

Autodesk Inc.

COMPANIES: ADSK
BRICSCAD

ADSK

Attempted Price Hike Disrupts FY3Q18

Autodesk resellers' key FY3Q18 metrics were impaired by channel disruption following the company's attempted price increase and less-effective promotions.

- OTR Global's read: ADSK remains mixed (August)
- FY3Q18 business fell below expectations for 11 of 23 ADSK resellers (vs. 8 of 23 in FY2Q18), including 6 of OTR Global's top 10 sources (similar to FY2Q18)
- Promos helpful for only 7 of 23 resellers during FY3Q18 (similar to FY2Q18); subscription additions below expectations for 10 of 22 resellers (vs. 8 of 22 in FY2Q18)
- Area to Watch: ADSK may have underestimated customers' level of price sensitivity

KEY DATA

Autodesk Business vs. Resellers' Expectations

(number of sources)

	FY2Q18	FY3Q18
Exceeded	2	3
Met	13	9
Fell below	8	11
OTR Comparative Index	-26	-35

Note: The OTR Comparative Index is a quantitative representation of qualitative responses. The Index is calculated by subtracting the "worse" from the "better" responses, dividing by the total responses and multiplying by 100. An Index below zero indicates a negative trend; above zero indicates a positive trend.

"You wouldn't believe the resistance we got when Autodesk announced a price increase midquarter — it was off the charts. [The price increase was rescinded the first of October]. It was the worst short-term decision I've ever seen from Autodesk."

North American reseller

BY BRAD WHITT

SOURCES & BACKGROUND

23 resellers and distributors in the Americas (13), EMEA (5) and Asia Pacific (5), representing more than \$550 million in Autodesk-related revenue in FY2017

REPEAT SOURCES 22 from OTR Global's August report

INTERVIEWS October through early November

AVERAGES Weighted according to each source's FY2017 Autodesk-related revenue

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Mixed Reseller Feedback

Source (by size)*	FY2Q18 BUSINESS VS. EXPECTATIONS	ADDITIONAL COMMENTS
No. 1	Fell below	"The price changes were not helpful to the entire quarter."
No. 2	Fell below	"We were close to our numbers, but our FY3Q18 did not meet expectations."
No. 3	Met	"We gained some and lost some, but we're where I thought we would be."
No. 4	Fell below	"We're pushing manufacturing deals, and we've closed smaller deals in residential construction — the only part of the sector that has some growth."
No. 5	Fell below	"We're having a difficult year without multiyear maintenance or a clear strategy by Autodesk i.e., the price increase switch."
No. 6	Fell below	"We're a bit below on the new license sales and the same for new customers."
No. 7	Exceeded	"The public sector in Latin America is in a hurrying phase to use 2017's budget. The manufacturing vertical is transforming and evolving rapidly, and Autodesk is benefiting as a manufacturing workflow leader."
No. 8	Met	"Manufacturing is strong this quarter, especially prototypes and workflow processes. We're doing our own due diligence and finding current customers and new customers who present data challenges."
No. 9	Exceeded	"We had continuing momentum from a large industrial company deal. We're also having success in the shipbuilding industry."
No. 10	Fell below	"We're seeing about an 80% renewal rate, but we're selling fewer new licenses. We expect business to pick up in the fourth quarter."

* Each source represents \$20 million or more in annual Autodesk-related revenue

Eleven of 23 **Autodesk Inc.** resellers fell below their FY3Q18 (August–October) business expectations (compared with eight of 23 in FY2Q18), partially because of less-effective promotions as well as channel disruption caused by an attempted price increase. "Autodesk announced a price increase on multi-user licenses that was scheduled to take effect Nov. 7. They had so much pushback from customers that they rescinded the price increase within a couple weeks," a North American partner said. Another said, "In the middle of the quarter, [Autodesk] announced a 30% price increase, and it completely derailed our momentum to the point of panic mode. Even though [Autodesk] rescinded it, it killed our momentum." Another said, "You wouldn't believe the resistance we got when Autodesk announced a price increase midquarter — it was off the charts. [The price increase was rescinded the first of October]. It was the worst short-term decision I've ever seen from Autodesk." Another said, "Autodesk keeps moving the goal post, and you don't know where you stand. When they announced a price increase, it was a bloodletting until they retracted it."

European partners were also affected by the failed price increase. "The 30% price increase on network licenses was not helpful. There was too much tumult, and it has had a negative aftermath," one said. Another said, "We had a lot of [pushback] due the price increase. The renewal rate decreased after the seesaw — some renewals were put on hold as the customers are upset." Another said, "We're having a difficult year, and the last thing we need is turmoil with the channel, which is what we have now. I see less motivation by the partners to push customers to a switch from maintenance to subscription. We could not improve the switch rate [during FY3Q18]."

Subscription Additions: Subscriber additions fell below expectations for 10 of 22 responding partners during FY3Q18, compared with eight of 22 in FY2Q18. "We're doing a good job with MTS, but there's some seat degradation when customers switch to Collections," a North American partner said. Another said, "We didn't really add net-new seats in FY3Q18. It was mostly renewals or maintenance conversions. We also picked up a couple fairly large accounts from other resellers." Another said, "We're excited about

Top Factors Hindering Business

(number of mentions)

	FY2Q18	FY3Q18
Channel related	6	10
Economy	9	8
Pricing	-	7
Business model shift	4	5
Public sector	6	2
Nothing	2	3

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some new opportunities next quarter. We've had some good conversations, but we didn't add as many this quarter." Another said, "I think the MTS [maintenance to subscription] focus has slowed us down because it requires more time, and it's taking our focus off new product sells."

European and Asian resellers were also mixed on new subscriber additions during FY3Q18. "It's a very slow process, and we haven't reached Autodesk's specifications. The time it takes to explain why customers should switch and the new cost calculation is consuming," a European partner said. Another said, "It's very time-consuming, and we cannot take all the time we would need. Autodesk has calculated three years [for the transition to subscription], and I think that's realistic. An Asian reseller said, "Initially there was a surge, but that has petered out. Eventually it will happen, but it's not happening today. We expect the fourth quarter to pick up." Another said, "Customers have yet to see the benefit of taking on subscription, especially when it's as expensive as buying a license."

Minimal Promotional Lift: Seven of 23 resellers said promotions were helpful during FY3Q18, similar to FY2Q18. "The legacy promotion helps; it's a conversation point and a way for customers to upgrade their technology and try something new," a North American reseller said. Another said, "The 30%-off legacy promo has been available for a while, but it helped a little."

However, most resellers said the promotions were not much help in FY3Q18. "There have been promotions, but that hasn't helped new license sales. Distributors are offering their own incentives, but the market has not responded," an Asian reseller said. Another said, "There have been a number of promotions every quarter for the past few quarters, but customers are not taking up on them. There was one promotion with a price lock for three years, but customers are not willing to commit for three years." A European partner said, "A €200 [\$233] discount to switch from maintenance to subscription is not helpful. It would be better to turn the discount into margin for the resellers to increase their motivation."

E-Store Promo Upsets Some Resellers: Autodesk offered some discounts on the company's website that were not available to resellers during FY3Q18. "The LT promo of 25% off [on Autodesk's e-store] doesn't help. My advice to customers is to go for it — I can't come close," a North American reseller said. Another said, "[Autodesk] told us [its online store] is for the one- or two-seat customers, but a 300-seat customer can see that promo just as well. I shouldn't have to compete against my vendor." A European reseller said, "Autodesk is offering AutoCAD at 25% off, and the best I can do is 5% off. They also book business directly with our accounts without telling us, which confuses customers."

Some Uncertainty Expected in FY2018

Because of the shift to subscription, many Autodesk partners projected their business will decline yy during FY2018. The transition also creates a level of uncertainty and makes forecasting difficult. Overall, Autodesk partners expect their business to decline an average 3%–5% yy during FY2018 (compared with sources' forecast of down 4%–6% in OTR Global's August report), with estimates ranging from up 35% to down 25%. "Our revenue will be off 25% [yy]. A widget cost less than it did last year," a North American reseller said. Another said, "I think we will be close to even for the year, and that's a win for us." An Asian reseller said, "The new model has lower initial selling prices, so I think lower FY2018 Autodesk sales is normal." Another said, "We expect [revenue] will be up 15%, but most of our hopes are pinned on what happens in FY4Q18. The subscriber base has fallen flat in FY2Q18 and FY3Q18."

Contributors: Xing Cheng, Tanya George, Anette Scholz, Robbie Scott, Usha Somayaji and Robert Whitt

Subscriber Additions vs. Resellers' Expectations

(number of sources)

	FY2Q18	FY3Q18
Exceeded	1	-
Met	13	12
Fell below	8	10

Promos Helping Business?

(number of mentions)

	FY2Q18	FY3Q18
Yes	6	7
No	16	16

Top Factors Helping Business

(number of mentions)

	FY2Q18	FY3Q18
AutoCAD LT	3	6
Business model shift	4	5
Manufacturing	5	5
Promotions	5	5
AEC	5	3
BIM 360	3	3
Channel-related	2	3
Economy	5	3
Pipeline	-	3
Public sector	2	3
Deal sizes	3	2

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AMERICAS

“There’s more price sensitivity than Autodesk realizes, but now everyone expects prices to go up next year.”

“We’ve been losing revenue all year because the bundling [i.e., Collections includes more modules than Suites] and price discounts. That’s not uncommon — we just have to keep selling.”

“If you have AutoCAD and a bunch of Revit that you pay \$1,000 a year for, and you want to give more access to Revit, you simply switch to AEC Collection for \$1,075 and you gain access to 22 other products.”

“We had a lot of three-year [maintenance] renewals last year [in FY3Q17], and we won’t see them for two more years.”

“Autodesk says it’s selling a record number of subscriptions, but it’s not what it seems. They didn’t realize the number of licenses that would be left behind because of the industry Collections.”

“The e-store is more about accessibility and providing options for the low-end products. Autodesk still needs the partners to help drive the more strategic products.”

“Autodesk is recruiting too many resellers [for Latin America] — this is making the climate even more competitive. We’ve lost some key bids to channel competition this quarter.”

EMEA

“The renewal rate is decreasing for different reasons. Some customers are upset due the price policy, and they don’t like to be threatened with a price increase. In addition, competition at the lower segment is awakened, and some customers are looking to alternative solutions. [Bricsys N.V.’s] BricsCAD is offering a clone version and is very aggressive with pricing.”

“The South African mining recovery is going to be short-lived as mining charter policy uncertainty continues and we haven’t seen any changes or clear signs yet. The government is not willing to support the market. Every politician is going to say what the people want to hear without any substance.”

APAC

“For short-term AEC projects, the Autodesk subscription model can help mid- and small-end clients save spending. I think [subscription] is helpful for Autodesk market expansion.”

“There is no incentive to develop the Autodesk market, because there’s no guarantee you will get the final conversion to sales — there’s a price war and no protection.”

“The government infrastructure projects are fast growing, but the residential construction projects are still weak.”

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1. What is helping or hindering your Autodesk business?

HELPING	AMERICAS	EMEA	APAC	TOTAL
AutoCAD LT:	4	1	1	6
Business model shift:	2	1	2	5
Manufacturing:	5	-	-	5
Promotions:	5	-	-	5
AEC:	2	-	1	3
BIM 360:	2	1	-	3
Channel-related:	-	3	-	3
Economy:	-	3	-	3
Pipeline:	1	2	-	3
Public sector:	2	-	1	3
Deal sizes:	1	1	-	2
Renewal business:	1	-	1	2
Nothing:	-	1	2	3
Other:	6	-	-	6
HINDERING				
Channel-related:	7	3	-	10
Economy:	2	1	5	8
Pricing:	3	4	-	7
Business model shift:	3	2	-	5
Public sector:	1	1	-	2
Nothing:	3	-	-	3
Other:	2	2	1	5

Note: Some sources gave more than one answer while others did not respond.

2. Did any promotions help your Autodesk business during FY3Q18?

Yes:	7	-	-	7
No:	6	5	5	16

3. Did your FY3Q18 Autodesk business exceed, meet or fall below your expectations?

Significantly exceeded:	1	-	-	1
Exceeded:	1	1	-	2
Met:	5	1	3	9
Fell below:	6	3	2	11
OTR Comparative Index:	-31	-	-	-35
FY2Q18 Index:	-15	-	-	-26

4. Did your FY3Q18 subscriber additions exceed, meet or fall below your expectations?

Exceeded:	-	-	-	-
Met:	7	2	3	12
Fell below:	5	3	2	10
Other:	1	-	-	1

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5. Do you expect your FY2018 Autodesk business to increase, remain the same or decrease yy?

	AMERICAS	EMEA	APAC	TOTAL
Up 31%–40%:	1	-	-	1
Up 21%–25%:	1	-	-	1
Up 16%–20%:	2	-	-	2
Up 11%–15%:	-	-	1	1
Up 6%–10%:	1	-	-	1
Up 1%–5%:	1	-	-	1
Up:	1	-	-	1
Flat:	1	2	-	3
Down 1%–5%:	1	-	1	2
Down 6%–10%:	2	3	3	8
Down 21%–25%:	1	-	-	1
No response:	1	-	-	1
Weighted average:	Up 7%–9%	Down 9%–11%	Flat	Down 3%–5%
August average:	Up 4%–6%	Down 9%–11%	Down 3%–5%	Down 4%–6%

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