

Edgar Filing: AUTODESK INC - Form 10-Q

AUTODESK INC

Form 10-Q

August 30, 2018

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 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)

(415) 507-5000

(Registrant's telephone number, including area code)

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 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 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

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 August 24, 2018, registrant had outstanding 218,616,633 shares of common stock.

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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****AUTODESK, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In millions, except per share data)

(Unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017	2018	2017
Net revenue:				
Subscription	\$420.6	\$196.1	\$771.0	\$369.5
Maintenance	166.4	261.8	347.6	525.4
Total subscription and maintenance revenue	587.0	457.9	1,118.6	894.9
Other (1)	24.7	43.9	53.0	92.6
Total net revenue	611.7	501.8	1,171.6	987.5
Cost of revenue:				
Cost of subscription and maintenance revenue	54.1	52.8	104.5	107.7
Cost of other revenue (2)	12.3	17.8	25.1	36.4
Amortization of developed technology	3.4	4.0	7.0	8.7
Total cost of revenue	69.8	74.6	136.6	152.8
Gross profit	541.9	427.2	1,035.0	834.7
Operating expenses:				
Marketing and sales	289.1	257.6	565.5	513.3
Research and development	180.8	193.8	353.6	381.5
General and administrative	79.1	78.0	152.0	156.3
Amortization of purchased intangibles	3.8	4.9	7.6	10.6
Restructuring and other exit costs, net	13.8	0.5	36.3	0.2
Total operating expenses	566.6	534.8	1,115.0	1,061.9
Loss from operations	(24.7)	(107.6)	(80.0)	(227.2)
Interest and other income (expense), net	1.3	(18.8)	(7.2)	(20.6)
Loss before income taxes	(23.4)	(126.4)	(87.2)	(247.8)
Provision for income taxes	(16.0)	(17.6)	(34.6)	(25.8)
Net loss	\$(39.4)	\$(144.0)	\$(121.8)	\$(273.6)
Basic net loss per share	\$(0.18)	\$(0.66)	\$(0.56)	\$(1.25)
Diluted net loss per share	\$(0.18)	\$(0.66)	\$(0.56)	\$(1.25)
Weighted average shares used in computing basic net loss per share	219.0	219.5	218.8	219.7
Weighted average shares used in computing diluted net loss per share	219.0	219.5	218.8	219.7

(1) Previously labeled as "License and other" in prior periods.

(2) Previously labeled as "Cost of license and other revenue" in prior periods.

See accompanying Notes to Condensed Consolidated Financial Statements.

AUTODESK, INC.**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

(In millions)

(Unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017	2018	2017
Net loss	\$ (39.4)	\$ (144.0)	\$ (121.8)	\$ (273.6)
Other comprehensive (loss) income, net of reclassifications:				
Net gain (loss) on derivative instruments (net of tax effect of (\$1.1), \$0.9, (\$1.8), and \$1.4, respectively)	11.6	(11.6)	17.6	(13.0)
Change in net unrealized (loss) gain on available-for-sale debt securities (net of tax effect of \$(0.1), \$0.4, \$0.0 and \$0.1, respectively)	(1.3)	(0.5)	(0.7)	0.2
Change in defined benefit pension items (net of tax effect of (\$0.1), \$0.0, (\$1.5) and \$0.0, respectively)	2.3	0.3	10.0	(0.2)
Net change in cumulative foreign currency translation (loss) gain (net of tax effect of \$0.2, (\$0.6), \$0.5 and (\$0.9), respectively)	(29.7)	25.2	(54.0)	38.6
Total other comprehensive (loss) income	(17.1)	13.4	(27.1)	25.6
Total comprehensive loss	\$ (56.5)	\$ (130.6)	\$ (148.9)	\$ (248.0)

See accompanying Notes to Condensed Consolidated Financial Statements.

AUTODESK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

(Unaudited)

	July 31, 2018	January 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 895.4	\$ 1,078.0
Marketable securities	274.4	245.2
Accounts receivable, net	234.4	438.2
Prepaid expenses and other current assets	194.6	116.5
Total current assets	1,598.8	1,877.9
Marketable securities	128.1	190.8
Computer equipment, software, furniture and leasehold improvements, net	146.8	145.0
Developed technologies, net	23.7	27.1
Goodwill	1,658.7	1,620.2
Deferred income taxes, net	81.5	81.7
Other assets	195.4	170.9
Total assets	\$3,833.0	\$4,113.6
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 82.2	\$ 94.7
Accrued compensation	163.2	250.9
Accrued income taxes	38.8	28.0
Deferred revenue	1,491.5	1,551.6
Other accrued liabilities	139.4	198.0
Total current liabilities	1,915.1	2,123.2
Long-term deferred revenue	308.0	403.5
Long-term income taxes payable	41.5	41.6
Long-term deferred income taxes	88.2	66.6
Long-term notes payable, net	1,587.2	1,586.0
Other liabilities	134.6	148.7
Stockholders' deficit:		
Common stock and additional paid-in capital	2,012.5	1,952.7
Accumulated other comprehensive loss	(150.9)	(123.8)
Accumulated deficit	(2,103.2)	(2,084.9)
Total stockholders' deficit	(241.6)	(256.0)
Total liabilities and stockholders' deficit	\$3,833.0	\$4,113.6

See accompanying Notes to Condensed Consolidated Financial Statements.

AUTODESK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Six Months Ended	
	July 31,	
	2018	2017
Operating activities:		
Net loss	\$(121.8)	\$(273.6)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation, amortization and accretion	46.3	56.8
Stock-based compensation expense	111.3	134.4
Deferred income taxes	(0.3)	8.6
Restructuring and other exit costs, net	36.6	0.2
Other operating activities	(1.3)	7.7
Changes in operating assets and liabilities		
Accounts receivable	204.2	185.5
Prepaid expenses and other current assets	7.9	(2.4)
Accounts payable and accrued liabilities	(201.3)	(98.6)
Deferred revenue	(66.7)	(9.9)
Accrued income taxes	11.5	(36.0)
Net cash provided by (used in) operating activities	26.4	(27.3)
Investing activities:		
Purchases of marketable securities	(110.1)	(299.7)
Sales of marketable securities	27.0	110.8
Maturities of marketable securities	119.6	420.3
Capital expenditures	(36.7)	(26.4)
Acquisitions, net of cash acquired	(34.1)	—
Other investing activities	(6.0)	(4.3)
Net cash (used in) provided by investing activities	(40.3)	200.7
Financing activities:		
Proceeds from issuance of common stock, net of issuance costs	50.4	55.9
Taxes paid related to net share settlement of equity awards	(53.0)	(49.8)
Repurchases of common stock	(154.7)	(315.2)
Proceeds from debt, net of discount	—	496.9
Repayment of debt	—	(400.0)
Other financing activities	—	(5.8)
Net cash used in financing activities	(157.3)	(218.0)
Effect of exchange rate changes on cash and cash equivalents	(11.4)	5.6
Net decrease in cash and cash equivalents	(182.6)	(39.0)
Cash and cash equivalents at beginning of period	1,078.0	1,213.1
Cash and cash equivalents at end of period	\$895.4	\$1,174.1
Supplemental cash flow disclosure:		
Non-cash investing activities:		
Fair value of common stock issued as consideration for business combination (See Note 8)	\$44.8	\$—

See accompanying Notes to Condensed Consolidated Financial Statements.

AUTODESK, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tables in millions, except share and per share data, or as otherwise noted)

1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of Autodesk, Inc. ("Autodesk," "we," "us," "our," or the "Company") as of July 31, 2018, and for the three and six months ended July 31, 2018 and 2017, have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information along with the instructions to Form 10-Q and Article 10 of Securities and Exchange Commission ("SEC") Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for annual financial statements. In management's opinion, Autodesk made all adjustments (consisting of normal, recurring and non-recurring adjustments) during the quarter that were considered necessary for the fair statement of the financial position and operating results of the Company. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. In addition, the results of operations for the three and six months ended July 31, 2018 are not necessarily indicative of the results for the entire fiscal year ending January 31, 2019, or for any other period. Further, the balance sheet as of January 31, 2018 has been derived from the audited Consolidated Balance Sheet as of this date. There have been no material changes, other than what is discussed herein, to Autodesk's significant accounting policies as compared to the significant accounting policies disclosed in the Annual Report on Form 10-K for the fiscal year ended January 31, 2018. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related notes, together with management's discussion and analysis of financial position and results of operations contained in Autodesk's Annual Report on Form 10-K for the fiscal year ended January 31, 2018, filed on March 22, 2018.

2. Recently Issued Accounting Standards

With the exception of those discussed below, there have been no recent changes in accounting pronouncements issued by the Financial Accounting Standards Board ("FASB") or adopted by the Company during the six months ended July 31, 2018, that are of significance, or potential significance, to the Company.

Accounting standards adopted

Effective in the first quarter of fiscal 2019, Autodesk adopted FASB Accounting Standards Update ("ASU") No. 2017-05, "Other Income— Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets." The ASU, among other things, clarifies the scope of the derecognition of nonfinancial assets, the definition of in-substance financial assets, and impacts the accounting for partial sales of nonfinancial assets by requiring full gain recognition upon the sale. The new guidance was adopted prospectively as there was no impact on the Company's prior periods consolidated statements of financial position and results of operations which would be reflected in either the full or modified retrospective transition approach. The future effect of the adoption will depend upon the nature of the Company's future dispositions, if any.

Effective in the first quarter of fiscal 2019, Autodesk adopted FASB ASU No. 2017-01, "Business Combinations: Clarifying the Definition of a Business" which provides a more robust framework to use in determining when a set of assets and activities is considered a business. The new guidance was applied on a prospective basis and the adoption did not have any impact on Autodesk's consolidated financial statements. Any future effect of the adoption will depend upon the nature of the Company's future acquisitions, if any.

Effective in the first quarter of fiscal 2019, Autodesk adopted FASB ASU No. 2016-16, "Income Taxes: Intra-Entity Transfers of Assets Other than Inventory" which requires that entities recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The new guidance was applied on a modified retrospective basis with a cumulative increase of \$1.9 million to the opening balance of "Accumulated deficit" at February 1, 2018. The ASU did not have any other material impacts on Autodesk's Condensed Consolidated Financial Statements.

Effective in the first quarter of fiscal 2019, Autodesk adopted FASB ASU No. 2016-01 regarding Accounting Standards Codification ("ASC") Topic 825-10, "Financial Instruments - Overall." The amendments address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments, and require equity securities to be measured at fair value, unless the measurement alternative method has been elected for equity investments without readily determinable fair values ("non-marketable equity securities"), with changes in fair value recognized through net income. The amendments also simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment

for impairment quarterly at each reporting period. Under the measurement alternative method, the non-marketable equity securities will be measured at cost, less any impairment, plus or minus adjustments resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer, which will be recorded within the Condensed Consolidated Statement of Operations. The determination of whether a transaction is for a similar investment will require significant management judgment including consideration of the rights and obligations between the investments and the extent to which those differences would affect the fair values of those investments with additional consideration for the stage of development of the investee company.

Autodesk prospectively adopted the amendments related to non-marketable equity securities existing as of the date of adoption. The new standard may add volatility to the Company's statements of operations in future periods, due to changes in market prices of the Company's investments in publicly held equity investments and the valuation and timing of observable price changes and impairments of its investments in non-marketable securities. See Note 5, "Financial Instruments" for more information.

Revenue from contracts with customers

Effective in the first quarter of fiscal 2019, Autodesk adopted ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" and the subsequent and related ASU No. 2015-14, ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-12, and ASU No. 2016-20.

Under ASC Topic 606, the Company has concluded that the desktop software and related substantial cloud functionality that are included in the majority of its product subscription offerings and enterprise arrangements are not distinct in the context of the contract as they are considered highly interrelated and represent a single combined performance obligation that should be recognized over time. Therefore, the adoption of ASC Topic 606 has not resulted in a material change in the timing and amount of the recognition of revenue for the majority of the Company's product subscription offerings and enterprise arrangements.

One impact of the new standard relates to product subscriptions that do not incorporate substantial cloud functionality. A limited number of Autodesk's product subscriptions do not incorporate substantial cloud functionality, and therefore are not considered highly interrelated. Under ASU 2014-09, these limited number of product subscriptions are recognized as separate and distinct license and service performance obligations. Under ASC Topic 605, licenses sold with undelivered elements without vendor-specific objective evidence ("VSOE") are recognized ratably over the term of the undelivered elements. Under ASC Topic 606, Autodesk is no longer required to establish VSOE to recognize software license revenue separately from the other elements and recognizes software licenses once the customer obtains control of the license, which is generally upon delivery of the license. Therefore, revenue allocated to the licenses in these offerings under ASC Topic 606 is recognized at a point in time instead of over the contract term.

Autodesk adopted ASC Topic 606 using the modified retrospective method, with a cumulative decrease of \$89.0 million to the opening balance of "Accumulated deficit" at February 1, 2018. Autodesk applied the standard only to contracts that are not completed as of the date of initial application. The comparative information has not been adjusted and continues to be reported under ASC Topic 605. The details of the quantitative impact of the adoption on the three and six months ended July 31, 2018, are shown below. See Note 3, "Revenue Recognition" for disclosures under the new standard.

Costs to acquire a contract from a customer

With the adoption of ASC Topic 606, Autodesk also adopted ASC Topic 340-40, "Other Assets and Deferred Costs—Contracts with Customers." Prior to the adoption of ASC Topic 340-40, Autodesk previously recognized compensation paid to sales employees and certain resellers related to obtaining customer contracts in marketing and

sales expense in the Consolidated Statements of Operations when incurred. Under ASC Topic 340-40, Autodesk capitalizes this sales compensation as contract costs when they are incremental, directly incurred to obtain a contract with a customer and expected to be recoverable. The contract costs are amortized based on the transfer of goods or services to which the contract costs relate.

Under the modified retrospective method, Autodesk booked a cumulative decrease of \$90.4 million to the opening balance of "Accumulated deficit" at February 1, 2018. The comparative information has not been adjusted and continues to be reported as incurred. The details of the quantitative impact of the adoption on the three and six months ended July 31, 2018, are shown below. See Note 11, "Deferred Compensation" for disclosures under the new standard.

Quantitative effect of ASC Topic 606 and 340-40 adoption

The following table shows select line items that were materially impacted by the adoption of ASC Topics 606 and 340-40 on Autodesk's unaudited Condensed Consolidated Statements of Operations for the three and six months ended July 31, 2018:

	For the Three Months Ended July 31, 2018			For the Six Months Ended July 31, 2018		
	As Reported	Impact from the adoption of ASC 606 and 340-40	As Adjusted	As Reported	Impact from the adoption of ASC 606 and 340-40	As Adjusted
Net revenue (1)						
Subscription	\$420.6	\$ (4.6)	\$ 416.0	\$771.0	\$ 1.7	\$ 772.7
Maintenance	166.4	(1.1)	165.3	347.6	4.3	351.9
Other	24.7	4.5	29.2	53.0	6.4	59.4
Cost of revenue (1)						
Cost of subscription and maintenance revenue	54.1	—	54.1	104.5	(0.1)	104.4
Cost of other revenue	12.3	0.4	12.7	25.1	0.7	25.8
Operating expenses (1):						
Marketing and sales	289.1	(10.8)	278.3	565.5	(24.4)	541.1
Provision for income taxes	(16.0)	3.1	(12.9)	(34.6)	(1.5)	(36.1)
Net loss (2)	\$(39.4)	\$ 12.3	\$(27.1)	\$(121.8)	\$ 34.7	\$(87.1)
Basic net loss per share	\$(0.18)	\$ 0.06	\$(0.12)	\$(0.56)	\$ 0.16	\$(0.40)
Diluted net loss per share	\$(0.18)	\$ 0.06	\$(0.12)	\$(0.56)	\$ 0.16	\$(0.40)

(1) While not shown here, gross margin, loss from operations, and loss before income taxes have consequently been affected as a result of the net effect of the adjustments noted above.

(2) The impact on the unaudited Condensed Consolidated Statements of Comprehensive Loss is limited to the net effects of the impacts noted above on the Condensed Consolidated Statements of Operations, specifically on the line item "Net loss."

The following table shows select line items that were materially impacted by the adoption of ASC Topics 606 and 340-40 on Autodesk's unaudited Condensed Consolidated Balance Sheet as of July 31, 2018:

	As reported	Impact from the adoption of ASC 606 and 340-40	As Adjusted
ASSETS			
Current assets:			
Accounts receivable, net	\$ 234.4	\$ 53.0	\$ 287.4
Prepaid expenses and other current assets (1)	194.6	(70.1)	124.5
Deferred income taxes, net	81.5	11.0	92.5
Other assets (1)	195.4	(18.0)	177.4
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current liabilities:			
Accrued income taxes	38.8	(1.4)	37.4
Deferred revenue	1,491.5	99.1	1,590.6
Other accrued liabilities	139.4	2.4	141.8
Long-term deferred revenue	308.0	25.3	333.3
Long-term income taxes payable	41.5	(0.2)	41.3
Long-term deferred income taxes	88.2	(4.6)	83.6
Accumulated deficit (2)	(2,103.2)	(144.7)	(2,247.9)

(1) Short term and long term "contract assets" under ASC Topic 606 are included within "Prepaid expenses and other current assets" and "Other assets", respectively, on the unaudited Condensed Consolidated Balance Sheet.

(2) Included in the "Accumulated deficit" adjustment is \$179.4 million for the cumulative effect adjustment of adopting ASC Topic 606 and 340-40 on the opening balance as of February 1, 2018.

Adoption of the standard had no impact to net cash provided by or (used in) operating, financing, or investing activities on the Company's unaudited Condensed Consolidated Statements of Cash Flows.

Recently issued accounting standards not yet adopted

In February 2018, FASB issued ASU No. 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The amendment allows entities to reclassify stranded tax effects resulting from the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. The amendment only impacts the income tax effect of the passage of the Tax Cuts and Jobs Act but does not affect the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations. The amendment is effective for Autodesk's fiscal year beginning February 1, 2019, unless Autodesk elects early adoption, which Autodesk is still evaluating. Autodesk is currently evaluating the accounting, transition, and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

In August 2017, FASB issued ASU No. 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." The targeted amendments help simplify certain aspects of hedge accounting and result in a more accurate portrayal of the economics of an entity's risk management activities in its financial statements. For cash flow and net investment hedges as of the adoption date, the guidance requires a modified retrospective approach. The amended presentation and disclosure guidance is required only prospectively. The amendments are effective for Autodesk's fiscal year beginning February 1, 2019. Autodesk will not early adopt. Autodesk is currently evaluating the accounting, transition, and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

In June 2016, FASB issued ASU No. 2016-13 regarding ASC Topic 326, "Financial Instruments - Credit Losses," which modifies the measurement of expected credit losses of certain financial instruments. Autodesk plans to adopt ASU 2016-13 as of the effective date which represents Autodesk's fiscal year beginning February 1, 2020. Autodesk does not believe the ASU will have a material impact on its consolidated financial statements.

In February 2016, FASB issued ASU No. 2016-02, Leases (ASC Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing transactions. The new standard requires entities to reflect the net present value of all future fixed lease payments for both operating and finance leases. It also requires entities to disclose fixed and variable lease payments separately and by lease type (operating vs. finance leases). ASU 2016-02 requires a modified retrospective approach with optional practical expedients.

Autodesk has elected to not reassess the lease classification of existing leases and to combine lease and non-lease components for new leases post adoption. Autodesk is currently in the process of evaluating if it will elect any of the other remaining practical expedient options. In addition, FASB issued ASU No. 2018-10 and 2018-11 in July 2018, to help provide interpretive clarifications on various issues raised by stakeholders. ASU 2018-10 clarifies ambiguous or potentially conflicting guidance in ASU 2016-02 but is not expected to have a material impact on Autodesk. ASU 2018-11 provides an additional transition option to apply ASU 2016-02 upon adoption of the new standard. Autodesk will use this option and apply ASU 2016-02 to leases active as of the adoption date of the new standard, February 1, 2019.

Autodesk has made and will continue to make investments in systems and processes to enable timely and accurate reporting under ASC Topic 842. Autodesk currently expects that necessary operational changes will be implemented prior to the adoption date and expects that most of its lease commitments will be subject to the updated standard and recognized as lease liabilities and right-of-use assets upon adoption. Autodesk is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures and cannot currently estimate the financial statement impact of adoption.

3. Revenue Recognition

Revenue Recognition

Autodesk's revenue is divided into three categories: subscription revenue, maintenance revenue, and other revenue. Revenue is recognized when control for these offerings is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for products and services.

Our contracts with customers may include promises to transfer multiple products and services to a customer. Determining whether the products and services are considered distinct performance obligations that should be accounted for separately or as one combined performance obligation may require significant judgment. Judgment is required to determine the level of integration and interdependency between individual components of software and cloud functionality. This determination influences whether the software is considered distinct and accounted for separately as a license performance obligation, or not distinct and accounted for together with the cloud functionality as a single subscription performance obligation recognized over time.

For product subscriptions, industry collections, and enterprise business agreement ("EBA") subscriptions in which the desktop software and related cloud functionality are highly interrelated, the combined performance obligation is recognized ratably over the contract term as the obligation is delivered. For contracts involving distinct software licenses, the license performance obligation is satisfied at a point in time when control is transferred to the customer. For standalone maintenance subscriptions, cloud subscriptions, and technical support services, the performance obligation is satisfied ratably over the contract term as those services are delivered. For consulting services, the performance obligation is satisfied over a period of time as those services are delivered.

When an arrangement includes multiple performance obligations which are concurrently delivered and have the same pattern of transfer to the customer (the services transfer to the customer over the contract period), we account for those performance obligations as a single performance obligation.

For contracts with more than one performance obligation, the transaction price is allocated among the performance obligations in an amount that depicts the relative standalone selling price ("SSP") of each obligation. Judgment is required to determine the SSP for each distinct performance obligation. We use a range of amounts to estimate SSP when we sell each of the products and services separately and need to determine whether there is a discount that should be allocated based on the relative SSP of the various products and services.

In instances where SSP is not directly observable, such as when we do not sell the product or service separately, we determine the SSP using information that includes market conditions and other observable inputs. We typically have more than one SSP for individual products and services due to the stratification of those products and services by customer and circumstance. In these instances, we use relevant information such as the sales channel and geographic region to determine the SSP.

Our indirect channel model includes both a two-tiered distribution structure, where Autodesk sells to distributors that subsequently sell to resellers, and a one-tiered structure where Autodesk sells directly to resellers. For these arrangements, transfer of control begins at the time access to our subscriptions is made available electronically to our customer, provided all other criteria for revenue recognition are met. Judgment is required to determine whether our distributors and resellers have the

ability to honor their commitment to pay, regardless of whether they collect payment from their customers. If we were to change this assessment, 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. Incentives related to our subscription program are recorded as a reduction to deferred revenue in the period the subscription transaction is billed, and are subsequently recognized as a reduction to subscription revenue over the contract period. A small portion of partner incentives reduce other revenue in the current 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 recorded on the balance sheet as either contra accounts receivable or accounts payable.

Revenue Disaggregation

Autodesk recognizes revenue from the sale of (1) product subscriptions, cloud service offerings, and flexible enterprise business arrangements ("EBAs"), (2) renewal fees for existing maintenance plan agreements that were initially purchased with a perpetual software license, and (3) consulting, training and other goods and services. The three categories are presented as line items on Autodesk's unaudited Condensed Consolidated Statements of Operations.

Information regarding the components of Autodesk's net revenue from contracts with customers by geographic location, product family, and sales channel is as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017	2018	2017
Net revenue by product family (1):				
Architecture, Engineering and Construction	\$243.1	\$189.6	\$464.9	\$375.5
Manufacturing	146.1	132.3	281.5	260.6
AutoCAD and AutoCAD LT	176.6	135.6	332.2	264.6
Media and Entertainment	41.7	38.0	83.5	74.5
Other	4.2	6.3	9.5	12.3
Total net revenue	\$611.7	\$501.8	\$1,171.6	\$987.5
Net revenue by geographic area:				
Americas				
U.S.	\$205.2	\$184.6	\$401.1	\$364.4
Other Americas	42.3	29.4	79.9	59.7
Total Americas	247.5	214.0	481.0	424.1
Europe, Middle East and Africa	248.3	199.3	469.2	389.0
Asia Pacific	115.9	88.5	221.4	174.4
Total net revenue	\$611.7	\$501.8	\$1,171.6	\$987.5
Net revenue by sales channel:				
Indirect	\$440.2	\$354.7	\$838.5	\$694.8
Direct	171.5	147.1	333.1	292.7
Total net revenue	\$611.7	\$501.8	\$1,171.6	\$987.5

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(1) Due to changes in the go-to-market offerings of our AutoCAD product subscription, prior period balances have been adjusted to conform to current period presentation.

Payments for product subscriptions, industry collections, cloud subscriptions, and maintenance subscriptions are typically due up front with payment terms of 30 to 45 days. Payments on EBAs are typically due in annual installments over the contract term, with payment terms of 30 to 45 days. Autodesk does not have any material variable consideration, such as obligations for returns, refunds, warranties or amounts due to customers for which significant estimation or judgment is required as of the reporting date.

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As of July 31, 2018, Autodesk had total billed and unbilled deferred revenue of \$2.2 billion, which represents the total contract price allocated to undelivered performance obligations, which are generally recognized over the next three years. We expect to recognize \$1.6 billion or 74% of this revenue during the next 12 months. We expect to recognize the remaining \$0.6 billion or 26% of this revenue thereafter.

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

Contract Balances

We receive payments from customers based on a billing schedule as established in our contracts. Contract assets relate to performance completed in advance of scheduled billings. Contract assets were not material as of July 31, 2018. Deferred revenue relates to payments received in advance of performance under the contract. The primary changes in our contract assets and deferred revenues are due to our performance under the contracts and billings.

Revenue recognized during the six months ended July 31, 2018, that was included in the deferred revenue balances at January 31, 2018, was \$922.5 million. The satisfaction of performance obligations typically lags behind payments received under revenue contracts from customers, which may lead to an increase in our deferred revenue balance over time.

4. Concentration of Credit Risk

Autodesk places its cash, cash equivalents and marketable securities in highly liquid instruments with, and in the custody of, diversified financial institutions globally with high credit ratings and limits the amounts invested with any one institution, type of security and issuer. Autodesk's primary commercial banking relationship is with Citigroup Inc. and its global affiliates. Citibank, N.A., an affiliate of Citigroup, is one of the lead lenders and an agent in the syndicate of Autodesk's \$400.0 million line of credit facility.

Total sales to the distributor Tech Data Corporation and its global affiliates ("Tech Data") accounted for 35% of Autodesk's total net revenue for both the three and six months ended July 31, 2018 and 31% and 30% for the three and six months ended July 31, 2017, respectively. The majority of the net revenue from sales to Tech Data is for sales made outside of the United States. In addition, Tech Data accounted for 32% and 31% of trade accounts receivable at July 31, 2018 and January 31, 2018, respectively. No other customer accounted for more than 10% of Autodesk's total net revenue or trade accounts receivable for each of the respective periods.

5. Financial Instruments

The following tables summarize the Company's financial instruments' amortized cost, gross unrealized gains, gross unrealized losses, and fair value by significant investment category as of July 31, 2018 and January 31, 2018:

	July 31, 2018						
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Level 1	Level 2	Level 3
Cash equivalents (1):							
Agency bonds	\$5.0	\$ —	\$ —	\$5.0	\$—	\$5.0	\$—
Certificates of deposit	11.5	—	—	11.5	—	11.5	—
Commercial paper	269.5	—	—	269.5	—	269.5	—
Custody cash deposit	1.7	—	—	1.7	1.7	—	—
Municipal bonds	5.0	—	—	5.0	—	5.0	—
Money market funds	122.9	—	—	122.9	122.9	—	—
Sovereign debt	5.0	—	—	5.0	—	5.0	—
U.S. government securities	11.5	—	—	11.5	—	11.5	—
Marketable securities:							
Short-term							
Agency bonds	12.5	—	—	12.5	—	12.5	—
Asset backed securities	12.1	—	—	12.1	—	12.1	—
Certificates of deposit	7.7	—	—	7.7	—	7.7	—
Commercial paper	62.7	—	—	62.7	—	62.7	—
Corporate debt securities	64.9	—	(0.2)	64.7	—	64.7	—
Municipal bonds	5.0	—	—	5.0	—	5.0	—
Sovereign debt	6.5	—	—	6.5	—	6.5	—
U.S. government securities	41.4	—	(0.2)	41.2	—	41.2	—
Short-term trading securities							
Mutual funds	53.9	8.1	—	62.0	62.0	—	—
Long-term							
Agency bonds	12.5	—	(0.1)	12.4	—	12.4	—
Asset backed securities	27.1	—	(0.3)	26.8	—	26.8	—
Corporate debt securities	74.0	0.1	(0.5)	73.6	—	73.6	—
Municipal bonds	7.7	—	(0.1)	7.6	—	7.6	—
U.S. government securities	5.0	—	—	5.0	—	5.0	—
Sovereign debt	2.7	—	—	2.7	—	2.7	—
Convertible debt securities (2)	7.5	1.4	(2.3)	6.6	—	—	6.6
Derivative contract assets (3)	1.7	12.8	(1.6)	12.9	—	12.0	0.9
Derivative contract liabilities (4)	—	—	(6.9)	(6.9)	—	(6.9)	—
Total	\$837.0	\$ 22.4	\$ (12.2)	\$847.2	\$186.6	\$653.1	\$ 7.5

(1) Included in "Cash and cash equivalents" in the accompanying Condensed Consolidated Balance Sheets.

(2) Included in "Other assets" in the accompanying Condensed Consolidated Balance Sheets.

(3) Included in "Prepaid expenses and other current assets" or "Other assets" in the accompanying Condensed Consolidated Balance Sheets.

(4) Included in "Other accrued liabilities" in the accompanying Condensed Consolidated Balance Sheets.

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	January 31, 2018						
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Level 1	Level 2	Level 3
Cash equivalents (1):							
Agency bonds	\$5.0	\$ —	\$ —	\$5.0	\$5.0	\$—	\$—
Certificates of deposit	17.4	—	—	17.4	17.4	—	—
Commercial paper	324.2	—	—	324.2	—	324.2	—
Corporate debt securities	5.0	—	—	5.0	5.0	—	—
Custody cash deposit	5.2	—	—	5.2	5.2	—	—
Money market funds	278.8	—	—	278.8	—	278.8	—
Municipal bonds	5.0	—	—	5.0	5.0	—	—
Sovereign debt	2.0	—	—	2.0	—	2.0	—
Marketable securities:							
Short-term							
Asset backed securities	13.1	—	—	13.1	—	13.1	—
Commercial paper	27.5	—	—	27.5	—	27.5	—
Corporate debt securities	99.4	—	(0.1)	99.3	99.3	—	—
Other (2)	9.2	—	—	9.2	7.7	1.5	—
U.S. government securities	37.1	—	—	37.1	37.1	—	—
Short-term trading securities							
Mutual funds	50.1	8.9	—	59.0	59.0	—	—
Long-term							
Agency bonds	13.7	—	(0.1)	13.6	13.6	—	—
Asset backed securities	36.8	—	(0.2)	36.6	—	36.6	—
Corporate debt securities	100.2	0.1	(0.4)	99.9	99.9	—	—
Municipal bonds	12.7	—	(0.1)	12.6	12.6	—	—
Sovereign debt	2.8	—	—	2.8	—	2.8	—
U.S. government securities	25.5	—	(0.2)	25.3	25.3	—	—
Convertible debt securities (3)	7.5	0.5	(0.2)	7.8	—	—	7.8
Derivative contract assets (4)	2.0	7.5	(1.3)	8.2	—	7.2	1.0
Derivative contract liabilities (5)	—	—	(26.6)	(26.6)	—	(26.6)	—
Total	\$1,080.2	\$ 17.0	\$ (29.2)	\$1,068.0	\$392.1	\$667.1	\$ 8.8

(1) Included in "Cash and cash equivalents" in the accompanying Condensed Consolidated Balance Sheets.

(2) Consists of agency bonds, certificates of deposit, sovereign debt, and municipal bonds.

(3) Included in "Other assets" in the accompanying Condensed Consolidated Balance Sheets.

(4) Included in "Prepaid expenses and other current assets," "Other assets," or "Other accrued liabilities" in the accompanying Condensed Consolidated Balance Sheets.

(5) Included in "Other accrued liabilities" in the accompanying Condensed Consolidated Balance Sheets.

Autodesk classifies its marketable securities as either short-term or long-term based on each instrument's underlying contractual maturity date. Marketable securities with remaining maturities of up to 12 months are classified as short-term and marketable securities with remaining maturities greater than 12 months are classified as long-term. Autodesk may sell certain of its marketable securities prior to their stated maturities for strategic purposes or in anticipation of credit deterioration.

Autodesk applies fair value accounting for certain financial assets and liabilities, which consist of cash equivalents, marketable securities and other financial instruments, that are recognized or disclosed at fair value in the financial

statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs other than quoted prices in active markets for

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identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and (Level 3) unobservable inputs for which there is little or no market data, which require Autodesk to develop its own assumptions. When determining fair value, Autodesk uses observable market data and relies on unobservable inputs only when observable market data is not available. Autodesk reviews its leveling classifications for any potential changes on a quarterly basis, in conjunction with our fiscal quarter-end close. As part of this assessment, Autodesk transferred the fair value measurement of \$245.2 million between Level 1 to Level 2 and \$122.9 million between Level 2 to Level 1 during the six months ended July 31, 2018. It is Autodesk's assessment that the leveling best reflects current market activity when observing the pricing information for these assets.

Autodesk's cash equivalents, marketable securities and financial instruments are primarily classified within Level 1 or Level 2 of the fair value hierarchy. Autodesk values its securities on pricing from pricing vendors, who may use quoted prices in active markets for identical assets (Level 1) or inputs other than quoted prices that are observable either directly or indirectly in determining fair value (Level 2). Autodesk's Level 2 securities are valued primarily using observable inputs other than quoted prices in active markets for identical assets and liabilities. Autodesk's Level 3 securities consist of investments held in convertible debt securities and derivative contracts which are valued using probability weighted discounted cash flow models as some of the inputs to the models are unobservable in the market.

A reconciliation of the change in Autodesk's Level 3 items for the six months ended July 31, 2018 follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Derivative Contracts	Convertible Debt Securities	Total
Balances, January 31, 2018	\$ 1.0	\$ 7.8	\$ 8.8
Purchases	—	—	—
Loss included in earnings	(0.1)	—	(0.1)
Loss included in OCI	—	(1.2)	(1.2)
Balances, July 31, 2018	\$ 0.9	\$ 6.6	\$ 7.5

The following table summarizes the estimated fair value of Autodesk's securities classified by the contractual maturity date of the security:

	July 31, 2018	
	Cost	Fair Value
Due within 1 year	\$220.3	\$ 219.0
Due in 1 year through 5 years	124.3	123.4
Due in 5 years through 10 years	3.7	3.7
Due after 10 years	1.0	1.0
Total	\$349.3	\$ 347.1

As of July 31, 2018, and January 31, 2018, Autodesk had no material securities, individually and in the aggregate, in a continuous unrealized loss position for greater than twelve months.

There was no loss or gain for the sales or redemptions of securities during the six months ended July 31, 2018. Gains and losses resulting from the sale or redemption of securities are recorded in "Interest and other income (expense), net" on the Company's Condensed Consolidated Statements of Operations.

Proceeds from the sale and maturity of marketable securities for the six months ended July 31, 2018 and 2017, were \$146.6 million and \$531.1 million, respectively.

Non-marketable equity securities

As of July 31, 2018, and January 31, 2018, Autodesk had \$113.1 million and \$112.3 million, respectively, in direct investments in privately held companies. These non-marketable equity securities investments do not have readily determined

fair value and with the adoption of ASU 2016-01 during the first quarter of fiscal 2019, Autodesk elected to use the measurement alternative to account for the adjustment to these investments in a given quarter. See "Note 2. Recently Issued Accounting Standards" for more details on the adoption.

Under the measurement alternative method, these investments are measured at cost, less any impairments, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer in the current period. To determine if a transaction is for a similar investment, Autodesk considers the rights and obligations between the investments and the extent to which those differences would affect the fair values of those investments with additional consideration for the stage of development of the investee company. The fair value would then be adjusted positively or negatively based on available information such as pricing in recent rounds of financing. During the six months ended July 31, 2018 and cumulative since the adoption of ASU 2016-01 in the first quarter of fiscal 2019, Autodesk recorded \$6.2 million as a positive adjustment on certain of its privately held investments, reflected as a gain in "Interest and other income (expense), net" on the Company's Condensed Consolidated Statement of Operations.

Non-marketable equity securities investments are periodically assessed for impairment based on available information such as current cash positions, earnings and cash flow positions, earnings and cash flow forecasts, recent operational performance and any other readily available market data. Autodesk does not intend to sell these investments and it is not more likely than not that Autodesk will be required to sell the investment before recovery of the amortized cost basis. If Autodesk determines that an impairment has occurred, Autodesk writes down the investment to its fair value. During the three and six months ended July 31, 2018, Autodesk recorded \$2.8 million and \$4.8 million, respectively, in impairments on its privately held investments. Therefore, Autodesk does not consider the remaining investments to be impaired at July 31, 2018. During the three and six months ended July 31, 2017, Autodesk recorded \$3.6 million and \$4.1 million, respectively, in impairments on its privately held investments.

Derivative Financial Instruments

Under its risk management strategy, Autodesk uses derivative instruments to manage its short-term exposures to fluctuations in foreign currency exchange rates which exist as part of ongoing business operations. Autodesk's general practice is to hedge a portion of transaction exposures primarily denominated in euros, Japanese yen, Swiss francs, British pounds, Canadian dollars, and Australian dollars. These instruments have maturities between one and twelve months in the future. Autodesk does not enter into derivative instrument transactions for trading or speculative purposes.

The bank counterparties to the derivative contracts potentially expose Autodesk to credit-related losses in the event of their nonperformance. However, to mitigate that risk, Autodesk only contracts with counterparties who meet the Company's minimum requirements under its counterparty risk assessment process. Autodesk monitors ratings, credit spreads and potential downgrades on at least a quarterly basis. Based on Autodesk's ongoing assessment of counterparty risk, the Company will adjust its exposure to various counterparties. Autodesk generally enters into master netting arrangements, which reduce credit risk by permitting net settlement of transactions with the same counterparty. However, Autodesk does not have any master netting arrangements in place with collateral features.

Foreign currency contracts designated as cash flow hedges

Autodesk uses foreign currency contracts to reduce the exchange rate impact on a portion of the net revenue or operating expense of certain anticipated transactions. These contracts are designated and documented as cash flow hedges. The effectiveness of the cash flow hedge contracts is assessed quarterly using regression analysis as well as other timing and probability criteria. To receive cash flow hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge and the hedges are expected to be highly effective in offsetting

changes to future cash flows on hedged transactions. The gross gains and losses on these hedges are included in “Accumulated other comprehensive loss” and are reclassified into earnings at the time the forecasted revenue or expense is recognized. In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, Autodesk reclassifies the gain or loss on the related cash flow hedge from “Accumulated other comprehensive loss” to “Interest and other income (expense), net” in the Company's Condensed Consolidated Financial Statements at that time.

The net notional amounts of these contracts are presented net settled and were \$639.3 million at July 31, 2018, and \$619.9 million at January 31, 2018. Outstanding contracts are recognized as either assets or liabilities on the balance sheet at fair value. The majority of the net gain of \$1.0 million remaining in “Accumulated other comprehensive loss” as of July 31, 2018, is expected to be recognized into earnings within the next twelve months.

Derivatives not designated as hedging instruments

Autodesk uses foreign currency contracts that are not designated as hedging instruments to reduce the exchange rate risk associated primarily with foreign currency denominated receivables and payables. These forward contracts are marked-to-market at the end of each fiscal quarter with gains and losses recognized in “Interest and other income (expense), net.” These derivative instruments do not subject the Company to material balance sheet risk due to exchange rate movements because gains and losses on these derivative instruments are intended to offset the gains or losses resulting from the settlement of the underlying foreign currency denominated receivables and payables. The net notional amounts of these foreign currency contracts are presented net settled and were \$339.0 million at July 31, 2018, and \$329.6 million at January 31, 2018.

In addition to these foreign currency contracts, Autodesk holds derivative instruments issued by privately held companies, which are not designated as hedging instruments. These derivatives consist of certain conversion options on the convertible debt securities held by Autodesk and an option to acquire a privately held company. These derivatives are recorded at fair value as of each balance sheet date and are recorded in “Other assets.” Changes in the fair values of these instruments are recognized in “Interest and other income (expense), net.”

Fair Value of Derivative Instruments

The fair values of derivative instruments in Autodesk’s Condensed Consolidated Balance Sheets were as follows as of July 31, 2018 and January 31, 2018:

	Balance Sheet Location	Fair Value at July 31, January 31, 2018 2018	
<i>Derivative Assets</i>			
Foreign currency contracts designated as cash flow hedges	Prepaid expenses and other current assets	\$ 10.4	\$ 6.2
Derivatives not designated as hedging instruments	Prepaid expenses and other current assets and Other assets	2.5	2.0
Total derivative assets		\$ 12.9	\$ 8.2
<i>Derivative Liabilities</i>			
Foreign currency contracts designated as cash flow hedges	Other accrued liabilities	\$ 4.6	\$ 18.7
Derivatives not designated as hedging instruments	Other accrued liabilities	2.3	7.9
Total derivative liabilities		\$ 6.9	\$ 26.6

The effects of derivatives designated as hedging instruments on Autodesk’s Condensed Consolidated Statements of Operations were as follows for the three and six months ended July 31, 2018 and 2017 (amounts presented include any income tax effects):

	Foreign Currency Contracts			
	Three Months		Six Months	
	Ended July 31, 2018	2017	Ended July 31, 2018	2017
<i>Amount of gain (loss) recognized in accumulated other comprehensive loss on derivatives (effective portion)</i>	\$ 6.4	\$(9.3)	\$ 13.3	\$(11.4)
<i>Amount and location of (loss) gain reclassified from accumulated other comprehensive loss into (loss) income (effective portion)</i>				
Net revenue	\$(3.5)	\$ 2.8	\$(6.0)	\$ 4.8
Operating expenses	(1.6)	(0.5)	1.7	(3.2)
Total	\$(5.1)	\$ 2.3	\$(4.3)	\$ 1.6
<i>Amount and location of gain (loss) recognized in (loss) income on derivatives (ineffective portion and amount excluded from effectiveness testing)</i>				

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Interest and other income (expense), net	\$0.7	\$0.1	\$0.5	\$(0.1)
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The effects of derivatives not designated as hedging instruments on Autodesk's Condensed Consolidated Statements of Operations were as follows for the three and six months ended July 31, 2018 and 2017 (amounts presented include any income tax effects):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017	2018	2017
<i>Amount and location of gain (loss) recognized on derivatives in net (loss)</i>				
Interest and other income (expense), net	\$1.4	\$(6.5)	\$6.0	\$(8.3)

6. Stock-based Compensation Expense

Restricted Stock Units:

A summary of restricted stock activity for the six months ended July 31, 2018, is as follows:

	Unvested Restricted Stock Units (in thousands)	Weighted average grant date fair value per share
Unvested restricted stock units at January 31, 2018	5,670.7	\$ 82.94
Granted	476.7	142.47
Vested	(989.6)	79.10
Canceled/Forfeited	(411.0)	85.49
Performance Adjustment (1)	29.9	96.04
Unvested restricted stock units at July 31, 2018	4,776.7	\$ 90.34

(1) Based on Autodesk's financial results and relative total stockholder return for the fiscal 2018 performance period. The performance stock units were attained at rates ranging from 90.0% to 117.6% of the target award.

The fair value of the shares vested during the six months ended July 31, 2018 and 2017 was \$133.7 million and \$116.9 million, respectively.

During the six months ended July 31, 2018, Autodesk granted 0.3 million restricted stock units. Autodesk recorded stock-based compensation expense related to restricted stock units of \$44.1 million and \$52.0 million during the three months ended July 31, 2018 and 2017, respectively. Autodesk recorded stock-based compensation expense related to restricted stock units of \$85.8 million and \$102.0 million during the six months ended July 31, 2018 and 2017, respectively. The \$52.0 million and \$102.0 million of stock-based compensation expense for the three and six months ended July 31, 2017, respectively, includes \$5.9 million and \$9.1 million, respectively, related to the acceleration of eligible restricted stock awards in conjunction with the Company's former CEO's transition agreement.

During the six months ended July 31, 2018, Autodesk granted 0.2 million performance stock units for which the ultimate number of shares earned is determined based on the achievement of performance criteria at the end of the stated service and performance period. The performance criteria for the performance stock units are based on Annualized Recurring Revenue ("ARR") and free cash flow per share goals adopted by the Compensation and Human Resource Committee, as well as total stockholder return compared against companies in the S&P Computer Software Select Index or the S&P North American Technology Software Index ("Relative TSR"). These performance stock units vest over a three-year period and have the following vesting schedule:

- Up to one third of the performance stock units may vest following year one, depending upon the achievement of the performance criteria for fiscal 2019 as well as 1-year Relative TSR (covering year one).

- Up to one third of the performance stock units may vest following year two, depending upon the achievement of the performance criteria for year two as well as 2-year Relative TSR (covering years one and two).

- Up to one third of the performance stock units may vest following year three, depending upon the achievement of the performance criteria for year three as well as 3-year Relative TSR (covering years one, two and three).

Performance stock units are not considered outstanding stock at the time of grant, as the holders of these units are not entitled to any of the rights of a stockholder, including voting rights. Autodesk has determined the grant date fair value for these awards using the stock price on the date of grant or if the awards are also subject to a market condition, a Monte Carlo simulation model. The fair value of the performance stock units is expensed using the accelerated attribution over the vesting period. Autodesk recorded stock-based compensation expense related to performance stock units of \$5.9 million and \$9.7 million for the three months ended July 31, 2018 and 2017, respectively. Autodesk recorded stock-based compensation expense related to performance stock units of \$12.4 million and \$20.6 million for the six months ended July 31, 2018 and 2017, respectively. The \$9.7 million and \$20.6 million of stock-based compensation expense for the three and six months ended July

31, 2017, respectively, includes \$2.8 million and \$7.5 million, respectively, related to the acceleration of eligible performance stock awards in conjunction with the Company's former CEO's transition agreement.

1998 Employee Qualified Stock Purchase Plan ("ESPP")

Under Autodesk's ESPP, which was approved by stockholders in 1998, eligible employees may purchase shares of Autodesk's common stock at their discretion using up to 15% of their eligible compensation, subject to certain limitations, at 85% of the lower of Autodesk's closing price (fair market value) on the offering date or the exercise date. The offering period for ESPP awards consists of four, six-month exercise periods within a 24-month offering period.

A summary of the ESPP activity for the six months ended July 31, 2018 and 2017, is as follows:

	Six Months Ended July 31,	
	2018	2017
Issued shares	0.5	1.1
Average price of issued shares	\$88.45	\$38.34
Weighted average grant date fair value of awards granted under the ESPP (1)	\$37.64	\$25.13

(1) Calculated as of the award grant date using the Black-Scholes Merton ("BSM") option pricing model.

Stock-based Compensation Expense

The following table summarizes stock-based compensation expense for the three and six months ended July 31, 2018 and 2017, respectively, as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017	2018	2017
Cost of subscription and maintenance revenue	\$3.1	\$2.9	\$5.8	\$5.7
Cost of other revenue	0.9	1.0	1.7	2.1
Marketing and sales	25.9	26.0	49.9	52.4
Research and development	18.7	20.4	36.5	41.6
General and administrative	8.3	17.3	17.4	32.6
Stock-based compensation expense related to stock awards and ESPP purchases	56.9	67.6	111.3	134.4
Tax benefit	(0.2)	(0.3)	(0.6)	(0.3)
Stock-based compensation expense related to stock awards and ESPP purchases, net of tax	\$56.7	\$67.3	\$110.7	\$134.1

Stock-based Compensation Expense Assumptions

Autodesk determines the grant date fair value of its share-based payment awards using a BSM option pricing model or the quoted stock price on the date of grant, unless the awards are subject to market conditions, in which case Autodesk uses a binomial-lattice model (e.g., Monte Carlo simulation model). The Monte Carlo simulation model uses multiple input variables to estimate the probability that market conditions will be achieved. Autodesk uses the following assumptions to estimate the fair value of stock-based awards:

	Three Months Ended July 31, 2018		Three Months Ended July 31, 2017	
	Performance Stock Unit	ESPP	Performance Stock Unit	ESPP
Range of expected volatilities	—%	N/A	31.8%	N/A
Range of expected lives (in years)	N/A	N/A	N/A	N/A
Expected dividends	—%	N/A	—%	N/A
Range of risk-free interest rates	—%	N/A	1.2%	N/A
	Six Months Ended July 31, 2018		Six Months Ended July 31, 2017	
	Performance Stock Unit	ESPP	Performance Stock Unit	ESPP
Range of expected volatilities	35.7%	33.5 - 37.5%	31.8%	31.4 - 33.7%
Range of expected lives (in years)	N/A	0.5 - 2.0	N/A	0.5 - 2.0
Expected dividends	—%	—%	—%	—%
Range of risk-free interest rates	2.0%	1.9 - 2.3%	1.0 - 1.2%	0.9 - 1.3%

Autodesk estimates expected volatility for stock-based awards based on the average of the following two measures: (1) a measure of historical volatility in the trading market for the Company's common stock, and (2) the implied volatility of traded forward call options to purchase shares of the Company's common stock. The expected volatility for performance stock units subject to market conditions includes the expected volatility of Autodesk's peer companies within the S&P Computer Software Select Index or S&P North American Technology Software Index with a market capitalization over \$2.0 billion, depending on the award type.

The range of expected lives of ESPP awards are based upon the four, six-month exercise periods within a 24-month offering period.

Autodesk does not currently pay, and does not anticipate paying in the foreseeable future, any cash dividends. Consequently, an expected dividend yield of zero is used in the BSM option pricing model and the Monte Carlo simulation model.

The risk-free interest rate used in the BSM option pricing model and the Monte Carlo simulation model for stock-based awards is the historical yield on U.S. Treasury securities with equivalent remaining lives.

Autodesk recognizes expense only for the stock-based awards that ultimately vest. Autodesk accounts for forfeitures of our stock-based awards as those forfeitures occur.

7. Income Tax

Autodesk had income tax expense of \$16.0 million, relative to pre-tax losses of \$23.4 million for the three months ended July 31, 2018, and income tax expense of \$17.6 million, relative to pre-tax losses of \$126.4 million for the three months ended July 31, 2017. Autodesk had income tax expense of \$34.6 million, relative to pre-tax losses of \$87.2 million for the six months ended July 31, 2018, and income tax expense of \$25.8 million, relative to pre-tax losses of \$247.8 million for the six months ended July 31, 2017. The variance between the three months ended July 31, 2017

and July 31, 2018 was mainly due to a net tax benefit from an internal structure realignment in connection with the closure of our Switzerland operations. The tax benefit was partially offset with income taxes in profitable jurisdictions and withholdings taxes. Income tax expense for the six months ended July 31, 2018 increased primarily due to increased worldwide earnings, foreign taxes, and withholding taxes.

Autodesk regularly assesses the need for a valuation allowance against its deferred tax assets. In making that assessment, Autodesk considers both positive and negative evidence related to the likelihood of realization of the deferred tax assets to determine, based on the weight of available evidence, whether it is more likely than not that some or all of the deferred tax assets will not be realized. In evaluating the need for a valuation allowance, Autodesk considered cumulative losses in the United States arising from the Company's business model transition as a significant piece of negative evidence and established a valuation allowance against the Company's U.S. deferred tax assets in fiscal 2016. Based on the positive and negative evidence as of July 31, 2018, the Company continues to maintain a valuation allowance for the U.S. deferred tax assets.

As of July 31, 2018, the Company had \$343.1 million of gross unrecognized tax benefits, of which \$310.0 million would reduce our valuation allowance, if recognized. The remaining \$33.1 million would impact the effective tax rate, if recognized. It is possible that the amount of unrecognized tax benefits will change in the next twelve months; however, an estimate of the range of the possible change cannot be made at this time.

The Internal Revenue Service is examining the Company's U.S. consolidated federal income tax returns for fiscal years 2014 and 2015. While it is possible that the Company's tax positions may be challenged, the Company believes its positions are consistent with the tax law, and the balance sheet reflects appropriate liabilities for uncertain federal tax positions for the years being examined.

The U.S. Tax Cuts and Jobs Act (the "Tax Act") was signed into law on December 22, 2017, and provides broad and significant changes to the U.S. corporate income tax regime. As of July 31, 2018, Autodesk has not completed its determination of the accounting implications of the Tax Act. The provisional amounts recorded are based on Autodesk's current interpretation and understanding of the Tax Act and may change as the Company receives additional clarification and implementation guidance and finalizes the analysis of all impacts and positions with regard to the Tax Act. As of July 31, 2018, there have been no material adjustments to provision amounts as were determined at January 31, 2018. As additional regulatory guidance is issued, Autodesk will continue to collect and analyze necessary data and may adjust provisional amounts previously recorded in the period in which the adjustments are made. Pursuant to Staff Accounting Bulletin 118 ("SAB 118"), Autodesk will complete the accounting for the tax effects of all provisions of the Tax Act within the required measurement period not to extend beyond one year from the enactment date.

8. *Acquisitions*

During the six months ended July 31, 2018, Autodesk completed one business combination as described below. The results of operations for the following acquisition is included in the accompanying Condensed Consolidated Statement of Operations. Pro forma results of operations have not been presented because the effects of the following acquisition were not material to Autodesk's Condensed Consolidated Financial Statements. The adoption of ASU 2017-01 in the first quarter of fiscal 2019 did not impact the accounting for this acquisition.

On July 3, 2018, Autodesk acquired Assemble Systems, Inc. ("Assemble"). Assemble is a provider of software solutions that enable construction professionals to influence, query and connect BIM data to key workflows across bid management, estimating, scheduling, site management and finance. Over time, Assemble's software solution will be integrated with Autodesk's BIM 360 project management platform.

The acquisition-date fair value of the consideration transferred totaled \$93.6 million, which consisted of \$38.2 million of cash, \$44.8 million of Autodesk common stock (340,769 shares) and ascribed a value of \$10.6 million to Autodesk's existing equity interest in Assemble.

Prior to the acquisition date, Autodesk accounted for its approximate 14% equity interest in Assemble as a cost-method investment. The acquisition-date fair value of Autodesk's existing equity interest was \$10.6 million and is included in the measurement of the consideration transferred. Autodesk recognized a gain of \$4.6 million as a result of remeasuring its prior equity interest in Assemble held before the business combination using a control premium to calculate a discount for lack of control. The gain is included in "Interest and other expense, net" in the Condensed Consolidated Statements of Operations.

For the Assemble acquisition that was accounted for as business combination, Autodesk recorded the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The fair values assigned to the identifiable intangible assets acquired were based on estimates and assumptions determined by management. Autodesk recorded the excess of consideration transferred over the aggregate fair values as goodwill. The goodwill recorded is primarily attributable to synergies expected to arise after the acquisition. There is no amount of goodwill that is deductible for U.S. income tax purposes.

The following table summarizes the fair value of the assets acquired and liabilities assumed by major class for the Assemble business combination that was completed during the six months ended July 31, 2018:

	July 31, 2018
Developed technologies	\$4.4
Customer relationships and other non-current intangible assets	12.0
Trade name	2.8
Goodwill	71.9
Deferred revenue (current and non-current)	(1.7)
Net tangible assets	4.2
Total	\$93.6

For the Assemble business combination, the allocation of purchase price consideration to certain assets and liabilities is not yet finalized. For the items not yet finalized, Autodesk's estimates and assumptions are subject to change within the measurement period (up to one year from the acquisition date). The primary areas of the preliminary purchase price allocation that are not yet finalized are amounts for tax assets and liabilities, pending finalization of estimates and assumptions in respect of certain tax aspects of the transaction and residual goodwill, and the valuation of certain intangible assets.

9. Other Intangible Assets, Net

Other intangible assets including developed technologies, customer relationships, trade names, patents, user lists and the related accumulated amortization were as follows:

	July 31, 2018	January 31, 2018
Developed technologies, at cost	\$580.0	\$ 578.5
Customer relationships, trade names, patents, and user lists, at cost (1)	381.7	372.5
Other intangible assets, at cost (2)	961.7	951.0
Less: Accumulated amortization	(903.8)	(895.8)
Other intangible assets, net	\$57.9	\$ 55.2

(1) Included in "Other assets" in the accompanying Condensed Consolidated Balance Sheets.

(2) Includes the effects of foreign currency translation.

10. Goodwill

Goodwill consists of the excess of consideration transferred over the fair value of net assets acquired in business combinations. The following table summarizes the changes in the carrying amount of goodwill for the six months ended July 31, 2018:

Balance as of January 31, 2018	\$1,769.4
Less: accumulated impairment losses as of January 31, 2018	(149.2)
Net balance as of January 31, 2018	1,620.2
Additions arising from acquisitions during the period	71.9
Effect of foreign currency translation	(33.4)

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Balance as of July 31, 2018

\$1,658.7

Autodesk operates as a single operating segment and single reporting unit. As such, when Autodesk tests goodwill for impairment annually in its fourth fiscal quarter, it is performed on the Company's single reporting unit. Autodesk performs impairment testing more often if circumstances indicate a potential impairment may exist, or if events have affected the composition of reporting units.

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When goodwill is assessed for impairment, Autodesk has the option to perform an assessment of qualitative factors of impairment (“optional assessment”) prior to necessitating a quantitative impairment test. Should the optional assessment be used for any given fiscal year, qualitative factors to consider include cost factors; financial performance; legal, regulatory, contractual, political, business, or other factors; entity specific factors; industry and market considerations, macroeconomic conditions, and other relevant events and factors affecting the reporting unit. If, after assessing the totality of events or circumstances, it is more likely than not that the fair value of the reporting unit is greater than its carrying value, then performing the quantitative impairment test is unnecessary.

The quantitative impairment test is necessary when either Autodesk does not use the optional assessment or, as a result of the optional assessment, it is not more likely than not that the fair value of the reporting unit is greater than its carrying value. In situations in which an entity's reporting unit is publicly traded, the fair value of the Company may be approximated by its market capitalization, in performing the quantitative impairment test.

Goodwill impairment exists when the estimated fair value of goodwill is less than its carrying value. If impairment exists, the carrying value of the goodwill is reduced to fair value through an impairment charge recorded in our Condensed Consolidated Statements of Operations. The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis. The value of Autodesk’s goodwill could also be impacted by future adverse changes such as: (i) declines in Autodesk’s actual financial results, (ii) a sustained decline in Autodesk’s market capitalization, (iii) a significant slowdown in the worldwide economy or the industries Autodesk serves, or (iv) changes in Autodesk’s business strategy.

There was no goodwill impairment during the three and six months ended July 31, 2018.

11. Deferred Compensation

At July 31, 2018, Autodesk had marketable securities totaling \$402.5 million, of which \$62.0 million related to investments in debt and equity securities that are held in a rabbi trust under non-qualified deferred compensation plans. The total related deferred compensation liability was \$62.0 million at July 31, 2018, of which \$3.0 million was classified as current and \$59.0 million was classified as non-current liabilities. The total related deferred compensation liability at January 31, 2018, was \$59.0 million, of which \$3.4 million was classified as current and \$55.6 million was classified as non-current liabilities. The securities are recorded in the Condensed Consolidated Balance Sheets under the current portion of "Marketable securities." The current and non-current portions of the liability are recorded in the Condensed Consolidated Balance Sheets under “Accrued compensation” and “Other liabilities,” respectively.

Costs to obtain a contract with a customer

Sales commissions earned by our internal sales personnel and our reseller partners are considered incremental and recoverable costs of obtaining a contract with a customer. The commission costs are capitalized and included in prepaid expenses and other current assets on our Condensed Consolidated Balance Sheets. The deferred costs are then amortized over the period of benefit. Autodesk determined that sales commissions earned by internal sales personnel that are related to contract renewals are commensurate with sales commissions earned on the initial contracts, and we determined the period of benefit to be the term of the respective customer contract. Commissions paid to our reseller partners that are related to contract renewals are not commensurate with commissions earned on the initial contract, and we determined the estimated period of benefit by taking into consideration customer retention data, customer contracts, our technology and other factors. Deferred costs are periodically reviewed for impairment. Amortization expense is included in sales and marketing expenses in the Condensed Consolidated Statements of Operations.

The ending balance of assets recognized from costs to obtain a contract with a customer was \$82.5 million as of July 31, 2018. Amortization expense related to assets recognized from costs to obtain a contract with a customer was \$26.9 million and \$53.1 million during the three and six months ended July 31, 2018, respectively. Autodesk did not recognize any contract cost impairment losses during the six months ended July 31, 2018.

12. Computer Equipment, Software, Furniture and Leasehold Improvements, Net

Computer equipment, software, furniture, leasehold improvements and the related accumulated depreciation were as follows:

	July 31, 2018	January 31, 2018
Computer hardware, at cost	\$213.9	\$ 217.1
Computer software, at cost	74.6	72.6
Leasehold improvements, land and buildings, at cost	235.9	228.9
Furniture and equipment, at cost	64.0	63.4
	588.4	582.0
Less: Accumulated depreciation	(441.6)	(437.0)
Computer software, hardware, leasehold improvements, furniture and equipment, net	\$ 146.8	\$ 145.0

13. Borrowing Arrangements

In June 2017, Autodesk issued \$500.0 million aggregate principal amount of 3.5% notes due June 15, 2027 (collectively, the “2017 Notes”). Net of a discount of \$3.1 million and issuance costs of \$4.9 million, Autodesk received net proceeds of \$492.0 million from issuance of the 2017 Notes. Both the discount and issuance costs are being amortized to interest expense over the term of the 2017 Notes using the effective interest method. The proceeds of the 2017 Notes have been used for the repayment of \$400.0 million of debt due December 15, 2017, and the remainder is available for general corporate purposes. Autodesk may redeem the 2017 Notes at any time, subject to a make whole premium. In addition, upon the occurrence of certain change of control triggering events, Autodesk may be required to repurchase the 2017 Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase. The 2017 Notes contain restrictive covenants that limit Autodesk's ability to create certain liens, to enter into certain sale and leaseback transactions and to consolidate or merge with, or convey, transfer or lease all or substantially all of its assets, subject to important qualifications and exceptions. Based on quoted market prices, the fair value of the 2017 Notes was approximately \$467.5 million as of July 31, 2018.

In June 2015, Autodesk issued \$450.0 million aggregate principal amount of 3.125% notes due June 15, 2020 and \$300.0 million aggregate principal amount of 4.375% notes due June 15, 2025 (collectively, the “2015 Notes”). Net of a discount of \$1.7 million and issuance costs of \$6.3 million, Autodesk received net proceeds of \$742.0 million from issuance of the 2015 Notes. Both the discount and issuance costs are being amortized to interest expense over the respective terms of the 2015 Notes using the effective interest method. The proceeds of the 2015 Notes are available for general corporate purposes. Autodesk may redeem the 2015 Notes at any time, subject to a make whole premium. In addition, upon the occurrence of certain change of control triggering events, Autodesk may be required to repurchase the 2015 Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase. The 2015 Notes contain restrictive covenants that limit Autodesk's ability to create certain liens, to enter into certain sale and leaseback transactions and to consolidate or merge with, or convey, transfer or lease all or substantially all of its assets, subject to important qualifications and exceptions. Based on quoted market prices, the fair value of the 2015 Notes was approximately \$754.1 million as of July 31, 2018.

In December 2012, Autodesk issued \$400.0 million aggregate principal amount of 1.95% notes due December 15, 2017 (“\$400.0 million 2012 Notes”) and \$350.0 million aggregate principal amount of 3.6% notes due December 15, 2022 (“\$350.0 million 2012 Notes” and collectively with the \$400.0 million 2012 Notes, the “2012 Notes”). Autodesk received net proceeds of \$739.3 million from issuance of the 2012 Notes, net of a discount of \$4.5 million and issuance costs of \$6.1 million. Both the discount and issuance costs are being amortized to interest expense over the

respective terms of the 2012 Notes using the effective interest method. The proceeds of the 2012 Notes are available for general corporate purposes. On July 27, 2017, Autodesk redeemed in full the \$400.0 million 2012 Notes. The redemption was completed pursuant to the optional redemption provisions of the first supplemental indenture dated December 13, 2012. To redeem the notes, Autodesk used the proceeds of the 2017 Notes to pay a redemption price of approximately \$400.9 million, plus accrued and unpaid interest. Total cash repayment was \$401.8 million. The Company did not incur any additional early termination penalties in connection with such redemption. Based on the quoted market price, the fair value of the \$350.0 million 2012 Notes was approximately \$347.8 million as of July 31, 2018.

Autodesk's line of credit facility permits unsecured short-term borrowings of up to \$400.0 million, with an option to request an increase in the amount of the credit facility by up to an additional \$100.0 million, and is available for working capital or other business needs. This credit agreement contains customary covenants that could restrict the imposition of liens on our assets, and restrict the Company's ability to incur additional indebtedness or make dispositions of assets if we fail to

maintain the financial covenants. As the result of a forecasted inability to comply with the credit agreement's minimum interest coverage ratio in the second quarter of fiscal 2019, the Company renegotiated the credit agreement financial covenants in June 2018. The amended financial covenants now consist of a maximum debt to total cash ratio, a fixed charge coverage ratio extending through October 31, 2018, and after October 31, 2018, a minimum interest coverage ratio.

The line of credit is syndicated with various financial institutions, including Citibank, N.A., an affiliate of Citigroup, which is one of the lead lenders and an agent. The maturity date on the line of credit is May 2020. At July 31, 2018, Autodesk was in compliance with the credit facility's covenants and had no outstanding borrowings on this line of credit.

14. Restructuring and other exit costs, net

During the fourth quarter of fiscal 2018, the Board of Directors approved a world-wide restructuring plan ("Fiscal 2018 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, Autodesk seeks to reduce its investments in areas not aligned with its strategic priorities, including in areas related to research and development and go-to-market activities. At the same time, Autodesk plans to further invest in strategic priority areas related to digital infrastructure, customer success, and construction. By re-balancing resources to better align with the Company's strategic priorities, Autodesk is positioning itself to meet its long-term goals. This world-wide restructuring plan includes a reduction in force that will result in the termination of approximately 13% of the Company's workforce, or approximately 1,150 employees, and the consolidation of certain leased facilities. The Company expects to substantially complete the reduction in force and the facilities consolidation by the end of fiscal 2019.

The following table sets forth the restructuring charges and other lease termination exit costs during the six months ended July 31, 2018:

	Balances, January 31, 2018	Additions	Payments	Adjustments (1)	Balances, July 31, 2018
<i>Fiscal 2018 Plan</i>					
Employee termination costs	\$ 53.0	\$ 33.5	\$ (66.3)	\$ (0.7)	\$ 19.5
Lease termination and other exit costs	2.5	2.8	(3.7)	0.4	2.0
Total	\$ 55.5	\$ 36.3	\$ (70.0)	\$ (0.3)	\$ 21.5
Current portion (2)	\$ 55.5				\$ 21.5
Total	\$ 55.5				\$ 21.5

(1) Adjustments primarily relate to the impact of foreign exchange rate changes and certain write offs related to fixed assets.

(2) The current portion of the reserve are recorded in the Condensed Consolidated Balance Sheets under "Other accrued liabilities." There was no non-current portion as of July 31, 2018.

15. Commitments and Contingencies

Guarantees and Indemnifications

In the normal course of business, Autodesk provides indemnifications of varying scopes, including limited product warranties and indemnification of customers against claims of intellectual property infringement made by third parties arising from the use of its products or services. Autodesk accrues for known indemnification issues if a loss is probable and can be reasonably estimated. Historically, costs related to these indemnifications have not been significant, and because potential future costs are highly variable, Autodesk is unable to estimate the maximum potential impact of these indemnifications on its future results of operations.

In connection with the purchase, sale or license of assets or businesses with third parties, Autodesk has entered into or assumed customary indemnification agreements related to the assets or businesses purchased, sold or licensed. Historically, costs related to these indemnifications have not been significant, and because potential future costs are highly variable, Autodesk is unable to estimate the maximum potential impact of these indemnifications on its future results of operations.

As permitted under Delaware law, Autodesk has agreements whereby it indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving at Autodesk's request in such capacity. The maximum potential amount of future payments Autodesk could be required to make under these indemnification agreements is unlimited; however, Autodesk has directors' and officers' liability insurance coverage that is intended to reduce its financial exposure and may enable Autodesk to recover a portion of any future amounts paid. Autodesk believes the estimated fair value of these indemnification agreements in excess of applicable insurance coverage is minimal.

Legal Proceedings

Autodesk is 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. Autodesk routinely reviews the status of each significant matter and assesses its potential financial exposure. If the potential loss from any matter is considered probable and the amount can be reasonably estimated, Autodesk records a liability for the estimated loss. Because of inherent uncertainties related to these legal matters, Autodesk bases its loss accruals on the best information available at the time. As additional information becomes available, Autodesk reassesses its potential liability and may revise its estimates. In the Company's opinion, resolution of pending matters is not expected to have a material adverse impact on its consolidated results of operations, cash flows, or its 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 the Company's results of operations, cash flows, or financial position in a particular period, however, based on the information known by the Company as of the date of this filing and the rules and regulations applicable to the preparation of the Company's financial statements, any such amount is either immaterial or it is not possible to provide an estimated amount of any such potential loss.

16. Common Stock Repurchase Program

Autodesk has a stock repurchase program that is used to offset dilution from the issuance of stock under the Company's employee stock plans and for such other purposes as may be in the interests of Autodesk and its stockholders. Stock repurchases have the effect of returning excess cash generated from the Company's business to stockholders. During the three and six months ended July 31, 2018, Autodesk repurchased and retired 1.1 million shares and 1.3 million shares at an average repurchase price of \$131.52 and \$128.92 per share, respectively. Common

stock and additional paid-in capital and accumulated deficit were reduced by \$77.3 million and \$69.4 million, respectively, during the three months ended July 31, 2018. Common stock and additional paid-in capital and accumulated deficit were reduced by \$93.7 million and \$74.0 million, respectively, during the six months ended July 31, 2018.

At July 31, 2018, 18.4 million shares remained available for repurchase under the repurchase program approved by the Board of Directors. During the six months ended July 31, 2018, Autodesk repurchased its common stock through open market purchases. The number of shares acquired and the timing of the purchases are based on several factors, including general market and economic conditions, the number of employee stock option exercises and stock issuances, the trading price of Autodesk common stock, cash on hand and available in the United States, cash requirements for acquisitions, and Company defined trading windows.

17. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss, net of taxes, consisted of the following at July 31, 2018:

	Net Unrealized Gains (Losses) on Derivative Instruments	Net Unrealized Gains (Losses) on Available-for-Sale Debt Securities	Defined Benefit Pension Components	Foreign Currency Translation Adjustments	Total
Balances, January 31, 2018	\$ (16.6)	\$ 1.3	\$ (29.3)	\$ (79.2)	\$ (123.8)
Other comprehensive income (loss) before reclassifications	15.1	(0.7)	11.3	(54.5)	(28.8)
Pre-tax losses reclassified from accumulated other comprehensive loss	4.3	—	0.2	—	4.5
Tax effects	(1.8)	—	(1.5)	0.5	(2.8)
Net current period other comprehensive income (loss)	17.6	(0.7)	10.0	(54.0)	(27.1)
Balances, July 31, 2018	\$ 1.0	\$ 0.6	\$ (19.3)	\$ (133.2)	\$ (150.9)

Reclassifications related to gains and losses on available-for-sale debt securities are included in "Interest and other income (expense), net." Refer to Note 5, "Financial Instruments," for the amount and location of reclassifications related to derivative instruments. Reclassifications of the defined benefit pension components are included in the computation of net periodic benefit cost. For further information, see the "Retirement Benefit Plans" note in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended January 31, 2018.

18. Net Loss Per Share

Basic net loss per share is computed using the weighted average number of shares of common stock outstanding for the period, excluding stock options and restricted stock units. Diluted net loss per share is based upon the weighted average number of shares of common stock outstanding for the period and potentially dilutive common shares, including the effect of stock options and restricted stock units under the treasury stock method. The following table sets forth the computation of the numerators and denominators used in the basic and diluted net loss per share amounts:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017	2018	2017
Numerator:				
Net loss	\$(39.4)	\$(144.0)	\$(121.8)	\$(273.6)
Denominator:				
Denominator for basic net loss per share—weighted average shares	219.0	219.5	218.8	219.7
Effect of dilutive securities (1)	—	—	—	—
Denominator for dilutive net loss per share	219.0	219.5	218.8	219.7
Basic net loss per share	\$(0.18)	\$(0.66)	\$(0.56)	\$(1.25)
Diluted net loss per share	\$(0.18)	\$(0.66)	\$(0.56)	\$(1.25)

The effect of dilutive securities of 3.2 million and 4.8 million shares in the three months ended July 31, 2018 and 2017, respectively, have been excluded from the calculation of diluted net loss per share as those shares would have been anti-dilutive due to the net loss incurred (1) during those periods. The effect of dilutive securities of 3.3 million and 4.7 million shares in the six months ended July 31, 2018 and 2017, respectively, has been excluded from the calculation of diluted net loss per share as those shares would have been anti-dilutive due to the net loss incurred during those periods.

The computation of diluted net loss per share does not include shares that are anti-dilutive under the treasury stock method because their exercise prices are higher than the average market value of Autodesk's stock during the period. For the three months ended July 31, 2018 and 2017, zero potentially anti-dilutive shares were excluded from the computation of diluted net loss per share, respectively. For the six months ended July 31, 2018 and 2017, zero and 0.1 million potentially anti-dilutive shares were excluded from the computation of diluted net loss per share, respectively.

19. Segments

Autodesk reports 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 the Company’s 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.

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ITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS 2. OF OPERATIONS

The discussion in our MD&A and elsewhere in this Form 10-Q 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 the Three and Six Months Ended July 31, 2018 and 2017" 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 business and sales initiatives, the impact of acquisitions, 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 Quarterly Report on Form 10-Q 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.

Note: A glossary of terms used in this Form 10-Q appears at the end of this Item 2.

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 build an enduring relationship with our customers, delivering valuable automation and insight to their design and make processes. 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 customers ability to get access to a complete set of tools for their industry. We now offer subscriptions for individual products and industry collections, flexible enterprise business agreements ("EBAs"), and cloud service offerings (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.

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. This change in strategy is referred to as our "business model transition." 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.

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 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.

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. See Note 3, "Revenue Recognition" in the Notes to the unaudited Condensed Consolidated Financial Statements for further detail on the results of our indirect and direct channel sales for the three and six months ended July 31, 2018 and 2017.

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 making with 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 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 Udemy and Coursera. 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 II, Item 1A, "Risk Factors."

Critical Accounting Policies and Estimates

Our Condensed Consolidated Financial Statements are prepared in conformity with U.S. generally accepted accounting principles ("GAAP"). In preparing our Condensed Consolidated Financial Statements, we make assumptions, judgments and estimates that can have a significant impact on amounts reported in our Condensed 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 in our Form 10-K for the fiscal year ended January 31, 2018. In addition, we highlighted those policies that involve a higher degree of judgment and complexity with further discussion in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K. There have been no material changes to our critical accounting policies and estimates during the three months ended July 31, 2018 as compared to those disclosed in our Form 10-K for the fiscal year ended January 31, 2018, except for the adoption of Accounting Standard Codification ("ASC") Topics 606 and 340-40. For changes made to our revenue recognition policy as a result of the adoption of ASC Topics 606 and 340-40, refer to Note 3, "Revenue Recognition" and Note 11, "Deferred Compensation," in the Notes to the unaudited Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q. We believe these policies are the most critical to aid in fully understanding and evaluating our financial condition and results of operations.

Overview of the Three and Six Months Ended July 31, 2018 and 2017

• Total net revenue was \$611.7 million and \$1.17 billion for the three and six months ended July 31, 2018, respectively, an increase of 22% and 19% compared to the same periods in the prior year.

• Total ARR was \$2.35 billion, an increase of 28% compared to the same period in the prior year.

• Core business ARR, which represents ARR from the combination of maintenance, product, and enterprise business agreement (EBA) subscriptions, was \$2.27 billion and increased 29% compared to the second quarter last year

• Total subscriptions increased 0.1 million from the first quarter of fiscal 2019 to 3.9 million.

We adopted ASC Topic 606 and ASC Topic 340-40 during the first quarter of fiscal 2019. See discussion below for additional information regarding certain metrics that were affected by the new standards under the heading "Impact of New Revenue Accounting Standard."

Revenue Analysis

Net revenue increased during the three and six months ended July 31, 2018, as compared to the same periods in the prior fiscal year, primarily due to the respective 114% and 109% increase in subscription revenue, partially offset by a 36% and 34% decrease in maintenance revenue as a result of the program to migrate customers from a maintenance plan to a subscription plan.

Further discussion of the drivers of these results are discussed below under the heading "Results of 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 35% of Autodesk’s total net revenue for both the three and six months ended July 31, 2018 and 31% and 30% for the three and six months ended July 31, 2017, respectively. Our customers through Tech Data are the resellers and end users who purchase our software licenses and services. Should any of our 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.

Recurring Revenue and Subscriptions

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, total subscriptions, and recurring revenue are performance metrics and should be viewed independently of revenue and deferred revenue as ARR, ARPS, total subscriptions, 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.

The following table outlines our recurring revenue metric for the three and six months ended July 31, 2018 and 2017:

	Three Months Ended July 31, 2018	Change compared to prior fiscal year		Three Months Ended July 31, 2017
<i>(In millions, except percentage data)</i>	\$	%		\$
Recurring Revenue (1)	\$586.8	\$ 129.4	28 %	\$457.4
As a percentage of net revenue	96 %	N/A	N/A	91 %

	Six Months Ended July 31, 2018	Change compared to prior fiscal year		Six Months Ended July 31, 2017
	\$	%		\$
Recurring Revenue (1)	\$1,118.4	\$ 225.1	25 %	\$893.3
As a percentage of net revenue	95 %	N/A	N/A	90 %

(1) 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 unaudited Condensed Consolidated Statements of Operations.

The following table outlines our ARR, subscriptions and ARPS metrics as of July 31, 2018 and January 31, 2018. For purposes of clarifications, the ARR and ARPS balances in the following table as of July 31, 2018 are calculated under ASC Topic 606. For comparison of ARR and ARPS as of July 31, 2018 under the old revenue standard, ASC 605, refer to the table under the title "Impact of New Revenue Accounting Standard" further below.

	Change compared to			Balances, April 30, 2018	Balances, July 31, 2018	Change compared to			Balances, January 31, 2018	
	Balances, July 31, 2018	prior quarter end	%			prior fiscal year end	%			
ARR (in millions)										
Subscription plan ARR	\$1,681.8	\$280.3	20 %	\$1,401.5	\$1,681.8	\$506.8	43 %		\$1,175.0	
Maintenance plan ARR	665.6	(59.3)	(8)%	724.9	665.6	(213.5)	(24)%		879.1	
Total ARR (1)	\$2,347.4	\$221.0	10 %	\$2,126.4	\$2,347.4	\$293.3	14 %		\$2,054.1	
Number of Subscriptions (in thousands)										
Subscription plan	\$2,864.4	\$290.1	11 %	\$2,574.3	\$2,864.4	\$597.6	26 %		\$2,266.8	
Maintenance plan	1,071.1	(171.5)	(14)%	1,242.6	1,071.1	(377.8)	(26)%		1,448.9	
Total subscriptions	\$3,935.5	\$118.6	3 %	\$3,816.9	\$3,935.5	\$219.8	6 %		\$3,715.7	
ARPS (ARR divided by number of Subscriptions)										
Subscription plan ARPS	\$587	\$43	8 %	\$544	\$587	\$69	13 %		\$518	
Maintenance plan ARPS	621	38	7 %	583	621	14	2 %		607	
Total ARPS (2)	\$596	\$39	7 %	\$557	\$596	\$43	8 %		\$553	

(1) 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 Condensed Consolidated Statement of Operations.

(2) There are small variances between ARR and total subscriptions due in part to the inherent limitation with collecting all subscription 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 10% as of July 31, 2018 as compared to the three months ended April 30, 2018, and 14% as compared to the end of fiscal 2018, primarily due to a 20% and 43% increase, in the respective periods, in subscription plan ARR driven by the maintenance-to-subscription ("M2S") program and growth in new product subscriptions. The increase was partially offset by an 8% and 24% decrease, in the respective periods, in maintenance plan ARR driven by the migration from maintenance plan subscriptions to subscription plan subscriptions. Under ASC 605, total ARR increased 7% as of July 31, 2018 as compared to the three months ended April 30, 2018, and 13%, as compared to the end of fiscal 2018 primarily due to a 42% increase in subscription plan ARR, partially offset by a 25% decrease in maintenance plan ARR.

Subscription plan subscriptions increased 11% or approximately 0.3 million as compared to the previous quarter and 26% or approximately 0.6 million as compared to the end of fiscal 2018, driven by growth in all subscription plan types, led by new product subscriptions. Subscription plan subscriptions benefited from approximately 0.1 million and 0.3 million maintenance subscribers that were converted to product subscription under the M2S program during the three and six months ended July 31, 2018, respectively.

Maintenance plan subscriptions decreased 14% or approximately 0.2 million from the previous quarter and 26% or approximately 0.4 million from the end of fiscal 2018, primarily as a result of the strong performance of the M2S program in which approximately 0.1 million and 0.3 million maintenance plan subscriptions converted to product subscription during the three and six months ended July 31, 2018, respectively. The net decrease is 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 EBAs or product subscriptions.

When adjusted for the impact of the M2S program, subscription plan ARPS and maintenance plan ARPS would have been \$595 and \$598, respectively.

ARPS as of July 31, 2018 was \$596 under ASC 606, an increase of 7% compared to the previous quarter primarily due to an increase in subscription plan ARPS. The increase in subscription plan ARPS was driven by growth in all subscription plan types, led by product subscription ARPS. Under ASC 605, ARPS was \$591.

ARPS increased 8% compared to the end of fiscal 2018 due to an increase in subscription plan ARPS primarily driven an increase in product subscription ARPS as a result of the business model transition and other pricing changes. ARPS was partially offset by a decreases in both EBAs and cloud service offerings ARPS.

Our ARPS is currently, and will continue to be, affected by various factors including the M2S program, 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 on our business model transition, we expect all of the impacts of these factors to stabilize.

Impact of New Revenue Accounting Standard

We adopted Accounting Standard Update No. 2014-09, which codified new revenue recognition guidance under ASC Topic 606. Previously, we followed revenue accounting guidance under ASC Topic 605. The table below shows what some of our key metrics would have been under ASC Topic 605 (see Note 2, “Recently Issued Accounting Standards” for more details on our adoption and impacts):

	Three Months Ended July 31, 2018		Three Months Ended July 31, 2017
<i>(in millions except ARPS)</i>	ASC 606	ASC 605	ASC 605
Key Income Statement Metrics			
Subscription revenue	\$420.6	\$416.0	\$196.1
Maintenance revenue	166.4	165.3	