

Ansys, Inc.

## SNPS to acquire ANSS; move to No Rating

Rating Change: NO RATING | PO: NA | Price: 346.48 USD

## Synopsis signs definitive agreement to acquire Ansys

On 1/16, Synopsis (SNPS; covered by our colleague Vivek Arya) announced a definitive agreement to acquire Ansys (ANSS). Initial press reports around a potential Ansys acquisition first emerged on 12/22/23. Ansys and Synopsis have had a partnership since 2017. ANSS shareholders would receive \$197 in cash and 0.345 shares of SNPS per ANSS share. Management expects the transaction to close in 1H25, subject to regulatory approval, an Ansys shareholder vote, and other closing conditions. We move to No Rating as we believe ANSS shares are no longer trading on fundamentals. Investors should no longer rely on our previous price objective or rating on ANSS.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	7.37	7.99	8.70	9.58	10.86
GAAP EPS	5.16	5.99	5.65	6.38	7.67
EPS Change (YoY)	10.0%	8.4%	8.9%	10.1%	13.4%
Consensus EPS (Bloomberg)			8.57	9.55	10.70
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	47.0x	43.4x	39.8x	36.2x	31.9x
GAAP P/E	67.1x	57.8x	61.3x	54.3x	45.2x
EV / EBITDA*	36.1x	33.4x	30.6x	28.2x	24.4x
Free Cash Flow Yield*	1.7%	2.0%	2.3%	2.5%	2.9%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 4.

16 January 2024

## Equity

## Key Changes

(US\$)	Previous	Current
Inv. Opinion	B-3-9	-6-
Inv. Rating	UNDERPERFORM	NO RATING
Price Obj.	295.00	NA

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## Stock Data

Price	346.48 USD
Price Objective	NA
Date Established	NA
Investment Opinion	-6-
52-Week Range	248.00 USD - 364.31 USD
Mrkt Val (mn) / Shares Out (mn)	30,100 USD / 86.9
Free Float	99.6%
Average Daily Value (mn)	367.90 USD
BofA Ticker / Exchange	ANSS / NAS
Bloomberg / Reuters	ANSS US / ANSS.OQ
ROE (2023E)	14.9%
Net Dbt to Eqty (Dec-2022A)	5.2%
ESGMeter <sup>TM</sup>	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

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Timestamp: 16 January 2024 09:46AM EST

# iQprofile<sup>SM</sup> Ansys, Inc.

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	12.1%	12.6%	13.1%	13.5%	14.2%
Return on Equity	15.1%	15.0%	14.9%	14.8%	15.1%
Operating Margin	41.4%	42.0%	41.9%	41.4%	41.7%
Free Cash Flow	526	607	684	755	877

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	0.8x	0.9x	0.9x	0.9x	1.0x
Asset Replacement Ratio	0.2x	0.2x	0.3x	0.3x	0.3x
Tax Rate	19.0%	18.0%	17.5%	18.5%	19.5%
Net Debt-to-Equity Ratio	4.2%	5.2%	-4.2%	-12.1%	-19.9%
Interest Cover	NM	38.3x	20.3x	23.5x	28.6x

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	1,931	2,073	2,282	2,526	2,848
% Change	13.9%	7.3%	10.1%	10.7%	12.7%
Gross Profit	1,748	1,902	2,105	2,334	2,639
% Change	14.6%	8.8%	10.6%	10.9%	13.1%
EBITDA	830	899	980	1,065	1,232
% Change	9.8%	8.3%	8.9%	8.7%	15.7%
Net Interest & Other Income	2	(17)	(35)	(23)	(18)
<b>Net Income (Adjusted)</b>	<b>649</b>	<b>699</b>	<b>761</b>	<b>833</b>	<b>943</b>
<b>% Change</b>	<b>11.1%</b>	<b>7.6%</b>	<b>8.8%</b>	<b>9.6%</b>	<b>13.1%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	455	524	494	555	666
Depreciation & Amortization	107	115	120	117	115
Change in Working Capital	(155)	(78)	(122)	(133)	(149)
Deferred Taxation Charge	(34)	(131)	0	0	0
Other Adjustments, Net	177	202	224	248	280
Capital Expenditure	(23)	(24)	(32)	(33)	(34)
<b>Free Cash Flow</b>	<b>526</b>	<b>607</b>	<b>684</b>	<b>755</b>	<b>877</b>
<b>% Change</b>	<b>2.8%</b>	<b>15.2%</b>	<b>12.7%</b>	<b>10.4%</b>	<b>16.2%</b>
Share / Issue Repurchase	(232)	(270)	(228)	(287)	(316)
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(45)	0	0	(400)	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	668	614	1,091	1,184	1,776
Trade Receivables	646	760	831	927	1,045
Other Current Assets	325	289	325	368	423
Property, Plant & Equipment	88	81	88	93	96
Other Non-Current Assets	4,598	4,943	4,883	4,834	4,804
<b>Total Assets</b>	<b>6,324</b>	<b>6,688</b>	<b>7,218</b>	<b>7,406</b>	<b>8,145</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	778	795	837	886	953
Long-Term Debt	858	866	866	466	466
Other Non-Current Liabilities	204	161	138	135	147
<b>Total Liabilities</b>	<b>1,840</b>	<b>1,822</b>	<b>1,842</b>	<b>1,488</b>	<b>1,566</b>
<b>Total Equity</b>	<b>4,484</b>	<b>4,866</b>	<b>5,376</b>	<b>5,918</b>	<b>6,578</b>
<b>Total Equity &amp; Liabilities</b>	<b>6,324</b>	<b>6,688</b>	<b>7,218</b>	<b>7,406</b>	<b>8,145</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 4.

## Company Sector

Computer Services

## Company Description

Ansys (formerly Swanson Analysis Systems, Inc.) was founded in 1970 and went public in 1996. The company is the recognized industry leader in multiphysics engineering simulation software for product design, testing, and operation. Ansys serves a wide array of industrial end markets including aerospace & defense, automotive, electronics, semiconductors, energy, materials processing, machinery, consumer, healthcare, etc. As of 2020, Ansys has 4,800 employees and is headquartered in Canonsburg, PA.

## Investment Rationale

We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

## Stock Data

Average Daily Volume 1,061,817

## Quarterly Earnings Estimates

	2022	2023
Q1	1.36A	1.85A
Q2	1.77A	1.60A
Q3	1.77A	1.41A
Q4	3.09A	3.85E

## Price objective basis & risk

### Ansys, Inc. (ANSS)

We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

## Analyst Certification

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### US - Multi-Industrials/Engineering and Construction Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	APi Group	APG	APG US	Andrew Obin
	AspenTech	AZPN	AZPN US	Andrew Obin
	Atmus Filtration	ATMU	ATMU US	Andrew Obin
	Dover Corp	DOV	DOV US	Andrew Obin
	Eaton Corp PLC	ETN	ETN US	Andrew Obin
	Emerson Electric Co	EMR	EMR US	Andrew Obin
	Flowserve	FLS	FLS US	Andrew Obin
	General Electric Company	GE	GE US	Andrew Obin
	Honeywell International Inc.	HON	HON US	Andrew Obin
	ITT Inc.	ITT	ITT US	Andrew Obin
	Montrose Environmental Group, Inc.	MEG	MEG US	Andrew Obin
	Parker Hannifin Corporation	PH	PH US	Andrew Obin
	PTC Inc.	PTC	PTC US	Andrew Obin
	Rush	RUSHA	RUSHA US	Andrew Obin
	Vertiv	VRT	VRT US	Andrew Obin
	Vontier	VNT	VNT US	Andrew Obin
<b>NEUTRAL</b>				
	3M Company	MMM	MMM US	Andrew Obin
	AMETEK Inc	AME	AME US	Andrew Obin
	Fortive Corporation	FTV	FTV US	Andrew Obin
	Johnson Controls International PLC	JCI	JCI US	Andrew Obin
	Pentair plc	PNR	PNR US	Andrew Obin
	Rockwell	ROK	ROK US	Andrew Obin
	Trane Technologies PLC	TT	TT US	Andrew Obin
<b>UNDERPERFORM</b>				
	Allegion	ALLE	ALLE US	Andrew Obin
	Carrier Global Corp.	CARR	CARR US	Andrew Obin
	Core & Main	CNM	CNM US	Andrew Obin
	Illinois Tool Works	ITW	ITW US	Andrew Obin
	John Bean Technologies	JBT	JBT US	Andrew Obin
	Keysight	KEYS	KEYS US	David Ridley-Lane, CFA



## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

### Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

### Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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Ansys, Inc. (ANSS) Price Chart



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Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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