods.

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Because we derive a substantial portion of our net revenue from a small number of products, including our AutoCAD-based software products and collections, if these products are not successful, our revenue will be adversely affected.

We derive a substantial portion of our net revenue from sales of licenses of a limited number of our products, including AutoCAD software, products based on AutoCAD, which include our collections that serve specific markets and products that are interoperable with AutoCAD. Any factor adversely affecting sales of these products, including the product release cycle, market acceptance, product competition, performance and reliability, reputation, price competition, economic and market conditions and the availability of third-party applications, would likely harm our financial results. During fiscal 2018 and 2017, combined revenue from our AutoCAD and AutoCAD LT products, not including collections (formerly suites) having AutoCAD or AutoCAD LT as a component, represented 20% and 16% of our total net revenue, respectively.

We are investing in resources to update and improve our information technology systems to digitize the Company and support our business model transition. Should our investments not succeed, or if delays or other issues with new or existing internal technology systems disrupt our operations, our business model transition could be compromised and our business could be harmed.

We rely on our network and data center infrastructure, technology systems and our websites for our development, marketing, operational, support, sales, accounting and financial reporting activities. We continually invest resources to update and improve these systems and environments in order to meet the growing and evolving requirements of our business and customers. In particular, our transition to cloud-based products and a subscription-only business model requires considerable investment in the development of technologies, as well as back office systems for technical, financial, compliance and sales resources to enable a scalable organization.

Such improvements are often complex, costly and time consuming. In addition, such improvements can be challenging to integrate with our existing technology systems, or uncover problems with our existing technology systems. Unsuccessful implementation of hardware or software updates and improvements could result in disruption in our business operations, loss of customers, loss of revenue, errors in our accounting and financial reporting or damage to our reputation, all of which could compromise our business model transition.

If we are not able to adequately protect our proprietary rights, our business could be harmed.

We rely on a combination of patent, copyright and trademark laws, trade secret protections, confidentiality procedures and contractual provisions to protect our proprietary rights. Despite such efforts to protect our proprietary rights, unauthorized parties from time to time have copied aspects of our software products or have obtained and used information that we regard as proprietary. Policing unauthorized use of our software products is time-consuming and costly. We are unable to measure the extent to which piracy of our software products exists and we expect that software piracy will remain a persistent problem, particularly in emerging economies. Furthermore, our means of protecting our proprietary rights may not be adequate.

Additionally, we actively protect the secrecy of our confidential information and trade secrets, including our source code. If unauthorized disclosure of our source code occurs, we could potentially lose future trade secret protection for that source code. The loss of future trade secret protection could make it easier for third-parties to compete with our products by copying functionality, which could adversely affect our financial performance and our reputation. We also seek to protect our confidential information and trade secrets through the use of non-disclosure agreements with our customers, contractors, vendors and partners. However, it is possible that our confidential information and trade secrets may be disclosed or published without our authorization. If this were to occur, it may be difficult and/or costly

for us to enforce our rights, and our financial performance and reputation could be negatively impacted.

We may face intellectual property infringement claims that could be costly to defend and result in the loss of significant rights.

As more software patents are granted worldwide, the number of products and competitors in our industry segments grows and the functionality of products in different industry segments overlaps, we expect that software product developers will be increasingly subject to infringement claims. Infringement or misappropriation claims have in the past been, and may in the future be, asserted against us, and any such assertions could harm our business. Additionally, certain patent holders without products have become more aggressive in threatening and pursuing litigation in attempts to obtain fees for licensing the right to use patents. Any such claims or threats, whether with or without merit, have been and could in the future be time-consuming to defend, result in costly litigation and diversion of resources, cause product shipment

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delays or require us to enter into royalty or licensing agreements. In addition, such royalty or license agreements, if required, may not be available on acceptable terms, if at all, which would likely harm our business.

From time to time we realign or introduce new business and sales initiatives; if we fail to successfully execute and manage these initiatives, our results of operations could be negatively impacted.

As part of our effort to accommodate our customers' needs and demands and the rapid evolution of technology, we from time to time evolve our business and sales initiatives such as realigning our development and marketing organizations, offering software as a service, and realigning our internal resources in an effort to improve efficiency. We may take such actions without clear indications that they will prove successful, and at times, we have been met with short-term challenges in the execution of such initiatives. Market acceptance of any new business or sales initiative is dependent on our ability to match our customers' needs at the right time and price. Often we have limited prior experience and operating history in these new areas of emphasis. If any of our assumptions about expenses, revenue or revenue recognition principles from these initiatives proves incorrect, or our attempts to improve efficiency are not successful, our actual results may vary materially from those anticipated, and our financial results will be negatively impacted.

Net revenue, billings, earnings or subscriptions shortfalls or the volatility of the market generally may cause the market price of our stock to decline.

The market price for our common stock has experienced significant fluctuations and may continue to fluctuate significantly. The market price for our common stock may be affected by a number of factors, including the other factors described in this Part I, Item 1A and the following:

- shortfalls in our expected financial results, including net revenue, billings, ARR, ARPS, earnings, subscriptions, or other key performance metrics;
- results and future projections related to our business model transition;
- quarterly variations in our or our competitors' results of operations;
- general socio-economic, political or market conditions;
- changes in estimates of future results or recommendations or confusion on the part of analysts and investors about the short-term and long-term impact to our business resulting from our business model transition;
- uncertainty about certain governments' abilities to repay debt or effect fiscal policy;
- the announcement of new products or product enhancements by us or our competitors;
- unusual events such as significant acquisitions, divestitures, regulatory actions, and litigation;
- changes in laws, rules, or regulations applicable to our business;
- outstanding debt service obligations; and
-

other factors, including factors unrelated to our operating performance, such as instability affecting the economy or the operating performance of our competitors.

Significant changes in the price of our common stock could expose us to costly and time-consuming litigation. Historically, after periods of volatility in the market price of a company's securities, a company becomes more susceptible to securities class action litigation. This type of litigation is often expensive and diverts management's attention and resources.

Our business could be adversely affected if we are unable to attract and retain key personnel.

Our success and ability to invest and grow depend largely on our ability to attract and retain highly skilled technical, professional, managerial, sales, and marketing personnel. Historically, competition for these key personnel has been intense. The loss of services of any of our key personnel (including key personnel joining our company through acquisitions), the inability to retain and attract qualified personnel in the future, or delays in hiring required personnel,

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particularly engineering and sales personnel, could make it difficult to meet key objectives, such as timely and effective product introductions and financial goals.

Our investment portfolio consists of a variety of investment vehicles in a number of countries that are subject to interest rate trends, market volatility, and other economic factors. If general economic conditions decline, this could cause the credit ratings of our investments to deteriorate, illiquidity in the financial marketplace, and we may experience a decline in interest income and an inability to sell our investments, leading to impairment in the value of our investments.

It is our policy to invest our cash, cash equivalents and marketable securities in highly liquid instruments with, and in the custody of, financial institutions with high credit ratings and to limit the amounts invested with any one institution, type of security and issuer. However, we are subject to general economic conditions, interest rate trends and volatility in the financial marketplace that can affect the income that we receive from our investments, the net realizable value of our investments (including our cash, cash equivalents and marketable securities) and our ability to sell them. Any one of these factors could reduce our investment income, or result in material charges, which in turn could impact our overall net income (loss) and earnings (loss) per share.

From time to time we make direct investments in privately held companies. Privately held company investments are considered inherently risky. The technologies and products these companies have under development are typically in the early stages and may never materialize, which could result in a loss of all or a substantial part of our initial investment in these companies. The evaluation of privately held companies is based on information that we request from these companies, which is not subject to the same disclosure regulations as U.S. publicly traded companies, and as such, the basis for these evaluations is subject to the timing and accuracy of the data received from these companies.

A loss on any of our investments may cause us to record an other-than-temporary impairment charge. The effect of this charge could impact our overall net income (loss) and earnings (loss) per share. In any of these scenarios, our liquidity may be negatively impacted, which in turn may prohibit us from making investments in our business, taking advantage of opportunities and potentially meeting our financial obligations as they come due.

We are subject to legal proceedings and regulatory inquiries, and we may be named in additional legal proceedings or become involved in regulatory inquiries in the future, all of which are costly, distracting to our core business and could result in an unfavorable outcome, or a material adverse effect on our business, financial condition, results of operations, cash flows or the trading prices for our securities.

We are involved in legal proceedings and receive inquiries from regulatory agencies. As the global economy has changed and our business has evolved, we have seen an increase in litigation activity and regulatory inquiries. Like many other high technology companies, the number and frequency of inquiries from U.S. and foreign regulatory agencies we have received regarding our business and our business practices, and the business practices of others in our industry, have increased in recent years. In the event that we are involved in significant disputes or are the subject of a formal action by a regulatory agency, we could be exposed to costly and time consuming legal proceedings that could result in any number of outcomes. Any claims or regulatory actions initiated by or against us, whether successful or not, could result in expensive costs of defense, costly damage awards, injunctive relief, increased costs of business, fines or orders to change certain business practices, significant dedication of management time, diversion of significant operational resources, or otherwise harm our business. In any of these cases, our financial results, results of operations, cash flows or the trading prices for our securities could be negatively impacted.

We are subject to risks related to taxation in multiple jurisdictions.

We are a U.S.-based multinational company subject to tax in multiple U.S. and foreign tax jurisdictions. Our effective tax rate is primarily based on our expected geographic mix of earnings, statutory rates, intercompany arrangements, including the manner in which we develop, value and license our intellectual property, and enacted tax rules. Significant judgment is required in determining our effective tax rate and in evaluating our tax positions on a worldwide basis. While we believe our tax positions, including intercompany transfer pricing policies, are consistent with the tax laws in the jurisdictions in which we conduct our business, it is possible that these positions may be overturned by jurisdictional tax authorities and may have a significant impact on our effective tax rate.

Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. For example, the U.S. government enacted significant tax law changes in December 2017, commonly referred to as the U.S. Tax Cuts and Jobs Act (the “Tax Act”), which will impact our tax obligations and effective tax rate beginning in our fiscal 2018 tax year. Increasingly, governmental tax authorities are scrutinizing corporate tax strategies. Many

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countries in the European Union, as well as a number of other countries and organizations such as the Organization for Economic Cooperation and Development, are actively considering changes to existing tax laws that, if enacted, could increase our tax obligations in many countries where we do business. If U.S. or other foreign tax authorities change applicable tax laws or successfully challenge the manner in which our profits are currently recognized, our overall taxes could increase, and our business, financial condition or results of operations may be adversely impacted.

Uncertainties in the interpretation and application of the Tax Act could materially affect our tax obligations and effective tax rate.

The Tax Act was enacted on December 22, 2017, and provides broad and significant changes to the U.S. tax code and how the U.S. imposes income tax on multinational corporations. Due to the complexity and varying interpretations of the Tax Act, the U.S. Department of Treasury and other standard-setting bodies may issue regulations and interpretative guidance that could significantly impact how we will apply the law and the ultimate impact to our results of operations from the Tax Act.

The Tax Act requires complex computations to be performed that were not previously provided for in the U.S. tax law. These computations require significant judgments to be made regarding the interpretation of the provisions within the Tax Act along with preparation and analysis of information not previously required. In conjunction with the Tax Act, the SEC issued Staff Accounting Bulletin 118 (“SAB 118”) which allows for the Company to record provisional amounts until a final assessment can be made within a period not to exceed one year from the date of enactment. As a result, we have recorded a provisional estimate on the effect of the Tax Act in our financial statements based on our initial assessment. As additional regulatory guidance is issued and we continue to collect and analyze necessary data, we may make adjustments to provisional amounts previously recorded. We do not anticipate these adjustments to materially impact our provision for income taxes in the period in which the adjustments are made since we are in a full valuation allowance in the U.S.

Changes in existing financial accounting standards or practices, or taxation rules or practices may adversely affect our results of operations.

Changes in existing accounting or taxation rules or practices, new accounting pronouncements or taxation rules, or varying interpretations of current accounting pronouncements or taxation practice could have a significant adverse effect on our results of operations or the manner in which we conduct our business. Further, such changes could potentially affect our reporting of transactions completed before such changes are effective.

For example, in May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. This standard establishes a principle for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The standard also provides guidance on the recognition of costs related to obtaining and fulfilling customer contracts. In August 2015, FASB subsequently issued ASU 2015-14, which deferred the effectiveness of ASU 2014-09, so that it will now be effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The revised effective date for the Company under the new standard will be the beginning of fiscal 2019. We are implementing changes to our policies, procedures and systems in order to successfully adopt the standard. This new standard is both technical and complex, and we expect to incur significant ongoing costs to implement and maintain compliance with this new standard. In addition, there may be greater uncertainty with respect to projecting revenue results from future operations as we work through the new revenue recognition standard.

Adoption of ASU 2014-09 along with any other changes in accounting principles or interpretations could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of a change. Any difficulties in the implementation of new or changed accounting standards including ASU 2014-09 could cause us to fail to meet our financial reporting obligations. If our estimates relating to our critical accounting policies are based on assumptions or judgments that change or prove to be incorrect, our operating results could fall below expectations of securities analysts and investors, resulting in a decline in our stock price. In addition, as we evolve and change our business and sales models, we are currently unable to determine how these potential changes may impact our new models, particularly in the area of revenue recognition.

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We are required to evaluate our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and any adverse results from such evaluation could result in a loss of investor confidence in our financial reports and have an adverse effect on our stock price.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to furnish a report by our management on our internal control over financial reporting. The report contains, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management.

If our management or independent registered public accounting firm identifies one or more material weaknesses in our internal control over financial reporting, we would be unable to assert that such internal control over financial reporting is effective. If we are unable to assert that our internal control over financial reporting is effective (or if our independent registered public accounting firm is unable to express an opinion that our internal controls are effective), we could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our business and stock price.

In preparing our financial statements we make certain assumptions, judgments and estimates that affect amounts reported in our consolidated financial statements, which, if not accurate, may significantly impact our financial results.

We make assumptions, judgments and estimates for a number of items, including the fair value of financial instruments, goodwill, long-lived assets and other intangible assets, the realizability of deferred tax assets and the fair value of stock awards. We also make assumptions, judgments and estimates in determining the accruals for employee related liabilities including commissions, bonuses, and sabbaticals; and in determining the accruals for uncertain tax positions, partner incentive programs, product returns reserves, allowances for doubtful accounts, asset retirement obligations and legal contingencies. These assumptions, judgments and estimates are drawn from historical experience and various other factors that we believe are reasonable under the circumstances as of the date of the consolidated financial statements. Actual results could differ materially from our estimates, and such differences could significantly impact our financial results.

We rely on third party technologies and if we are unable to use or integrate these technologies, our product and service development may be delayed and our financial results negatively impacted.

We rely on certain software that we license from third parties, including software that is integrated with internally developed software and used in our products to perform key functions. These third-party software licenses may not continue to be available on commercially reasonable terms, and the software may not be appropriately supported, maintained or enhanced by the licensors. The loss of licenses to, or inability to support, maintain and enhance any such software could result in increased costs, or in delays or reductions in product shipments until equivalent software can be developed, identified, licensed and integrated, which would likely harm our business.

Disruptions with licensing relationships and third party developers could adversely impact our business.

We license certain key technologies from third parties. Licenses may be restricted in the term or the use of such technology in ways that negatively affect our business. Similarly, we may not be able to obtain or renew license agreements for key technology on favorable terms, if at all, and any failure to do so could harm our business.

Our business strategy has historically depended in part on our relationships with third-party developers who provide products that expand the functionality of our design software. Some developers may elect to support other products or may experience disruption in product development and delivery cycles or financial pressure during periods of economic downturn. In particular markets, such disruptions have in the past, and would likely in the future, negatively impact these third-party developers and end users, which could harm our business.

Additionally, technology created by outsourced product development, whether outsourced to third parties or developed externally and transferred to us through business or technology acquisitions, has certain additional risks such as effective integration into existing products, adequate transfer of technology know-how and ownership and protection of transferred intellectual property.

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As a result of our strategy of partnering with other companies for product development, our product delivery schedules could be adversely affected if we experience difficulties with our product development partners.

We partner with certain independent firms and contractors to perform some of our product development activities. We believe our partnering strategy allows us to, among other things, achieve efficiencies in developing new products and maintaining and enhancing existing product offerings. Our partnering strategy creates a dependency on such independent developers. Independent developers, including those who currently develop products for us in the U.S. and throughout the world, may not be able or willing to provide development support to us in the future. In addition, use of development resources through consulting relationships, particularly in non-U.S. jurisdictions with developing legal systems, may be adversely impacted by, and expose us to risks relating to, evolving employment, export and intellectual property laws. These risks could, among other things, expose our intellectual property to misappropriation and result in disruptions to product delivery schedules.

Our business may be significantly disrupted upon the occurrence of a catastrophic event.

Our business is highly automated and relies extensively on the availability of our network and data center infrastructure, our internal technology systems and our websites. We also rely on hosted computer services from third parties for services that we provide to our customers and computer operations for our internal use. The failure of our systems or hosted computer services due to a catastrophic event, such as an earthquake, fire, flood, tsunami, weather event, telecommunications failure, power failure, cyber attack, terrorism, or war, could adversely impact our business, financial results and financial condition. We have developed disaster recovery plans and maintain backup systems in order to reduce the potential impact of a catastrophic event, however there can be no assurance that these plans and systems would enable us to return to normal business operations. In addition, any such event could negatively impact a country or region in which we sell our products. This could in turn decrease that country's or region's demand for our products, thereby negatively impacting our financial results.

If we were required to record an impairment charge related to the value of our long-lived assets, or an additional valuation allowance against our deferred tax assets, our results of operations would be adversely affected.

Our long-lived assets are tested for impairment if indicators of impairment exist. If impairment testing shows that the carrying value of our long-lived assets exceeds their estimated fair values, we would be required to record a non-cash impairment charge, which would decrease the carrying value of our long-lived assets, as the case may be, and our results of operations would be adversely affected. Our deferred tax assets include net operating loss, amortizable tax assets and tax credit carryforwards that can be used to offset taxable income and reduce income taxes payable in future periods. Each quarter, we assess the need for a valuation allowance, considering both positive and negative evidence to determine whether all or a portion of the deferred tax assets are more likely than not to be realized. In fiscal 2016, we determined that it was more likely than not that the Company would not realize our U.S. deferred tax assets and established a valuation allowance against our U.S. deferred tax assets. We continued to have a full valuation allowance against our U.S. deferred tax assets in fiscal 2018. Changes in the amount of the valuation allowance could result in a material non-cash expense or benefit in the period in which the valuation allowance is adjusted and our results of operations could be materially affected. We will continue to perform these tests and any future adjustments may have a material effect on our financial condition and results of operations.

We issued \$1.6 billion aggregate principal amount of unsecured notes in debt offerings and have an existing \$400.0 million revolving credit facility, and expect to incur other debt in the future, which may adversely affect our financial condition and future financial results.

In June 2017, we issued \$500.0 million aggregate principal amount of 3.5% notes due June 15, 2027. In June 2015, we issued 3.125% notes due June 15, 2020 in an aggregate principal amount of \$450.0 million and 4.375% notes due June 15, 2025 in an aggregate principal amount of \$300.0 million. In December 2012, we issued 3.6% notes due December 15, 2022 in an aggregate principal amount of \$350.0 million. As the debt matures, we will have to expend significant resources to either repay or refinance these notes. For example, in July 2017, we redeemed outstanding senior notes due December 15, 2017, for a total cash repayment of \$401.8 million by using the proceeds from the notes we issued in 2017. If we decide to refinance notes in the future, we may be required to do so on different or less favorable terms or we may be unable to refinance the notes at all, both of which may adversely affect our financial condition.

We also have a \$400.0 million revolving credit facility. As of January 31, 2018, we had no outstanding borrowings on the line of credit. Although we have no current plans to borrow under this credit facility, we may use the proceeds of any future borrowing for general corporate purposes, or for future acquisitions or expansion of our business. Our existing

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and future levels of indebtedness may adversely affect our financial condition and future financial results by, among other things:

• increasing our vulnerability to adverse changes in general economic, industry and competitive conditions;

• requiring the dedication of a greater than expected portion of our expected cash from operations to service our indebtedness, thereby reducing the amount of expected cash flow available for other purposes, including capital expenditures and acquisitions; and

• limiting our flexibility in planning for, or reacting to, changes in our business and our industry.

This credit agreement contains customary covenants that could restrict the imposition of liens on Autodesk's assets, and restrict the Company's ability to incur additional indebtedness or make dispositions of assets if Autodesk fails to maintain the financial covenants. The financial covenants consist of a maximum debt to total cash ratio, a fixed charge coverage ratio through April 30, 2018, and, after April 30, 2018, a minimum interest coverage ratio.

We are required to comply with the covenants set forth in our unsecured notes and revolving credit facility. Our ability to comply with these covenants may be affected by events beyond our control. If we breach any of the covenants and do not obtain a waiver from the note holders or lenders, then, subject to applicable cure periods, we would not be able to incur additional indebtedness under the credit facility and any outstanding indebtedness may be declared immediately due and payable. In addition, changes by any rating agency to our credit rating may negatively impact the value and liquidity of our securities. Under certain circumstances, if our credit ratings are downgraded or other negative action is taken, the interest rate payable by us under our revolving credit facility could increase. Downgrades in our credit ratings could also restrict our ability to obtain additional financing in the future and could affect the terms of any such financing.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

We lease 2,128,261 square feet of office space in 124 locations in the United States and internationally through our foreign subsidiaries. Our executive offices are located in leased office space in San Francisco, California, and our corporate headquarters are located in leased office space in San Rafael, California. Our San Rafael facilities consist of approximately 189,000 square feet under leases that have expiration dates ranging from February 2018 to December 2019. Our San Francisco facilities consist of approximately 264,000 square feet under leases that have expiration dates ranging from December 2018 to December 2023. We and our foreign subsidiaries lease additional space in various locations throughout the world for local sales, product development, and technical support personnel.

All facilities are in good condition. Our facilities are operating at capacities averaging 80% occupancy worldwide as of January 31, 2018. We believe that our existing facilities and offices are adequate to meet our requirements for the foreseeable future. See Note 8, "Commitments and Contingencies," in the Notes to Consolidated Financial Statements for more information about our lease commitments.

ITEM 3. LEGAL PROCEEDINGS

We are involved in a variety of claims, suits, investigations, and proceedings in the normal course of business activities including claims of alleged infringement of intellectual property rights, commercial, employment, piracy prosecution, business practices, and other matters. In our opinion, resolution of pending matters is not expected to have a material adverse impact on our consolidated results of operations, cash flows, or financial position. Given the unpredictable nature of legal proceedings, there is a reasonable possibility that an unfavorable resolution of one or more such proceedings could in the future materially affect our results of operations, cash flows, or financial position in a particular period, however, based on the information known by us as of the date of this filing and the rules and regulations applicable to the preparation of our financial statements, any such amount is either immaterial or it is not possible to provide an estimated amount of any such potential loss.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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5. AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is traded on the NASDAQ Global Select Market under the symbol ADSK. The following table lists the intraday high and low sales prices for each quarter in the last two fiscal years.

	High	Low
Fiscal 2018		
First Quarter	\$90.94	\$80.04
Second Quarter	115.25	91.17
Third Quarter	125.01	104.77
Fourth Quarter	131.10	103.19
Fiscal 2017		
First Quarter	\$62.42	\$41.60
Second Quarter	61.42	49.82
Third Quarter	73.40	56.80
Fourth Quarter	83.96	67.15

Dividends

We did not declare any cash or stock dividends in either fiscal 2018 or fiscal 2017. We anticipate that, for the foreseeable future, we will not pay any cash or stock dividends.

Stockholders

As of January 31, 2018, the number of common stockholders of record was 388. Because many of our shares of common stock are held by brokers or other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by the record holders.

Issuer Purchases of Equity Securities

Autodesk's stock repurchase program is largely to help offset the dilution from the issuance of stock under our employee stock plans and for such other purposes as may be in the interests of Autodesk and its stockholders, and has the effect of returning excess cash generated from our business to stockholders. The share repurchase program does not have an expiration date and the pace and timing of repurchases will depend on factors such as cash generation from operations, available surplus, the volume of employee stock plan activity, cash requirements for acquisitions, economic and market conditions, stock price and legal and regulatory requirements. In September 2016, the Board of Directors approved a plan which authorized the repurchase of up to an additional 30.0 million shares of the Company's common stock. As of January 31, 2018, 10.4 million shares have been repurchased under this plan. During the three and twelve months ended January 31, 2018, we repurchased 2.5 million and 6.9 million shares, respectively, of our common stock under the Board of Director authorized share repurchase program. At January 31, 2018, 19.6 million shares remained available for repurchase under the repurchase program approved by the Board of Directors. See Note 9, "Stockholders' (Deficit) Equity (Deficit)," in the Notes to Consolidated Financial Statements for further discussion.

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The following table provides information about the repurchase of common stock in open-market transactions during the quarter ended January 31, 2018:

<i>(Shares in millions)</i>	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(2)
November 1- November 30	0.4	\$ 109.18	0.4	21.7
December 1 - December 31	2.0	107.35	2.0	19.7
January 1 - January 31	0.1	113.26	0.1	19.6
Total	2.5	\$ 107.86	2.5	

(1) Represents shares purchased in open-market transactions under the stock repurchase program approved by the Board of Directors.

(2) These amounts correspond to the plan approved by the Board of Directors in September 2016 that authorizes the repurchase of 30.0 million shares. The plan does not have a fixed expiration date.

Sales of Unregistered Securities

There were no sales of unregistered securities during the three months ended January 31, 2018.

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Company Stock Performance

The following graph shows a five-year comparison of cumulative total return (equal to dividends plus stock appreciation) for our Common Stock, the Standard & Poor's 500 Stock Index, and the Dow Jones U.S. Software Index. The following graph and related information will not be deemed to be "soliciting material" or to be "filed" with the SEC, nor will such information be incorporated by reference into any filing pursuant to the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that we specifically incorporate it by reference into such filing.

Comparison of Five Year Cumulative Total Stockholder Return (1)

(1) Assumes \$100 invested on January 31, 2013, in Autodesk's stock, the Standard & Poor's 500 Stock Index, and the Dow Jones U.S. Software Index, with reinvestment of all dividends. Total stockholder returns for prior periods are not an indication of future investment returns.

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The following selected consolidated financial data is not necessarily indicative of results of future operations, and should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the consolidated financial statements and related notes thereto included in Item 8 of this Form 10-K to fully understand factors that may affect the comparability of the information presented below. The financial data for the fiscal years ended January 31, 2018 and 2017 are derived from, and are qualified by reference to, the audited consolidated financial statements that are included in this Form 10-K. The Consolidated Statements of Operations and the Consolidated Statements of Cash Flows data for the year ended January 31, 2016 are derived from, and are qualified by reference to, the audited consolidated financial statements that are included in this Form 10-K. The Consolidated Balance Sheet data for the fiscal year ended January 31, 2016 and the remaining financial data for the fiscal years ended January 31, 2015 and 2014 are derived from audited, consolidated financial statements which are not included in this Form 10-K.

	Fiscal Year Ended January 31,				
	2018	2017	2016	2015	2014
	(In millions, except per share data)				
For the Fiscal Year:					
Net revenue	\$2,056.6	\$2,031.0	\$2,504.1	\$2,512.2	\$2,273.9
(Loss) income from operations	(509.1)	(499.6)	1.3	120.7	284.8
Net (loss) income	(566.9)	(582.1)	(330.5)	81.8	228.8
Cash flow from operations	0.9	169.7	414.0	708.6	572.6
Common Stock Data:					
Basic net (loss) income per share	\$(2.58)	\$(2.61)	\$(1.46)	\$0.36	\$1.02
Diluted net (loss) income per share	(2.58)	(2.61)	(1.46)	0.35	1.00
At Year End:					
Total assets	\$4,113.6	\$4,798.1	\$5,515.3	\$4,909.7	\$4,589.9
Long-term liabilities	2,246.4	1,879.1	2,304.7	1,290.4	1,256.9
Stockholders' (deficit) equity	(256.0)	733.6	1,619.6	2,219.2	2,261.5

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7. OF OPERATIONS**

The discussion in our MD&A and elsewhere in this Form 10-K contains trend analyses and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are any statements that look to future events and consist of, among other things, our business strategies, including those discussed in "Strategy" and "Overview of Fiscal 2018" below, future net revenue, operating expenses, recurring revenue, annualized recurring revenue, annualized revenue per subscription, other future financial results (by product type and geography) and subscriptions, the effectiveness of our restructuring efforts, the effectiveness of our efforts to successfully manage transitions to new business models and markets, our expectations regarding the continued transition of our business model, expectations for our maintenance plan and subscription plan subscriptions, our ability to increase our subscription base, expected market trends, including the growth of cloud and mobile computing, the effect of unemployment, the availability of credit, our expectations for our restructuring, the effects of global economic conditions, the effects of revenue recognition, the effects of recently issued accounting standards, expected trends in certain financial metrics, including expenses, the impact of acquisitions and investment activities, expectations regarding our cash needs, the effects of fluctuations in exchange rates and our hedging activities on our financial results, our ability to successfully expand adoption of our products, our ability to gain market acceptance of new businesses and sales initiatives, the impact of economic volatility and geopolitical activities in certain countries, particularly emerging economy countries, the timing and amount of purchases under our stock buy-back plan, and the effects of potential non-cash charges on our financial results and the resulting effect on our financial results. In addition, forward-looking statements also consist of statements involving expectations regarding product capability and acceptance, remediation to our controls environment, statements regarding our liquidity and short-term and long-term cash requirements, as well as statements involving trend analyses and statements including such words as "may," "believe," "could," "anticipate," "would," "might," "plan," "expect," and similar expressions or the negative of these terms or other comparable terminology. These forward-looking statements speak only as of the date of this Annual Report on Form 10-K and are subject to business and economic risks. As such, our actual results could differ materially from those set forth in the forward-looking statements as a result of a number of factors, including those set forth below in Part II, Item 1A, "Risk Factors," and in our other reports filed with the U.S. Securities and Exchange Commission. We assume no obligation to update the forward-looking statements to reflect events that occur or circumstances that exist after the date on which they were made, except as required by law.

Strategy

Autodesk makes software for people who make things. If you have ever driven a high-performance car, admired a towering skyscraper, used a smartphone, or watched a great film, chances are you have experienced what millions of Autodesk customers are doing with our software. Autodesk gives you the power to make anything.

Autodesk was founded during the platform transition from mainframe computers and engineering workstations to personal computers. We developed and sustained a compelling value proposition based upon desktop software for the personal computer. Just as the transition from mainframes to personal computers transformed the industry over 30 years ago, we believe our industry is undergoing a similar transition from the personal computer to cloud, mobile, and social computing. To address this transition, we have accelerated our move to the cloud and mobile devices and are offering more flexible licensing. Our product subscriptions currently represent a hybrid of desktop software and cloud functionality, which provides a device-independent, collaborative design workflow for designers and their stakeholders. Our SaaS offerings, for example, BIM 360, Shotgun, Fusion, and AutoCAD 360 Pro, provide tools, including mobile and social capabilities, to streamline design, collaboration, building and manufacturing and data management processes. We believe that customer adoption of these new offerings will continue to grow as customers

across a range of industries begin to take advantage of the scalable computing power and flexibility provided through these new services.

Our strategy is to lead the industries we serve to cloud-based technologies and business models. This entails both a technological shift and a business model shift. As part of the transition, we discontinued selling new perpetual licenses of most individual software products effective February 1, 2016, and discontinued selling new perpetual licenses of suites while introducing industry collections effective August 1, 2016. Industry collections provide our customers with increased access to a broader selection of Autodesk products and services that exceeds those previously available in suites - simplifying the customer ability to get access to a complete set of tools for their industry. We now offer subscriptions for individual products and industry collections, cloud service offerings, and flexible enterprise business agreements (collectively referred to as "subscription plan"). These subscription plan offerings are designed to give our customers more flexibility with how they use our products and service offerings and to attract a broader range of customers, such as project-based users and small businesses.

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With the discontinuation of the sale of most perpetual licenses, we have transitioned away from selling a mix of perpetual licenses and term-based product subscriptions toward a single subscription model. On June 15, 2017, we commenced a program to incentivize maintenance plan customers to move to subscription plan offerings. Through this program we offer discounts to those maintenance customers that move to a subscription plan, while at the same time increasing maintenance plan pricing over time for customers that remain on maintenance.

To provide more meaningful information as to the performance of different categories of product and services, we have changed our presentation of revenue and cost of revenue on our Condensed Consolidated Statements of Operations effective the first quarter of fiscal 2018. See Note 1, "Business and Summary of Significant Accounting Policies," for additional information.

During the first three years of the transition, revenue, margins, EPS, deferred revenue and cash flow from operations have been impacted as more revenue is recognized ratably rather than upfront and as subscription plan offerings generally have a lower initial purchase price.

As we progress through the current stage of the business model transition, annualized recurring revenue ("ARR"), growth of billings, and total subscriptions better reflect business momentum. To further analyze progress, we disaggregate our growth between the original maintenance model ("maintenance plan") and the subscription plan model. Maintenance plan subscriptions peaked in the fourth quarter of our fiscal 2016 as we discontinued selling new maintenance plan subscriptions in fiscal 2017, and we expect them to decline slowly over time as maintenance plan customers continue to convert to our subscription plans.

In order to support our strategic priorities of completing the subscription transition, digitizing the Company, and re-imagining manufacturing, construction, and production, we commenced a world-wide restructuring plan in the fourth quarter of fiscal 2018. Through the restructuring, we seek to reduce our investments in areas not aligned with our strategic priorities, including in areas related to research and development and go-to-market activities. At the same time, we plan to further invest in strategic priority areas related to digital infrastructure, customer success, and construction. By re-balancing resources to better align with our strategic priorities, we are positioning ourselves to meet our long-term goals, while keeping non-GAAP spend flat in fiscal 2019. We anticipate incurring pre-tax restructuring charges of \$135 million to \$149 million, substantially all of which would result in cash expenditures, \$124 million to \$137 million of which would be for one-time employee termination benefits, and \$11 million to \$12 million of which would be for facilities-related and other costs. If we are unable to successfully complete our reorganizational efforts we may need to undertake additional restructuring efforts, and our business and operating results may be harmed.

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We sell our products and services globally, through a combination of indirect and direct channels. Our indirect channels include value added resellers, direct market resellers, distributors, computer manufacturers, and other software developers. Our direct channels include internal sales resources dedicated to selling in our largest accounts, our highly specialized products, and business transacted through our online Autodesk branded store. The following chart shows our split between indirect and direct channels for the fiscal years ended January 31, 2018, 2017 and 2016:

We anticipate that our channel mix will continue to change as we scale our online Autodesk branded store business and our largest accounts shift towards direct-only business models. However, we expect our indirect channel will continue to transact and support the majority of our customers and revenue as we move beyond the business model transition. We employ a variety of incentive programs and promotions to align our direct and indirect channels with our business strategies. In addition, we have a worldwide user group organization and we have created online user communities dedicated to the exchange of information related to the use of our products.

One of our key strategies is to maintain an open-architecture design of our software products to facilitate third-party development of complementary products and industry-specific software solutions. This approach enables customers and third parties to customize solutions for a wide variety of highly specific uses. We offer several programs that provide strategic investment funding, technological platforms, user communities, technical support, forums, and events to developers who develop add-on applications for our products. For example, we have established the Autodesk Forge program to support innovators that build solutions to facilitate the development of a single connected ecosystem for the future of how things are designed, made, and used as well as support ideas that push the boundaries of 3D printing.

In addition to the competitive advantages afforded by our technology, our large global network of distributors, resellers, third-party developers, customers, educational institutions, educators, and students is a key competitive advantage which has been cultivated over an extensive period of time. This network of partners and relationships provides us with a broad and deep reach into volume markets around the world. Our distributor and reseller network is extensive and provides our customers with the resources to purchase, deploy, learn, and support our products quickly and easily. We have a significant number of registered third-party developers who create products that work well with our products and extend them for a variety of specialized applications.

Autodesk is committed to helping fuel a lifelong passion for design in students of all ages. We offer free educational licenses of Autodesk software worldwide to students, educators, and accredited educational institutions. We inspire and support beginners with Tinkercad, a simple online 3D design and 3D printing tool. Through Autodesk Design Academy, we provide

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secondary and postsecondary school markets hundreds of standards-aligned class projects to support design-based disciplines in Science, Technology, Engineering, Digital Arts, and Math (STEAM) while using Autodesk's professional-grade 3D design, engineering and entertainment software used in industry. We also have made Autodesk Design Academy curricula available on iTunes U and Udemy. Our intention is to make Autodesk software ubiquitous and the design and making software of choice for those poised to become the next generation of professional users.

Our strategy includes improving our product functionality and expanding our product offerings through internal development as well as through the acquisition of products, technology, and businesses. Acquisitions often increase the speed at which we can deliver product functionality to our customers; however, they entail cost and integration challenges and may, in certain instances, negatively impact our operating margins. We continually review these trade-offs in making decisions regarding acquisitions. We currently anticipate that we will continue to acquire products, technology, and businesses as compelling opportunities become available.

Our strategy depends upon a number of assumptions to successfully make the transition toward new cloud and mobile platforms, including: the related technology and business model shifts; making our technology available to mainstream markets; leveraging our large global network of distributors, resellers, third-party developers, customers, educational institutions, and students; improving the performance and functionality of our products; and adequately protecting our intellectual property. If the outcome of any of these assumptions differs from our expectations, we may not be able to implement our strategy, which could potentially adversely affect our business. For further discussion regarding these and related risks, see Part I, Item 1A, "Risk Factors."

Critical Accounting Policies and Estimates

Our Consolidated Financial Statements are prepared in conformity with U.S. generally accepted accounting principles. In preparing our Consolidated Financial Statements, we make assumptions, judgments, and estimates that can have a significant impact on amounts reported in our Consolidated Financial Statements. We base our assumptions, judgments, and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. We regularly reevaluate our assumptions, judgments, and estimates. Our significant accounting policies are described in Note 1, "Business and Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements. We believe that of all our significant accounting policies, the following policies involve a higher degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our financial condition and results of operations.

Revenue Recognition. We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collection is probable. However, determining whether and when some of these criteria have been satisfied often involves assumptions and judgments that can have a significant impact on the timing and amount of revenue we report.

For multiple element arrangements containing only software and software-related elements, we allocate the sales price among each of the deliverables using the residual method, under which revenue is allocated to undelivered elements based on our vendor-specific objective evidence ("VSOE") of fair value. VSOE is the price charged when an element is sold separately or a price set by management with the relevant authority. If we do not have VSOE of an undelivered software license, we defer revenue recognition on the entire sales arrangement until all elements for which we do not have VSOE are delivered. If we do not have VSOE for undelivered product subscriptions, maintenance or services, the revenue for the arrangement is recognized over the longest contractual service period in the arrangement. We are required to exercise judgment in determining whether VSOE exists for each undelivered element based on whether our pricing for these elements is sufficiently consistent.

For multiple elements arrangements involving non-software elements, including cloud subscription services, our revenue recognition policy is based upon the accounting guidance contained in Accounting Standards Codification ("ASC") 605, *Revenue Recognition*. For these arrangements, we first allocate the total arrangement consideration based on the relative selling prices of the software group of elements as a whole and to the non-software elements. We then further allocate consideration within the software group to the respective elements within that group using the residual method as described above. We exercise judgment and use estimates in connection with the determination of the amount of revenue to be recognized in each accounting period.

We allocate the total arrangement consideration among the various elements based on a selling price hierarchy. The selling price for a deliverable is based on its VSOE if available, third-party evidence ("TPE") if VSOE is not available, or the best estimated selling price ("BESP") if neither VSOE nor TPE is available. BESP represents the price at which Autodesk would transact for the deliverable if it were sold regularly on a standalone basis. To establish BESP for those elements for which

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neither VSOE nor TPE are available, we perform a quantitative analysis of pricing data points for historical standalone transactions involving such elements for a twelve-month period. As part of this analysis, we monitor and evaluate the BESP against actual pricing to ensure that it continues to represent a reasonable estimate of the standalone selling price, considering several other external and internal factors including, but not limited to, pricing and discounting practices, contractually stated prices, the geographies in which we offer our products and services, and the type of customer (i.e. distributor, value-added reseller, and direct end user, among others). We analyze BESP at least annually or on a more frequent basis if a significant change in our business necessitates a more timely analysis or if we experience significant variances in our selling prices.

In situations when we have multiple contracts with a single counterparty, we use the guidance in ASC 985-605 to evaluate both the form and the substance of the arrangements to determine if they should be combined and accounted for as one arrangement or as separate arrangements.

Our assessment of the likelihood of collection is also a critical factor in determining the timing of revenue recognition. If we do not believe that collection is probable, the revenue will be deferred until payment is received.

Our indirect channel model includes both a two-tiered distribution structure, where distributors sell to resellers, and a one-tiered structure where Autodesk sells directly to resellers. Our subscription revenue from distributors and resellers generally commences recognition at the time access is provided to their customers, provided all other criteria for revenue recognition are met. This policy is predicated on our ability to estimate sales returns, among other criteria. We are also required to evaluate whether our distributors and resellers have the ability to honor their commitment to make fixed or determinable payments, regardless of whether they collect payment from their customers. If we were to change any of these assumptions or judgments, it could cause a material increase or decrease in the amount of revenue that we report in a particular period.

As part of the indirect channel model, we have a partner incentive program that uses quarterly attainment of monetary rewards to motivate distributors and resellers to achieve mutually agreed upon business goals in a specified time period. A portion of these incentives reduce license and other revenue in the current period. The remainder, which relates to incentives on our Subscription Program, is recorded as a reduction to deferred revenue in the period the subscription transaction is billed and subsequently recognized as a reduction to subscription revenue over the contract period. These incentive balances do not require significant assumptions or judgments. Depending on how the payments are made, the reserves associated with the partner incentive program are treated on the balance sheet as either contra account receivable or accounts payable.

Marketable Securities and Privately Held Company Investments. As described in Note 2, “Financial Instruments,” in the Notes to the Consolidated Financial Statements, our investments in marketable securities are measured at the end of each reporting period and reported at fair value. Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In determining the fair value of our investments, we are sometimes required to use various alternative valuation techniques. Inputs to valuation techniques are either observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. These two types of inputs have created the following fair value hierarchy:

[Level 1](#) - Quoted prices for identical instruments in active markets;

[Level 2](#) - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers

are observable in active markets; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires us to minimize the use of unobservable inputs and to use observable market data, if available, when determining fair value. This is generally true for our cash and cash equivalents and the majority of our marketable securities, which we consider to be Level 1 assets and Level 2 assets. However, determining the fair value of marketable securities or convertible note investments in privately held companies when observable inputs are not available (Level 3) requires significant judgment. For example, we use probability weighted discounted cash flow models, in which some of the inputs are unobservable in the market, to estimate the fair value of our convertible debt securities. These assumptions are inherently subjective and involve significant management judgment. Whenever possible, we use observable market data and rely on unobservable inputs only when observable market data is not available, when determining fair value.

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All of Autodesk's marketable securities and privately held company investments are subject to a periodic impairment review. We recognize an impairment charge when a decline in the fair value of its investments below the cost basis is judged to be other-than-temporary. Autodesk considers various factors in determining whether to recognize an impairment charge, including the length of time and extent to which the fair value has been less than Autodesk's cost basis, the financial condition and near-term prospects of the investee, and Autodesk's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in the market value.

Business Combinations. We allocate the fair value of the consideration transferred to the assets and liabilities acquired, as well as to in-process research and development based on their estimated fair values at the acquisition date. Any residual purchase price is recorded as goodwill. The purchase price allocation requires us to make significant estimates and assumptions, especially at the acquisition date with respect to intangible assets and deferred revenue obligations.

Although we believe the assumptions and estimates we have made are reasonable, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Examples of critical estimates used in valuing certain of the intangible assets we have acquired or may acquire in the future include but are not limited to:

- future expected cash flows from sales, maintenance agreements, and acquired developed technologies;

- the acquired company's trade name, trademark and existing customer relationship, as well as assumptions about the period of time the acquired trade name and trademark will continue to be used in the our product portfolio;

- expected costs to develop the in-process research and development into commercially viable products and estimated cash flows from the projects when completed; and

- discount rates used to determine the present value of estimated future cash flows.

These estimates are inherently uncertain and unpredictable, and if different estimates were used the purchase price for the acquisition could be allocated to the acquired assets and liabilities differently from the allocation that we have made. In addition, unanticipated events and circumstances may occur which may affect the accuracy or validity of such estimates, and if such events occur we may be required to record a charge against the value ascribed to an acquired asset or an increase in the amounts recorded for assumed liabilities.

Realizability of Long-Lived Assets. We assess the realizability of our long-lived assets and related intangible assets, other than goodwill, quarterly, or sooner should events or changes in circumstances indicate the carrying values of such assets may not be recoverable. We consider the following factors important in determining when to perform an impairment review: significant under-performance of a business or product line relative to budget; shifts in business strategies which affect the continued uses of the assets; significant negative industry or economic trends; and the results of past impairment reviews. When such events or changes in circumstances occur, we assess recoverability of these assets.

We assess recoverability of these assets by comparing the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If impairment indicators were present based on our undiscounted cash flow models, which include assumptions regarding projected cash flows, we would perform a discounted cash flow analysis to assess impairments on long-lived assets. Variances in these assumptions could have a significant impact on our conclusion as to whether an asset is impaired or the amount of any impairment charge. Impairment charges, if any, result in situations where any fair values of these assets are less than their carrying values.

In addition to our recoverability assessments, we routinely review the remaining estimated useful lives of our long-lived assets. Any reduction in the useful life assumption will result in increased depreciation and amortization expense in the quarter when such determinations are made, as well as in subsequent quarters.

We will continue to evaluate the values of our long-lived assets in accordance with applicable accounting rules. As changes in business conditions and our assumptions occur, we may be required to record impairment charges.

Income Taxes. We account for income taxes under the asset and liability approach. Under this method, deferred tax assets, including those related to tax loss carryforwards and credits, and deferred tax liabilities are determined based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. We recognize the tax benefit for an uncertain tax position when it meets a more

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likely than not threshold. We recognize potential accrued interest and penalties related to unrecognized tax benefits as income tax expense.

A valuation allowance is recorded to reduce deferred tax assets when management cannot conclude that it is more likely than not that the net deferred tax asset will be recovered. The valuation allowance is determined by assessing both positive and negative evidence to determine whether it is more likely than not that deferred tax assets are recoverable; such assessment is required on a jurisdiction-by-jurisdiction basis. Significant judgment is required in determining whether the valuation allowance should be recorded against deferred tax assets. In assessing the need for valuation allowance, we consider all available evidence including past operating results and estimates of future taxable income. Beginning in the second quarter of fiscal 2016, we considered cumulative losses in the U.S. arising from the Company's business model transition as a significant source of negative evidence. Considering this negative evidence and the absence of sufficient positive objective evidence that we would generate sufficient taxable income in the U.S. to realize the deferred tax assets, we determined that it was more likely than not that the Company would not realize U.S. federal and state deferred tax assets and recorded a valuation allowance on our federal and state deferred tax assets. We continue to have a full valuation allowance against our U.S. deferred tax assets in fiscal 2018.

As we continually strive to optimize our overall business model, tax planning strategies may become feasible and prudent whereby management may determine that it is more likely than not that the federal and state deferred tax assets will be realized; therefore, we will continue to evaluate the evidence around our ability to utilize our net deferred tax assets each quarter, both in the US and in foreign jurisdictions, based on all available evidence, both positive and negative.

Stock-Based Compensation. We measure stock-based compensation cost at the grant date fair value of the award, and recognize expense ratably over the requisite service period, which is generally the vesting period. We estimate the fair value of certain stock-based payment awards (including grants of employee stock purchases related to the employee stock purchase plan) using either the Black-Scholes-Merton option-pricing model or a binomial-lattice model (e.g., Monte Carlo simulation model). To determine the grant-date fair value of our stock-based payment awards, we use a Black-Scholes model or the quoted stock price on the date of grant, unless the awards are subject to market conditions, in which case we use the Monte Carlo simulation model. The Monte Carlo simulation model utilizes multiple input variables to estimate the probability that market conditions will be achieved. These variables include our expected stock price volatility over the expected term of the award, actual and projected employee stock option exercise behaviors, the risk-free interest rate for the expected term of the award, and expected dividends. The variables used in these models are reviewed on a quarterly basis and adjusted, as needed. Share-based compensation cost for restricted stock is measured on the closing fair market value of our common stock on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as expense in our Consolidated Statements of Operations.

Legal Contingencies. As described in Part I, Item 3, "Legal Proceedings" and Part II, Item 8, Note 8, "Commitments and Contingencies," in the Notes to Consolidated Financial Statements, we are periodically involved in various legal claims and proceedings. We routinely review the status of each significant matter and assess our potential financial exposure. If the potential loss from any matter is considered probable and the amount can be reasonably estimated, we record a liability for the estimated loss. Because of inherent uncertainties related to these legal matters, we base our loss accruals on the best information available at the time. As additional information becomes available, we reassess our potential liability and may revise our estimates. Such revisions could have a material impact on future quarterly or annual results of operations.

Restructuring Charges and other facility exit costs, net and Accruals. The Company's restructuring plans include one-time termination benefits as well as certain contractual termination benefits. We record costs associated with exit

activities related to restructuring plans in accordance with the ASC Topic 420, *Exit or Disposal Obligations*. Liabilities for costs associated with an exit or disposal activity are recognized in the period in which the liability is incurred. The timing of associated cash payments is dependent upon the type of exit cost and may extend over a 12-month period or longer. We record restructuring charge liabilities in "Other accrued liabilities," or "Other liabilities" in the consolidated balance sheet.

Restructuring charges include employee termination costs, facility closure, accelerated depreciation of certain assets and relocation costs, and contract termination costs. One-time termination benefits are recognized as a liability at estimated fair value when the approved plan of termination has been communicated to employees, unless employees must provide future service that is longer than the statutory requirement, in which case the benefits are recognized ratably over the future service period. For the facility-related restructuring charges, we recognize upon exiting all or a portion of a leased facility and meeting cease-use and other requirements. The amount of restructuring charges is based on the fair value of the lease obligation for the abandoned space, which includes a sublease assumption that could be reasonably obtained. We also recognize accelerated depreciation related to assets at the time we commit to a plan to abandon.

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Restructuring charges require significant estimates and assumptions, including sub-lease income and expenses for severance and other employee separation costs. Our estimates involve a number of risks and uncertainties, some of which are beyond our control, including future real estate market conditions and our ability to successfully enter into subleases or termination agreements with terms as favorable as those assumed when arriving at our estimates. We monitor these estimates and assumptions on at least a quarterly basis for changes in circumstances and any corresponding adjustments to the accrual are recorded in our statement of operations in the period when such changes are known.

Recently Issued Accounting Standards

See Part II, Item 8, Note 1, “Business and Summary of Significant Accounting Policies,” in the Notes to Consolidated Financial Statements for a full description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on results of operations and financial condition.

Overview of Fiscal 2018

- Total net revenue increased 1 percent during fiscal 2018 as compared to the prior fiscal year.
- Total ARR increased 25 percent as of January 31, 2018, as compared to the end of fiscal 2017.
- Total subscriptions increased 20 percent to \$3.72 million.
- The base of both subscription plan ARR and subscriptions surpassed the base of maintenance plan ARR and subscriptions.
- Total spend (cost of revenue + operating expenses) increased 1 percent.
- Total deferred revenue (short term + long term deferred revenue) increased 9 percent.

We are undergoing a business model transition in which we have discontinued selling new perpetual licenses for most of our products in favor of subscriptions. During the first three years of the transition, revenue, margins, EPS, deferred revenue and cash flow from operations were impacted as more revenue is recognized ratably rather than upfront and as product subscription plan offerings generally have a lower initial purchase price.

Revenue Analysis

During fiscal 2018, net revenue increased 1%, as compared to the prior fiscal year, primarily due to a 102% increase in subscription revenue. The increase in subscription revenue was partially offset by a 64% decrease in license and other revenue.

Further discussion of the drivers of these results are described below under the heading “Results from Operations.”

We rely significantly upon major distributors and resellers in both the U.S. and international regions, including Tech Data Corporation and its global affiliates (collectively, “Tech Data”). Total sales to Tech Data accounted for 31%, 30%, and 25% of our consolidated net revenue during fiscal 2018, 2017, and 2016, respectively. Our customers through Tech Data are the resellers and end users who purchase our software licenses and services. Should any of the agreements with Tech Data be terminated for any reason, we believe the resellers and end users who currently purchase our products through Tech Data would be able to continue to do so under substantially the same terms from one of our many other distributors without substantial disruption to our revenue. Consequently, we believe our business is not substantially dependent on Tech Data.

Business Model Transition Metrics

In order to help better understand our financial performance during and after the business model transition, we use several metrics including recurring revenue, total subscriptions, ARR, and annualized revenue per subscription ("ARPS"). ARR, ARPS, and recurring revenue are performance metrics and should be viewed independently of revenue and deferred revenue as ARR, ARPS, and recurring revenue are not intended to be combined with those items. Our determination and presentation may differ from that of other companies. Please refer to the Glossary of Terms for the definitions of these metrics.

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The following table outlines our recurring revenue metric for the fiscal years ended 2018, 2017, and 2016:

	Fiscal Year Ended January 31, 2018	Change compared to prior fiscal year end \$	%	Fiscal Year Ended January 31, 2017(1)	Change compared to prior fiscal year end \$	%	Fiscal Year Ended January 31, 2016(1)
Recurring Revenue (<i>in millions</i>) (2)	\$ 1,882.3	\$ 342.0	22 %	\$ 1,540.3	\$ 160.2	12 %	\$ 1,380.1
As a percentage of net revenue	92	%		76	%		55 %

(1) Prior periods have been adjusted to conform with current period's presentation.

(2) The acquisition of a business may cause variability in the comparison of recurring revenue in this table above and recurring revenue derived from the revenue reported in the Consolidated Statement of Operations.

The following table outlines our ARR, subscriptions, and ARPS metrics as of fiscal years ended January 31, 2018 and 2017:

	January 31, 2018	Change compared to prior fiscal year \$	%	January 31, 2017 (1)
ARR (<i>in millions</i>)				
Subscription plan ARR	\$ 1,175.0	\$ 603.6	106 %	\$ 571.4
Maintenance plan ARR	\$ 879.1	\$(188.9)	(18) %	\$ 1,068.0
Total ARR (2)	\$ 2,054.1	\$ 414.7	25 %	\$ 1,639.4

Number of Subscriptions (*in thousands*)

Subscription plan	2,266.8	1,179.7	109 %	1,087.1
Maintenance plan	1,448.9	(569.1)	(28) %	2,018.0
Total subscriptions	3,715.7	610.6	20 %	3,105.1

ARPS (*ARR divided by number of Subscriptions*)

Subscription plan ARPS	\$ 518	\$(8)	(2) %	\$ 526
Maintenance plan ARPS	\$ 607	\$ 78	15 %	\$ 529
Total ARPS (3)	\$ 553	\$ 25	5 %	\$ 528

(1) Prior periods have been adjusted to conform with the current period's presentation.

(2) The acquisition of a business may cause variability in the comparison of ARR reported in this table above and ARR derived from the revenue reported in the Consolidated Statement of Operations.

There are small variances between ARR and total subscriptions due in part to the inherent limitation with collecting all subscriptions information. For example, Buzzsaw and Constructware are included with ARR but not in total subscriptions due to these inherent limitations. We do not view these variances as meaningful to amounts or quarterly comparisons presented here for ARPS.

Total ARR increased 25% as of January 31, 2018 as compared to the end of fiscal 2017, due to a 106% increase in subscription plan ARR, which for the first time represents the majority of our total ARR. The increase in subscription plan ARR was driven by growth in all subscription plan types, led by product subscription. The increase was partially offset by an 18% decrease in maintenance plan ARR.

Subscription plan subscriptions increased 109% or approximately 1.2 million as compared to the end of fiscal 2017, driven by growth in all subscription plan types, led by new product subscriptions. Subscription plan subscriptions benefited from approximately 342,000 maintenance subscribers that were converted to product subscription under the

maintenance-to-subscription program during the fiscal year ended January 31, 2018.

Maintenance plan subscriptions decreased 28% or approximately 569,000 as compared to the end of fiscal 2017, primarily as a result of the discontinuation of new maintenance agreement sales as well as the maintenance-to-subscription program in which approximately 342,000 maintenance plan subscriptions were converted to product subscription during the fiscal year

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ended January 31, 2018. The net decrease was expected and we expect to see ongoing declines in maintenance plan subscriptions going forward as part of the business model transition. The rate of decline will vary based on the number of subscriptions subject to renewal, the renewal rate, and our ability to incentivize customers to switch over to enterprise business agreements ("EBAs") or product subscriptions.

ARPS was \$553, a 5% increase compared to the prior fiscal year primarily driven by a 15% increase in maintenance plan ARPS as a result of the maintenance-to-subscription program and a 14% increase in product subscription ARPS, which is a component of our subscription plan. Partially offsetting the increase in maintenance plan and product subscription ARPS was a decrease in both cloud and EBA subscription ARPS.

Our ARPS is currently, and will continue to be, affected by various factors including subscription term-length, migration from maintenance plan subscriptions, geography and product mix, promotions, sales linearity within a quarter, pricing changes, and foreign currency. We expect to see ARPS fluctuate up or down on a quarterly basis. As we progress through our business model transition, we expect all of the impacts of these factors to start to stabilize.

Foreign Currency Analysis

We generate a significant amount of our revenue in the U.S., Germany, Japan, the United Kingdom and Canada.

The following table shows the impact of foreign exchanges rate changes on our net revenue and total spend:

Fiscal Year Ended January 31, 2018			
	Percent change constant currency	Percent change prior fiscal year (2)	Positive/Negative/Neutral impact from foreign exchange rate changes
	change compared to (as reported)		
Revenue	1 %	2 %	Negative
Spend (1)	1 %	1 %	Neutral

(1) Our total spend is defined as cost of revenue plus operating expenses.

(2) Please refer to Glossary of Terms for the definitions of our constant currency growth rates.

Changes in the value of the U.S. dollar may have a significant effect on net revenue, total spend, and income (loss) from operations in future periods. We use foreign currency contracts to reduce the exchange rate effect on a portion of the net revenue of certain anticipated transactions but do not attempt to completely mitigate the impact of fluctuations of such foreign currency against the U.S. dollar.

Deferred Revenue and Unbilled Deferred Revenue

Our deferred revenue balance at January 31, 2018, was \$1.96 billion and primarily relates to subscription and maintenance agreements invoiced for which the revenue has not yet been recognized but will be recognized as revenue ratably over the life of the contracts. The term of our subscription contracts is typically between one and three years.

We define unbilled deferred revenue as contractually stated or committed orders under multi-year billing plans for subscription, services, license and maintenance for which the associated deferred revenue has not been recognized and the customer has not been invoiced. Unbilled deferred revenue is not included on our Consolidated Balance Sheet until invoiced to the customer.

	Fiscal Year Ended January 31, 2018
<i>(in millions)</i>	
Deferred revenue	\$1,955.1
Unbilled deferred revenue (1)	326.4
Total	\$2,281.5

(1) This is our first year presenting this metric and we are not able to provide historical information at this time. Comparative information will not be available until our first quarter of fiscal 2019.

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We expect that the amount of unbilled deferred revenue and deferred revenue will change from quarter to quarter for several reasons, including the specific timing, duration and size of large customer subscription and support agreements, varying billing cycles of such agreements, the specific timing of customer renewals, foreign currency fluctuations and the timing of when unbilled deferred revenue is recognized as revenue.

Balance Sheet and Cash Flow Items

At January 31, 2018, we had \$1.51 billion in cash and marketable securities. This amount includes the aggregate net proceeds of \$492.0 million, after deducting the underwriting discounts and related offering expenses, from our June 2017 registered underwritten public offering of \$500.0 million aggregate principal amount of 3.5% notes due June 15, 2027. On July 27, 2017, we redeemed in full, \$400.0 million in aggregate principal amount of outstanding 1.95% senior notes due December 15, 2017. To redeem the notes, we used a portion of the proceeds of the June 2017 notes to pay a redemption price of approximately \$400.9 million, plus accrued and unpaid interest from June 15, 2017, to, but excluding, the redemption date. Total cash repayment was \$401.8 million. Our cash flow from operations decreased 99% to \$0.9 million for the fiscal year ended January 31, 2018 from \$169.7 million for the fiscal year ended January 31, 2017. We repurchased 6.9 million shares of our common stock for \$690.1 million during fiscal 2018. Comparatively, we repurchased 9.7 million shares of our common stock for \$631.6 million during fiscal 2017. Further discussion regarding the balance sheet and cash flow activities are discussed below under the heading “Liquidity and Capital Resources.”

Results of Operations

Net Revenue

Income Statement Presentation

Maintenance revenue consists of renewal fees for existing maintenance plan agreements that were initially purchased with a perpetual software license. Under our maintenance plan, 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 between one and three years.

Subscription revenue consists of our term-based product subscriptions, cloud service offerings, and flexible enterprise business arrangements. Note that with the change in our presentation of revenue in our condensed consolidated statement of operations in the first quarter of fiscal 2018, our term-based product subscriptions and flexible enterprise business arrangements are classified and presented in a single line item. Revenue from these arrangements is recognized ratably over the contract term. Revenue for our cloud service offerings is recognized ratably over the contract term commencing with the date our service is made available to customers and when all other revenue recognition criteria have been satisfied.

License and other revenue consists of (1) license revenue and (2) other revenue. License revenue includes software license revenue from the sale of perpetual licenses. Other revenue includes revenue such as consulting and training, and is recognized over time as the services are performed.

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<i>(in millions)</i>	Fiscal Year Ended January 31, 2018	Change compared to prior fiscal year	Fiscal Year Ended January 31, 2017	Management Comments
Net Revenue:				
Maintenance (1)	\$989.6	\$(113.5) (10)%	\$1,103.1	The decrease in maintenance revenue is driven by the discontinuation of new maintenance agreements. We expect maintenance revenue will slowly decline; however, the rate of decline will vary based on the number of renewals, the renewal rate, and our ability to incentivize maintenance plan customers to switch over to subscription plan offerings.
Subscription (1)	894.3	451.2 102 %	443.1	The increase in subscription revenue is primarily a result of the business model transition. We saw growth across all subscription plan types, led by product subscriptions and enterprise business agreements.
Total maintenance and subscription revenue	1,883.9	337.7 22 %	1,546.2	
License and other (1) (2)	172.7	(312.1) (64)%	484.8	The decrease in license revenue is driven by the business model transition, and the discontinuation of suite license sales, resulting in a decrease in revenue from perpetual licenses.
	\$2,056.6	\$25.6 1 %	\$2,031.0	

(1) Prior periods have been adjusted to conform with current period's presentation. See Note 1, "Business and Summary of Significant Accounting Policies" of our consolidated financial statements for additional information.

(2) Within license and other revenue, there was an 18% decrease in other revenue during fiscal 2018 as compared to fiscal 2017. Other revenue represented 5% and 6% of total revenue for fiscal 2018 and 2017, respectively.

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<i>(in millions)</i>	Fiscal Year Ended January 31, 2017	Change compared to prior fiscal year \$ %	Fiscal Year Ended January 31, 2016	Management Comments
Net Revenue:				
Maintenance (1)	\$ 1,103.1	\$(49.4) (4)%	\$ 1,152.5	The decrease in maintenance revenue is driven by the discontinuation of new maintenance agreements. We expect maintenance revenue will slowly decline; however, the rate of decline will vary based on the number of renewals, the renewal rate, and our ability to incentivize maintenance plan customers to switch over to subscription plan offerings.
Subscription (1)	443.1	215.0 94 %	228.1	The increase in subscription revenue is primarily a result of the business model transition. We saw growth across all subscription plan types, led by product subscriptions and enterprise business agreements.
Total maintenance and subscription revenue	1,546.2	165.6 12 %	1,380.6	
License and other (1) (2)	484.8	(638.7) (57)%	1,123.5	The decrease in license and other revenue is driven by the discontinuation of our perpetual license sales in favor of subscription offerings.
	\$2,031.0	\$(473.1) (19)%	\$2,504.1	

(1) Prior periods have been adjusted to conform with current period's presentation. See Note 1, "Business and Summary of Significant Accounting Policies" of our consolidated financial statements for additional information.

(2) Within license and other revenue, there was a 17% decrease in other revenue during fiscal 2017 as compared to fiscal 2016. Other revenue represented 6% and 6% of total revenue for fiscal 2017 and 2016, respectively.

Net Revenue by Product Family

Our product offerings are focused in four primary product families: AEC, MFG, AutoCAD and AutoCAD LT ("ACAD"), and M&E. During the business model transition, revenue has been and will be negatively impacted as more revenue is recognized ratably rather than upfront and as new product offerings generally have a lower initial purchase price. As part of the transition, we discontinued selling new perpetual licenses of most individual software products effective February 1, 2016, and discontinued selling new perpetual licenses of suites effective August 1, 2016. These broad impacts are reflected in the summary below.

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	Fiscal Year Ended January 31, 2018	Change compared to prior fiscal year \$ %	Fiscal Year Ended January 31, 2017	Management Comments
<i>(in millions)</i>				
Net Revenue by Product Family:				
Architecture, Engineering and Construction ("AEC")	\$866.5	(14.4) (2)%	\$880.9	Driven by a net decrease in AEC collections and legacy suites due to the discontinuation of perpetual licenses. The decrease was partially offset by an increase in revenue from individual AEC product offerings and EBAs driven by the respective increases in subscription additions.
Manufacturing ("MFG")	589.2	(36.6) (6)%	625.8	Driven by a net decrease in MFG collections and legacy suites due to the discontinuation of perpetual licenses, partially offset by an increase in revenue from MFG EBAs driven by an increase in subscription additions.
AutoCAD and AutoCAD LT ("ACAD")	401.4	74.7 23 %	326.7	Driven by increases in both AutoCAD LT and AutoCAD due to increases in subscription additions.
Media and Entertainment ("M&E")	152.0	13.1 9 %	138.9	Driven by an increase in Animation, partially offset by a decrease in Creative Finishing.
Other	47.5	(11.2) (19)%	58.7	
	\$2,056.6	\$25.6 1 %	\$2,031.0	
	Fiscal Year Ended January 31, 2017	Change compared to prior fiscal year \$ %	Fiscal Year Ended January 31, 2016	Management Comments
<i>(in millions)</i>				
Net Revenue by Product Family:				
Architecture, Engineering and Construction ("AEC")	\$880.9	\$(68.2) (7)%	\$949.1	Driven by a decrease in revenue from individual product offerings.
Manufacturing ("MFG")	625.8	(98.8) (14)%	724.6	Driven by a decrease in individual product offerings and a decrease in our MFG suites.
AutoCAD and AutoCAD LT ("ACAD")	326.7	(268.1) (45)%	594.8	As part of the transition to term-based product subscriptions for our individual software products in February 2016, products like AutoCAD and AutoCAD LT were negatively impacted when compared to the same period in the prior fiscal year as revenue is recognized ratably rather than upfront.
Media and Entertainment ("M&E")	138.9	(21.1) (13)%	160.0	Driven by a decrease in Creative Finishing, as we exited the Creative Finishing hardware business at the beginning of the fourth quarter of fiscal 2016.
Other	58.7	(16.9) (22)%	75.6	
	\$2,031.0	\$(473.1) (19)%	\$2,504.1	

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	Fiscal Year Ended January 31, 2018	Change compared to prior fiscal year	Constant Currency Change compared to prior fiscal year	Fiscal Year Ended January 31, 2017	Change compared to prior fiscal year	Constant Currency Change compared to prior fiscal year	Fiscal Year Ended January 31, 2016
<i>(in millions)</i>		\$ %	%		\$ %	%	
Net Revenue:							
Americas							
U.S.	\$740.4	\$(1.7)	—% *	\$742.1	\$(61.8)	(8)% *	\$803.9
Other Americas	130.7	0.9	1 % *	129.8	(39.1)	(23)% *	168.9
Total Americas	871.1	(0.8)	—% — %	871.9	(100.9)	(10)% (10)%	972.8
Europe, Middle East, and Africa ("EMEA")	815.4	15.0	2 % 4 %	800.4	(134.2)	(14)% (8)%	934.6
Asia Pacific ("APAC")	370.1	11.4	3 % 2 %	358.7	(238.0)	(40)% (39)%	596.7
Total Net Revenue (1)	\$2,056.6	\$25.6	1 % 2 %	\$2,031.0	\$(473.1)	(19)% (16)%	\$2,504.1
Emerging Economies	\$226.5	(1.0)	—% — %	\$227.5	(138.4)	(38)% (37)%	\$365.9

(1) Totals may not sum due to rounding.

* Constant currency data not provided at this level.

We believe that international revenue will continue to comprise a majority of our net revenue. Unfavorable economic conditions in the countries that contribute a significant portion of our net revenue, including in emerging economies such as Brazil, Russia, India, and China, may have an adverse effect on our business in those countries and our overall financial performance. Changes in the value of the U.S. dollar relative to other currencies have significantly affected, and could continue to significantly affect, our financial results for a given period even though we hedge a portion of our current and projected revenue. Increases to the levels of political and economic unpredictability in the global market may impact our future financial results. Additionally, during the first three years of the business model transition, revenue has been impacted as more revenue is recognized ratably rather than upfront and as new product offerings generally have a lower initial purchase price. While the transition to a subscription model has had a broad impact within all markets, it has had a particular impact to emerging economies as sales of perpetual licenses have historically comprised a greater percentage of total emerging economy sales in comparison to mature markets.

Cost of Revenue and Operating Expenses

Cost of maintenance and subscription revenue includes the labor costs of providing product support to our maintenance and subscription customers, including allocated IT and facilities costs, shipping and handling costs, professional services fees related to operating our network and cloud infrastructure, royalties, depreciation expense and operating lease payments associated with computer equipment, data center costs, salaries, related expenses of network operations, and stock-based compensation expense.

Cost of license and other revenue includes labor costs associated with product setup, costs of consulting and training services contracts, and collaborative project management services contracts. Cost of license and other revenue also includes stock-based compensation expense, direct material and overhead charges, allocated IT and facilities costs, professional services fees and royalties. Direct material and overhead charges include the cost associated with electronic and physical fulfillment.

Cost of revenue, at least over the near term, is affected by the volume and mix of product sales, fluctuations in consulting costs, amortization of developed technology, new customer support offerings, royalty rates for licensed technology embedded in our products and employee stock-based compensation expense.

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Marketing and sales expenses include salaries, bonuses, benefits and stock-based compensation expense for our marketing and sales employees, the expense of travel, entertainment and training for such personnel, the costs of programs aimed at increasing revenue, such as advertising, trade shows and expositions, and various sales and promotional programs. Marketing and sales expenses also include labor costs associated with sales and order management, sales and dealer commissions, payment processing fees, the cost of supplies and equipment, gains and losses on our operating expense cash flow hedges, and allocated IT and facilities costs.

Research and development expenses, which are expensed as incurred, consist primarily of salaries, bonuses, benefits and stock-based compensation expense for research and development employees, and the expense of travel, entertainment and training for such personnel, professional services such as fees paid to software development firms and independent contractors, gains and losses on our operating expense cash flow hedges, and allocated IT and facilities costs.

General and administrative expenses include salaries, bonuses, transition costs, benefits and stock-based compensation expense for our CEO, finance, human resources and legal employees, as well as professional fees for legal and accounting services, certain foreign business taxes, gains and losses on our operating expense cash flow hedges, expense of travel, entertainment and training, net IT and facilities costs, and the cost of supplies and equipment.

	Fiscal Year Ended January 31, 2018	Change compared to prior fiscal year \$	%	Fiscal Year Ended January 31, 2017	Management Comments
(in millions)					
Cost of revenue:					
Maintenance and subscription (1)	\$214.4	\$22.7	12 %	\$191.7	Up due to an increase in employee-related costs driven by increased headcount associated with maintenance and subscription services in support of the business model transition.
License and other (1)	72.6	(37.6)	(34)%	110.2	Down due to lower employee-related costs from reduced headcount associated with license and other revenue products and services as a result of our move to a subscription based business model.
Amortization of developed technology (1)	16.4	(23.6)	(59)%	40.0	Down as previously acquired developed technologies continue to become fully amortized while fewer assets are acquired compared to the prior year.
Total cost of revenue	\$303.4	\$(38.5)	(11)%	\$341.9	
Marketing and sales	\$1,087.3	\$64.8	6 %	\$1,022.5	Up due to increase in employee-related costs from higher headcount, increased commissions, and increased stock-based compensation expense from a higher fair value of awards granted.
Research and development	755.5	(10.6)	(1)%	766.1	Down due to a decrease in employee-related costs from lower headcount.
General and administrative	305.2	17.4	6 %	287.8	Up driven by costs associated with the CEO transition and an increase in stock-based compensation expense from a higher fair value of awards granted, partially offset by a decrease in employee-related costs from lower headcount.
Amortization of purchased intangibles	20.2	(11.6)	(36)%	31.8	Down as previously acquired intangible assets continue to become fully amortized and fewer assets are acquired compared to the prior year.
Restructuring charges and other facility exit costs, net	94.1	13.6	17 %	80.5	Driven by the Fiscal 2018 Plan to re-balance resources to better align with the Company's strategic priorities and position itself to meet long-term goals. Costs associated with the Fiscal 2018 Plan are principally from employee termination benefits, lease termination costs and other exit costs.
	\$2,262.3	\$73.6	3 %	\$2,188.7	

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<i>(in millions)</i>	Fiscal Year Ended January 31, 2017	Change compared to prior fiscal year		Fiscal Year Ended January 31, 2016	Management Comments
		\$	%		
Cost of revenue:					
Maintenance and subscription (1)	\$ 191.7	\$ 29.4	18 %	\$ 162.3	Up due to increases in employee related costs and direct costs associated with our subscription plan offerings, such as royalties and fulfillment costs.
License and other (1)	110.2	(49.2)	(31)%	159.4	Down due to lower professional fees and employee-related costs from reduced headcount associated with license and other revenue products and the elimination of our Creative Finishing hardware business that was exited in the fourth quarter of fiscal 2016.
Amortization of developed technology (1)	40.0	(9.0)	(18)%	49.0	Down as previously acquired developed technologies continue to become fully amortized while fewer assets are acquired compared to the prior year.
Total cost of revenue	\$ 341.9	\$ (28.8)	(8)%	\$ 370.7	
Marketing and sales	\$ 1,022.5	\$ 7.0	1 %	\$ 1,015.5	Up due to increases in stock-based compensation and advertising and promotional expenses, offset by a decrease in employee-related costs from reduced headcount and lower professional fees.
Research and development	766.1	(23.9)	(3)%	790.0	Down due to a decrease in professional fees and employee-related costs, partially offset by an increase in stock-based compensation expense.
General and administrative	287.8	(5.6)	(2)%	293.4	Down due to decreases in bad debt expense and professional fees.
Amortization of purchased intangibles	31.8	(1.4)	(4)%	33.2	Down as previously acquired intangible assets continue to become fully amortized and fewer assets are acquired compared to the prior year.
Restructuring charges and other facility exit costs, net	80.5	80.5	*	—	Driven by the Fiscal 2017 Plan to re-balance staffing levels and reduce operating expenses to better align with the evolving needs of the Company. Costs associated with the Fiscal 2017 Plan are principally from employee termination benefits, lease termination costs and other exit costs.
	\$ 2,188.7	\$ 56.6	3 %	\$ 2,132.1	

(1) Prior periods have been adjusted to conform with current period's presentation. See Note 11, Business and Summary of Significant Accounting Policies, Basis of Presentation, of our consolidated financial statements for additional information.

* Percentage is not meaningful.

The following table highlights our expectation for the absolute dollar change and percent of revenue change between the fiscal 2019 as compared to fiscal 2018:

	Absolute dollar impact	Percent of net revenue impact
Cost of Revenue	Decrease	Decrease
Marketing and sales	Increase	Decrease
Research and development	Increase	Decrease
General and administrative	Increase	Decrease
Amortization of purchased intangibles	Decrease	Flat

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The following table sets forth the components of interest and other expense, net:

	Fiscal Year Ended		
	January 31,		
	2018	2017	2016
	(in millions)		
Interest and investment expense, net	\$(34.5)	\$(29.7)	\$(33.9)
Loss on foreign currency	(3.3)	(3.3)	—
(Loss) gain on strategic investments	(16.4)	0.3	3.8
Other income			