Autodesk Inc ADSK (NAS) | ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
258.97 USD	198.00 USD	Medium	Wide	Stable	Standard	Software

Subscriptions Drive Stellar Q3 for Autodesk; Lagged Effects of Pandemic to Come; Shares Overvalued

Julie Bhusal Sharma
Equity Analyst
Morningstar

Important Disclosure

The conduct of Morningstar's analysts is governed by Code of Ethics/Code of Conduct Policy, Personal Security Trading Policy (or an equivalent of), and Investment Research Policy. For information regarding conflicts of interest, visit http://global.morningstar.com/equitydisclosures

The primary analyst covering this company does not own its stock.

Research as of 24 Nov 2020
Estimates as of 24 Nov 2020
Pricing data through 24 Nov 2020 00:00
Rating updated as of 24 Nov 2020 00:00

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

Contents

Analyst Note 24 Nov 2020

Autodesk reported yet another beat to its top line and bottom line in its third-quarter release. Results were driven by continued strength in Autodesk subscription revenue as conversion amongst its maintenance user base remains high. Additionally, Autodesk benefitted from its customers being in better financial health in the third quarter, as less payment extensions were made as a result of the coronavirus. Despite another great quarter for Autodesk, the company warned of the lagged effects they expect in fiscal 2022 as a result of the nature of subscription revenue recognition. While we previously had factored in such a lag, the effect is greater than we expected, moderating our fiscal 2022 expectations. Considering the rosy third-quarter results sobered by what could be an anomalous 2022 ahead, we are maintaining our fair value estimate of $198 per share for wide-moat Autodesk. Share have remained flat upon news of the quarter, leaving shares trading at $258 per share. As a result, we continue to believe Autodesk is overvalued. Nonetheless, we reiterate our continued belief that Autodesk has built an extremely moaty company which we think will be well protected in the future.

Autodesk third-quarter revenue grew by 13% year over year to $952 million. Subscription revenue grew by 24% year over year--which is a result of strong conversion by its maintenance customers. Within the quarter, 40% of its maintenance customers who were up for renewal converted to a subscription. The company also benefitted from more normalization in payment terms in the quarter, as Autodesk had previously extended payment terms for customers most impacted by the pandemic. GAAP operating margin expanded by 500 basis points compared with the prior year quarter to 18% as the company continues to benefit from operating leverage.

With results, Autodesk guided for how it expects to finish

Vital Statistics

Market Cap (USD Mil)	56,787
52-Week High (USD)	276.68
52-Week Low (USD)	125.38
52-Week Total Return %	55.1
YTD Total Return %	41.2
Last Fiscal Year End	31 Jan 2020
5-Yr Forward Revenue CAGR %	15.4
5-Yr Forward EPS CAGR %	31.0
Price/Fair Value	1.31

Valuation Summary and Forecasts

Fiscal Year:	2019	2020	*2021(E)*	*2022(E)*
Price/Earnings	145.7	70.6	*65.2*	*45.4*
EV/EBITDA	292.6	93.9	*73.5*	*44.1*
EV/EBIT	NM	128.7	*93.9*	*51.2*
Free Cash Flow Yield %	1.0	3.2	*2.1*	*3.0*
Dividend Yield %	—	—	—	—

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2019	2020	*2021(E)*	*2022(E)*
Revenue	2,570	3,274	*3,762*	*4,338*
Revenue YoY %	25.0	27.4	*14.9*	*15.3*
EBIT	17	344	*611*	*1,119*
EBIT YoY %	-104.1	NM	*77.8*	*83.3*
Net Income, Adjusted	223	621	*879*	*1,244*
Net Income YoY %	-310.1	178.0	*41.6*	*41.6*
Diluted EPS	1.01	2.79	*3.97*	*5.71*
Diluted EPS YoY %	-307.7	177.4	*42.3*	*43.8*
Free Cash Flow	-552	1,003	*780*	*1,271*
Free Cash Flow YoY %	-291.7	-281.9	*-22.2*	*62.9*

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

Founded in 1982, Autodesk is an application software company that serves industries in architecture, engineering, and construction; product design and manufacturing; and media and entertainment. Autodesk software enables design, modeling, and rendering needs of these industries. The company has over 4 million paid subscribers across 180 countries.

Autodesk Inc ADSK (NAS) | ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
258.97 USD	198.00 USD	Medium	Wide	Stable	Standard	Software

the year. For the fourth quarter, Autodesk provided an outlook of a revenue midpoint of $1,007 million and a GAAP and non-GAAP EPS midpoint of $0.56 and $1.07, respectively.

Like other software companies, Autodesk has made clear that the fiscal year ahead will be show lagging weakness from the 2020 COVID-19 market as a result of its subscription model. Consequently, the company expects to see 2022 revenue grow by low- to mid- single digits on a year-over-year basis. This guide is significantly lower than our previous 2022 expectations, for which we have now adjusted. However, we do not see this more dismal guide as affecting our forecast beyond fiscal 2022. We expect the company to continue to benefit from its shift to a SaaS model and monetizing a once untapped customer base in construction as building information modelling (BIM) increases in adoption.

Autodesk Inc ADSK (NAS) | ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
258.97 USD	198.00 USD	Medium	Wide	Stable	Standard	Software

Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in January

Growth (% YoY)	3-Year Hist. CAGR	2018	2019	2020	*Forecast 2021*	*2022*	*5-Year Proj. CAGR*
Revenue	*17.3*	1.3	25.0	27.4	*14.9*	*15.3*	*15.4*
EBIT	—	-1.0	-104.1	NM	*77.8*	*83.3*	*48.4*
EBITDA	—	9.5	-136.6	320.0	*65.8*	*66.8*	*41.9*
Net Income	—	-4.2	-310.1	178.0	*41.6*	*41.6*	*30.1*
Diluted EPS	—	-2.8	-307.7	177.4	*42.3*	*43.8*	*31.0*
Earnings Before Interest, after Tax	—	-4.9	-108.2	924.2	*64.8*	*69.1*	*43.3*
Free Cash Flow	*58.0*	13.1	-291.7	-281.9	*-22.2*	*62.9*	*12.8*

Profitability	3-Year Hist. Avg	2018	2019	2020	*2021*	*2022*	*5-Year Proj. Avg*
Operating Margin %	*-3.0*	-20.2	0.7	10.5	*16.2*	*25.8*	*29.1*
EBITDA Margin %	*1.3*	-14.9	4.4	14.4	*20.8*	*30.0*	*33.0*
Net Margin %	*7.5*	-5.2	8.7	19.0	*23.4*	*28.7*	*30.2*
Free Cash Flow Margin %	*7.7*	14.0	-21.5	30.6	*20.7*	*29.3*	*31.1*
ROIC %	*6.7*	-3.9	4.8	19.0	*33.9*	*54.6*	*112.1*
Adjusted ROIC %	*3.4*	-2.6	2.9	9.9	*16.0*	*23.8*	*36.2*
Return on Assets %	*-3.5*	-12.7	-1.8	3.9	*6.6*	*11.4*	*12.2*
Return on Equity %	*-108.0*	-236.0	34.6	-122.6	*-125.7*	*-379.5*	*-32.6*

Leverage	3-Year Hist. Avg	2018	2019	2020	*2021*	*2022*	*5-Year Proj. Avg*
Debt/Capital	*1.13*	1.19	1.11	1.09	*1.47*	*0.95*	*0.70*
Total Debt/EBITDA	*5.64*	-5.17	18.62	3.47	*2.09*	*1.26*	*1.01*
EBITDA/Interest Expense	*3.25*	-6.36	6.33	9.77	*9.28*	*29.27*	*35.10*

Valuation Summary and Forecasts

	2019	2020	*2021(E)*	*2022(E)*
Price/Fair Value	1.30	0.99	—	—
Price/Earnings	145.7	70.6	*65.2*	*45.4*
EV/EBITDA	292.6	93.9	*73.5*	*44.1*
EV/EBIT	NM	128.7	*93.9*	*51.2*
Free Cash Flow Yield %	1.0	3.2	*2.1*	*3.0*
Dividend Yield %	—	—	—	—

Key Valuation Drivers

Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.8
Weighted Average Cost of Capital %	7.4
Long-Run Tax Rate %	21.0
Stage II EBI Growth Rate %	5.7
Stage II Investment Rate %	14.3
Perpetuity Year	20

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	13,251	32.0	60.64
Present Value Stage II	11,034	26.7	50.49
Present Value Stage III	17,103	41.3	78.27
Total Firm Value	**41,388**	**100.0**	**189.41**
Cash and Equivalents	1,844	—	8.44
Debt	-1,635	—	-7.48
Preferred Stock	—	—	—
Other Adjustments	-800	—	-3.66
Equity Value	**40,796**	**—**	**186.70**
Projected Diluted Shares	219		
Fair Value per Share (USD)	**198.00**		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

Autodesk Inc ADSK (NAS) | ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
258.97 USD	198.00 USD	Medium	Wide	Stable	Standard	Software

Morningstar Analyst Forecasts

Income Statement (USD Mil)
Fiscal Year Ends in January

				Forecast	
	2018	2019	2020	*2021*	*2022*
Revenue	**2,057**	**2,570**	**3,274**	***3,762***	***4,338***
Cost of Goods Sold	303	286	325	*345*	*421*
Gross Profit	**1,753**	**2,284**	**2,949**	***3,417***	***3,917***
Selling, General & Administrative Expenses	305	340	406	*398*	*424*
Advertising & Marketing	1,087	1,184	1,310	*1,445*	*1,384*
Research & Development	756	725	851	*925*	*937*
Depreciation & Amortization (if reported separately)	20	18	39	*39*	*53*
Operating Income (ex charges)	**-415**	**17**	**344**	***611***	***1,119***
Restructuring & Other Cash Charges	94	42	0	*0*	*42*
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**-509**	**-25**	**343**	***611***	***1,077***
Interest Expense	48	18	48	*84*	*44*
Interest Income	—	—	—	—	—
Pre-Tax Income	**-557**	**-43**	**295**	***526***	***1,033***
Income Tax Expense	10	38	80	*110*	*217*
Other After-Tax Cash Gains (Losses)	—	—	—	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	—	—	—
(Minority Interest)	—	—	—	—	—
(Preferred Dividends)	—	—	—	—	—
Net Income	**-567**	**-81**	**215**	***416***	***816***
Weighted Average Diluted Shares Outstanding	220	222	223	*222*	*218*
Diluted Earnings Per Share	**-2.58**	**-0.36**	**0.96**	***1.88***	***3.74***
Adjusted Net Income	-106	223	621	*879*	*1,244*
Diluted Earnings Per Share (Adjusted)	**-0.48**	**1.01**	**2.79**	***3.97***	***5.71***
Dividends Per Common Share	—	—	—	—	—
EBITDA	**-401**	**70**	**470**	***781***	***1,260***
Adjusted EBITDA	**-307**	**112**	**471**	***781***	***1,302***

Autodesk Inc ADSK (NAS) | ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
258.97 USD	198.00 USD	Medium	Wide	Stable	Standard	Software

Morningstar Analyst Forecasts

Balance Sheet (USD Mil)

Fiscal Year Ends in January	2018	2019	2020	*Forecast* 2021	*Forecast* 2022
Cash and Equivalents	1,323	954	1,844	*1,757*	*2,793*
Investments	—	—	—	—	—
Accounts Receivable	438	474	652	*749*	*864*
Inventory	—	—	—	—	—
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	117	192	163	*188*	*216*
Current Assets	**1,878**	**1,620**	**2,659**	***2,695***	***3,873***
Net Property Plant, and Equipment	145	150	162	*192*	*224*
Goodwill	1,620	2,451	2,445	*2,589*	*2,733*
Other Intangibles	27	106	71	*119*	*166*
Deferred Tax Assets (Long-Term)	82	65	56	*56*	*56*
Other Long-Term Operating Assets	—	—	—	—	—
Long-Term Non-Operating Assets	362	338	786	*786*	*786*
Total Assets	**4,114**	**4,729**	**6,179**	***6,436***	***7,839***
Accounts Payable	95	102	84	*89*	*108*
Short-Term Debt	—	—	—	—	*350*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	2,029	2,200	3,136	*3,602*	*4,154*
Current Liabilities	**2,123**	**2,301**	**3,219**	***3,691***	***4,612***
Long-Term Debt	1,586	2,088	1,635	*1,635*	*1,285*
Deferred Tax Liabilities (Long-Term)	42	22	19	*3*	*0*
Other Long-Term Operating Liabilities	404	328	1,243	*1,428*	*1,646*
Long-Term Non-Operating Liabilities	215	202	202	*202*	*202*
Total Liabilities	**4,370**	**4,940**	**6,318**	***6,959***	***7,746***
Preferred Stock	—	—	—	—	—
Common Stock	1,953	2,072	2,317	*2,317*	*2,317*
Additional Paid-in Capital	—	—	—	—	—
Retained Earnings (Deficit)	-2,085	-2,147	-2,296	*-1,880*	*-1,064*
(Treasury Stock)	—	—	—	*-800*	*-1,000*
Other Equity	-124	-135	-160	*-160*	*-160*
Shareholder's Equity	**-256**	**-211**	**-139**	***-523***	***93***
Minority Interest	—	—	—	—	—
Total Equity	**-256**	**-211**	**-139**	***-523***	***93***

Autodesk Inc ADSK (NAS) | ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
258.97 USD	198.00 USD	Medium	Wide	Stable	Standard	Software

Morningstar Analyst Forecasts

Cash Flow (USD Mil)
Fiscal Year Ends in January

				Forecast	
	2018	2019	2020	*2021*	*2022*
Net Income	-567	-81	215	*416*	*816*
Depreciation	45	40	40	*83*	*95*
Amortization	63	55	87	*87*	*87*
Stock-Based Compensation	269	252	362	*355*	*379*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	55	25	-1	*-16*	*-2*
Other Non-Cash Adjustments	—	—	—	—	—
(Increase) Decrease in Accounts Receivable	13	-25	-179	*-97*	*-115*
(Increase) Decrease in Inventory	—	—	—	—	—
Change in Other Short-Term Assets	-10	8	975	*-18*	*-23*
Increase (Decrease) in Accounts Payable	-14	-59	-91	*5*	*20*
Change in Other Short-Term Liabilities	146	163	6	*467*	*551*
Cash From Operations	**1**	**377**	**1,415**	***1,282***	***1,809***
(Capital Expenditures)	-51	-67	-53	*-98*	*-113*
Net (Acquisitions), Asset Sales, and Disposals	—	-1,040	—	*-300*	*-300*
Net Sales (Purchases) of Investments	—	—	27	—	—
Other Investing Cash Flows	557	397	-32	*185*	*218*
Cash From Investing	**506**	**-710**	**-57**	***-213***	***-194***
Common Stock Issuance (or Repurchase)	-605	-203	-349	*-800*	*-200*
Common Stock (Dividends)	—	—	—	—	—
Short-Term Debt Issuance (or Retirement)	—	—	-500	—	*350*
Long-Term Debt Issuance (or Retirement)	97	500	499	—	*-350*
Other Financing Cash Flows	-149	-146	-117	*-355*	*-379*
Cash From Financing	**-657**	**152**	**-467**	***-1,155***	***-579***
Exchange Rates, Discontinued Ops, etc. (net)	14	-11	-2	—	—
Net Change in Cash	**-135**	**-192**	**889**	***-86***	***1,036***

Research Methodology for Valuing Companies

Qualitative Equity Research Overview
At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. We believe this bottom-up, long-term, fundamentally based approach allows our analysts to focus on long-term business drivers, which have the greatest valuation impact, rather than short-term market noise.

Morningstar's equity research group (“we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at an uncertainty-adjusted discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

1. Economic Moat
The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define excess economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

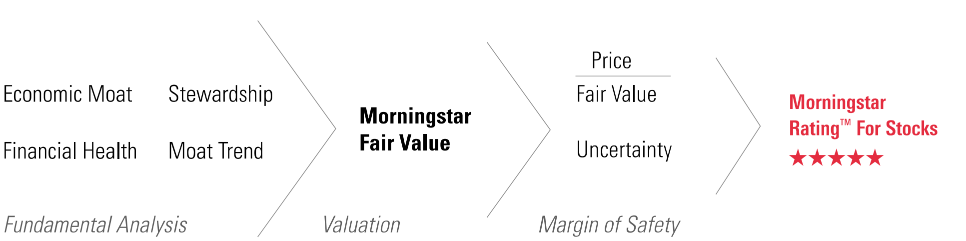
Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

To assess the direction of the underlying competitive advantages, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

All the moat and moat trend ratings undergo periodic review and any changes must be approved by the Morningstar Economic Moat Committee, comprised of senior members of Morningstar's equity research department.

2. Estimated Fair Value
Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Morningstar Research Methodology for Valuing Companies



Our model is divided into three distinct stages:

Stage I: Explicit Forecast
In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes, or EBI, and the net new investment, or NNI, to derive our annual free cash flow forecast.

Stage II: Fade
The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital, or RONIC, and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until the perpetuity stage is reached. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity
Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term market-value weights.

Research Methodology for Valuing Companies

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the fair value estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

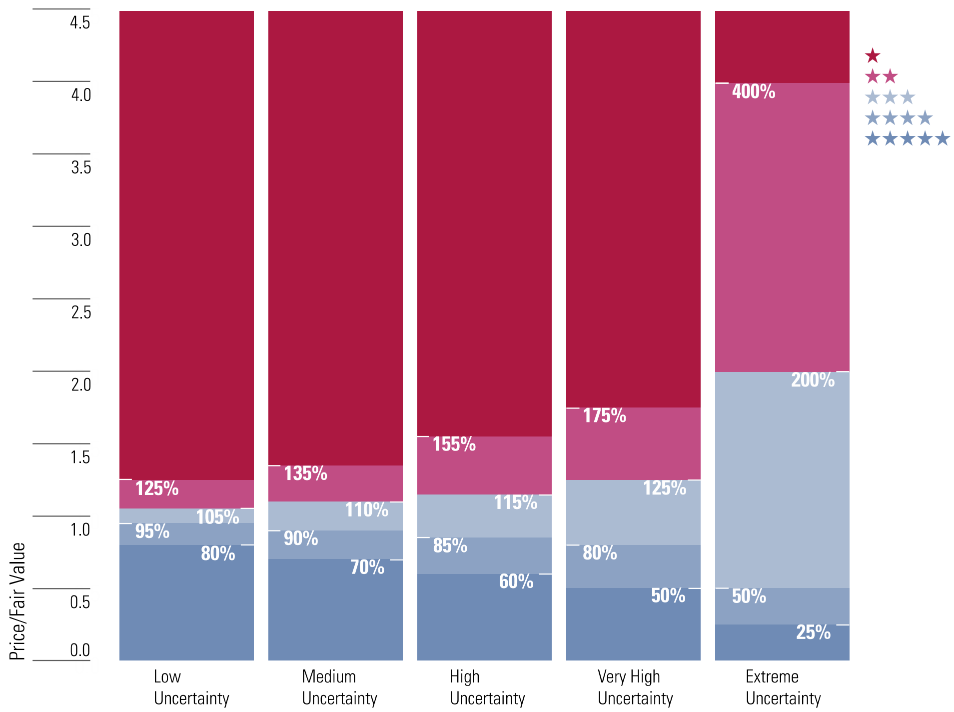
- ► Low–margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- ► Medium–margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- ► High–margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- ► Very High–margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- ► Extreme–margin of safety for 5-star rating is a 75% discount and for 1-star rating is 300% premium.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed, which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com.

Morningstar Equity Research Star Rating Methodology



Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. The current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. The market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

Research Methodology for Valuing Companies

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Stewardship Rating: Represents our assessment of management's stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies' investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they've had a demonstrated impact on shareholder value. Analysts assign one of three ratings: "Exemplary," "Standard," and "Poor." Analysts judge stewardship from an equity holder's perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions.

Quantitative Valuation: Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

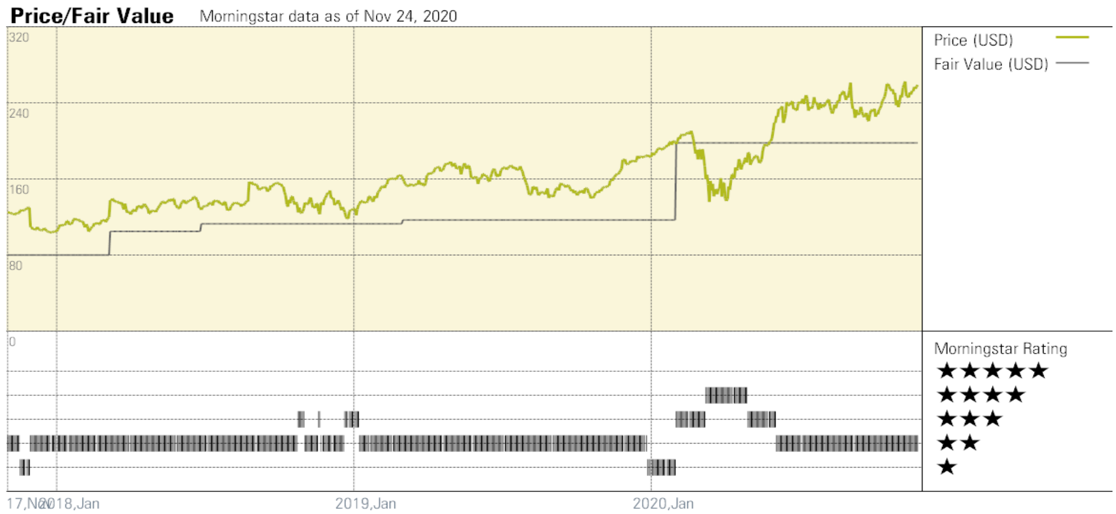
- Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

Risk Warning

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report. Morningstar's Uncertainty Rating serves as a useful data point with respect to sensitivity analysis of the assumptions used in our determining a fair value price.

Autodesk Inc ADSK (NAS) | ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
258.97 USD	198.00 USD	Medium	Wide	Stable	Standard	Software



General Disclosure

The analysis within this report is prepared by the person(s) noted in their capacity as an analyst for Morningstar's equity research group. The equity research group consists of various Morningstar, Inc. subsidiaries ("Equity Research Group)". In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission.

The opinions expressed within the report are given in good faith, are as of the date of the report and are subject to change without notice. Neither the analyst nor Equity Research Group commits themselves in advance to whether and in which intervals updates to the report are expected to be made. The written analysis and Morningstar Star Rating for stocks are statements of opinions; they are not statements of fact.

The Equity Research Group believes its analysts make a reasonable effort to carefully research information contained in the analysis. The information on which the analysis is based has been obtained from sources believed to be reliable such as, for example, the company's financial statements filed with a regulator, company website, Bloomberg and any other the relevant press sources. Only the information obtained from such sources is made available to the issuer who is the subject of the analysis, which is necessary to properly reconcile with the facts. Should this sharing of information result in considerable changes, a statement of that fact will be noted within the report. While the Equity Research Group has obtained data, statistics and information from sources it believes to be reliable, neither the Equity Research Group nor Morningstar, Inc.performs an audit or seeks independent verification of any of the data, statistics, and information it receives.

Unless otherwise provided in a separate agreement, recipients accessing this report may only use it in the country in which the Morningstar distributor is based. Unless stated otherwise, the original distributor of the report is Morningstar Research Services LLC, a U.S.A. domiciled financial institution.

This report is for informational purposes only and has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. This publication is intended to provide information to assist institutional investors in making their own investment decisions, not to provide investment advice to any specific investor. Therefore, investments discussed and recommendations made herein may not be suitable for all investors: recipients must exercise their own independent judgment as to the

Autodesk Inc ADSK (NAS) | ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
258.97 USD	198.00 USD	Medium	Wide	Stable	Standard	Software

suitability of such investments and recommendations in the light of their own investment objectives, experience, taxation status and financial position.

The information, data, analyses and opinions presented herein are not warranted to be accurate, correct, complete or timely. Unless otherwise provided in a separate agreement, neither Morningstar, Inc. or the Equity Research Group represents that the report contents meet all of the presentation and/or disclosure standards applicable in the jurisdiction the recipient is located.

Except as otherwise required by law or provided for in a separate agreement, the analyst, Morningstar, Inc. and the Equity Research Group and their officers, directors and employees shall not be responsible or liable for any trading decisions, damages or other losses resulting from, or related to, the information, data, analyses or opinions within the report. The Equity Research Group encourages recipients of this report to read all relevant issue documents (e.g., prospectus) pertaining to the security concerned, including without limitation, information relevant to its investment objectives, risks, and costs before making an investment decision and when deemed necessary, to seek the advice of a legal, tax, and/or accounting professional.

The Report and its contents are not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Morningstar, Inc. or its affiliates to any registration or licensing requirements in such jurisdiction.

Where this report is made available in a language other than English and in the case of inconsistencies between the English and translated versions of the report, the English version will control and supersede any ambiguities associated with any part or section of a report that has been issued in a foreign language. Neither the analyst, Morningstar, Inc., or the Equity Research Group guarantees the accuracy of the translations.

This report may be distributed in certain localities, countries and/or jurisdictions ("Territories") by independent third parties or independent intermediaries and/or distributors ("Distributors"). Such Distributors are not acting as agents or representatives of the analyst, Morningstar, Inc. or the Equity Research Group. In Territories where a Distributor distributes our report, the Distributor is solely responsible for complying with all applicable regulations, laws, rules, circulars, codes and guidelines established by local and/or regional regulatory bodies, including laws in connection with the distribution third-party research reports.

Conflicts of Interest:

• No interests are held by the analyst with respect to the security subject of this investment research report.
– Morningstar, Inc. may hold a long position in the security subject of this investment research report that exceeds 0.5% of the total issued share capital of the security. To determine if such is the case, please click http://msi.morningstar.com and http://mdi.morningstar.com.• Analysts' compensation is derived from Morningstar, Inc.'s overall earnings and consists of salary, bonus and in some cases restricted stock.

• Neither Morningstar, Inc. or the Equity Research Group receives commissions for providing research nor do they charge companies to be rated.

• Neither Morningstar, Inc. or the Equity Research Group is a market maker or a liquidity provider of the security noted within this report.

• Neither Morningstar, Inc. or the Equity Research Group has been a lead manager or co-lead manager over the previous 12-months of any publicly disclosed offer of financial instruments of the issuer.

• Morningstar, Inc.'s investment management group does have arrangements with financial institutions to provide portfolio management/investment advice some of which an analyst may issue investment research reports on. However, analysts do not have authority over Morningstar's investment management group's business arrangements nor allow employees from the investment management group to participate or influence the analysis or opinion prepared by them.

• Morningstar, Inc. is a publicly traded company (Ticker Symbol: MORN) and thus a financial institution the security of which is the subject of this report may own more than 5% of Morningstar, Inc.'s total outstanding shares. Please access Morningstar, Inc.'s proxy statement, "Security Ownership of Certain Beneficial Owners and Management" section https: //shareholders.morningstar.com/investor-relations/financials/sec-filings/default.aspx

• Morningstar, Inc. may provide the product issuer or its related entities with services or products for a fee and on an arms' length basis including software products and licenses, research and consulting services, data services, licenses to republish our ratings and research in their promotional material, event sponsorship and website advertising.

Further information on Morningstar, Inc.'s conflict of interest policies is available from http://global.morningstar.com/equitydisclosures. Also, please note analysts are subject to the CFA Institute's Code of Ethics and Standards of Professional Conduct.

For a list of securities which the Equity Research Group currently covers and provides written analysis on please contact your local Morningstar office. In addition, for historical analysis of securities covered, including their fair value estimate, please contact your local office.

For Recipients in Australia: This Report has been issued and distributed in Australia by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544; ASFL: 240892). Morningstar Australasia Pty Ltd is the provider of the general advice ('the Service') and takes responsibility for the production of this report. The Service is provided through the research of investment products. To the extent the Report contains general advice it has been prepared without reference to an investor's objectives, financial situation or needs. Investors should consider the advice in light of these matters and, if applicable, the relevant Product Disclosure Statement before making any decision to invest. Refer to our Financial Services Guide (FSG) for more information at http://www.morningstar.com.au/fsg.pdf .

For Recipients in Hong Kong: The Report is distributed by Morningstar Investment Management Asia Limited, which is regulated by the Hong Kong Securities and Futures Commission to provide services to professional investors only. Neither Morningstar Investment Management Asia Limited, nor its representatives, are acting or will be deemed to be acting as an investment advisor to any recipients of this information unless expressly agreed to by Morningstar Investment Management Asia Limited. For enquiries regarding this research, please contact a Morningstar Investment Management Asia Limited Licensed Representative at http://global.morningstar.com/equitydisclosures .

For Recipients in India: This Investment Research is issued by Morningstar Investment Adviser India Private Limited. Morningstar Investment Adviser India Private Limited is registered with the Securities and Exchange Board of India (Registration number INA000001357) and provides investment advice and research. Morningstar Investment Adviser India Private Limited has not been the subject of any disciplinary action by SEBI or any other legal/regulatory body. Morningstar Investment Adviser India Private Limited is a wholly owned subsidiary of Morningstar Investment Management LLC. In India, Morningstar Investment Adviser India Private Limited has one associate, Morningstar India Private Limited, which provides data related services, financial data analysis and software development.

The Research Analyst has not served as an officer, director or employee of the fund company within the last 12 months, nor has it or its associates engaged in market making activity for the fund company.

*The Conflicts of Interest disclosure above also applies to relatives and associates of Manager Research Analysts in India # The Conflicts of Interest disclosure above also applies to associates of Manager Research Analysts in India. The terms and conditions on which Morningstar Investment Adviser India Private Limited offers Investment Research to clients, varies from client to client, and are detailed in the respective client agreement.

For recipients in Japan: The Report is distributed by Ibbotson Associates Japan, Inc., which is regulated by Financial Services Agency. Neither Ibbotson Associates Japan, Inc., nor its representatives, are acting or will be deemed to be acting as an investment advisor to any recipients of this information.

For recipients in Singapore: This Report is distributed by Morningstar Investment Adviser Singapore Pte Limited, which is licensed by the Monetary Authority of Singapore to provide financial advisory services in Singapore. Investors should consult a financial adviser regarding the suitability of any investment product, taking into account their specific investment objectives, financial situation or particular needs, before making any investment decisions.