



GLOBAL RECOMMENDATION



ADSK:NASDAQ



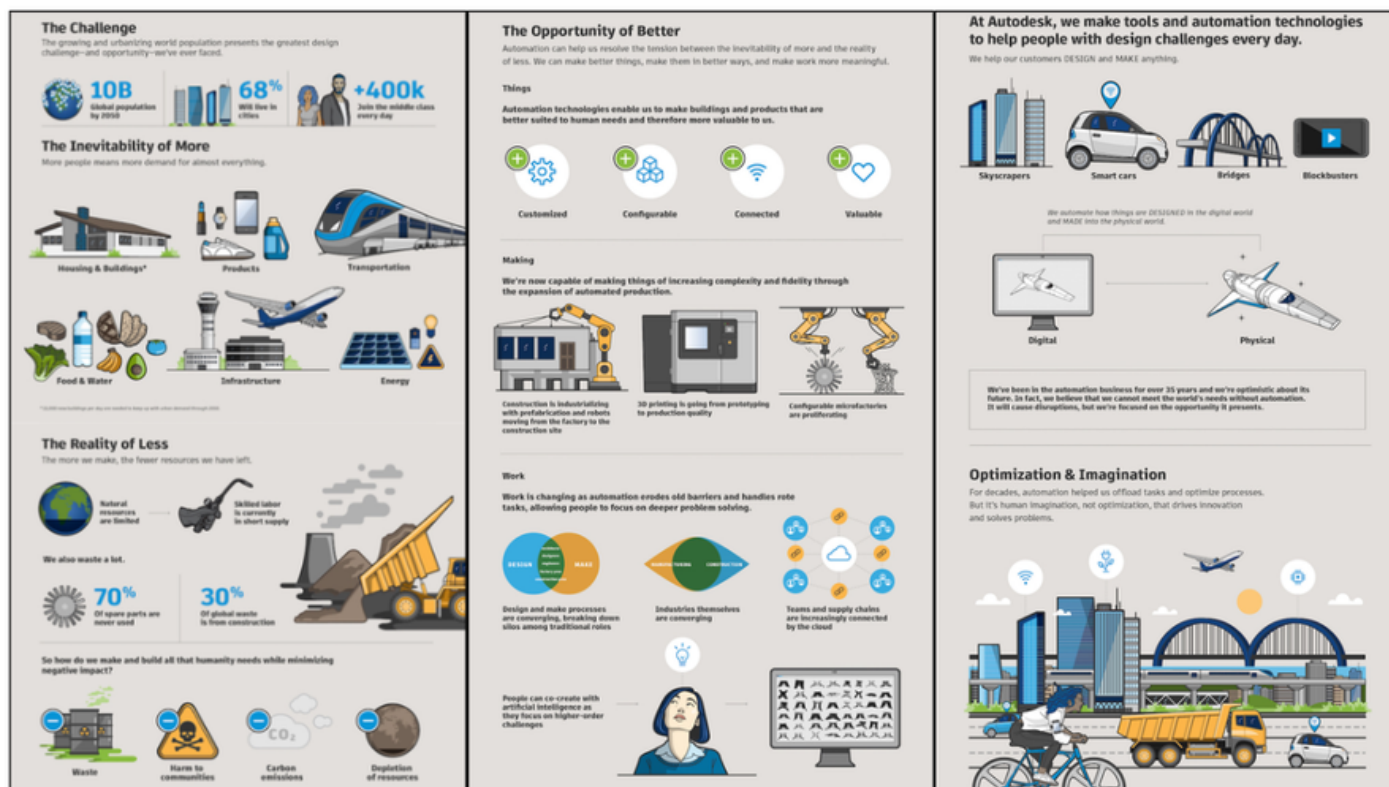
January 2025

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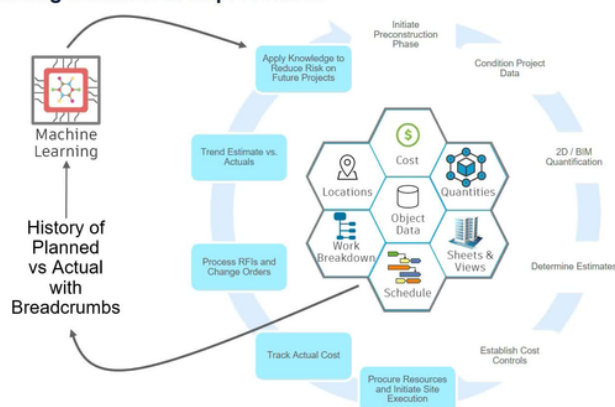
GLOBAL RECOMMENDATION

Autodesk ADSK:NASDAQ

Autodesk (ADSK:NASDAQ) stands as a global leader in design and make software, catering to the architecture, engineering, construction, manufacturing, and media industries. The company's portfolio includes renowned products such as AutoCAD, Revit, and Fusion 360, which are widely utilized across various sectors for 3D design, engineering, and construction tasks. With a current market price of \$290.08 and a market capitalization of \$62.32B, Autodesk has demonstrated strong performance, delivering a 21.6% return over the past year.



Reducing Future Project Risk Enabling Continuous Improvement



INVESTMENT CONSIDERATIONS

Leadership

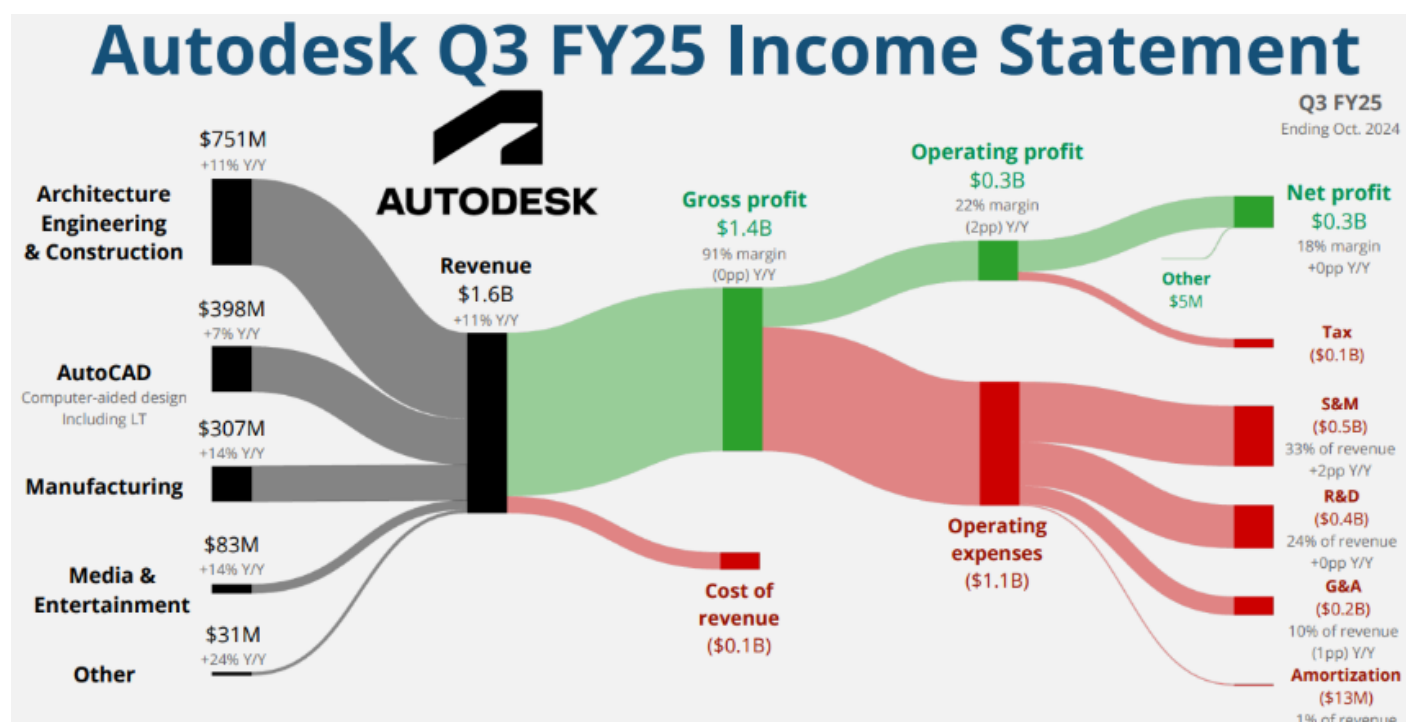
At the helm of Autodesk is CEO Andrew Anagnost, who has been leading the company since June 2017. The recent appointment of Janesh Moorjani as Chief Financial Officer, effective December 16, 2024, brings over two decades of technology and finance expertise to the executive team.

This leadership change is expected to drive further growth and profitability for the company.

Financial Performance

Autodesk's financial strength is underscored by its solid performance metrics. The company achieved an 11.5% revenue growth in the last twelve months, with a strong return on equity of 53% and impressive gross profit margins of 91.92%.

Notably, 97% of Autodesk's revenue is recurring, providing stability and predictability to its business model. In the most recent quarter, the company generated \$199 million in free cash flow, further demonstrating its financial robustness.



INVESTMENT CONSIDERATIONS

Strategic Initiatives

Autodesk is focusing on several key strategic initiatives:

- *AI Integration: The company is aggressively incorporating artificial intelligence across its platform to transform customer workflows and improve productivity*
- *Expansion into Construction Software: Autodesk is gaining traction in downstream construction software, presenting a significant growth opportunity*
- *Margin Expansion: Management has set a goal to achieve GAAP margins "among the best in the industry," with analysts interpreting this as approximately 29% by FY28, up from the current 22%*
- *Transaction Model Transition: The company is rolling out a new transaction model, which is anticipated to contribute positively to revenue and billings growth, particularly in fiscal year 2025*
- *Autodesk Forma: The company is building Autodesk Forma, the AECO industry cloud, to connect project data and unify BIM workflows across teams that design, build, and operate the built environment*

Growth Prospects

The company's growth prospects appear robust, with projections of 10-15% long-term CAGR revenue growth. Autodesk's operating margin is targeted to expand from the current 32% to potentially over 40% long-term, indicating a strong focus on operational efficiency. Free cash flow is expected to recover significantly, growing from \$1.28B to \$2.05B by FY2026. The company's commitment to AI-driven innovation is evident in its efforts to scale and enhance AI models, which is anticipated to unlock innovative user experiences and drive future growth.

Autodesk's growth prospects appear strong:

- *Revenue Growth: The company is projecting 10-15% long-term CAGR revenue growth*
- *Margin Expansion: Operating margin is targeted to expand from the current 32% to potentially over 40% long-term*
- *Free Cash Flow Growth: Free cash flow is expected to recover from \$1.28B to \$2.05B by FY2026*
- *AI-Driven Innovation: Autodesk is scaling and enhancing its AI models to achieve higher performance and utility, which is expected to unlock innovative user experiences*
- *Construction Sector Growth: The Construction sector, a significant contributor to Autodesk's revenue, is projected to expand 12% year-over-year*

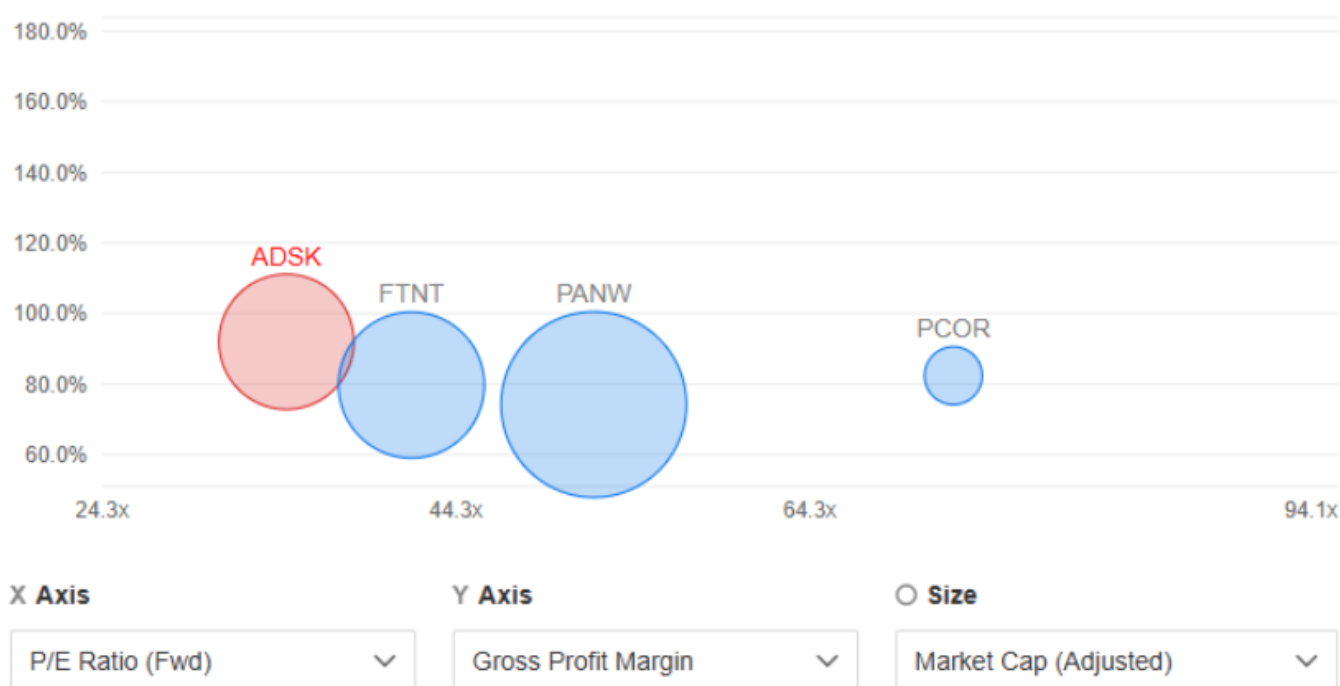
RISKS

Despite its strong market position, Autodesk faces several risks that investors should consider.

The company trades at premium multiples, with a P/E ratio of 57.1x and an EV/EBITDA of 44.8x, which may limit upside potential. Autodesk's short-term obligations exceed its liquid assets, and the company carries moderate debt levels with \$2.58B in total debt. Additionally, macroeconomic uncertainties and a highly competitive software industry landscape pose ongoing challenges that require continuous innovation to maintain market position.

Autodesk faces several risks:

- **Valuation:** The company trades at premium multiples with a P/E ratio of 57.1x and an EV/EBITDA of 44.8x, which may limit upside potential
- **Short-term Obligations:** Autodesk's short-term obligations exceed its liquid assets
- **Macroeconomic Uncertainties:** Autodesk faces challenges due to macroeconomic, policy, and geopolitical factors, which could impact new business growth
- **Competitive Landscape:** The software industry is highly competitive, requiring continuous innovation to maintain market position



Despite a high valuation, Autodesk has a lower forward PE and higher margin than its competitors

WHY HOLD THE COMPANY?

Investors should consider owning Autodesk for several compelling reasons.

The company's dominant position in the AEC software market, coupled with its comprehensive product portfolio, provides a strong foundation for sustained success. Autodesk's focus on AI integration and expansion into construction software presents significant growth opportunities. The company's subscription-based model ensures stable and predictable revenue streams, while its strong financial performance and cash flow generation capabilities support ongoing investment in innovation and market expansion.

Autodesk's leadership has articulated a clear strategy for long-term growth and value creation, focusing on AI, industry cloud solutions, and operational efficiency. The development of Autodesk Forma, the AECO industry cloud, aims to connect project data and unify BIM workflows across teams that design, build, and operate the built environment, further solidifying the company's market position.

Investors should consider owning Autodesk for the following reasons:

- **Market Leadership:** Autodesk holds a dominant position in the AEC software market with a comprehensive product portfolio
- **AI Integration:** The company's focus on AI integration positions it at the forefront of technological innovation in its industry
- **Strong Financial Performance:** Autodesk demonstrates robust revenue growth, high profitability margins, and strong cash flow generation
- **Recurring Revenue Model:** The company's subscription-based model provides stable and predictable revenue streams
- **Growth Potential:** Autodesk's expansion into construction software and its focus on margin improvement present significant growth opportunities
- **Strategic Vision:** The company's leadership has a clear strategy for long-term growth and value creation, focusing on AI, industry cloud solutions, and operational efficiency

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Our Commitment

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