

COMPANY PROFILE

Autodesk Inc

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COMPANY OVERVIEW

Autodesk Inc (Autodesk) provides engineering, 3D design, and entertainment software and services. The company offers a wide range of products including 3D animation, 3D CAD software, 3D modelling software, 3D printing, civil engineering, construction, 2D CAD drafting, manufacturing, sketching and painting, and product design. Autodesk serves to clients in architecture, engineering and construction; product design and manufacturing; and digital media and entertainment industries. Autodesk sells products directly to customers and through a network of resellers and distributors. The company's business operations span across the Americas, Asia-Pacific, and Europe Middle East, and Africa. Autodesk is headquartered in San Rafael, California, the US.

The company reported revenues of (US Dollars) US\$3,790.4 million for the fiscal year ended January 2021 (FY2021), an increase of 15.8% over FY2020. In FY2021, the company's operating margin was 16.6%, compared to an operating margin of 10.5% in FY2020. In FY2021, the company recorded a net margin of 31.9%, compared to a net margin of 6.6% in FY2020.

The company reported revenues of US\$989.3 million for the first quarter ended April 2021, a decrease of 4.8% over the previous quarter.

KEY FACTS

Head Office	Autodesk Inc 111 MCINNIS PKWY SAN RAFAEL California SAN RAFAEL California USA
Phone	1 415 5075000
Fax	1 415 5075100
Web Address	www.autodesk.com
Revenue / turnover (USD Mn)	3,790.4
Financial Year End	January
Employees	11,500
NASDAQ Ticker	ADSK

SWOT ANALYSIS

Autodesk Inc (Autodesk) offers design software and services. Innovation, marketing and sales network, and territorial diversity are the company's major strengths, whereas dependence on single business unit remains cause for concern. Global cloud computing market, global IoT market, and partnership with STRABAG are likely to offer growth opportunities to the company. However, intense competition, cybersecurity issues, and foreign exchange risks could affect its business opportunities.

Strength Innovation Marketing and Sales Network Territorial Diversity	Weakness Dependence on Single Business Unit
Opportunity Global Cloud Computing Market Global IoT Market Partnership with STRABAG	Threat Intense Competition Cyberattacks and Security Vulnerabilities Foreign Exchange Risks

Strength

Innovation

Strong R&D enable Autodesk to produce innovative products and invest a significant part of the revenue to develop products adapting to emerging technologies in the digital media and entertainment, and construction markets. Autodesk focuses on developing new solutions and improve existing products to enhance its market opportunities. The company focused on developing traditional data creation tools, to help the design and pre-construction phases of the construction industry. The company operates research facilities in San Rafael, California, the US for research, development and engineering activities. In FY2020, the company spent US\$851.1 million on R&D, which as a percentage of revenue stood at 26%.

Marketing and Sales Network

Autodesk markets products globally through direct and indirect channels. Direct channel of the company includes direct sales of the products from store and online through Autodesk branded store, whereas indirect channels consist of value-added resellers, direct market reseller, distributors, computer manufacturers, and other software developers. The company also transacts directly with its enterprise and named account customers and through online Autodesk branded store on a smaller scale. It also created online user communities to provide information regarding the best use of its products. As of January 2020, Autodesk had a network of about 1,500 resellers and distributors worldwide. It generated about 70% of revenue from indirect channel sales through distributors and resellers in FY2020.

Territorial Diversity

Wide geographic presence enables the company to serve a wide customer base, which results in improved top line performance. The company's wide geographic operations help in mitigating various risks associated with dependence on the select region. Autodesk's business operations are spread across the Americas, Asia-Pacific, Europe, Africa, and the Middle East. The company operates offices in several locations worldwide to provide its services efficiently and to reach out to a large customer base. Geographically, the company operates in the Americas, EMEA, and the Asia Pacific, which accounted for 40.8%, 39.8% and 19.4% of the company's revenue respectively in FY2020.

Weakness

Dependence on Single Business Unit

The company's dependence on single business unit could affect its business operations. Although, Autodesk offers 3D design, engineering and entertainment software and services for Architecture, Engineering, and Construction; Manufacturing; Media and Entertainment and Others, it focuses majorly on Architecture, Engineering, and Construction product category which is expected to increase year on year. In FY2020, Architecture, Engineering, and Construction product category accounted for 42.1% of the company's revenue. Dependence on AEC category exposes the company to risks associated with dependence on a single product line, which could hamper its growth prospects in adverse situation.

Opportunity

Global Cloud Computing Market

Cloud-based operations enable enterprises to scale up their operations instantly, handle fluctuations in demand, and access systems and services over a variety of devices at a lower cost. According to in-house research, the global cloud computing market is expected to grow at a CAGR of 25.3% to reach US\$719,051 million by 2022 from US\$289,268 million in 2018. During the forecast period, Platform-as-a-Service (PaaS) is expected to be the major contributor with a market share of 34.8%, followed by Infrastructure-as-a-Service (IaaS) with 32.9%, Software-as-a-Service (SaaS) with 22.7%, and Cloud Management Platforms with 0.9%. In July 2020, the company entered into an agreement to acquire Pype, a provider of cloud-based solutions for automating construction project management workflows. In June 2020, it collaborated with Aurigo Software to develop cloud-based solutions for public and private owners.

Global IoT Market

IoT refers to the holistic interconnection of services, applications, business processes, people and devices with a network or Internet in order to share information and perform certain tasks without any human intervention. According to in-house research, the global IoT enterprise market is forecast to reach US\$318 billion by 2023. The software and service category will account for 71.2% of the expenditure on IoT by 2023, followed by devices (17.3%), and connectivity (11.6%). In June 2020, the company invested

in 360Fuel, an Internet-of-Things (IoT) company.

Partnership with STRABAG

In February 2020, the company and STRABAG, construction service provider entered into an agreement to advance the digitalization of the construction industry in Europe. Through the collaboration, the companies focuses on development of Building Information Modelling (BIM) applications to meet the needs of the European market. As a part of the collaboration, the companies also focuses on pre-construction needs such as modular and partial design outside the construction site.

Threat

Intense Competition

The company operates in a highly competitive cloud computing and IT services market. The factors that determine the level of competition within the industry include service performance, price, and sales and distribution capabilities. Autodesk faces competition from publicly traded global companies, small firms, and in-house solution providers. The company's major global competitors include ANSYS Inc, AVEVA Group plc, Dassault Systemes SA, Adobe Systems Incorporated, Bentley Systems Inc, Apple Inc, Avid Technology Inc, Nemetschek AG, MSC Software Corp, 3D Systems Corp, Intergraph Corp, PTC Inc, Oracle Corp, Procore Technologies Inc, Siemens PLM, SONY Corp, Trimble Navigation Limited and Technicolor SA. Many of its competitors have a longer operating history, greater brand recognition, established customer and supplier relationships, and greater financial resources, which leads to the creation of innovative products and business expansion through acquisitions.

Cyberattacks and Security Vulnerabilities

The constantly evolving cyber threats could disrupt the security of the company's systems and business applications, impair the ability to provide services to its customers and protect the privacy of their data. Hackers and organizations, including state-sponsored organizations, continuously develop and deploy malicious software or exploit vulnerabilities in hardware, software, and other infrastructure to gain access to organizations' networks and datacenters. According to Internet Crime Complaint Center's (IC3) Internet Crime Report 2018, IC3 received 351,936 complaints with financial losses of over US\$2.7 billion. It received an average of over 300,000 complaints per year during the last five-years. The IC3 received 14,408 complaints related to tech support fraud, which resulted in a loss of around US\$39 million in 2018. It received 20,373 Email Account Compromise (EAC)/Business Email Compromise (BEC) complaints with adjusted losses of over US\$1.2 billion. The ransomware related complaints were 1,493, causing an adjusted financial loss of over US\$3.6 million. Autodesk's business model revolves around providing technology products and services, which is vulnerable to increasing cyberattacks. Its solutions are deployed on cloud-based web technologies which are prone to various risks like a cyber intrusion, advanced persistent threat (APT), DNS attacks, unauthorized access, malicious file uploads, and distributed denial of service (DDoS) attacks. The company needs to invest in developing secure products, update the software to address security vulnerabilities of its solutions that help in protecting its internal IT systems and cloud-based services.

Foreign Exchange Risks

Autodesk operates in many parts of the world and is exposed to fluctuations in foreign exchange rates. The company reports financials in the US dollar and therefore its revenue is exposed to the volatility of the US dollar against British pound. The major elements exposed to exchange rate risks include the company's investments in overseas subsidiaries and affiliates and monetary assets and liabilities arising from business transactions in foreign currencies. In FY2020, the company reported a loss of US\$13.6 million from foreign currency translation adjustments compared to loss of US\$57.8 million in FY2019 and gain of US\$81.6 million in FY2018. To minimize risks from currency fluctuations, the company could involve in foreign exchange hedging by entering into foreign exchange forward contracts. However, there could be no assurance that such hedging or measures would limit the impact of movements in exchange rates on the company's results of operations.

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