AUTODESK INC
Form 10-Q
June 06, 2016

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

FORM 10-Q
(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 30, 2016
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 x 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 x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer ¨

Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).
Yes ¨ No x

As of May 31, 2016, registrant had outstanding approximately 224,656,057 shares of common stock.

AUTODESK, INC. FORM 10-Q
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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 April 30,	
	2016	2015
Net revenue:		
Subscription	$326.0	$319.8
License and other	185.9	326.7
Total net revenue	511.9	646.5
Cost of revenue:		
Cost of subscription revenue	39.7	38.7
Cost of license and other revenue	52.8	53.1
Total cost of revenue	92.5	91.8
Gross profit	419.4	554.7
Operating expenses:		
Marketing and sales	242.9	253.9
Research and development	195.5	194.5
General and administrative	75.8	75.9
Amortization of purchased intangibles	7.9	8.9
Restructuring charges and other facility exit costs, net	52.3	—
Total operating expenses	574.4	533.2
(Loss) income from operations	(155.0)	21.5
Interest and other (expense) income, net	(3.6)	0.3
(Loss) income before income taxes	(158.6)	21.8
Provision for income taxes	(14.4)	(2.7)
Net (loss) income	$(173.0)	$19.1
Basic net (loss) income per share	$(0.77)	$0.08
Diluted net (loss) income per share	$(0.77)	$0.08
Weighted average shares used in computing basic net (loss) income per share	224.4	227.2
Weighted average shares used in computing diluted net (loss) income per share	224.4	231.7

See accompanying Notes to Condensed Consolidated Financial Statements.

AUTODESK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In millions)
(Unaudited)

	Three Months Ended April 30,	
	2016	2015
Net (loss) income	$(173.0)	$19.1
Other comprehensive (loss), net of reclassifications:		
Net loss on derivative instruments (net of tax effect of ($1.9) and ($1.5), respectively)	(9.5)	(5.4)
Change in net unrealized gain on available-for-sale securities (net of tax effect of ($0.5) and ($0.1), respectively)	2.3	0.2
Change in defined benefit pension items (1)	0.3	0.7
Net change in cumulative foreign currency translation gain (net of tax effect of $0.0 and $3.8, respectively)	6.5	1.8
Total other comprehensive (loss)	(0.4)	(2.7)
Total comprehensive (loss) income	$(173.4)	$16.4

(1) There were no tax effects related to defined benefit pension items for each of the periods presented.

See accompanying Notes to Condensed Consolidated Financial Statements.

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AUTODESK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)
(Unaudited)

	April 30, 2016	January 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,223.4	$ 1,353.0
Marketable securities	1,043.9	897.9
Accounts receivable, net	256.4	653.6
Prepaid expenses and other current assets	105.3	88.6
Total current assets	2,629.0	2,993.1
Marketable securities	538.9	532.3
Computer equipment, software, furniture and leasehold improvements, net	174.9	169.3
Developed technologies, net	70.0	70.8
Goodwill	1,580.5	1,535.0
Deferred income taxes, net	9.8	9.2
Other assets	202.5	205.6
Total assets	$ 5,205.6	$ 5,515.3
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$ 107.2	$ 119.9
Accrued compensation	132.8	243.3
Accrued income taxes	25.1	29.4
Deferred revenue	1,091.8	1,068.9
Other accrued liabilities	117.6	129.5
Total current liabilities	1,474.5	1,591.0
Long term deferred revenue	431.9	450.3
Long term income taxes payable	153.8	161.4
Long term deferred income taxes	78.1	67.7
Long term notes payable, net	1,488.4	1,487.7
Other liabilities	143.0	137.6
Stockholders’ equity:		
Preferred stock	—	—
Common stock and additional paid-in capital	1,865.6	1,821.5
Accumulated other comprehensive loss	(121.5)	(121.1)
Retained earnings	(308.2)	(80.8)
Total stockholders’ equity	1,435.9	1,619.6
Total liabilities and stockholders' equity	$ 5,205.6	$ 5,515.3

See accompanying Notes to Condensed Consolidated Financial Statements.

AUTODESK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended April 30,	
	2016	2015
Operating activities:		
Net (loss) income	$(173.0)	$19.1
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation, amortization and accretion	37.4	37.8
Stock-based compensation expense	56.9	50.2
Deferred income taxes	6.2	(5.3)
Restructuring charges and other facility exit costs, net	52.3	—
Other operating activities	8.3	(3.5)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	397.4	143.1
Prepaid expenses and other current assets	(14.9)	(22.4)
Accounts payable and accrued liabilities	(197.2)	(110.8)
Deferred revenue	4.1	(3.4)
Accrued income taxes	(13.1)	(18.3)
Net cash provided by operating activities	164.4	86.5
Investing activities:		
Purchases of marketable securities	(577.5)	(485.2)
Sales of marketable securities	107.6	97.5
Maturities of marketable securities	322.6	192.4
Capital expenditures	(22.3)	(12.5)
Acquisitions, net of cash acquired	(59.6)	(34.5)
Other investing activities	(1.0)	(10.6)
Net cash (used in) investing activities	(230.2)	(252.9)
Financing activities:		
Proceeds from issuance of common stock, net of issuance costs	51.2	57.2
Taxes paid related to net share settlement of equity awards	(18.3)	(23.1)
Repurchases of common stock	(100.1)	(95.4)
Net cash (used in) financing activities	(67.2)	(61.3)
Effect of exchange rate changes on cash and cash equivalents	3.4	(0.2)
Net (decrease) in cash and cash equivalents	(129.6)	(227.9)
Cash and cash equivalents at beginning of period	1,353.0	1,410.6
Cash and cash equivalents at end of period	$1,223.4	$1,182.7

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 April 30, 2016, and for the three months ended April 30, 2016 and 2015, 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 months ended April 30, 2016 are not necessarily indicative of the results for the entire fiscal year ending January 31, 2017, or for any other period. There have been no material changes 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, 2016. 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, 2016, filed on March 23, 2016.

Prior Period Adjustments

During the quarter ended April 30, 2015, Autodesk determined that it had not correctly accounted for certain liabilities primarily related to employee benefits and unclaimed property. Accordingly, during the three months ended April 30, 2015, we recorded $5.7 million of additional operating expenses related to prior periods.

As these adjustments were related to the correction of errors, Autodesk performed the analysis required by Staff Accounting Bulletin No. 99, Materiality, and Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements. Based on this analysis, Autodesk concluded that the effect of the errors was not material to the financial position, results of operations or cash flows in fiscal 2016 or any other prior fiscal year from both a quantitative and qualitative perspective.

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 three months ended April 30, 2016, that are of significance, or potential significance, to the Company.

Accounting Standards Adopted

Effective in the first quarter of fiscal 2017, Autodesk adopted FASB's Accounting Standards Update No. 2015-05 ("ASU 2015-05") regarding Subtopic 350-40, “Intangibles - Goodwill and Other - Internal-Use Software: Customer's Accounting for Fees Paid in a Cloud Computing Arrangement.” The amendments in this ASU provide guidance about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments for ASU 2015-05 were prospectively applied and did not have a material impact on Autodesk's consolidated financial statements.

Effective in the first quarter of fiscal 2017, Autodesk adopted FASB's Accounting Standards Update No. 2015-07 ("ASU 2015-07") regarding ASC Topic 820, "Fair Value Measurement: Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also limit certain disclosures to investments for which the entity has elected to measure at fair value using the net asset value per share practical expedient. The amendments were applied retrospectively by removing from the fair value hierarchy any investments for which fair value is measured using the net asset value per share practical expedient. Adoption did not have a material impact on Autodesk's consolidated financial statements.

Recently Issued Accounting Standards

In March 2016, the FASB issued Accounting Standards Update No. 2016-09 ("ASU 2016-09") regarding ASC Topic 718, “Improvements to Employee Share-Based Payment Accounting.” The amendments in ASU 2016-09 simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards, and classification on the statement of cash flows. Additionally, the amendments allow an entity to make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest (current GAAP) or account for forfeitures as they occur. Using a modified retrospective approach, the amendments will be effective for Autodesk’s fiscal year beginning February 1, 2018 unless Autodesk elects early adoption. Autodesk is currently evaluating the accounting, transition, and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 ("ASU 2016-02") regarding ASC Topic 842, "Leases." The amendments in this ASU require balance sheet recognition of lease assets and lease liabilities by lessees for leases classified as operating leases, with an optional policy election to not recognize lease assets and lease liabilities for leases with a term of 12 months or less. The amendments also require new disclosures, including qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. ASU 2016-02 will be effective for Autodesk’s fiscal year beginning February 1, 2019 unless Autodesk elects early adoption. The amendments require a modified retrospective approach with optional practical expedients. Autodesk is currently evaluating the accounting, transition, and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01 ("ASU 2016-01") regarding 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 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. The amendments in ASU 2016-01 are effective for annual and interim periods beginning after December 15, 2017. An entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, with prospective adoption of the amendments related to equity securities without readily determinable fair values existing as of the date of adoption. Autodesk is currently evaluating the accounting, transition, and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 ("ASU 2014-09") regarding ASC Topic 606, “Revenue from Contracts with Customers.” ASU 2014-09 provides principles for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14 to defer the effective date by one year with early adoption permitted as of the original effective date. ASU 2014-09 will be effective for Autodesk’s fiscal year beginning February 1, 2018 unless we elect the earlier date of February 1, 2017. In addition, the FASB issued ASU 2016-08, ASU 2016-10, and ASU 2016-12 in March 2016, April 2016, and May 2016, respectively, to help provide interpretive clarifications on the new guidance in ASC Topic 606. Autodesk is currently evaluating the accounting, transition, and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

3. 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 29% of Autodesk's total net revenue for the three months ended April 30, 2016, and 26% for the three months ended April 30, 2015. The majority of the net revenue from sales to Tech Data relates to Autodesk's Architecture, Engineering and Construction ("AEC") segment and is for sales made outside of the United States. In addition, Tech Data accounted for 29% and 22% of trade accounts receivable at April 30, 2016 and January 31, 2016, respectively.

4. 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 April 30, 2016 and January 31, 2016:

	April 30, 2016						
	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value	Level 1	Level 2	Level 3
Cash equivalents (1):							
Agency bonds	$13.4	$ —	$ —	$13.4	$13.4	$—	$—
Certificates of deposit	179.3	—	—	179.3	179.3	—	—
Commercial paper	185.0	—	—	185.0	—	185.0	—
Corporate bonds	2.5	—	—	2.5	2.5	—	—
Custody cash deposit	55.8	—	—	55.8	55.8	—	—
Money market funds	208.2	—	—	208.2	—	208.2	—
Municipal bonds	5.8	—	—	5.8	5.8	—	—
U.S. government securities	31.5	—	—	31.5	31.5	—	—
Marketable securities:							
Short-term available-for-sale							
Agency bonds	42.3	—	—	42.3	42.3	—	—
Asset backed securities	11.1	—	—	11.1	—	11.1	—
Certificates of deposit	262.4	—	—	262.4	262.4	—	—
Commercial paper	156.7	—	—	156.7	—	156.7	—
Corporate bonds	369.8	0.2	(0.2)	369.8	369.8	—	—
Municipal bonds	9.6	—	—	9.6	9.6	—	—
Sovereign debt	24.0	—	—	24.0	—	24.0	—
U.S. government securities	124.8	—	—	124.8	124.8	—	—
Short-term trading securities							
Mutual funds	41.6	1.9	(0.3)	43.2	43.2	—	—
Long-term available-for-sale							
Agency bonds	57.2	0.2	—	57.4	57.4	—	—
Asset backed securities	56.9	0.1	—	57.0	—	57.0	—
Certificates of deposit	1.8	—	—	1.8	1.8	—	—
Corporate bonds	293.4	1.1	(0.3)	294.2	294.2	—	—
Municipal bonds	6.8	—	—	6.8	6.8	—	—
Sovereign debt	16.2	0.1	—	16.3	—	16.3	—
U.S. government securities	105.1	0.3	—	105.4	105.4	—	—
Convertible debt securities (2)	3.4	2.2	(1.1)	4.5	—	—	4.5
Derivative contracts (3)	1.9	5.3	(10.8)	(3.6)	—	(4.0)	0.4
Total	$2,266.5	$ 11.4	$ (12.7)	$2,265.2	$1,606.0	$654.3	$4.9

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

(2) Considered “available-for-sale” and included in “Other assets” in the accompanying Condensed Consolidated Balance Sheets.

(3)

Included in “Prepaid expenses and other current assets,” “Other assets,” or “Other accrued liabilities” in the accompanying Condensed Consolidated Balance Sheets.

	January 31, 2016						
	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value	Level 1	Level 2	Level 3
Cash equivalents (1):							
Agency bonds	$8.5	$ —	$ —	$8.5	$8.5	$—	$—
Certificates of deposit	267.6	—	—	267.6	267.6	—	—
Commercial paper	106.6	—	—	106.6	—	106.6	—
Custody cash deposit	2.1	—	—	2.1	2.1	—	—
Money market funds	382.4	—	—	382.4	—	382.4	—
Municipal bonds	5.0	—	—	5.0	5.0	—	—
U.S. government securities	103.0	—	—	103.0	103.0	—	—
Marketable securities:							
Short-term available-for-sale							
Agency bonds	40.0	—	(0.1)	39.9	39.9	—	—
Asset-backed securities	7.3	—	—	7.3	—	7.3	—
Certificates of deposit	190.3	—	—	190.3	190.3	—	—
Commercial paper	141.1	—	—	141.1	—	141.1	—
Corporate debt securities	377.1	0.1	(0.3)	376.9	376.9	—	—
Municipal bonds	9.7	—	—	9.7	9.7	—	—
Sovereign debt	20.1	—	—	20.1	—	20.1	
U.S. government securities	74.6	—	—	74.6	74.6	—	—
Short-term trading securities							
Mutual funds	38.8	0.4	(1.2)	38.0	38.0	—	—
Long-term available-for-sale							
Agency bonds	56.8	0.1	—	56.9	56.9	—	—
Asset backed securities	36.5	0.1	—	36.6	—	36.6	—
Corporate debt securities	320.9	0.3	(0.8)	320.4	320.4	—	—
Municipal bonds	2.9	—	—	2.9	2.9	—	—
Sovereign debt	16.9	—	—	16.9	—	16.9	—
U.S. government securities	98.4	0.3	(0.1)	98.6	98.6	—	—
Convertible debt securities (2)	2.5	2.0	(1.1)	3.4	—	—	3.4
Derivative contracts (3)	1.5	7.8	(7.4)	1.9	—	1.6	0.3
Total	$2,310.6	$ 11.1	$ (11.0)	$2,310.7	$1,594.4	$712.6	$ 3.7

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

(2) Considered "available-for-sale" and included in "Other assets" in the accompanying Condensed Consolidated Balance Sheets.

(3) Included in "Prepaid expenses and other current assets," "Other assets," or "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 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. There have been no transfers between fair value measurement levels during the three months ended April 30, 2016.

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 available-for-sale 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 three months ended April 30, 2016 follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Derivative Contracts	Convertible Debt Securities	Total
Balance at January 31, 2016	$ 0.3	$ 3.4	$ 3.7
Purchases	0.1	0.9	1.0
Gains included in OCI	—	0.2	0.2
Balance at April 30, 2016	$ 0.4	$ 4.5	$ 4.9

The following table summarizes the estimated fair value of Autodesk's “available-for-sale securities” classified by the contractual maturity date of the security:

	April 30, 2016	
	Cost	Fair Value
Due within 1 year	$1,003.2	$ 1,004.3
Due in 1 year through 5 years	536.3	537.8
Due in 5 years through 10 years	2.0	2.0
Total	$1,541.5	$ 1,544.1

As of April 30, 2016 and January 31, 2016, Autodesk had no material securities in a continuous unrealized loss position for greater than twelve months.

As of both April 30, 2016 and January 31, 2016, Autodesk had $104.3 million in direct investments in privately held companies accounted for under the cost method, which are periodically assessed for other-than-temporary impairment. Autodesk estimates fair value of its cost method investments considering available information such as pricing in recent rounds of financing, current cash positions, earnings and cash flow forecasts, recent operational performance and any other readily available market data.

If Autodesk determines that an other-than-temporary impairment has occurred, Autodesk writes down the investment to its fair value. During the three months ended April 30, 2016, Autodesk recorded no other-than-temporary impairment on its privately held equity investments. During the three months ended April 30, 2015, Autodesk recorded $0.2 million in other-than-temporary impairment on its privately held equity investments.

The sales or redemptions of “available-for-sale securities” during the three months ended April 30, 2016 and 2015 resulted in a loss of $0.1 million for both periods. Gains and losses resulting from the sale or redemption of "available-for-sale securities" are recorded in “Interest and other (expense) income, net” on the Company's Condensed Consolidated Statements of Operations.

Proceeds from the sale and maturity of marketable securities for the three months ended April 30, 2016 and 2015 were $430.2 million and $289.9 million, respectively.

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 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 on-going 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 (expense) income, 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 $313.8 million at April 30, 2016 and $142.4 million at January 31, 2016. Outstanding contracts are recognized as either assets or liabilities on the balance sheet at fair value. The majority of the net gain of $6.2 million remaining in “Accumulated other comprehensive loss” as of April 30, 2016 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 as “Interest and other (expense) income, 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 $40.2 million at April 30, 2016 and $231.6 million at January 31, 2016.

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 income as “Interest and other (expense) income, net.”

Fair Value of Derivative Instruments

The fair values of derivative instruments in Autodesk's Condensed Consolidated Balance Sheets were as follows as of April 30, 2016 and January 31, 2016:

	Balance Sheet Location	Fair Value at April 30, 2016	Fair Value at January 31, 2016
Derivative Assets			
Foreign currency contracts designated as cash flow hedges	Prepaid expenses and other current assets	$5.0	$ 3.4
Derivatives not designated as hedging instruments	Prepaid expenses and other current assets and Other assets	0.7	4.9
Total derivative assets		$5.7	$ 8.3
Derivative Liabilities			
Foreign currency contracts designated as cash flow hedges	Other accrued liabilities	$6.5	$ 3.4
Derivatives not designated as hedging instruments	Other accrued liabilities	2.8	3.0
Total derivative liabilities		$9.3	$ 6.4

The effects of derivatives designated as hedging instruments on Autodesk's Condensed Consolidated Statements of Operations were as follows for the three months ended April 30, 2016 and 2015 (amounts presented include any income tax effects):

	Foreign Currency Contracts Three Months Ended April 30, 2016	2015
Amount of (loss) gain recognized in accumulated other comprehensive income on derivatives (effective portion)	$ (6.4)	$ 2.3
Amount and location of gain (loss) reclassified from accumulated other comprehensive income into income (effective portion)		
Net revenue	$ 4.9	$ 11.0
Operating expenses	(1.8)	(3.3)
Total	$ 3.1	$ 7.7
Amount and location of (loss) gain recognized in income on derivatives (ineffective portion and amount excluded from effectiveness testing)		
Interest and other (expense) income, net	$ (0.2)	$ (0.1)

The effects of derivatives not designated as hedging instruments on Autodesk's Condensed Consolidated Statements of Operations were as follows for the three months ended April 30, 2016 and 2015 (amounts presented include any income tax effects):

	Three Months Ended April 30, 2016	2015

Amount and location of loss recognized in income on derivatives		
Interest and other (expense) income, net	$(7.0)	$(1.4)

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5. Stock-based Compensation Expense

Restricted Stock Units:

A summary of restricted stock unit activity for the three months ended April 30, 2016 is as follows:

	Unvested Restricted Stock Units	Weighted average grant date fair value per share
	(in thousands)	
Unvested restricted stock units at January 31, 2016	7,739.6	$ 51.80
Granted	1,015.9	57.68
Vested	(863.8)	56.48
Canceled/Forfeited	(311.3)	51.87
Performance Adjustment (1)	(29.7)	63.81
Unvested restricted stock units at April 30, 2016	7,550.7	$ 52.26

(1) Based on Autodesk's financial results and relative total stockholder return for the fiscal 2016 performance period. The performance stock units were attained at rates ranging from 86.1% to 98.0% of the target award.

The fair value of the shares vested during the three months ended April 30, 2016 and 2015 was $49.1 million and $59.0 million, respectively.

During the three months ended April 30, 2016, Autodesk granted 0.6 million restricted stock units. Autodesk recorded stock-based compensation expense related to restricted stock units of $41.7 million and $37.8 million during the three months ended April 30, 2016 and 2015, respectively.

During the three months ended April 30, 2016, Autodesk granted 0.4 million performance restricted stock units ("PSUs") 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 these grants are based upon net new model subscription additions, new model Annualized Recurring Revenue ("ARR"), non-GAAP total spend, and total subscription renewal rate goals ("FY17 performance criteria") 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 ("Relative TSR"). Each PSU covers a three-year period:

- Up to one third of the PSUs may vest following year one, depending upon the achievement of the FY17 performance criteria as well as 1-year Relative TSR (covering year one).
- Up to one third of the PSUs 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 PSUs 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).

PSUs 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 a Monte Carlo simulation model since the awards are also subject to a market condition. The fair value of the PSUs is expensed using the accelerated attribution over the vesting period. Autodesk recorded stock-based compensation expense related to PSUs of $8.1 million and $5.6 million for the three months ended April 30, 2016 and 2015, respectively.

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 consist of four, six-month exercise periods within a 24-month offering period.

Autodesk issued 1.2 million and 1.1 million shares under the ESPP during the three months ended April 30, 2016 and 2015, respectively, with an average price of $36.67 and $36.91 per share, respectively. The weighted average grant date fair value of awards granted under the ESPP was $17.88 and $15.99 during the three months ended April 30, 2016 and 2015, respectively, 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 months ended April 30, 2016 and 2015, respectively, as follows:

	Three Months Ended April 30,	
	2016	2015
Cost of subscription	$1.7	$1.4
Cost of license and other revenue	1.8	1.5
Marketing and sales	23.6	21.7
Research and development	20.9	17.6
General and administrative	8.9	8.0
Stock-based compensation expense related to stock awards and ESPP purchases	56.9	50.2
Tax benefit	—	(14.0)
Stock-based compensation expense related to stock awards and ESPP purchases, net of tax	$56.9	$36.2

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 utilizes 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 April 30, 2016		Three Months Ended April 30, 2015	
	Performance Stock Unit	ESPP	Performance Stock Unit	ESPP
Range of expected volatilities	38.4 - 38.6%	35.0 - 40.2%	27.3%	27.7 - 28.2%
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	0.6 - 0.7%	0.5 - 0.9%	0.2%	0.1 - 0.6%

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 PSUs subject to market conditions includes the expected volatility of Autodesk's peer companies within the S&P Computer Software Select Index.

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 are ultimately expected to vest. Therefore, Autodesk has developed an estimate of the number of awards expected to cancel prior to vesting (“forfeiture rate”). The forfeiture rate is estimated based on historical pre-vest cancellation experience and is applied to all stock-based awards. The Company estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates.

6. Income Tax

Autodesk's income tax expense was $14.4 million and $2.7 million for the three months ended April 30, 2016 and 2015, respectively, relative to a pre-tax loss of $158.6 million and pre-tax income of $21.8 million, respectively, for the same periods. Income tax expense consists primarily of foreign taxes and U.S. tax expense related to indefinite-lived intangibles.

As of April 30, 2016, the Company had $254.6 million of gross unrecognized tax benefits, excluding interest, of which approximately $239.9 million represents the amount of unrecognized tax benefits that would impact the effective tax rate, if recognized. However, this rate impact would be offset to the extent that recognition of unrecognized tax benefits currently presented as a reduction of deferred tax assets would increase the valuation allowance. 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 Company is currently the subject of a tax audit in China covering certain transfer pricing matters from 2004-2013. On May 12, 2016, the China Tax Authority (the "CTA") provided an outline of the CTA's current position, but no adjustment has been proposed. Autodesk is currently evaluating that information and believes it is reasonably possible that a future settlement could result in a material tax charge. However, an estimate of the possible tax charge cannot be made based on information available at the balance sheet date.

7. Acquisitions

During the three months ended April 30, 2016, Autodesk completed several business combinations and technology acquisitions for total cash consideration of approximately $61.3 million. Pro forma results of operations have not been presented because the effects of the acquisitions, individually and in the aggregate, were not material to Autodesk's Condensed Consolidated Financial Statements.

For acquisitions accounted for as business combinations, 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 acquisitions.

The following table summarizes the fair value of the assets acquired and liabilities assumed by major class for the business combinations and technology acquisitions completed during the three months ended April 30, 2016:

	April 30, 2016
Developed technologies	$11.5
Customer relationships and other non-current intangible assets	4.6
Trade name	2.5
Goodwill	45.4
Deferred revenue (current and non-current)	(0.3)
Deferred tax liability	(2.8)

Net tangible assets	0.4
Total	$61.3

For certain business combinations, 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.

8. 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:

	April 30, 2016	January 31, 2016
Developed technologies, at cost	$ 579.3	$ 571.4
Customer relationships, trade names, patents, and user lists, at cost (1)	375.8	371.6
Other intangible assets, at cost (2)	955.1	943.0
Less: Accumulated amortization	(811.9)	(796.2)
Other intangible assets, net	$ 143.2	$ 146.8

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(1) Included in "Other assets" in the accompanying Condensed Consolidated Balance Sheets.
(2) Includes the effects of foreign currency translation.

9. Goodwill

The change in the carrying amount of goodwill by reportable segment during the three months ended April 30, 2016 is as follows:

	Platform Solutions and Emerging Business	Architecture, Engineering and Construction	Manufacturing	Media and Entertainment	Total
Balances as of January 31, 2016					
Goodwill	$ 386.9	$ 427.2	$ 613.9	$ 256.2	$ 1,684.2
Accumulated impairment losses	—	—	—	(149.2)	(149.2)
	386.9	427.2	613.9	107.0	1,535.0
Addition arising from other acquisitions	—	—	13.6	31.8	45.4
Effect of foreign currency translation, purchase accounting adjustments, and other	6.3	4.4	(11.9)	1.3	0.1
Balances as of April 30, 2016					
Goodwill	393.2	431.6	615.6	289.3	1,729.7
Accumulated impairment losses	—	—	—	(149.2)	(149.2)
	$ 393.2	$ 431.6	$ 615.6	$ 140.1	$ 1,580.5

Goodwill consists of the excess of consideration transferred over the fair value of net assets acquired in business combinations. Autodesk assigns goodwill to the reporting unit associated with each business combination, and tests goodwill for impairment annually in its fourth fiscal quarter or more often if circumstances indicate a potential impairment. The company has established reporting units based upon its current reporting structure.

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 two-step 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 two-step impairment test is unnecessary.

Therefore, the two-step 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 performing the two-step impairment test, Autodesk uses discounted cash flow models which include assumptions regarding projected cash flows. Variances in these assumptions could have a significant impact on Autodesk's conclusion as to whether goodwill is impaired, or the amount of any impairment charge. Impairment charges, if any, result from instances where the fair values of net assets associated with goodwill are less than their carrying values. As changes in business conditions and assumptions occur, Autodesk may be required to record impairment charges. 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) significant slowdown in the worldwide economy or the industries Autodesk serves, or (iv) changes in Autodesk's business strategy or internal financial results forecasts.

10. Deferred Compensation

At April 30, 2016, Autodesk had marketable securities totaling $1.6 billion, of which $43.2 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 $43.2 million at April 30, 2016, of which $2.0 million was classified as current and $41.2 million was classified as non-current liabilities. The total related deferred compensation liability at January 31, 2016 was $38.0 million, of which $1.9 million was classified as current and $36.1 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.

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

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

	April 30, 2016	January 31, 2016
Computer hardware, at cost	$ 209.0	$ 202.7
Computer software, at cost	88.5	85.6
Leasehold improvements, land and buildings, at cost	212.7	202.9
Furniture and equipment, at cost	60.3	59.0
	570.5	550.2
Less: Accumulated depreciation	(395.6)	(380.9)
Computer software, hardware, leasehold improvements, furniture and equipment, net	$ 174.9	$ 169.3

12. Borrowing Arrangements

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 $770.1 million as of April 30, 2016.

In December 2012, Autodesk issued $400.0 million aggregate principal amount of 1.95% notes due December 15, 2017 and $350.0 million aggregate principal amount of 3.6% notes due December 15, 2022 (collectively, 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. Autodesk may redeem the 2012 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 2012 Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase. The 2012 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 2012 Notes was approximately $756.1 million as of April 30, 2016.

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 Autodesk's assets, and restrict the Company's ability to incur additional indebtedness or make dispositions of assets if Autodesk fails to maintain the financial covenants. The financial covenants consist of a leverage ratio, and an 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 April 30, 2016, Autodesk was in compliance with the credit facility's covenants and had no outstanding borrowings on this line of credit.

13. Restructuring

In February 2016, the Board of Directors approved a world-wide restructuring plan ("Fiscal 2017 Plan") in order to re-balance staffing levels and reduce operating expenses to better align them with the evolving needs of the business. The Company's Fiscal 2017 Plan consist of employee termination benefits related to the reduction of its workforce with expected costs of approximately $76.0 million, and lease terminations and other exit costs expected to be approximately $12.0 million. During the three months ended April 30, 2016, restructuring charges under the Fiscal 2017 Plan included $47.6 million in employee termination benefits and $4.7 million in lease terminations and other exit costs. Other costs primarily consist of legal, consulting, and other costs related to employee terminations and are expensed when incurred.

The Company expects to pay substantially all of the employee termination benefits and facility related liabilities under the Fiscal 2017 Plan by the end of fiscal 2017.

The following table sets forth the restructuring activities during the three months ended April 30, 2016:

	Balance at January 31, 2016	Additions	Payments	Adjustments (1)	Balance at April 30, 2016
Fiscal 2017 Plan					
Employee termination costs	$ —	$ 47.6	$ (38.2)	$ —	$ 9.4
Lease termination and other exit costs	—	4.7	(1.2)	(1.9)	1.6
Total	$ —	$ 52.3	$ (39.4)	$ (1.9)	$ 11.0
Current portion (2)	$ —				$ 10.7
Non-current portion (2)	—				0.3
Total	$ —				$ 11.0

(1) Adjustments include the impact of computer equipment, software, furniture, and leasehold improvement write-offs, and foreign currency translation.

(2) The current and non-current portions of the reserve are recorded in the Condensed Consolidated Balance Sheets under "Other accrued liabilities" and "Other liabilities," respectively.

14. 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. 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.

15. 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 months ended April 30, 2016, Autodesk repurchased and retired 1.8 million shares at an average repurchase price of $56.75 per share. Common stock and additional paid-in capital and retained earnings were reduced by $45.7 million and $54.4 million, respectively, during the three months ended April 30, 2016.

At April 30, 2016, 4.5 million shares remained available for repurchase under the repurchase program approved by the Board of Directors. During the three months ended April 30, 2016, 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.

16. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss, net of taxes, consisted of the following at April 30, 2016:

	Net Unrealized Gains (Losses) on Derivative Instruments	Net Unrealized Gains (Losses) on Available-for-Sale Securities	Defined Benefit Pension Components	Foreign Currency Translation Adjustments	Total
Balances, January 31, 2016	$ 15.7	$ 0.2	$ (28.3)	$ (108.7)	$(121.1)
Other comprehensive (loss) income before reclassifications	(4.5)	2.9	(0.1)	6.5	4.8
Pre-tax (gains) losses reclassified from accumulated other comprehensive loss	(3.1)	(0.1)	0.4	—	(2.8)
Tax effects	(1.9)	(0.5)	—	—	(2.4)
Net current period other comprehensive (loss) income	(9.5)	2.3	0.3	6.5	(0.4)
Balances, April 30, 2016	$ 6.2	$ 2.5	$ (28.0)	$ (102.2)	$(121.5)

Reclassifications related to gains and losses on available-for-sale securities are included in "Interest and other (expense) income, net." Refer to "Note 4: 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, 2016.

17. Net (Loss) Income Per Share

Basic net (loss) income 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) income 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) income per share amounts:

	Three Months Ended April 30,	
	2016	2015
Numerator:		
Net (loss) income	$(173.0)	$19.1
Denominator:		
Denominator for basic net (loss) income per share—weighted average shares	224.4	227.2
Effect of dilutive securities (1)	—	4.5
Denominator for dilutive net (loss) income per share	224.4	231.7
Basic net (loss) income per share	$(0.77)	$0.08
Diluted net (loss) income per share	$(0.77)	$0.08

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(1) The effect of dilutive securities of 3.2 million shares for the three months ended April 30, 2016 have been excluded from the calculation of diluted net (loss) income 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) income 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 April 30, 2016 and 2015, 0.9 million and 0.3 million potentially anti-dilutive shares were excluded from the computation of diluted net (loss) income per share.

18. Segments

Autodesk reports segment information based on the “management” approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company’s reportable segments. Autodesk has four reportable segments: AEC, Manufacturing ("MFG"), Platform Solutions and Emerging Business ("PSEB"), and Media and Entertainment ("M&E"). Autodesk has no material inter-segment revenue.

The AEC, MFG, and PSEB segments derive revenue from the sale of licenses for software products and services to customers who design, build, manage or own building, manufacturing and infrastructure projects. Autodesk's M&E segment derives revenue from the sale of products to creative professionals, post-production facilities and broadcasters for a variety of applications, including feature films, television programs, commercials, music and corporate videos, interactive game production, web design and interactive web streaming.

AEC software products help to improve the way building, civil infrastructure, process plant and construction projects are designed, built and managed. A broad portfolio of solutions enables greater efficiency, accuracy and sustainability across the entire project lifecycle. Autodesk AEC solutions include advanced technology for Building Information Modeling ("BIM"), AutoCAD-based design and documentation productivity software, sustainable design analysis applications, and collaborative project management solutions. BIM, an integrated process for building and infrastructure design, analysis, documentation and construction, uses consistent, coordinated information to improve communication and collaboration between the extended project team. AEC provides a comprehensive portfolio of BIM solutions that help customers deliver projects faster and more economically, while minimizing environmental impact. AEC’s revenue primarily includes revenue from the sales of licenses of Autodesk Building Design Suites, Autodesk Infrastructure Design Suites, AutoCAD Civil 3D, AutoCAD Map 3D, and AutoCAD Architecture.

MFG provides the manufacturers in automotive and transportation, industrial machinery, consumer products and building products with comprehensive digital prototyping solutions that bring together design data from all phases of the product development process to develop a single digital model created in Autodesk Inventor software. Autodesk’s solutions for digital prototyping enable a broad group of manufacturers to realize benefits with minimal disruption to existing workflows. MFG’s revenue primarily includes revenue from the sales of licenses of Autodesk Product Design Suites, Autodesk Delcam products, AutoCAD Mechanical, and Autodesk Moldflow products.

PSEB includes Autodesk’s design product, AutoCAD. Autodesk’s AutoCAD product is a platform product that underpins the Company’s design product offerings for the industries it serves. For example, AEC and MFG offer tailored versions of AutoCAD software for the industries they serve. Autodesk’s AutoCAD product also provides a platform for Autodesk’s developer partners to build custom solutions for a range of diverse design-oriented markets. PSEB's revenue primarily includes revenue from sales of AutoCAD and AutoCAD LT, the AutoCAD Design Suite and many other design products, including consumer design products, as well as from sales of licenses of other Autodesk's design products.

M&E provides content creators in film, television, commercials, video games, design visualization and VR the tools needed to connect artists together so they can create the world’s most engaging visual content. M&E products run on the desktop, on mobile devices, and in the cloud and cover a broad range of capabilities including conceptualization, modeling, animation, visual effects, collaboration, authoring, and rendering. Key products include Maya and 3ds Max, which are used extensively for 3D modeling and animation in the world’s most famous movies, TV shows, and video games; Flame, for visual effects, finishing and color grading in commercials, film & television; MotionBuilder, for 3D character animation software in virtual production; Stingray, a real-time 3D game engine for creating video games, interactive & immersive experiences; Shotgun, a cloud platform for enabling collaboration and production management; Sketchbook & Graphic for concept design and illustration; and Arnold rendering software that offers advanced, efficient, high-quality rendering capabilities that are scalable to the cloud.

All of Autodesk’s reportable segments distribute their respective products primarily through authorized resellers and distributors and, to a lesser extent, through direct sales to end-users.

The accounting policies of the reportable segments are the same as those described in Note 1, “Business and Summary of Significant Accounting Policies” of Autodesk's Annual Report on Form 10-K for the fiscal year ended January 31, 2016. Autodesk evaluates each segment’s performance on the basis of gross profit. Autodesk currently does not separately accumulate and report asset information by segment, except for goodwill, which is disclosed in Note 9, “Goodwill.”

Information concerning the operations of Autodesk's reportable segments is as follows:

	Three Months Ended April 30,	
	2016	2015
Net revenue:		
Architecture, Engineering and Construction	$218.9	$236.7
Manufacturing	158.0	184.6
Platform Solutions and Emerging Business	100.0	185.3
Media and Entertainment	35.0	39.9
	$511.9	$646.5
Gross profit:		
Architecture, Engineering and Construction	$193.6	$217.0
Manufacturing	136.1	158.1
Platform Solutions and Emerging Business	76.1	163.3
Media and Entertainment	28.0	32.7
Unallocated (1)	(14.4)	(16.4)
	$419.4	$554.7

(1) Unallocated amounts primarily relate to corporate expenses and other costs and expenses that are managed outside the reportable segments, including stock-based compensation expense.

Information regarding Autodesk's operations by geographic area is as follows:

	Three Months Ended April 30,	
	2016	2015
Net revenue:		
Americas		
U.S.	$184.7	$199.6
Other Americas	33.0	44.4
Total Americas	217.7	244.0
Europe, Middle East and Africa	202.6	245.4
Asia Pacific		
Japan	37.3	65.1
Other Asia Pacific	54.3	92.0
Total Asia Pacific	91.6	157.1
Total net revenue	$511.9	$646.5

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS 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 Months Ended April 30, 2016" and "Business Outlook" below, anticipated future net revenue, future GAAP and non-GAAP net (loss) income per share, operating margin, operating expenses, billings, annualized recurring revenue, annualized revenue per subscription, other future financial results (by product type and geography) and subscriptions, 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, 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 mixed global economic conditions, the effects of revenue recognition, our backlog, 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 businesses and sales initiatives, our ability to successfully increase sales of product suites as part of our overall sales strategy, the impact of economic volatility and geopolitical activities in certain countries, particularly emerging economy countries, 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, continuation of our stock repurchase program, remediations 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 o comparable terminology. These forward-looking statements speak only as of the date of this 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 the factors 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's vision is to help people imagine, design, and create a better world. We do this by developing software and services for the world's designers, architects, engineers, digital artists, professionals, and non-professionals alike— who design and make the world's places (architecture, engineering, and construction), things (manufacturing), and media (games and digital entertainment).

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. For example, Autodesk BIM 360, PLM 360, Fusion 360, and AutoCAD 360 Pro, some of our cloud service offerings, provide tools, including mobile and social capabilities, to help streamline design, collaboration, 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 lead the industries we serve to cloud-based technologies and business models. This entails both a technological shift and a business model shift. We now offer term-based product subscriptions for individual products and suites offerings, cloud service offerings, and flexible enterprise business agreements ("new model subscription offerings"). These offerings are designed to give our customers more flexibility with how they use our products and service offerings and to address new types of customers such as project-based users and small businesses. As part of this transition, we discontinued selling new perpetual licenses of most individual software products effective February 1, 2016, and plan to discontinue selling new perpetual licenses of suites effective August 1, 2016.

With the discontinuation of the sale of most perpetual licenses, we are accelerating our transition away from selling a hybrid of perpetual licenses and term-based product subscriptions toward a single subscription model. During the transition, revenue, gross margin, operating margin, earnings (loss) per share, deferred revenue, billings, and cash flow from operations will be impacted as more revenue is recognized ratably rather than up front and as new offerings bring a wider variety of price points.

As we progress through the business model transition, billings and reported revenue are less relevant to measure the success of the business as perpetual license sales are discontinued in favor of subscription offerings, which have considerably lower up-front prices. Annualized recurring revenue ("ARR") and subscription additions will better reflect business momentum and provide additional transparency into the transition. To further analyze progress, we will also disaggregate our growth in these metrics between the original maintenance plan model ("maintenance") and the new model subscription offerings. We expect maintenance subscriptions to peak as perpetual license sales end this year, and we expect them to decline slowly over time.

Autodesk sells our products and services globally, through a combination of indirect and direct channels. During the three months ended April 30, 2016 and 2015, our indirect channels, which include value added resellers, direct market resellers, distributors, computer manufacturers, and other software developers, were responsible for 75% and 81% of our overall revenue, respectively. During the same periods, our direct channels, which include sales resources dedicated to selling in our largest accounts, our highly specialized products, and business transacted through our company estore, were responsible for 25% and 19% of our overall revenue, respectively. We anticipate that our channel mix will continue to change, particularly as we scale our digitally transacted e-store business and our largest accounts shift towards direct-only business models. Importantly, our indirect channel will continue to transact and support the majority of our 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 Spark program to support ideas that push the boundaries of 3D printing and nurture the companies that will advance innovations within 3D printing hardware and software. We have also created 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.

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. 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 design in students of all ages. We offer free educational licenses of Autodesk software worldwide to students, educators, and educational institutions. 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. In fiscal 2016, we also made Autodesk Design Academy curricula available on iTunes U. Our intention is to make

Autodesk software ubiquitous and the design 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, 2016. 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. 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 Months Ended April 30, 2016 and 2015

(in millions)	Three Months Ended April 30, 2016	As a % of Net Revenue		Three Months Ended April 30, 2015	As a % of Net Revenue	
Net Revenue	$511.9	100	%	$ 646.5	100	%
Cost of revenue	92.5	18	%	91.8	14	%
Gross Profit	419.4	82	%	554.7	86	%
Operating expenses	574.4	112	%	533.2	82	%
(Loss) income from operations	$(155.0)	(30	)%	$ 21.5	3	%

We are undergoing a business model transition in which we will discontinue selling new perpetual licenses in favor of new model subscriptions. During the transition, revenue, gross margin, operating margin, earnings (loss) per share, deferred revenue, billings, and cash flow from operations will be impacted as more revenue is recognized ratably rather than up front and as new offerings bring a wider variety of price points.

During the three months ended April 30, 2016, as compared to the same period in the prior fiscal year, net revenue and gross profit decreased 21% and 24%, respectively, while operating expenses increased 8%. The drivers of these results are discussed below under the heading "Results of Operations."

Revenue Analysis

Net revenue decreased during the three months ended April 30, 2016, as compared to the same period in the prior fiscal year, primarily due to a 43% decrease in License and other revenue, partially offset by a 2% increase in subscription revenue. The 43% decrease in License and other revenue was primarily a result of the discontinuation of the sale of most individual perpetual products as of February 1, 2016. The 2% increase in subscription revenue was primarily driven by a 34% increase in revenue from our new model subscription offerings, partially offset by a 1%

decrease in maintenance revenue.

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”). Tech Data accounted for 29% of Autodesk’s total net revenue for the three months ended April 30, 2016, as compared to 26% for the three months ended April 30, 2015. Our customers through Tech Data are the resellers and end users who purchase our software licenses and services. Should any of the agreements between Tech Data and us 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.

Operating Margin Analysis

Income from operations decreased to a $155.0 million loss from operations in the three months ended April 30, 2016 due to a $134.6 million or 21% decrease in net revenue, a $0.7 million or 1% increase in cost of revenue, and a $41.2 million or 8% increase in our operating expenses as compared to the same period in the prior fiscal year. Our operating margin decreased to (30)% for the three months ended April 30, 2016 from 3% for the three months ended April 30, 2015.

The increase in operating expenses was primarily driven by restructuring charges and other facility exit costs during the three months ended April 30, 2016. The decrease in operating margin was primarily driven by a decrease in revenue and an increase in operating expenses during the three months ended April 30, 2016, as noted above.

Further discussion regarding the cost of goods sold and operating expense activities are discussed below under the heading “Results of Operations.”

Business Model Transition Metrics

In order to help better understand our financial performance during and after the transition, we have introduced several new metrics including recurring revenue, total subscriptions, ARR, and annualized revenue per subscription ("ARPS"). ARR and ARPS are performance metrics and should be viewed independently of revenue and deferred revenue as ARR and ARPS are not intended to be combined with those items. Please refer to the Glossary of Terms for further discussion regarding the new metric terminology.

Recurring revenue represents the revenue for the period from our traditional maintenance plans and revenue from our new model subscription offerings, including portions of revenue allocated to license & other revenue for those offerings. It excludes subscription revenue related to education offerings, consumer product offerings, select Creative Finishing product offerings, Autodesk Buzzsaw, Autodesk Constructware, and third party products. Recurring revenue acquired with the acquisition of a business is captured and may cause variability in the comparison of this calculation.

The following table outlines our recurring revenue for the three months ended April 30, 2016 and April 30, 2015:

(in millions)	Three Months Ended April 30, 2016	Change compared to prior fiscal year $	Change compared to prior fiscal year %	Three Months Ended April 30, 2015
Subscription revenue	$ 326.0	$ 6.2	2 %	$ 319.8
Add: License and other revenue from new model subscription offerings (1)	40.2	21.4	114 %	18.8
Less: other adjustments (2)	(7.3)	1.1	(13)%	(8.4)
Total recurring revenue (3)	$ 358.9	$ 28.7	9 %	$ 330.2

(1) Includes the portion of revenue for new model subscription offerings allocated to license & other revenue within our Condensed Consolidated Statements of Operations.

(2) Other adjustments include subscription revenue related to education offerings, select Creative Finishing product offerings, Autodesk Buzzsaw, Autodesk Constructware, and third party products which are excluded from recurring revenue.

(3) Total recurring revenue as presented may not recalculate on an annualized basis to total ARR in the next table due to rounding.

During the three months ended April 30, 2016 and 2015, recurring revenue was 70% and 51% of total net revenue, respectively.

The following table outlines our total subscriptions, ARR and ARPS metrics as of April 30, 2016 and January 31, 2016:

	Balances, April 30, 2016	Change compared to prior fiscal year end	%	Balances, January 31, 2016
(in thousands)				
Maintenance plan subscriptions	2,143.3	(7.7)	— %	2,151.0
New model subscriptions	566.9	139.7	33 %	427.2
Total subscriptions	2,710.2	132.0	5 %	2,578.2
(in millions)				
Maintenance plan ARR	$1,127.6	$ 6.2	1 %	$1,121.4
New model ARR	308.0	53.0	21 %	255.0
Total ARR	$1,435.6	$ 59.2	4 %	$1,376.4
(ARR divided by Subscriptions)				
Maintenance plan ARPS	$526	$ 5	1 %	$521
New Model ARPS	543	(54)	(9)%	597
Total ARPS	$530	$ (4)	(1)%	$534

Total subscriptions increased 5% or 132,000 from the fourth quarter of fiscal 2016 to 2.71 million as of April 30, 2016. Maintenance subscriptions decreased 8,000 from the end of fiscal 2016, primarily as a result of the discontinuation of new perpetual license sales for most individual products at the end of the fourth quarter of fiscal 2016. New model subscriptions increased 33% as of April 30, 2016 as compared to the end of fiscal 2016, primarily driven by strong growth in all new model subscription types, led by product subscriptions.

ARR increased 4% or $59.2 million from the fourth quarter of fiscal 2016 to $1,435.6 million as of April 30, 2016, primarily due to a 21% increase in new model ARR driven by growth in all new model subscription types, led by flexible enterprise business agreements.

ARPS decreased 1% from the January 31, 2016 to $530 as of April 30, 2016. The 1% decrease in total ARPS was primarily due to a 9% decrease in new model ARPS, which decreased as a result of individual product subscriptions leading the growth in new model subscriptions, which are priced lower than our flexible enterprise business agreements.

Foreign Currency Analysis

We generate a significant amount of our revenue in the U.S., Germany, Japan, the United Kingdom, and Canada. Our revenue was negatively impacted by foreign exchange rate changes during the three months ended April 30, 2016 as compared to the same period in the prior fiscal year. Had applicable exchange rates from the three months ended April 30, 2015 been in effect during the three months ended April 30, 2016 and had we excluded foreign exchange hedge gains and losses from the three months ended April 30, 2016, net revenue would have decreased 17% on a constant currency basis during the three months ended April 30, 2016 as compared to the same period in the prior fiscal year.

Our total spend, defined as cost of revenue plus operating expenses, during the three months ended April 30, 2016 increased 7%, on an as reported basis as compared to the same period in the prior fiscal year. Had applicable exchange rates from the three months ended April 30, 2015 been in effect during the three months ended April 30, 2016 and had we excluded foreign exchange hedge gains and losses from the three months ended April 30, 2016, total spend would have increased 8%, on a constant currency basis compared to the same period in the prior fiscal year.

Changes in the value of the U.S. dollar may have a significant effect on net revenue, total spend, and income (loss) from operations in future periods. We use foreign currency contracts to reduce the exchange rate effect on a portion of the net revenue of certain anticipated transactions but do not attempt to completely mitigate the impact of fluctuations of such foreign currency against the U.S. dollar.

Balance Sheet and Cash Flow Items

At April 30, 2016, we had $2.8 billion in cash and marketable securities. We completed the three months ended April 30, 2016 with lower accounts receivable and higher deferred revenue balances as compared to the fiscal year ended January 31, 2016. Our deferred revenue balance at April 30, 2016 was $1.5 billion, which will be recognized as revenue ratably over the life of the contracts. The term of our subscription contracts is typically between one and three years. Our cash flow from operations increased 90% to $164.4 million for the three months ended April 30, 2016 compared to $86.5 million for the three months ended April 30, 2015. We repurchased 1.8 million shares of our common stock for $100.1 million during the three months ended April 30, 2016. Comparatively, we repurchased 1.6 million shares of our common stock for $95.4 million during the three months ended April 30, 2015. Further discussion regarding the balance sheet and cash flow activities are discussed below under the heading "Liquidity and Capital Resources."

Business Outlook

Autodesk is undergoing a business model transition in which the company will discontinue selling new perpetual licenses in favor of subscriptions and flexible license arrangements. During the transition, revenue, gross margin, operating margin, EPS, deferred revenue, and cash flow from operations will be impacted as more revenue is recognized ratably rather than up front and as new offerings bring a wider variety of price points. Over time, we expect our business model transition to expand our customer base by eliminating higher up-front licensing costs and provide more flexibility in how customers gain access to and pay for our products. In the future, we expect this business model transition will increase our long-term revenue growth rate by increasing total subscriptions, ARR, and customer value over time.

In February 2016, we commenced a restructuring plan to reduce headcount by approximately 10% and to consolidate certain facilities around the world in order to accelerate the Company's transition to a subscription-based business model and its move to the cloud. Through the restructuring, we seek to reduce expenses, streamline the organization, and reallocate resources to align more closely with the Company's needs going forward. See further discussion of our restructuring plan in Note 13, "Restructuring" of the Notes to Consolidated Financial Statements. As a result of these actions, we have incurred and will incur additional costs in the short term that negatively impact our net income and cash flows from operating activities and have the effect of reducing our operating margins.

Q2 FY17 Guidance Metrics	Q2 FY17 (ending July 31, 2016)
Revenue (in millions)	$500 - $520
EPS GAAP	($0.73) - ($0.63)
EPS non-GAAP (1)	($0.18) - ($0.11)

(1) Non-GAAP earnings per diluted share exclude $0.26 related to stock-based compensation expense, between $0.12 and $0.09 related to GAAP-only tax charges, $0.09 related to restructuring charges and other facility exit costs, and $0.08 for the amortization of acquisition related intangibles.

FY17 Guidance Metrics	FY17 (ending January 31, 2017)
Revenue (in millions) (1)	$1,950 - $2,050
GAAP spend growth (cost of revenue plus operating expenses)	3% - 4%
Non-GAAP spend growth (cost of revenue plus operating expenses) (2)	(1%) - flat
EPS GAAP	($3.25) - ($2.87)
EPS non-GAAP (3)	($0.95) - ($0.70)
Net subscription additions	475,000 - 525,000

(1) Excluding the impact of foreign currency rates and hedge gains/losses revenue guidance would be $1,995 - $2,095 million.
(2) Non-GAAP spend excludes $229 million related to stock-based compensation expense, $88 million related to restructuring charges and other facility exit costs, and $66 million for the amortization of acquisition-related intangibles.
(3) Non-GAAP earnings per diluted share excludes $1.02 related to stock-based compensation expense, between $0.59 and $0.46 of GAAP-only tax charges, $0.39 related to restructuring charges and other facility exit costs, and $0.30 for the amortization of acquisition-related intangibles.

We remain diligent about managing our spend while making essential investments to drive growth.

Results of Operations

Net Revenue

(in millions)	Three Months Ended April 30, 2016	Change compared to prior fiscal year $	%	Three Months Ended April 30, 2015
Net Revenue:				
Subscription	$ 326.0	$6.2	2 %	$ 319.8
License and other	185.9	(140.8)	(43)%	326.7
	$ 511.9	$(134.6)	(21)%	$ 646.5
Net Revenue by Operating Segment:				
Architecture, Engineering and Construction	$ 218.9	$(17.8)	(8)%	$ 236.7
Manufacturing	158.0	(26.6)	(14)%	184.6
Platform Solutions and Emerging Business	100.0	(85.3)	(46)%	185.3
Media and Entertainment	35.0	(4.9)	(12)%	39.9
	$ 511.9	$(134.6)	(21)%	$ 646.5

Subscription Revenue

Our subscription revenue consists of three components: (1) maintenance revenue from our perpetual software products; (2) maintenance revenue from our term-based product subscriptions and flexible enterprise business agreements; and (3) revenue from our cloud service offerings. Our maintenance plans provide our customers with a cost effective and predictable budgetary option to obtain the productivity benefits of our new releases and enhancements when and if released during the term of their contracts. Under our maintenance plan, customers are eligible to receive unspecified upgrades when and if available, and technical support. We recognize maintenance revenue over the term of the agreements, generally between one and three years. Revenue for our cloud service offerings is recognized ratably over the contract term commencing with the date our service is made available to customers and when all other revenue recognition criteria have been satisfied.

Subscription revenue increased 2% during the three months ended April 30, 2016, as compared to the three months ended April 30, 2015, primarily due to a 34% increase in new model subscription revenue, partially offset by a 1% decrease in maintenance revenue. The 34% increase in new model subscription revenue was due to a 203% increase in product subscription revenue. The 1% decrease in maintenance revenue was attributable to the business model transition, as we expect maintenance revenue will slowly decline as perpetual license sales end, and customers adopt our new model subscription offerings.

Maintenance revenue represented 88% and 91% of subscription revenue for the three months ended April 30, 2016 and 2015, respectively. New model subscription revenue represented 12% and 9% of subscription revenue for the three months ended April 30, 2016 and 2015, respectively.

License and Other Revenue

License and other revenue consists of two components: (1) all forms of product license revenue and (2) other revenue. Product license revenue includes software license revenue from the sale of perpetual licenses, term-based licenses from our product subscriptions and flexible enterprise business agreements, and product revenue for Creative

Finishing. Other revenue includes revenue from consulting, training, Autodesk Developers Network and Creative Finishing customer support, and is recognized over time, as the services are performed.

License and other revenue decreased 43% during the three months ended April 30, 2016, as compared to the three months ended April 30, 2015. Product license revenue, as a percentage of license and other revenue, was 80% and 89% for the three months ended April 30, 2016 and 2015, respectively. The decrease in product license revenue was due to the business model transition, which led to a 60% decrease in revenue from perpetual licenses as we have discontinued selling perpetual seats of most of our product offerings. This decrease was partially offset by a 96% increase in license revenue from our new model subscription offerings.

Other revenue increased 6% during the three months ended April 30, 2016, as compared to the three months ended April 30, 2015. The increase in other revenue was due to an increase in consulting revenue, partially offset by a decrease in revenue from Creative Finishing. Other revenue represented 7% and 5% of total net revenue for the three months ended April 30, 2016 and 2015, respectively,

Backlog related to current software license product orders that had not been delivered at the end of the quarter decreased by $24.3 million during the three months ended April 30, 2016 from $31.4 million at January 31, 2016 to $7.1 million at April 30, 2016. Backlog from current software license product orders that we have not been delivered consists of orders for currently available licensed software products from customers with approved credit status.

Net Revenue by Operating Segment

We have four reportable segments: AEC, MFG, PSEB, and M&E. We have no material inter-segment revenue. During the business model transition, revenue has been and will be negatively impacted as more revenue is recognized ratably rather than up front and as new product offerings generally have a lower initial purchase price. This broad impact is reflected in the drivers below.

During the three months ended April 30, 2016, net revenue for AEC decreased by 8% as compared to the same period in the prior fiscal year, primarily due to a 6% decline in our AEC suites driven by Autodesk Building Design Suite. Partially offsetting the decline in AEC suites revenue was positive growth in our flexible enterprise business agreements which increased 26% as compared to the same period in the prior fiscal year.

During the three months ended April 30, 2016, net revenue for MFG decreased by 14% as compared to the same period in the prior fiscal year primarily due to an 18% decline in our MFG suites driven by a decrease in revenue from our Product Design Suites.

During the three months ended April 30, 2016, net revenue for PSEB decreased by 46% as compared to the same period in the prior fiscal year primarily due to a 47% decrease in revenue from our AutoCAD and ACAD LT products. As part of the transition to term-based product subscriptions for our individual software products in February 2016, products like AutoCAD and ACAD LT will be negatively impacted when compared to the same period in the prior fiscal year as revenue is recognized ratably rather than up front.

During the three months ended April 30, 2016, net revenue for M&E decreased by 12% as compared to the same period in the prior fiscal year, primarily due to a 9% decrease in Animation, which was driven by lower revenue on our 3ds Max product offerings.

Net Revenue by Geographic Area

(in millions)	Three Months Ended April 30, 2016	As a % of Net Revenue		Three Months Ended April 30, 2015	As a % of Net Revenue	
Net Revenue:						
Americas	$ 217.7	43	%	$ 244.0	38	%
Europe, Middle East and Africa	202.6	40	%	245.4	38	%
Asia Pacific	91.6	18	%	157.1	24	%

Total Net Revenue	$ 511.9	100 %	$ 646.5	100 %

Net revenue in the Americas geography decreased by 11% on an as reported basis and 10% on a constant currency basis during the three months ended April 30, 2016, as compared to the same period in the prior fiscal year. Net revenue in the Americas attributable to the United States was approximately 85% and 82% for three months ended April 30, 2016 and 2015, respectively.

International net revenue represented 64% and 69% of our net revenue for the three months ended April 30, 2016 and 2015, respectively. Net revenue in the Europe, Middle East and Africa ("EMEA") geography decreased by 17% on an as reported basis and 11% on a constant currency basis during the three months ended April 30, 2016 as compared to the same period in the prior fiscal year. Net revenue in the Asia Pacific ("APAC") geography decreased by 42% on an as reported basis and 39% on a constant currency basis during the three months ended April 30, 2016 as compared to the same period in the prior fiscal year.

We believe that international revenue will continue to comprise a majority of our net revenue. Unfavorable economic conditions in the countries that contribute a significant portion of our net revenue, including in emerging economies such as Brazil, Russia, India, and China, may have an adverse effect on our business in those countries and our overall financial performance. Changes in the value of the U.S. dollar relative to other currencies have significantly affected, and could continue to significantly affect, our financial results for a given period even though we hedge a portion of our current and projected revenue. Weak global economic conditions that have been characterized by restructuring of sovereign debt, high unemployment, and volatility in the financial markets may impact our future financial results. Additionally during the business model transition, revenue has been and will be negatively impacted as more revenue is recognized ratably rather than up front and as new product offerings generally have a lower initial purchase price. This transition has a particular impact to emerging economies as sales of perpetual licenses have historically comprised a greater percentage of total emerging economy sales in comparison to mature markets.

Net revenue in emerging economies decreased by 40% on an as reported basis and on a constant currency basis during the three months ended April 30, 2016 as compared to the same period in the prior fiscal year. Revenue from emerging economies represented 11% and 14% of net revenue for the three months ended April 30, 2016 and 2015, respectively.

Cost of Revenue and Operating Expenses

Cost of Revenue

(in millions)	Three Months Ended April 30, 2016	Change compared to prior fiscal year $	%	Three Months Ended April 30, 2015
Cost of revenue:				
Subscription	$39.7	$ 1.0	3 %	$38.7
License and other	52.8	(0.3)	(1)%	53.1
	$92.5	$ 0.7	1 %	$91.8
As a percentage of net revenue	18 %			14 %

Cost of subscription revenue includes the labor costs of providing product support to our maintenance and new model subscription customers, including rent and occupancy, shipping and handling costs, professional services fees related to operating our network and cloud infrastructure, depreciation expense and operating lease payments associated with computer equipment, data center costs, salaries, related expenses of network operations, and allocated IT and facilities costs.

Cost of subscription revenue increased 3% during the three months ended April 30, 2016 as compared to the same period in the prior fiscal year, primarily due to an increase in cloud and hosting related costs.

Cost of license and other revenue includes labor costs associated with product setup and fulfillment and costs of consulting and training services contracts and collaborative project management services contracts. Cost of license and other revenue also includes stock-based compensation expense, direct material and overhead charges, amortization of developed technology, allocated IT and facilities costs, professional services fees and royalties. Direct material and overhead charges include the cost of hardware sold (mainly Ember printers in the PSEB segment), and costs associated with electronic and physical fulfillment.

Cost of license and other revenue decreased 1% for the three months ended April 30, 2016 as compared to the same period in the prior fiscal year, primarily due to a decrease in amortization of our developed technology as well as lower employee related costs for our consulting related offerings.

Cost of revenue, at least over the near term, is affected by the volume and mix of product sales, mix of physical versus electronic fulfillment, fluctuations in consulting costs, amortization of developed technology, new customer support offerings, royalty rates for licensed technology embedded in our products and employee stock-based compensation expense.

We expect cost of revenue to decrease in absolute dollars and remain flat as a percentage of net revenue during the second quarter of fiscal 2017, as compared to the second quarter of fiscal 2016.

Marketing and Sales

(in millions)	Three Months Ended April 30, 2016	Change compared to prior fiscal year $	%	Three Months Ended April 30, 2015
Marketing and sales	$242.9	$ (11.0)	(4)%	$253.9
As a percentage of net revenue	47 %			39 %

Marketing and sales expenses include salaries, bonuses, benefits and stock-based compensation expense for our marketing and sales employees, the expense of travel, entertainment and training for such personnel, the costs of programs aimed at increasing revenue, such as advertising, trade shows and expositions, and various sales and promotional programs. Marketing and sales expenses also include labor costs associated with sales and order management, sales and dealer commissions, rent and occupancy, payment processing fees, the cost of supplies and equipment, and allocated IT and facilities costs.

Marketing and sales expenses decreased 4% for the three months ended April 30, 2016 as compared to the same period in the prior fiscal year, primarily due to lower employee-related costs resulting from the restructuring plan announced in February 2016.

We expect marketing and sales expenses to slightly increase in absolute dollars and increase as a percentage of net revenue during the second quarter of fiscal 2017, as compared to the second quarter of fiscal 2016.

Research and Development

(in millions)	Three Months Ended April 30, 2016	Change compared to prior fiscal year $	%	Three Months Ended April 30, 2015
Research and development	$195.5	$ 1.0	1 %	$194.5
As a percentage of net revenue	38 %			30 %

Research and development expenses, which are expensed as incurred, consist primarily of salaries, bonuses, benefits and stock-based compensation expense for research and development employees, and the expense of travel, entertainment and training for such personnel, rent and occupancy, professional services such as fees paid to software development firms and independent contractors, and allocated IT and facilities costs.

Research and development expenses increased 1% during the three months ended April 30, 2016 as compared to the same period in the prior fiscal year, primarily due to an increase in stock-based compensation expense as a result of a higher fair market value of awards granted, partially offset by a decrease in professional fees.

We expect research and development expenses to increase in absolute dollars and as a percentage of net revenue during the second quarter of fiscal 2017, as compared to the second quarter of fiscal 2016.

General and Administrative

(in millions)	Three Months Ended April 30, 2016	Change compared to prior fiscal year $	%	Three Months Ended April 30, 2015
General and administrative	$ 75.8	$ (0.1)	— %	$ 75.9
As a percentage of net revenue	15 %			12 %

General and administrative expenses include salaries, bonuses, benefits and stock-based compensation expense for our finance, human resources and legal employees, as well as professional fees for legal and accounting services, certain foreign business taxes, gains and losses on our operating expense cash flow hedges, expense of travel, entertainment and training, IT and facilities costs, and the cost of supplies and equipment.

General and administrative expenses remained flat during the three months ended April 30, 2016, as compared to the same period in the prior fiscal year primarily due to an increase in professional fees, offset by a decrease in facilities costs.

We expect general and administrative expenses to slightly increase in both absolute dollars and as a percentage of net revenue during the second quarter of fiscal 2017, as compared to the second quarter of fiscal 2016.

Amortization of Purchased Intangibles

(in millions)	Three Months Ended April 30, 2016	Change compared to prior fiscal year $	%	Three Months Ended April 30, 2015
Amortization of purchased intangibles	$ 7.9	$(1.0)	(11)%	$ 8.9
As a percentage of net revenue	2 %			1 %

Amortization of purchased intangibles decreased 11% during the three months ended April 30, 2016 as compared to the same period in the prior fiscal year, primarily related to the accumulated effects associated with amortization expense of intangible assets purchased over time.

We expect amortization of purchased intangibles to decrease in absolute dollars and remain flat as a percentage of net revenue during the second quarter of fiscal 2017, as compared to the second quarter of fiscal 2016.

Restructuring Charges and Other Facility Exit Costs, Net

(in millions)	Three Months Ended April 30, 2016	Change compared to prior fiscal year $	%	Three Months Ended April 30, 2015
Restructuring charges and other facility exit costs, net	$ 52.3	$ 52.3	*	$ —
As a percentage of net revenue	10 %			— %

*Percentage is not meaningful

In February 2016, the Board of Directors approved a world-wide restructuring plan (“Fiscal 2017 Plan”) in order to re-balance staffing levels and reduce operating expenses to better align them with the evolving needs of the Company's business. The Company's Fiscal 2017 Plan consist of employee termination benefits related to the reduction of its workforce of approximately $76.0 million, and lease terminations and other exit costs of approximately $12.0 million. We recorded $52.3 million in restructuring charges and other facility exit costs during the three months ended April 30, 2016. See Note 13, “Restructuring,” in the Notes to Condensed Consolidated Financial Statements for further discussion.

Interest and Other (Expense) Income, Net

The following table sets forth the components of interest and other (expense) income, net:

(in millions)	Three Months Ended April 30, 2016	2015
Interest and investment expense, net	$(6.5)	$(2.0)
Gain (loss) on foreign currency	1.4	(1.6)
Gain on strategic investments	0.4	1.0
Other income	1.1	2.9
Interest and other (expense) income, net	$(3.6)	$0.3

Interest and other (expense) income, net decreased 3.9 million in the three months ended April 30, 2016, as compared to the same period in the prior fiscal year, primarily due to interest expense resulting from the issuance of $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.

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Interest expense and investment income fluctuates based on average cash, marketable securities and debt balances, average maturities and interest rates.

Gains and losses on foreign currency are primarily due to the impact of re-measuring foreign currency transactions and net monetary assets into the functional currency of the corresponding entity. The amount of the gain or loss on foreign currency is driven by the volume of foreign currency transactions and the foreign currency exchange rates for the period.

Provision for Income Taxes

We account for income taxes and the related accounts under the liability method. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted rates expected to be in effect during the year in which the basis differences reverse.

Income tax expense was $14.4 million and $2.7 million for the three months ended April 30, 2016 and 2015, respectively. Income tax expense consists primarily of foreign taxes and U.S. tax expense related to indefinite-lived intangibles.

A valuation allowance is recorded to reduce deferred tax assets when management cannot conclude that it is more likely than not that the net deferred tax asset will be recovered. The valuation allowance is determined by assessing both positive and negative evidence to determine whether it is more likely than not that deferred tax assets are recoverable; such assessment is required on a jurisdiction-by-jurisdiction basis. Significant judgment is required in determining whether the valuation allowance should be recorded against deferred tax assets. In assessing the need for a valuation allowance, we consider all available evidence including past operating results and estimates of future taxable income. Beginning in the second quarter of fiscal 2016, we considered recent cumulative losses in the United States arising from the Company's business model transition as a significant source of negative evidence. Considering this negative evidence and the absence of sufficient positive objective evidence that we would generate sufficient taxable income in our United States tax jurisdiction to realize the deferred tax assets, we determined that it was not more likely than not that the Company would realize the U.S. federal and state deferred tax assets and recorded a full valuation allowance. As we continually strive to optimize our overall business model, tax planning strategies may become feasible and prudent whereby management may determine that it is more likely than not that the federal and state deferred tax assets will be realized; therefore, we will continue to evaluate the realizability of our net deferred tax assets each quarter, both in the U.S. and in foreign jurisdictions, based on all available evidence, both positive and negative.

As of April 30, 2016, we had $254.6 million of gross unrecognized tax benefits, excluding interest, of which approximately $239.9 million represents the amount of unrecognized tax benefits that would impact the effective tax rate, if recognized. However, this rate impact would be offset to the extent that recognition of unrecognized tax benefits currently presented as a reduction of deferred tax assets would increase the valuation allowance. 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.

Our future effective tax rate may be materially impacted by the amount of benefits and charges from tax amounts associated with our foreign earnings that are taxed at rates different from the federal statutory rate, research credits, state income taxes, the tax impact of stock-based compensation, accounting for uncertain tax positions, business combinations, U.S. Manufacturer's deduction, closure of statute of limitations or settlement of tax audits, changes in valuation allowances and changes in tax laws including possible U.S. tax law changes that, if enacted, could significantly impact how U.S. multinational companies are taxed on foreign subsidiary earnings. A significant amount of our earnings is generated by our Europe and APAC subsidiaries. Our future effective tax rates may be adversely affected to the extent earnings are lower than anticipated in countries where we have lower statutory tax rates or we repatriate certain foreign earnings on which U.S. taxes have not previously been provided.

We are currently the subject of a tax audit in China covering certain transfer pricing matters from 2004-2013. On May 12, 2016, the China Tax Authority (the "CTA") provided an outline of the CTA's current position, but no adjustment has been proposed. We are currently evaluating that information and believe it is reasonably possible that a future settlement could result in a material tax charge. However, an estimate of the possible tax charge cannot be made based on information available at the balance sheet date.

Other Financial Information

In addition to our results determined under GAAP discussed above, we believe the following non-GAAP measures are useful to investors in evaluating our operating performance. For the three months ended April 30, 2016 and 2015, our gross profit, gross margin, income (loss) from operations, operating margin, net income (loss), diluted net income (loss) per share and diluted shares used in per share calculation on a GAAP and non-GAAP basis were as follows (in millions except for gross margin, operating margin, and per share data):

	Three Months Ended April 30,	
	2016	2015
	(Unaudited)	
Gross profit	$419.4	$554.7
Non-GAAP gross profit	$433.8	$571.1
Gross margin	82 %	86 %
Non-GAAP gross margin	85 %	88 %
(Loss) income from operations	$(155.0)	$21.5
Non-GAAP (loss) income from operations	$(27.0)	$94.1
Operating margin	(30)%	3 %
Non-GAAP operating margin	(5)%	15 %
Net (loss) income	$(173.0)	$19.1
Non-GAAP net (loss) income	$(23.0)	$69.1
GAAP diluted net (loss) income per share (1)	$(0.77)	$0.08
Non-GAAP diluted net (loss) income per share (1)	$(0.10)	$0.30
GAAP diluted shares used in per share calculation	224.4	231.7
Non-GAAP diluted weighted average shares used in per share calculation	224.4	231.7

(1) Net (loss) income per share was computed independently for each of the periods presented; therefore the sum of the net (loss) income per share amount for the quarters may not equal the total for the year.

For our internal budgeting and resource allocation process and as a means to evaluate period-to-period comparisons, we use non-GAAP measures to supplement our condensed consolidated financial statements presented on a GAAP basis. These non-GAAP measures do not include certain items that may have a material impact upon our reported financial results. We also use non-GAAP measures in making operating decisions because we believe those measures provide meaningful supplemental information regarding our earning potential and performance for management by excluding certain expenses and charges that may not be indicative of our core business operating results. For the reasons set forth below, we believe these non-GAAP financial measures are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) they are used by our institutional investors and the analyst community to help them analyze the health of our business. This allows investors and others to better understand and evaluate our operating results and future prospects in the same manner as management, compare financial results across accounting periods and to those of peer companies and to better understand the long-term performance of our core business. We also use some of these measures for purposes of determining company-wide incentive compensation.

There are limitations in using non-GAAP financial measures because non-GAAP financial measures are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies. The non-GAAP financial measures included above are limited in value because they exclude certain items that may have a material impact upon our reported financial results. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management about which charges are excluded from the non-GAAP financial measures.

We compensate for these limitations by analyzing current and future results on a GAAP basis as well as a non-GAAP basis and also by providing GAAP measures in our public disclosures. The presentation of non-GAAP financial information is meant to be considered in addition to, not as a substitute for or in isolation from, the directly comparable financial measures prepared in accordance with GAAP. We urge investors to review the reconciliation of our non-GAAP financial measures to the comparable GAAP financial measures included below, and not to rely on any single financial measure to evaluate our business.

Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures

(In millions except for gross margin, operating margin, and per share data):

	Three Months Ended April 30,	
	2016	2015
	(Unaudited)	
Gross profit	$419.4	$554.7
Stock-based compensation expense	3.5	2.9
Amortization of developed technologies	10.9	13.5
Non-GAAP gross profit	$433.8	$571.1
Gross margin	82 %	86 %
Stock-based compensation expense	1 %	— %
Amortization of developed technologies	2 %	2 %
Non-GAAP gross margin	85 %	88 %
(Loss) income from operations	$(155.0)	$21.5
Stock-based compensation expense	56.9	50.2
Amortization of developed technologies	10.9	13.5
Amortization of purchased intangibles		