

## Ansys, Inc.

## 4Q23 earnings review: ACV ahead of consensus; double-digit ACV in '24

Reiterate Rating: NO RATING | PO: NA | Price: 328.63 USD

## 4Q23 ACV in line with BofAe; ahead of consensus

Ansys reported 4Q23 ACV on c.c. growth of +15.9%, accelerating from +10.4% y/y in 3Q23. This comes in line with our forecast, ahead of consensus for +11.8% growth, and within guide for +10.5-16.2% y/y growth. Adj. EPS of \$3.94 came ahead of our \$3.85 estimate and the Street at \$3.71. The company is not offering official guide given the pending acquisition by Synopsys, but previewed double-digit ACV growth on c.c. in FY24. We remain at No Rating given the impending Synopsys acquisition, still expected to close in 1H25. We maintain our estimate for +10.4% ACV on c.c. growth in FY24. We maintain our \$9.58 adj. EPS estimate for 2024.

## Adj. EPS comes in ahead of our forecast

4Q23 ACV on c.c. growth of +15.9% came in line with our forecast. Revenue missed our estimate by (1)%, driven by lower lease (4% miss) and services (7% miss) revenue. Perpetual license sales grew 15% y/y, well above our +3% y/y forecast. Gross margins were in line with our 94.3% forecast. All-in, adjusted gross profit was an \$(0.11) miss on our model. Lower S&GA expenses were a +\$0.14 benefit, and lower R&D expenses were a +\$0.06 benefit, contributing to an \$0.09 operating income beat on our model. Interest expense, interest income, and other expense had a net neutral impact to our model.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	7.99	8.76	9.58	10.86	11.28
GAAP EPS	5.99	5.70	6.44	7.74	8.16
EPS Change (YoY)	8.4%	9.6%	9.4%	13.4%	3.9%
Consensus EPS (Bloomberg)			9.57	10.60	11.97
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	41.1x	37.5x	34.3x	30.3x	29.1x
GAAP P/E	54.9x	57.7x	51.0x	42.5x	40.3x
EV / EBITDA*	31.4x	28.2x	26.4x	22.6x	22.1x
Free Cash Flow Yield*	2.1%	2.4%	2.7%	3.1%	3.5%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 5.

21 February 2024

## Equity

## Key Changes

(US\$)	Previous	Current
2024E Rev (m)	2,526.4	2,463.1
2025E Rev (m)	2,848.5	2,777.6
2026E Rev (m)	2,909.0	2,838.1

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## Stock Data

Price	328.63 USD
Price Objective	NA
Date Established	NA
Investment Opinion	-6-
52-Week Range	258.01 USD - 364.31 USD
Mrkt Val (mn) / Shares Out (mn)	28,597 USD / 87.0
Free Float	99.5%
Average Daily Value (mn)	314.68 USD
BofA Ticker / Exchange	ANSS / NAS
Bloomberg / Reuters	ANSS US / ANSS.OQ
ROE (2024E)	14.7%
Net Dbt to Eqty (Dec-2023A)	-0.1%
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".

ACV – annual contract value

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Timestamp: 21 February 2024 07:22PM EST

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

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	12.6%	13.1%	13.4%	14.1%	13.2%
Return on Equity	15.0%	14.9%	14.7%	15.0%	14.0%
Operating Margin	42.0%	42.6%	42.1%	43.0%	43.1%
Free Cash Flow	607	692	770	897	1,006

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.9x	0.9x	1.0x	1.0x	1.1x
Asset Replacement Ratio	0.2x	0.2x	0.2x	0.2x	0.2x
Tax Rate	18.0%	17.6%	17.5%	19.5%	19.5%
Net Debt-to-Equity Ratio	5.2%	-0.1%	-9.1%	-17.8%	-26.0%
Interest Cover	38.3x	20.5x	23.3x	28.7x	29.4x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	2,073	2,270	2,463	2,778	2,838
% Change	7.3%	9.5%	8.5%	12.8%	2.2%
Gross Profit	1,902	2,093	2,282	2,580	2,639
% Change	8.8%	10.0%	9.0%	13.1%	2.3%
EBITDA	899	1,001	1,070	1,249	1,279
% Change	8.3%	11.4%	6.9%	16.7%	2.4%
Net Interest & Other Income	(17)	(38)	(27)	(22)	(9)
<b>Net Income (Adjusted)</b>	<b>699</b>	<b>766</b>	<b>834</b>	<b>944</b>	<b>978</b>
<b>% Change</b>	<b>7.6%</b>	<b>9.6%</b>	<b>8.9%</b>	<b>13.2%</b>	<b>3.6%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	524	500	561	672	707
Depreciation & Amortization	115	133	130	127	125
Change in Working Capital	(78)	(74)	(135)	(146)	(78)
Deferred Taxation Charge	(131)	(91)	0	0	0
Other Adjustments, Net	202	249	242	273	279
Capital Expenditure	(24)	(25)	(27)	(28)	(26)
<b>Free Cash Flow</b>	<b>607</b>	<b>692</b>	<b>770</b>	<b>897</b>	<b>1,006</b>
<b>% Change</b>	<b>15.2%</b>	<b>14.0%</b>	<b>11.3%</b>	<b>16.6%</b>	<b>12.1%</b>
Share / Issue Repurchase	(270)	(260)	(261)	(287)	(316)
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	(400)	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	614	860	995	1,636	2,363
Trade Receivables	760	865	958	1,081	1,104
Other Current Assets	289	325	360	414	432
Property, Plant & Equipment	81	78	66	53	36
Other Non-Current Assets	4,943	5,196	5,142	5,117	5,047
<b>Total Assets</b>	<b>6,688</b>	<b>7,323</b>	<b>7,521</b>	<b>8,300</b>	<b>8,982</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	795	889	922	994	970
Long-Term Debt	866	854	454	454	454
Other Non-Current Liabilities	161	189	188	206	205
<b>Total Liabilities</b>	<b>1,822</b>	<b>1,933</b>	<b>1,564</b>	<b>1,655</b>	<b>1,629</b>
<b>Total Equity</b>	<b>4,866</b>	<b>5,390</b>	<b>5,957</b>	<b>6,646</b>	<b>7,352</b>
<b>Total Equity &amp; Liabilities</b>	<b>6,688</b>	<b>7,323</b>	<b>7,521</b>	<b>8,300</b>	<b>8,982</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 5.

## 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 957,537

## Quarterly Earnings Estimates

	2023	2024
Q1	1.85A	1.91E
Q2	1.60A	1.85E
Q3	1.41A	1.70E
Q4	3.94A	4.03E

**Exhibit 1: Actual versus variance, 4Q23**

Ansys adj. EPS of \$3.94 was \$0.09 above our \$3.85 estimate

	Actual	Reported	BofA Estimate		Variation Versus BofA Est.			
(in US\$ mn, except per share data)	4Q:22A	4Q:23A	YOY % Chg.	4Q:23E	YOY % Chg.	Dollar	Percentage	EPS
<b>Adjusted Revenue</b>								
Lease	325	400	23%	418	29%	(18)	-4%	
Perpetual	89	103	15%	92	3%	11	12%	
<b>Software licenses</b>	<b>414</b>	<b>502</b>	21%	<b>509</b>	23%	(7)	-1%	
Maintenance	262	283	8%	287	9%	(3)	-1%	
Services	19	20	5%	21	13%	(2)	-7%	
<b>Maintenance and service</b>	<b>281</b>	<b>303</b>	<b>8%</b>	<b>308</b>	<b>10%</b>	<b>(5)</b>	<b>-2%</b>	
<b>TOTAL</b>	<b>695</b>	<b>805</b>	<b>16%</b>	<b>817</b>	<b>18%</b>	<b>(12)</b>	<b>-1%</b>	
Gross Profit (adjusted)	653	759	16%	770	18%	(11)	-1%	\$ (0.11)
<b>Operating Income (adjusted)</b>	<b>333</b>	<b>427</b>	<b>28%</b>	<b>417</b>	<b>25%</b>	<b>10</b>	<b>2%</b>	<b>\$ 0.09</b>
<b>Gross Margin</b>	<b>94.0%</b>	<b>94.3%</b>	<b>20 bp</b>	<b>94.3%</b>	<b>20 bp</b>	<b>0 bp</b>	-	
<b>Operating Margin (adjusted)</b>	<b>48.0%</b>	<b>53.0%</b>	<b>500 bp</b>	<b>51.0%</b>	<b>300 bp</b>	<b>200 bp</b>	-	
<b>Net Sales</b>	<b>695</b>	<b>805</b>	<b>16%</b>	<b>817</b>	<b>18%</b>	(12)	-1%	
COGS	41	46	11%	47	13%	(1)	-2%	
<b>Gross Profit</b>	<b>653</b>	<b>759</b>	<b>16%</b>	<b>770</b>	<b>18%</b>	(11)	<b>-1%</b>	<b>\$ (0.11)</b>
Selling, general and administrative	226	233	3%	248	10%	(15)		\$ 0.14
Research and development	94	99	6%	106	12%	(6)		\$ 0.06
<b>Operating Income (adjusted)</b>	<b>333</b>	<b>427</b>	<b>28%</b>	<b>417</b>	<b>25%</b>	<b>10</b>	<b>2%</b>	<b>\$ 0.09</b>
Interest expense / (income)	9	13	39%	13	38%	0	0%	\$ (0.00)
Interest (income)	(4)	(7)	101%	(4)	0%	(4)	101%	\$ 0.03
Other Expense	(2)	3	NM	-	NM	3	NM	\$ (0.03)
<b>EBT</b>	<b>330</b>	<b>419</b>	<b>27%</b>	<b>408</b>	<b>24%</b>	<b>11</b>	<b>3%</b>	<b>\$ 0.10</b>
Taxes	59	73	23%	71	20%	2	3%	
Tax Rate	18.0%	17.5%	(50 bp)	17.5%	(50 bp)	(0)	0%	\$ 0.00
<b>Net Income (Continuing Operations)</b>	<b>270</b>	<b>345</b>	<b>28%</b>	<b>337</b>	<b>24%</b>	<b>9</b>	<b>3%</b>	<b>\$ 0.10</b>
<b>FULLY DILUTED EPS</b>	<b>\$3.09</b>	<b>\$3.94</b>	<b>28%</b>	<b>\$3.85</b>	<b>24%</b>	<b>\$0.09</b>	<b>3%</b>	<b>\$ -</b>
Diluted Shares Outstanding	87	88	0%	87	0%	0		\$ (0.00)
	Actual	Reported	BofA Estimate		Variation (bp)			
<b>Margin Analysis</b>	<b>4Q:22A</b>	<b>4Q:23A</b>	<b>4Q:23E</b>		<b>BofA Est.</b>	<b>4Q:22A</b>		
COGS	6.0%	5.7%	5.7%		0 bp	(20 bp)		
Gross Margin	94.0%	94.3%	94.3%		0 bp	20 bp		
Selling, general and administrative	32.5%	28.9%	30.3%		140 bp	(360 bp)		
Research and development	13.5%	12.4%	12.9%		60 bp	(120 bp)		
Operating Margin	48.0%	53.0%	51.0%		(200 bp)	500 bp		
EBT Margin	47.5%	52.0%	49.9%		(210 bp)	450 bp		
Net Margin	38.9%	42.9%	41.2%		(170 bp)	400 bp		
Incremental Operating Margin	59.8%	84.6%	68.1%		(1640 bp)	2480 bp		

Source: BofA Global Research, company filings

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## 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

I, Andrew Obin, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### 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

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + 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 &amp; Equivalents

EBIT

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

### Denominator

Total Assets – Current Liabilities + ST Debt + 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

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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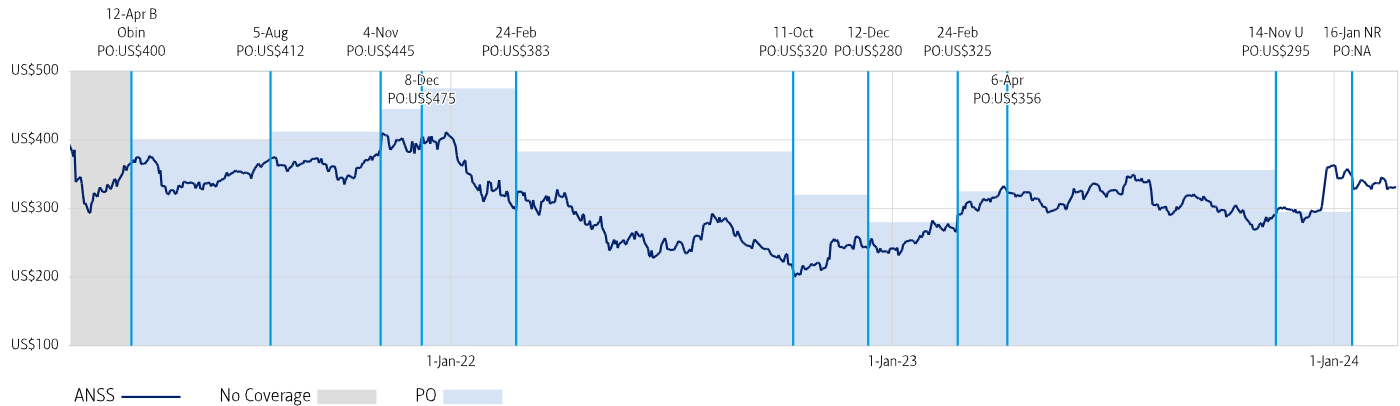
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# Disclosures

## Important Disclosures

### Ansys, Inc. (ANSS) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### 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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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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