

Why We Own Autodesk

A design clash found on a screen is an inconvenience. The same clash found after pipe, steel and concrete are in place becomes delay, demolition and waste.

At a semiconductor facility in Singapore, Boustead Projects says connected Autodesk workflows helped reduce clashes by 60%, cut rework by 20% and improve overall project efficiency by 30%. The figures are customer-reported and specific to one project, but they make the economic point clear: better information before physical work begins can save time, material and money.

That is the doorway into Autodesk. The investment case is not that design software is fashionable, nor that every digital model creates a better building. It is that the physical economy must build, renovate and manufacture more while labour, capital, materials and carbon budgets are constrained. Software that helps customers make costly decisions earlier can become part of essential infrastructure.

A large system with little room for error

Buildings and construction represent 11-13% of global GDP and about 9% of employment, according to the UN Environment Programme's 2025-2026 global status report. The same system accounts for roughly 37% of global carbon dioxide emissions and nearly half of global material extraction. UNEP estimates that half the buildings that will exist in 2050 have yet to be built or renovated.

That creates persistent demand for building information modelling, digital construction management, simulation and asset data. Regulation and customer carbon targets add pressure, but the economic motivation is more basic. Rework costs money. Idle labour costs money. An oversized structure uses more material. A poorly designed system consumes more energy for decades.

What Autodesk sells

Autodesk supplies the digital tools used by architects, engineers, contractors, manufacturers and media creators. AutoCAD remains a standard for computer-aided design. Revit connects building geometry and data. Civil 3D and water tools support infrastructure design. Autodesk Forma links design, construction and project data in the cloud. Fusion serves product design and manufacturing. Tandem carries building information into a digital twin for operations.

The company earns mainly through subscriptions. In its second quarter of fiscal 2027, subscription revenue was \$1.95bn of total revenue of \$2.05bn. Design products generated \$1.71bn and Make products \$244m. The largest family - architecture, engineering, construction and operations - generated \$1.03bn, up 17% year on year.

Autodesk completed its approximately \$3.6bn acquisition of MaintainX on 3 August 2026. MaintainX adds mobile maintenance and operational workflows. The strategic idea is to connect what was designed and built with how an asset performs. If that loop works, real

operating data can improve maintenance today and future design tomorrow. If it does not, Autodesk will have paid heavily for an adjacent product and a persuasive diagram.

Where it fits. Autodesk sits primarily within Delta's Climate Action theme because design decisions influence energy, carbon, material use, rework and resilience before physical assets are locked in. Delta's other themes are Nature Innovation and Human Advancement. Autodesk touches both through water-system modelling, material circularity, safer projects and workforce productivity, but we keep Climate Action as the primary classification so the investment logic remains clear.

Why it may keep winning

Autodesk's advantage begins with workflow depth. Drawings, models, libraries, templates, scripts, approvals and trained employees accumulate around its tools. Partners and contractors need to exchange information across organisations, so shared standards matter. Replacing one licence is easy; replacing a multi-party project workflow without introducing risk is much harder.

The next layer is connected data. Autodesk is trying to converge design, make and operate so information survives across an asset's life rather than being recreated at every handover. That creates switching costs, but also a more useful substrate for artificial intelligence. Generic AI can produce an image or draft. Engineering and construction require context: geometry, materials, codes, tolerances, costs, schedules and responsibility for the result.

This is not an unbreakable moat. AI could make design tools easier to build, reduce the value of established interfaces or shift power to new platforms. Customers also complain about subscription prices, licensing and the pace of product improvement. Entrenchment can support durable economics; it can also breed resentment. We need evidence that Autodesk is earning its place in the workflow, not merely taxing it.

How adoption becomes earnings

The second-quarter result shows the commercial mechanism. Revenue rose 16% to \$2.046bn, or 14% in constant currency. Billings increased 10%. Non-GAAP operating margin expanded two percentage points to 41%, and free cash flow rose 24% to \$561m. Current remaining performance obligations - revenue expected within 12 months - rose 12%.

The chain is straightforward: more customers standardise on Autodesk; teams add cloud collaboration and construction or manufacturing workflows; recurring subscription revenue grows; price and mix lift revenue per customer; and a largely software cost base allows part of that growth to become margin and cash.

There are qualifications. Total remaining performance obligations rose only 2%, while unbilled deferred revenue fell 8%. Autodesk says this reflects reduced discounts on multi-year contracts and the move towards annual billing. That may improve price realisation while depressing a familiar backlog measure, but it also makes demand quality harder to read.

Autodesk raised full-year revenue and billings guidance, including MaintainX, while holding non-GAAP margin guidance at about 39%. It narrowed free-cash-flow guidance to \$2.725-\$2.750bn because stronger underlying expectations are offset by MaintainX operating and financing costs and about \$45m of transaction expenses. Reuters reported that below-

consensus third-quarter adjusted earnings guidance and anxiety about AI disruption sent the shares down more than 5% after hours. A good quarter has not removed the debate.

A financially strong business, not just a good story

A compelling theme only matters if the company behind it can actually deliver, year after year. Software that saves customers time and material is only as valuable as the business selling it is well run. So before we get carried away with the platform story, we ask a simpler question: is this a genuinely well-run, profitable company? On the numbers, the answer is substantially yes - though the shares' own recent history is more mixed than the underlying operating business, and we say so plainly below.

Profitability. Autodesk earns strong profits on the money invested in the business, though the return has been easing as the balance sheet grows. Return on shareholders' equity has averaged around 42% over the past three fiscal years - very comfortably above the roughly 9.5% cost of equity we hold software businesses to - even as it has come down from just under 49% in fiscal 2024 to around 36% in fiscal 2026, largely reflecting a larger equity base rather than any weakening in underlying returns. The margin trend is unambiguously positive: GAAP operating margin has risen from around 20% to almost 25% over the same three years, and a broader measure of profitability, adjusted EBITDA margin, has improved from around 38% to nearly 41%. Both are guided to keep expanding, toward 28-29% operating margin and around 42% adjusted EBITDA margin by fiscal 2028.

Earnings growth. Autodesk's underlying profit has grown faster than its sales - operating income has compounded at around 22% a year over the past three years against roughly 13% revenue growth, and EBITDA has grown at around 16% a year over the same period - the marker of a business becoming more profitable as it grows, not just bigger. Reported (GAAP) earnings-per-share growth has been more uneven: it slowed sharply to just 2% in fiscal 2026 as a higher effective tax rate weighed on the reported number, even as adjusted earnings per share - which strips out that kind of one-off distortion - grew a healthier 16%. The most recent quarter showed the underlying trend reasserting itself: second-quarter fiscal 2027 revenue rose 16% to \$2.05bn and non-GAAP earnings per share rose 26% to \$3.30, both ahead of consensus, with GAAP operating margin up 400 basis points to 29% and free cash flow up 24% to \$561m. Analysts expect adjusted earnings-per-share growth to reaccelerate further, to around 25% in fiscal 2027 and at a compound rate of close to 24% a year out to fiscal 2031 - a forecast, not a settled outcome, and one that depends on Autodesk converting today's revenue and billings momentum into profit as cleanly as it has historically.

Shareholder returns – the case ahead. Here the historical record does not match the strength of the operating business, and the house standard is to say so directly rather than dress it up. Autodesk's shares fell 8% in 2021 and 34% in 2022, recovered strongly in 2023 and 2024 (+30% and +21% respectively), were essentially flat in 2025 (+0.2%), and are down a further 9% year-to-date in 2026. Netted together, that run cumulates to a total return of roughly negative 3% over the five years to the end of 2025 - essentially flat over a five-year holding period - and 2026 has added to that weakness rather than reversing it. That is a materially weaker outcome than the profitability trend above would suggest a well-run compounder should deliver, and it is the clearest reason the shares warrant scrutiny rather than automatic conviction. The case ahead rests on real, if unproven, evidence: independent discounted-cash-flow analysis places Autodesk's fair value close to its current trading price, suggesting the shares are broadly fairly valued rather than expensive, and several sell-side

analysts raised their price targets immediately after the most recent results even as the stock itself fell on softer near-term earnings guidance, with targets clustering from the mid-\$270s to the mid-\$320s against a share price around \$260 - implying upside of roughly 6% to 25% depending on the analyst. If the adjusted earnings-per-share growth path set out above is realised without a matching re-rating in the share price, the valuation multiple the shares carry would compress substantially over the next several years - one route to an attractive prospective return, though it is a projection built on forecasts holding, not a repeat of an already-demonstrated record.

Leadership we can trust – with a clear engagement priority

Autodesk's governance has real strengths in place. The roles of Chief Executive and Chair are held by separate people, a split Autodesk has maintained since 2018, giving proper checks and balances at the top rather than concentrating power in one individual. Core oversight functions - the audit function and the remuneration function - are populated solely by independent directors. Every director stands for election each year under a majority-voting standard, and the board conducts an annual, externally facilitated self-assessment whose process and findings are disclosed in the proxy statement. There is only one class of listed stock, so no shareholder - including the longest-serving director - carries disproportionate voting power over the rest. Taken as a whole, nine of the company's eleven director nominees are independent under our standard, comfortably above the two-thirds threshold we look for.

This governance foundation is matched by pay and capital allocation that are both genuinely disciplined. Executive pay is weighted heavily toward variable, at-risk awards rather than fixed salary, with annual and multi-year incentives tied to revenue, profitability and relative total shareholder return measured over one-, two- and three-year periods, and shareholders strongly endorsed the programme at the most recent vote on pay. Returns on invested capital have run at around 20-22% over the past two fiscal years - far above the cost of capital - funding a growing free-cash-flow base and a disciplined buyback programme that returned \$453 million to shareholders in the second quarter of fiscal 2027 alone, from a balance sheet holding \$4.1 billion of cash. Taken together, this gives us confidence that Autodesk is led by a substantially independent board and a management team paid for the right outcomes.

Outcomes as evidence, not a halo

Autodesk's strongest outcome evidence is close to the customer decision. Boustead's reported reduction in clashes and rework links directly to time, cost and material. Autodesk's FY26 Impact Report says a digital-twin project at Athenian Brewery reduced changeover time, energy, water and carbon dioxide emissions by 13%. Both are useful examples, but neither is independently assured evidence for Autodesk's customer base as a whole.

The report also provides an important counterweight. Autodesk's own market-based greenhouse-gas emissions rose from 155,000 to 190,400 tonnes of carbon-dioxide equivalent in FY26, while energy use rose from 85,500 to 119,800 megawatt-hours. The company reports 100% renewable electricity coverage for eligible consumption and offsets for residual emissions; its FY26 greenhouse-gas inventory was externally assured. Procurement and

offsets are relevant, but absolute energy and emissions still matter - especially as AI compute grows.

For Delta Outcomes, the measurable test is whether Autodesk can show more customers reducing rework, material, energy, water and operating cost, with clear baselines and credible counterfactuals. Impact is not a label attached after stock selection. It is evidence that the product is solving a valuable problem at scale.

Value, decision, and tension

We own Autodesk because three things are coming into line, though not all of them evenly: a durable, structural need to design, build and operate the physical economy with less rework, material and wasted time, met by workflow software with genuine switching costs and an emerging role as the data substrate for AI in engineering and construction; a genuinely profitable and improving business behind that opportunity, with margins and underlying profit growing faster than revenue even as the shares' own five-year return has been disappointingly flat; and a substantially independent board and a pay structure we trust.

We do not own it on the assumption that every AI headline is a threat, that every customer testimonial proves the case, that MaintainX will earn back what it cost, or that a weak five-year share-price record will automatically reverse. The central tension is that the market is already pricing in a good deal of the operating improvement described above: independent fair-value analysis puts the shares close to fair value rather than cheap, and the same workflow entrenchment that makes Autodesk valuable is precisely what a wave of AI-native design tools could erode over time, even as MaintainX dilutes reported margins through fiscal 2027 and 2028 before any integration benefits show up in the numbers. Valuation discipline, not the platform story or the MaintainX thesis alone, is what should govern position sizing here.

What could break the chain

- Demand and competitive risk. AI could lower the cost of building new design tools as easily as it could deepen Autodesk's existing data advantage, and customers frustrated by subscription pricing and licensing changes could shift workflow to Bentley, Dassault, Nemetschek, Trimble, PTC or lower-cost tools. Current remaining performance obligations growth has already slowed to 12% from 18-20% in recent quarters; management attributes this to deliberate billing changes rather than weaker demand, a distinction we will keep testing rather than accept unquestioned.
- Integration and capital-allocation risk. The \$3.6 billion MaintainX acquisition is diluting GAAP operating margin by roughly 100 basis points through fiscal 2027 and 2028, and MaintainX remains unprofitable in its own right. Retention, cross-selling into the existing design-and-build customer base, and a return on the capital deployed - not strategic fit alone - are what would prove this acquisition out.
- Financial-quality durability risk. The margin expansion and adjusted-earnings growth described above still have to be delivered against a MaintainX drag, and GAAP earnings-per-share growth has already shown how volatile the reported numbers can be from one year to the next. Forecast adjusted earnings-per-share growth of around 24% a year to fiscal 2031 is a consensus projection, not a result already banked.

- Shareholder-return risk. The shares delivered a roughly flat cumulative total return over the five years to 2025 and have fallen further in 2026. The forward case set out above depends on earnings compounding broadly as forecast without the valuation multiple compressing faster than earnings grow, and on the market's read of AI risk to Autodesk's moat not deteriorating further.
- Governance risk. The Chair's fifteen-year tenure leaves the board without an independent Chair or Lead Director under our stricter standard. Slower-than-expected progress on succession, or on appointing a Lead Director, would leave this single-point-of-failure gap open for longer than we are comfortable with.
- Impact-case risk. Autodesk's own operational emissions and energy use rose materially in fiscal 2026 as AI compute needs grow, and its customer-level efficiency evidence - the Boustead and Athenian Brewery examples - is customer-reported and project-specific rather than independently assured or representative of the installed base.

The thesis would weaken materially if the slowdown in current remaining performance obligations proved to reflect softening demand rather than a billing-model change, if MaintainX failed to earn an adequate return within a reasonable period, if the Chair-independence gap persisted without further board refreshment, or if Autodesk's own energy and emissions trajectory moved further in the wrong direction as AI compute scales. It would also weaken if the shares' weak five-year return proved to be a fair verdict on the business rather than a valuation anomaly still to correct.

Owning Autodesk represents a view that the physical economy will become more data-rich before it becomes more resource-efficient, and that a genuinely profitable, improving business - led by a substantially independent board we are pressing to close one clear governance gap - can capture part of that value at a price that still leaves room for the platform to be tested rather than assumed.

That is the full causal chain we hold Autodesk to: structural demand for better information before physical commitments are made; workflow depth and emerging AI relevance converting that demand into recurring, high-margin revenue; genuinely improving profitability funding further investment and cash returns; and a board and management team we substantially trust to convert that cash into value for shareholders - not a theme, and not a single strong quarter, alone.

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