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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2025

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: 0-20853

ANSYS, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**04-3219960**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2600 ANSYS Drive, Canonsburg, PA	**15317**
(Address of Principal Executive Offices)	(Zip Code)

844-462-6797

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	**ANSS**	**Nasdaq Stock Market LLC (Nasdaq Global Select Market)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of shares of the Registrant's Common Stock, $0.01 par value per share, outstanding as of April 25, 2025 was 87,916,143 shares.

ANSYS, INC. AND SUBSIDIARIES

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements:

ANSYS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except share and per share data)	March 31, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 1,758,155**	$ 1,446,743
Short-term investments	**70,404**	50,774
Accounts receivable, less allowance for doubtful accounts of $15,200 and $16,500, respectively	**754,655**	1,022,850
Other receivables and current assets	**265,618**	311,126
Total current assets	**2,848,832**	2,831,493
Long-term assets:		
Property and equipment, net	**92,733**	89,646
Operating lease right-of-use assets	**100,440**	105,122
Goodwill	**3,799,809**	3,778,128
Other intangible assets, net	**694,235**	716,244
Other long-term assets	**218,145**	308,333
Deferred income taxes	**226,819**	222,465
Total long-term assets	**5,132,181**	5,219,938
Total assets	**$ 7,981,013**	$ 8,051,431
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 22,249**	$ 27,062
Accrued bonuses and commissions	**40,613**	189,521
Accrued income taxes	**34,319**	15,105
Other accrued expenses and liabilities	**191,604**	204,969
Deferred revenue	**490,318**	504,527
Total current liabilities	**779,103**	941,184
Long-term liabilities:		
Deferred income taxes	**56,027**	55,863
Long-term operating lease liabilities	**81,799**	86,936
Long-term debt	**754,287**	754,208
Other long-term liabilities	**130,322**	126,800
Total long-term liabilities	**1,022,435**	1,023,807
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value; 2,000,000 shares authorized; zero shares issued or outstanding	**—**	—
Common stock, $0.01 par value; 300,000,000 shares authorized; 95,267,307 shares issued	**953**	953
Additional paid-in capital	**1,757,994**	1,790,688
Retained earnings	**5,910,899**	5,859,034
Treasury stock, at cost: 7,353,480 and 7,731,667 shares, respectively	**(1,381,128)**	(1,416,655)
Accumulated other comprehensive loss	**(109,243)**	(147,580)
Total stockholders' equity	**6,179,475**	6,086,440
Total liabilities and stockholders' equity	**$ 7,981,013**	$ 8,051,431

The accompanying notes are an integral part of the condensed consolidated financial statements.

ANSYS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(in thousands, except per share data)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Revenue:		
Software licenses	**$ 159,955**	$ 160,321
Maintenance and service	**344,936**	306,284
Total revenue	**504,891**	466,605
Cost of sales:		
Software licenses	**9,370**	10,044
Amortization	**23,429**	22,484
Maintenance and service	**39,770**	36,139
Total cost of sales	**72,569**	68,667
Gross profit	**432,322**	397,938
Operating expenses:		
Selling, general and administrative	**230,415**	219,643
Research and development	**137,292**	128,811
Amortization	**5,722**	6,145
Total operating expenses	**373,429**	354,599
Operating income	**58,893**	43,339
Interest income	**16,743**	10,995
Interest expense	**(10,177)**	(12,369)
Other expense, net	**(930)**	(1,007)
Income before income tax provision	**64,529**	40,958
Income tax provision	**12,664**	6,180
Net income	**$ 51,865**	$ 34,778
Earnings per share – basic:		
Earnings per share	**$ 0.59**	$ 0.40
Weighted average shares	**87,653**	87,067
Earnings per share – diluted:		
Earnings per share	**$ 0.59**	$ 0.40
Weighted average shares	**88,127**	87,780

The accompanying notes are an integral part of the condensed consolidated financial statements.

ANSYS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended	
(in thousands)	**March 31, 2025**	**March 31, 2024**
Net income	**$ 51,865**	$ 34,778
Other comprehensive income (loss):		
Foreign currency translation adjustments	**38,178**	(21,947)
Unrealized gains (losses) on available-for-sale securities, net of tax	**159**	(77)
Comprehensive income	**$ 90,202**	$ 12,754

The accompanying notes are an integral part of the condensed consolidated financial statements.

ANSYS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
(in thousands)	March 31, 2025	March 31, 2024
Cash flows from operating activities:		
Net income	**$ 51,865**	$ 34,778
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**37,461**	35,536
Operating lease right-of-use assets expense	**5,550**	5,664
Deferred income tax benefit	**(8,038)**	(2,340)
Provision for bad debts	**1,024**	412
Stock-based compensation expense	**70,243**	58,664
Other	**314**	402
Changes in operating assets and liabilities:		
Accounts receivable	**366,832**	264,474
Other receivables and current assets	**48,091**	60,593
Other long-term assets	**564**	(671)
Accounts payable, accrued expenses and current liabilities	**(169,748)**	(147,636)
Accrued income taxes	**18,661**	(6,280)
Deferred revenue	**(20,780)**	(17,714)
Other long-term liabilities	**(3,104)**	(3,065)
Net cash provided by operating activities	**398,935**	282,817
Cash flows from investing activities:		
Capital expenditures	**(11,491)**	(10,543)
Purchases of short-term investments	**(21,233)**	(19,940)
Other investing activities	**2,037**	(3,953)
Net cash used in investing activities	**(30,687)**	(34,436)
Cash flows from financing activities:		
Restricted stock withholding taxes paid in lieu of issued shares	**(68,063)**	(65,089)
Proceeds from shares issued for stock-based compensation	**14**	10,446
Net cash used in financing activities	**(68,049)**	(54,643)
Effect of exchange rate fluctuations on cash and cash equivalents	**11,213**	(3,430)
Net increase in cash and cash equivalents	**311,412**	190,308
Cash and cash equivalents, beginning of period	**1,446,743**	860,201
Cash and cash equivalents, end of period	**$ 1,758,155**	$ 1,050,509
Supplemental disclosure of cash flow information:		
Income taxes paid	**$ 10,057**	$ 16,721
Interest paid	**$ 9,931**	$ 11,939
Non-cash consideration in connection with acquisitions	**$ —**	$ 1,640

The accompanying notes are an integral part of the condensed consolidated financial statements.

ANSYS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
Balance, January 1, 2025	**95,267**	**$ 953**	**$ 1,790,688**	**$ 5,859,034**	**7,732**	**$ (1,416,655)**	**$ (147,580)**	**$ 6,086,440**
Acquisition activity of previously acquired businesses			**484**		**(2)**	**181**		**665**
Stock-based compensation activity			**(33,178)**		**(377)**	**35,346**		**2,168**
Other comprehensive income, net of tax effects							**38,337**	**38,337**
Net income				**51,865**				**51,865**
Balance, March 31, 2025	**95,267**	**$ 953**	**$ 1,757,994**	**$ 5,910,899**	**7,353**	**$ (1,381,128)**	**$ (109,243)**	**$ 6,179,475**

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance, January 1, 2024	95,267	$ 953	$ 1,670,450	$ 5,283,342	8,361	$ (1,474,110)	$ (90,271)	$ 5,390,364
Acquisition activity of previously acquired businesses			1,818		(8)	719		2,537
Stock-based compensation activity			(30,455)		(382)	34,443		3,988
Other comprehensive loss, net of tax effects							(22,024)	(22,024)
Net income				34,778				34,778
Balance, March 31, 2024	95,267	$ 953	$ 1,641,813	$ 5,318,120	7,971	$ (1,438,948)	$ (112,295)	$ 5,409,643

The accompanying notes are an integral part of the condensed consolidated financial statements.

ANSYS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2025
(Unaudited)

1. Organization

ANSYS, Inc. (Ansys, we, us, our) develops and globally markets engineering simulation software and services widely used by engineers, designers, researchers and students across a broad spectrum of industries and academia, including high-tech, aerospace and defense, automotive, energy, industrial equipment, materials and chemicals, consumer products, healthcare and construction.

As defined by the accounting guidance for segment reporting, we operate as one segment.

Given the integrated approach to the multi-discipline problem-solving needs of our customers, a single sale may contain components from multiple product areas and include combined technologies. We also have a multi-year product and integration strategy that will result in new, combined products or changes to the historical product offerings. As a result, it is impracticable for us to provide accurate historical or current reporting among our various product lines.

Pending Acquisition

On January 15, 2024, we entered into an Agreement and Plan of Merger (the Merger Agreement) with Synopsys, Inc., a Delaware corporation (Synopsys), and ALTA Acquisition Corp., a Delaware corporation and wholly owned subsidiary of Synopsys (Merger Sub), under which Synopsys will acquire Ansys. The transaction is anticipated to close in the first half of 2025, subject to the receipt of required regulatory approvals and other customary closing conditions. As part of our efforts to obtain regulatory approval for the merger, we have entered into a definitive agreement with Keysight Technologies, Inc. for the sale of our PowerArtist RTL business. The transaction is subject to customary closing conditions, including review by regulatory authorities, and the closing of Synopsys' proposed acquisition of Ansys. As such, the assets and liabilities of the PowerArtist RTL business have not been classified as assets held for sale in the condensed consolidated balance sheets. The PowerArtist RTL business has not materially contributed to our financial results.

2. Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information for commercial and industrial companies, the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, the accompanying unaudited condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements (and notes thereto) included in our Annual Report on Form 10-K for the year ended December 31, 2024 (2024 Form 10-K). The condensed consolidated December 31, 2024 balance sheet presented is derived from the audited December 31, 2024 balance sheet included in the 2024 Form 10-K. In our opinion, all adjustments considered necessary for a fair presentation of the financial statements have been included, and all adjustments are of a normal and recurring nature. Operating results for the three months ended March 31, 2025 are not necessarily indicative of the results that may be expected for any future period.

Accounting Guidance Issued and Not Yet Adopted

Income tax disclosures: In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes* (Topic 740): *Improvements to Income Tax Disclosures* (ASU 2023-09). ASU 2023-09 requires disclosure of greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. The standard is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The standard only impacts footnote disclosures.

Expense disaggregation disclosures: In November 2024, the FASB issued ASU No. 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures* (Topic 220): *Disaggregation of Income Statement Expenses* (ASU 2024-03). ASU 2024-03 requires disclosure of disaggregation of expense captions. It also includes certain other disclosure requirements to improve the reporting of expense information. The standard is effective for annual periods beginning after December 15, 2026. Early adoption is permitted. The standard only impacts footnote disclosures.

Cash, Cash Equivalents and Short-Term Investments

Cash and cash equivalents consist primarily of highly liquid investments such as deposits held at major banks and money market funds. Cash equivalents are carried at cost, which approximates fair value. Our money market fund balances are held in various funds of a single issuer at March 31, 2025.

Short-term investments consist of available-for-sale debt securities with remaining maturities greater than three months at the date of purchase and time deposits. Investments in debt securities with remaining maturities greater than three months at the date of purchase are designated as short-term available-for-sale securities, as we may convert these investments into cash at any time, including to fund general operations. We invest in debt securities that have an effective maturity term of less than three years. The debt securities are carried at fair value, with unrealized gains and losses included in the condensed consolidated balance sheets as a component of accumulated other comprehensive loss. For available-for-sale debt securities in an unrealized loss position, we evaluate whether a current expected credit loss exists based on available information relevant to the credit rating of the security, current economic conditions and reasonable and supportable forecasts. The allowance for any credit loss will be recorded in other expense, net, on the condensed consolidated statements of income, not to exceed the amount of the unrealized loss. Any excess unrealized loss other than the credit loss is generally recognized in accumulated other comprehensive loss. The cost of securities sold is based on the specific identification method and realized gains and losses are included in other expense, net. To date, we have not recorded any credit loss or realized gains or losses.

3. Revenue from Contracts with Customers

Disaggregation of Revenue

The following table summarizes revenue:

	Three Months Ended	
(in thousands, except percentages)	**March 31, 2025**	**March 31, 2024**
Revenue:		
Subscription lease licenses	**$ 96,919**	$ 94,800
Perpetual licenses	**63,036**	65,521
Software licenses	**159,955**	160,321
Maintenance	**324,392**	289,340
Service	**20,544**	16,944
Maintenance and service	**344,936**	306,284
Total revenue	**$ 504,891**	$ 466,605
Direct revenue, as a percentage of total revenue	**69.1 %**	66.5 %
Indirect revenue, as a percentage of total revenue	**30.9 %**	33.5 %

Our software license revenue is recognized up front, while maintenance and service revenue is recognized over the term of the contract.

Deferred Revenue

Deferred revenue consists of billings made or payments received in advance of revenue recognition from customer agreements. The timing of revenue recognition may differ from the timing of billings to customers. Payment terms vary by the type and location of customer and the products or services offered. The time between invoicing and when payment is due is not significant.

The changes in deferred revenue, inclusive of both current and long-term deferred revenue, during the three months ended March 31, 2025 and 2024 were as follows:

(in thousands)	2025	2024
Beginning balance – January 1	**$ 536,305**	$ 479,754
Deferral of revenue	**482,903**	448,381
Recognition of revenue	**(504,891)**	(466,605)
Currency translation	**6,841**	(6,929)
Ending balance – March 31	**$ 521,158**	$ 454,601

Total revenue allocated to remaining performance obligations as of March 31, 2025 will be recognized as revenue as follows:

(in thousands)	
Next 12 months	**$ 1,001,515**
Months 13-24	**401,781**
Months 25-36	**169,768**
Thereafter	**54,679**
Total revenue allocated to remaining performance obligations	**$ 1,627,743**

Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes both deferred revenue and backlog. Our backlog represents deferred revenue associated with installment billings for periods beyond the current quarterly billing cycle and committed contracts with start dates beyond the end of the current period. Revenue recognized during the three months ended March 31, 2025 and 2024 included amounts in deferred revenue and backlog at the beginning of the period of $351.8 million and $292.8 million, respectively.

4. Acquisitions

During the three months ended March 31, 2025 and 2024 we incurred acquisition-related expenses of $4.8 million and $14.3 million, respectively, primarily consisting of costs for the Merger Agreement with Synopsys and the related divestiture of the PowerArtist RTL business. Acquisition-related expenses are recognized as costs of maintenance and service, selling, general and administrative expenses and research and development expenses on the condensed consolidated statements of income.

5. Cash Equivalents and Short-Term Investments

During the three months ended March 31, 2025, we invested in available-for-sale debt securities, which are included in short-term investments in the condensed consolidated balance sheets. As of March 31, 2025, our cash equivalents and short-term investments were as follows:

	March 31, 2025			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses Less Than 12 Continuous Months	Estimated Fair Value(1)
Cash equivalents:				
Money market funds	$ 556,356	$ —	$ —	$ 556,356
Total cash equivalents	556,356	—	—	556,356
Short-term investments:				
Corporate debt securities	44,556	195	(8)	44,743
Municipal bonds	20,416	53	(27)	20,442
U.S. agency bonds	5,050	—	(16)	5,034
Other short-term investments	185	—	—	185
Total short-term investments	70,207	248	(51)	70,404
Total cash equivalents and short-term investments	$ 626,563	$ 248	$ (51)	$ 626,760

(1) See Note 9, "Fair Value Measurement" for further discussion on fair values.

Of the $44.7 million of corporate debt securities, $3.5 million were in a loss position at March 31, 2025. Of the $20.4 million of municipal bonds, $5.9 million were in a loss position at March 31, 2025. All $5.0 million of the U.S. agency bonds were in a loss position at March 31, 2025.

The unrealized losses presented above are primarily attributable to changes in interest rates. We believe that we have the ability to realize the full value of these investments upon maturity.

The following table outlines maturities of our available-for-sale debt securities as of March 31, 2025:

(in thousands)	Amortized Cost	Fair Value
Less than 1 year	$ 19,958	$ 19,987
1-3 years	50,064	50,232
Total	$ 70,022	$ 70,219

As of December 31, 2024, our cash equivalents and short-term investments were as follows:

	December 31, 2024			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses Less Than 12 Continuous Months	Estimated Fair Value[1]
Cash equivalents:				
Money market funds	$ 410,515	$ —	$ —	$ 410,515
Total cash equivalents	410,515	—	—	410,515
Short-term investments:				
Corporate debt securities	27,149	76	(20)	27,205
Municipal bonds	18,402	39	(59)	18,382
U.S. agency bonds	5,056	—	(51)	5,005
Other short-term investments	182	—	—	182
Total short-term investments	50,789	115	(130)	50,774
Total cash equivalents and short-term investments	$ 461,304	$ 115	$ (130)	$ 461,289

(1) See Note 9, "Fair Value Measurement" for further discussion on fair values.

Of the $27.2 million of corporate debt securities, $5.3 million were in a loss position at December 31, 2024. Of the $18.4 million of municipal bonds, $6.0 million were in a loss position at December 31, 2024. All $5.0 million of the U.S. agency bonds were in a loss position at December 31, 2024.

6. Other Receivables and Current Assets and Other Accrued Expenses and Liabilities

Our other receivables and current assets and other accrued expenses and liabilities comprise the following balances:

(in thousands)	March 31, 2025	December 31, 2024
Receivables related to unrecognized revenue	**$ 175,582**	$ 244,605
Income taxes receivable, including overpayments and refunds	**14,616**	7,755
Prepaid expenses and other current assets	**75,420**	58,766
Total other receivables and current assets	**$ 265,618**	$ 311,126
Payroll-related accruals	**46,532**	16,688
Accrued expenses and other current liabilities	**145,072**	188,281
Total other accrued expenses and liabilities	**$ 191,604**	$ 204,969

Receivables related to unrecognized revenue represent the current portion of billings made for customer contracts that have not yet been recognized as revenue.

7. Earnings Per Share

Basic earnings per share (EPS) amounts are computed by dividing earnings by the weighted average number of common shares outstanding during the period. Diluted EPS amounts assume the issuance of common stock for all potentially dilutive equivalents outstanding. To the extent stock awards are anti-dilutive, they are excluded from the calculation of diluted EPS.

The details of basic and diluted EPS are as follows:

	Three Months Ended	
(in thousands, except per share data)	March 31, 2025	March 31, 2024
Net income	**$ 51,865**	$ 34,778
Weighted average shares outstanding – basic	**87,653**	87,067
Dilutive effect of stock plans	**474**	713
Weighted average shares outstanding – diluted	**88,127**	87,780
Basic earnings per share	**$ 0.59**	$ 0.40
Diluted earnings per share	**$ 0.59**	$ 0.40
Anti-dilutive shares	**18**	53

8. Goodwill and Intangible Assets

Intangible assets are classified as follows:

	March 31, 2025		December 31, 2024	
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangible assets:				
Developed software and core technologies	**$ 1,147,812**	**$ (659,307)**	$ 1,142,840	$ (635,450)
Customer lists	**267,657**	**(98,999)**	261,895	(91,769)
Trade names	**189,918**	**(153,203)**	189,017	(150,646)
Total	**$ 1,605,387**	**$ (911,509)**	$ 1,593,752	$ (877,865)
Indefinite-lived intangible asset:				
Trade name	**$ 357**		$ 357	

Finite-lived intangible assets are amortized over their estimated useful lives of two years to seventeen years.

As of March 31, 2025, estimated future amortization expense for the intangible assets reflected above was as follows:

(in thousands)	
Remainder of 2025	**$ 86,118**
2026	**116,278**
2027	**119,495**
2028	**113,105**
2029	**99,233**
2030	**65,054**
Thereafter	**94,595**
Total intangible assets subject to amortization	**693,878**
Indefinite-lived trade name	**357**
Other intangible assets, net	**$ 694,235**

The changes in goodwill during the three months ended March 31, 2025 and 2024 were as follows:

(in thousands)	**2025**	2024
Beginning balance – January 1	**$ 3,778,128**	$ 3,805,874
Acquisitions and adjustments[1]	—	2,872
Currency translation	**21,681**	(10,887)
Ending balance – March 31	**$ 3,799,809**	$ 3,797,859

[1] In accordance with the accounting for business combinations, we recorded adjustments to goodwill for the effect of changes in the provisional fair values of the assets acquired and liabilities assumed during the measurement period (up to one year from the acquisition date) as we obtained new information about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date.

During the first quarter of 2025, we completed the annual impairment test for goodwill and the indefinite-lived intangible asset and determined that these assets had not been impaired as of the test date, January 1, 2025. No events or circumstances changed during the three months ended March 31, 2025 that would indicate that the fair values of our reporting unit and indefinite-lived intangible asset are below their carrying amounts.

9. Fair Value Measurement

The valuation hierarchy for disclosure of assets and liabilities reported at fair value prioritizes the inputs for such valuations into three broad levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; or
- Level 3: unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value.

A financial asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Our debt is classified within Level 2 of the fair value hierarchy because these borrowings are not actively traded and have a variable interest rate structure based upon market rates. The carrying amount of our debt approximates the estimated fair value. See Note 11, "Debt", for additional information on our borrowings.

The following tables provide the assets carried at fair value and measured on a recurring basis:

		Fair Value Measurements at Reporting Date Using:		
(in thousands)	**March 31, 2025**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Cash equivalents:				
Money market funds	**$ 556,356**	**$ 556,356**	**$ —**	$ —
Short-term investments:				
Corporate debt securities	**$ 44,743**	**$ —**	**$ 44,743**	**$ —**
Municipal bonds	**$ 20,442**	**$ —**	**$ 20,442**	**$ —**
U.S. agency bonds	**$ 5,034**	**$ —**	**$ 5,034**	**$ —**
Other short-term investments	**$ 185**	**$ —**	**$ 185**	**$ —**
Deferred compensation plan investments	**$ 2,486**	**$ 2,486**	**$ —**	**$ —**
Equity securities	**$ 777**	**$ 777**	**$ —**	**$ —**

		Fair Value Measurements at Reporting Date Using:		
(in thousands)	**December 31, 2024**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Cash equivalents:				
Money market funds	$ 410,515	$ 410,515	$ —	$ —
Short-term investments:				
Corporate debt securities	$ 27,205	$ —	$ 27,205	**$ —**
Municipal bonds	$ 18,382	$ —	$ 18,382	**$ —**
U.S. agency bonds	$ 5,005	$ —	$ 5,005	**$ —**
Other short-term investments	$ 182	$ —	$ 182	$ —
Deferred compensation plan investments	$ 2,459	$ 2,459	$ —	$ —
Equity securities	$ 785	$ 785	$ —	$ —

The cash equivalents in the preceding tables represent money market funds, valued at net asset value, with carrying values which approximate their fair values because of their short-term nature.

The short-term investments in the preceding tables represent available-for-sale debt securities and time deposits.

The deferred compensation plan investments in the preceding tables represent trading securities held in a rabbi trust for the benefit of non-employee directors. These securities consist of mutual funds traded in an active market with quoted prices. As a result, the plan assets are classified as Level 1 in the fair value hierarchy. The plan assets are recorded within other long-term assets on our condensed consolidated balance sheets.

The equity securities represent our investment in a publicly traded company. These securities are traded in an active market with quoted prices. As a result, the securities are classified as Level 1 in the fair value hierarchy. The securities are recorded within other long-term assets on our condensed consolidated balance sheets.

10. Leases

Our right-of-use assets and lease liabilities primarily include operating leases for office space. Our executive offices and those related to certain domestic product development, marketing, production and administration are located in a 186,000 square foot office facility in Canonsburg, Pennsylvania. The term of the lease is 183 months, which began on October 1, 2014 and expires on December 31, 2029. The lease agreement includes an option to renew the contract through August 2044. No options are included in the lease liability. Absent the exercise of options in the lease, our remaining base rent (inclusive of property taxes and certain operating costs) is $4.7 million per annum for 2025 - 2029.

The components of our global lease cost reflected in the condensed consolidated statements of income are as follows:

	Three Months Ended	
(in thousands)	**March 31, 2025**	**March 31, 2024**
Lease liability cost	**$ 7,002**	$ 7,328
Variable lease cost not included in the lease liability[1]	**1,287**	1,383
Total lease cost	**$ 8,289**	$ 8,711

[1] Variable lease cost includes common area maintenance, property taxes, utilities and fluctuations in rent due to a change in an index or rate.

Other information related to operating leases is as follows:

	Three Months Ended	
(in thousands)	**March 31, 2025**	**March 31, 2024**
Cash paid for amounts included in the measurement of the lease liability:		
Operating cash flows from operating leases	**$ (7,215)**	$ (7,213)
Right-of-use assets obtained in exchange for new operating lease liabilities	**$ 103**	$ 1,389

	As of March 31,	
	2025	**2024**
Weighted-average remaining lease term of operating leases	**5.7 years**	6.2 years
Weighted-average discount rate of operating leases	**3.4 %**	3.4 %

The maturity schedule of the operating lease liabilities as of March 31, 2025 is as follows:

(in thousands)		
Remainder of 2025	$	**21,455**
2026		**23,783**
2027		**19,262**
2028		**17,540**
2029		**12,659**
Thereafter		**22,148**
Total future lease payments		**116,847**
Less: Present value adjustment		**(10,229)**
Present value of future lease payments[1]	**$**	**106,618**

[1] Includes the current portion of operating lease liabilities of $24.8 million, which is reflected in other accrued expenses and liabilities in the condensed consolidated balance sheets.

There were no material leases that have been signed but not yet commenced as of March 31, 2025.

11. Debt

On June 30, 2022, we entered into a credit agreement (as amended, the 2022 Credit Agreement) with PNC Bank, National Association, as administrative agent, swing line lender, and an L/C issuer, the lenders party thereto, and the other L/C issuers party thereto. The 2022 Credit Agreement refinanced our previous credit agreements in their entirety. Terms used in this description of the 2022 Credit Agreement with initial capital letters that are not otherwise defined herein are as defined in the 2022 Credit Agreement.

The 2022 Credit Agreement provides for a $755.0 million unsecured term loan facility and a $500.0 million unsecured revolving loan facility, which includes a $50.0 million sublimit for the issuance of letters of credit. The revolving loan facility is available for working capital and general corporate purposes. Each of the term loan facility and the revolving loan facility matures on June 30, 2027.

Borrowings under the term loan and revolving loan facilities accrue interest at a rate that is based on the Term SOFR plus an applicable margin or at the base rate plus an applicable margin, at our election. The base rate is the highest of (i) the Overnight Bank Funding Rate, plus 0.500%, (ii) the PNC Bank, National Association prime rate, and (iii) Daily Simple SOFR plus an adjustment for SOFR plus 1.00%. The applicable margin for the borrowings is a percentage per annum based on the lower of (1) a pricing level determined by our then-current consolidated net leverage ratio and (2) a pricing level determined by our public debt rating (if available).

On September 29, 2023, the 2022 Credit Agreement was amended to provide for an interest rate adjustment (Sustainability Rate Adjustment) based upon the achievement of certain environmental, social and governance key performance indicators (KPIs). The Sustainability Rate Adjustment range is +/- 0.05% and will be adjusted annually based on the KPIs of the preceding year.

The 2022 Credit Agreement also provides for the option to add certain foreign subsidiaries as borrowers and to borrow in Euros, Sterling, Yen and Swiss Francs under the revolving loan facility, up to a sublimit of $150.0 million. Borrowings under the revolving loan facility denominated in these currencies will accrue interest at a rate that is based on (a) for Euros, €STR, (b) for Sterling, SONIA, (c) for Yen, TONAR and (d) for Swiss Francs, SARON, plus an applicable margin calculated as described above.

Under the 2022 Credit Agreement, the weighted average interest rate in effect for the three months ended March 31, 2025 was 5.25%, as compared to 6.32% for the three months ended March 31, 2024. The rate in effect at March 31, 2025 under the 2022 Credit Agreement is 5.25%.

The 2022 Credit Agreement contains customary representations and warranties, affirmative and negative covenants and events of default. The 2022 Credit Agreement also contains a financial covenant requiring us and our subsidiaries to maintain a consolidated net leverage ratio not in excess of 3.50 to 1.00 as of the end of any fiscal quarter (for the four-quarter period ending on such date) with an opportunity for a temporary increase in such consolidated net leverage ratio to 4.00 to 1.00 upon the consummation of certain qualified acquisitions for which the aggregate consideration is at least $250.0 million.

As of March 31, 2025, we had $755.0 million of borrowings outstanding under the term loan, with a carrying value of $754.3 million, which is net of $0.7 million of unamortized debt discounts and issuance costs. The total amount was included in long-term debt. As of March 31, 2025, no borrowings were outstanding under the revolving loan facility.

As of December 31, 2024, we had $755.0 million of borrowings outstanding under the term loan, with a carrying value of $754.2 million, which is net of $0.8 million of unamortized debt discounts and issuance costs. The total amount was included in long-term debt. As of December 31, 2024, no borrowings were outstanding under the revolving loan facility.

We were in compliance with all covenants under the 2022 Credit Agreement as of March 31, 2025 and December 31, 2024.

12. Income Taxes

Our income before income tax provision, income tax provision and effective tax rates were as follows:

	Three Months Ended	
(in thousands, except percentages)	**March 31, 2025**	**March 31, 2024**
Income before income tax provision	**$ 64,529**	$ 40,958
Income tax provision	**$ 12,664**	$ 6,180
Effective tax rate	**19.6 %**	15.1 %

13. Stock-Based Compensation

Total stock-based compensation expense and its net impact on basic and diluted earnings per share are as follows:

	Three Months Ended	
(in thousands)	**March 31, 2025**	**March 31, 2024**
Cost of sales:		
Maintenance and service	**$ 3,977**	$ 3,343
Operating expenses:		
Selling, general and administrative	**42,429**	34,208
Research and development	**23,837**	21,113
Stock-based compensation expense before taxes	**70,243**	58,664
Related income tax benefits	**(26,475)**	(23,243)
Stock-based compensation expense, net of taxes	**$ 43,768**	$ 35,421

14. Geographic Information

Revenue to external customers is attributed to individual countries based upon the location of the customer. Revenue by geographic area is as follows:

	Three Months Ended	
(in thousands)	**March 31, 2025**	**March 31, 2024**
United States	**$ 220,065**	$ 199,948
Japan	**43,297**	36,532
China and Hong Kong	**43,010**	44,934
Germany	**35,021**	36,198
South Korea	**26,369**	24,370
Other Europe, Middle East and Africa (EMEA)	**83,839**	82,417
Other international	**53,290**	42,206
Total revenue	**$ 504,891**	$ 466,605

Property and equipment by geographic area is as follows:

(in thousands)	March 31, 2025	December 31, 2024
United States	**$ 67,220**	$ 65,731
India	**6,167**	6,280
France	**5,169**	4,975
Other EMEA	**7,084**	6,279
Other international	**7,093**	6,381
Total property and equipment, net	**$ 92,733**	$ 89,646

15. Contingencies and Commitments

We are subject to various claims, investigations, and legal and regulatory proceedings that arise in the ordinary course of business, including, but not limited to, commercial disputes, labor and employment matters, tax audits, alleged infringement of third parties' intellectual property rights and other matters. In our opinion, the resolution of pending matters is not expected to have a material adverse effect on our consolidated results of operations, cash flows or financial position. However, each of these matters is subject to various uncertainties and it is possible that an unfavorable resolution of one or more of these proceedings could materially affect our consolidated results of operations, cash flows or financial position.

Our Indian subsidiary has several service tax audits pending that have resulted in formal inquiries being received on transactions through mid-2012. We could incur tax charges and related liabilities of $7.2 million. As such charges are not probable at this time, an estimated liability has not been recorded on the condensed consolidated balance sheet as of March 31, 2025. The service tax issues raised in our notices and inquiries are very similar to the case, M/s Microsoft Corporation (I) (P) Ltd. Vs. Commissioner of Service Tax, New Delhi, wherein the Delhi Customs, Excise and Service Tax Appellate Tribunal (CESTAT) issued a favorable ruling to Microsoft. The Microsoft ruling was subsequently challenged in the Supreme Court of India by the Indian tax authority and a decision is still pending. We can provide no assurances on the impact that the present Microsoft case's decision will have on our cases, however, an unfavorable ruling in the Microsoft case may impact our assessment of probability and result in the recording of a $7.2 million estimated liability. We are uncertain as to when these service tax matters will be concluded.

We sell software licenses and services to our customers under contractual agreements. Such agreements generally include certain provisions indemnifying the customer against claims, by third parties, of infringement or misappropriation of their intellectual property rights arising from such customer's usage of our products or services. To date, payments related to these indemnification provisions have been immaterial. For several reasons, including the lack of prior material indemnification claims, we cannot determine the maximum amount of potential future payments, if any, related to such indemnification provisions.

16. Segment Disclosure

We develop and globally market engineering simulation software. As defined by the accounting guidance for segment reporting, we operate as one segment. Our Chief Operating Decision Maker (CODM) is Ajei Gopal, President and Chief Executive Officer. The financial information provided to and used by the CODM assists in making operational decisions and allocating resources, such as the allocation of personnel. The annual budgeting process is the primary mechanism used to make these decisions. The financial information also helps in making performance assessments using budgeted versus actual results. The profit and loss measure reviewed by the CODM is net income. Segment disclosures, including significant segment expenses, are detailed below:

	Three Months Ended	
(in thousands)	**March 31, 2025**	**March 31, 2024**
Revenue	**$ 504,891**	$ 466,605
Salaries	**(157,642)**	(150,451)
Stock-based compensation	**(70,243)**	(58,664)
Incentive compensation[1]	**(33,310)**	(31,321)
Amortization of intangible assets from acquisitions	**(29,151)**	(28,629)
Depreciation	**(8,528)**	(7,000)
Other headcount-related expenses	**(55,141)**	(49,990)
Interest income	**16,743**	10,995
Interest expense	**(10,177)**	(12,369)
Other segment expenses, net[2]	**(92,913)**	(98,218)
Income tax provision	**(12,664)**	(6,180)
Net income	**$ 51,865**	$ 34,778

[1] Incentive compensation includes bonuses and commissions.
[2] Other segment expenses, net consists primarily of IT maintenance and software hosting costs, marketing expenses, consulting and professional fees, acquisition-related costs and facilities costs.

The measure of segment assets is reported on the condensed consolidated balance sheet as total assets. The measure of expenditures for long-lived assets is reported on the condensed consolidated statements of cash flows as capital expenditures.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and notes thereto for the three months ended March 31, 2025, and with our audited consolidated financial statements and notes thereto for the year ended December 31, 2024 included in the 2024 Form 10-K filed with the Securities and Exchange Commission (SEC). The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles (GAAP).

Business

Ansys, a corporation formed in 1994, develops and globally markets engineering simulation software and services widely used by engineers, designers, researchers and students across a broad spectrum of industries and academia, including high-tech, aerospace and defense, automotive, energy, industrial equipment, materials and chemicals, consumer products, healthcare and construction. Headquartered south of Pittsburgh, Pennsylvania, we employed 6,600 and 6,500 people as of March 31, 2025 and December 31, 2024, respectively. We focus on the development of open and flexible solutions that enable users to analyze designs on-premises and/or via the cloud, providing a common platform for fast, efficient and cost-conscious product development, from design concept to final-stage testing, validation and deployment. We distribute our suite of simulation technologies through direct sales offices in strategic, global locations and a global network of independent resellers and distributors (collectively, channel partners). It is our intention to continue to maintain this hybrid sales and distribution model. We operate and report as one segment.

When visionary companies need to know how their world-changing ideas will perform, they close the gap between design and reality using Ansys simulation. For more than 50 years, Ansys software has enabled innovators across industries to push the boundaries of product design by using the predictive power of simulation. From sustainable transportation and advanced satellite systems to life-saving medical devices, Ansys powers innovation that drives human advancement.

Our strategy of Pervasive Insights seeks to deepen the use of simulation in our core market, to inject simulation throughout the product lifecycle and extend the accessibility to a broader set of users and use cases. Our business has three vectors of growth:

- More products. Our broad and deep multiphysics portfolio enables us to grow with customers as they use simulation to solve more complex problems across a broad set of industries.
- More users. Investments in simulation education and user experience simplification has made simulation more accessible to a broader user base.
- More computations. Larger and more complex simulations drive more computation, requiring customers to use more Ansys licenses to complete their simulations.

Through decades of investments in the academic community and enhanced user experiences, our solutions have become accessible and relevant beyond our core "engineering" end user, to reach more users upstream and downstream from our core, which is the product validation process. Our multiphysics solutions enable our customers to address increasingly complex research and development (R&D) challenges from the component through the system and mission level of analysis. Our products seamlessly enable access to high performance compute capacity to run simulations, on-premises or in the cloud, which means our customers' R&D teams are unencumbered by compute capacity limitations that can hinder R&D cycle times. Through our updated product strategy, we have embraced five key technology pillars: numerics, high-performance computing (HPC), cloud, artificial intelligence (AI) and machine learning (ML), and digital engineering. Innovation across these pillars has helped us transform and modernize processes and techniques across our business and deliver products that our customers rely on to win in the marketplace. For example, our investments in AI capabilities across our simulation portfolio and technical support services enhance the customer experience, democratize and accelerate simulation, unlock greater design exploration and further next-generation innovation.

The engineering simulation software market is strong and growing. The market growth is driven by customers' need for rapid, quality innovation in a cost-efficient manner, enabling faster time to market for new products, streamlined certification and lower warranty costs. Increasing product complexity is driving sustained demand for simulations. Key industry trends fueling customers' increasing needs for simulation include:

- Electrification;
- Autonomy;
- Connectivity;
- The industrial internet of things (IIoT);

- Digital transformation/shift to fully digital engineering ecosystem; and
- Sustainability, including minimizing waste and physical prototyping, and improving circularity and development time.

We have been investing and intend to continue to invest in our portfolio to broaden the range of physics and enable customers to analyze the interactions among physics at the component, system and mission level. Our strategy of Pervasive Insights is aligned with the near-term market growth opportunities and is laying the foundation for a future where simulation can be further democratized to broader classes of end users and end-use cases. In addition, we have and expect to continue to partner with industry leaders to extend simulation into other ecosystems and customer R&D workflows.

We license our technology to businesses in a wide range of industries, educational institutions and governmental agencies. We believe that the features, functionality and integrated multiphysics capabilities of our software products are as strong as they have ever been. The software business is generally characterized by long sales cycles which increase the difficulty of predicting sales for any particular quarter. We make many operational and strategic decisions based upon short- and long-term sales forecasts that are impacted not only by these long sales cycles, but also by current global economic conditions. As a result, we believe that our overall performance is best measured by fiscal year results rather than by quarterly results.

We address the competition and price pressure that we face in the short- and long-term by focusing on expanding the breadth, depth, ease of use and quality of the technologies, features, functionality and integrated multiphysics capabilities of our software products as compared to our competitors; investing in research and development to develop new and innovative products and increasing the capabilities of our existing products; maintaining a diverse industry footprint and focusing on customer needs, training, consulting and support; and enhancing our distribution channels. We also evaluate and execute strategic acquisitions to supplement our global engineering talent, product offerings and distribution channels.

Synopsys Merger Agreement

On January 15, 2024, we entered into the Merger Agreement with Synopsys and Merger Sub. The Merger Agreement provides for the merger of Merger Sub with and into Ansys, with Ansys surviving the merger as a wholly owned subsidiary of Synopsys. Our Board of Directors and stockholders have approved the Merger Agreement. If the merger is consummated, our common stock will be delisted from the Nasdaq Global Select Market and deregistered under the Exchange Act.

The completion of the merger is subject to customary closing conditions, including, among others, approval of the merger under certain applicable antitrust and foreign investment regimes. We currently expect the transaction to close in the first half of 2025.

Since our 2024 Annual Form 10-K filing, the U.K. Competition and Markets Authority has formally cleared the transaction in Phase 1 subject to previously announced divestitures. Additionally, Ansys and Synopsys have received clearances from the Turkey Competition Authority, Japan Fair Trade Commission, Korea Fair Trade Commission and Taiwan Fair Trade Commission. We continue to work with the regulators in other relevant jurisdictions to conclude their reviews.

As part of our efforts to obtain regulatory approval for the merger, we have entered into a definitive agreement with Keysight Technologies, Inc. for the sale of our PowerArtist RTL business. The transaction is subject to customary closing conditions, including review by regulatory authorities, and the closing of Synopsys' proposed acquisition of Ansys. The PowerArtist RTL business has not materially contributed to our financial results.

Overview

Overall GAAP and Non-GAAP Results

This section includes a discussion of GAAP and non-GAAP results. For reconciliations of non-GAAP results to GAAP results, see the section titled "Non-GAAP Results" herein.

The 2025 and 2024 period non-GAAP results exclude the income statement effects of stock-based compensation, excess payroll taxes related to stock-based compensation, amortization of acquired intangible assets, expenses related to business combinations and adjustments for the income tax effect of the excluded items.

Our GAAP and non-GAAP results for the three months ended March 31, 2025 as compared to the three months ended March 31, 2024 reflected the following variances:

	Three Months Ended March 31, 2025
Revenue	**8.2 %**
GAAP Operating income	**35.9 %**
Non-GAAP Operating income	**12.5 %**
GAAP Diluted earnings per share	**47.5 %**
Non-GAAP Diluted earnings per share	**18.0 %**

Our results were driven by an increase in maintenance revenue during the three months ended March 31, 2025. We also experienced increased operating expenses during the three months ended March 31, 2025, primarily due to increased personnel costs. Quarterly dynamics may not be representative of the momentum in our business given the shifting mix of license types and renewal cycles that can be volatile quarter to quarter. This further highlights the importance of measuring our results based on our fiscal year rather than individual quarters.

This section includes a discussion of constant currency results, which we use for financial and operational decision-making and as a means to evaluate period-to-period comparisons by excluding the effects of foreign currency fluctuations on the reported results. All constant currency results presented in this Item 2 exclude the effects of foreign currency fluctuations on the reported results. To present this information, the 2025 period results for entities whose functional currency is a currency other than the U.S. Dollar were converted to U.S. Dollars at rates that were in effect for the 2024 comparable period, rather than the actual exchange rates in effect for the 2025 period. Constant currency growth rates are calculated by adjusting the 2025 period reported amounts by the 2025 period currency fluctuation impacts and comparing to the 2024 comparable period reported amounts.

Impact of Foreign Currency

Our comparative financial results were impacted by fluctuations in the U.S. Dollar during the three months ended March 31, 2025 as compared to the three months ended March 31, 2024. The impacts on our revenue and operating income as a result of the fluctuations of the U.S. Dollar when measured against our foreign currencies based on 2024 period exchange rates are reflected in the table below. Amounts in parenthesis indicate an adverse impact from currency fluctuations.

(in thousands)	Three Months Ended March 31, 2025	
Revenue	**$**	**(7,679)**
GAAP Operating income	**$**	**(2,848)**
Non-GAAP Operating income	**$**	**(3,044)**

In constant currency, our variances were as follows:

	Three Months Ended March 31, 2025
Revenue	**9.9 %**
GAAP Operating income	**42.5 %**
Non-GAAP Operating income	**14.6 %**

Other Key Business Metric

Annual Contract Value (ACV) is a key performance metric and is useful to investors in assessing the strength and trajectory of our business. ACV is a supplemental metric to help evaluate the annual performance of the business. Over the life of the contract, ACV equals the total value realized from a customer. ACV is not impacted by the timing of license revenue recognition. ACV is used by management in financial and operational decision-making and in setting sales targets used for compensation. ACV is not a replacement for, and should be viewed independently of, GAAP revenue and deferred revenue as ACV is a performance metric and is not intended to be combined with any of these items. There is no GAAP measure comparable to ACV. ACV is composed of the following:

- the annualized value of maintenance and subscription lease contracts with start dates or anniversary dates during the period, plus
- the value of perpetual license contracts with start dates during the period, plus
- the annualized value of fixed-term services contracts with start dates or anniversary dates during the period, plus
- the value of work performed during the period on fixed-deliverable services contracts.

When we refer to the anniversary dates in the definition of ACV above, we are referencing the date of the beginning of the next twelve-month period in a contractually committed multi-year contract. If a contract is three years in duration, with a start date of July 1, 2025, the anniversary dates would be July 1, 2026 and July 1, 2027. We label these anniversary dates as they are contractually committed. While this contract would be up for renewal on July 1, 2028, our ACV performance metric does not assume any contract renewals.

Example 1: For purposes of calculating ACV, a $100,000 subscription lease contract or a $100,000 maintenance contract with a term of July 1, 2025 – June 30, 2026 would each contribute $100,000 to ACV for fiscal year 2025 with no contribution to ACV for fiscal year 2026.

Example 2: For purposes of calculating ACV, a $300,000 subscription lease contract or a $300,000 maintenance contract with a term of July 1, 2025 – June 30, 2028 would each contribute $100,000 to ACV in each of fiscal years 2025, 2026 and 2027. There would be no contribution to ACV for fiscal year 2028 as each period captures the full annual value upon the anniversary date.

Example 3: A perpetual license valued at $200,000 with a contract start date of March 1, 2025 would contribute $200,000 to ACV in fiscal year 2025.

During the three months ended March 31, 2025 and 2024 our ACV was as follows:

	Three Months Ended March 31,						
(in thousands, except percentages)	2025		2024	Change			
	Actual	Constant Currency	Actual	Actual		Constant Currency	
	Amount			Amount	%	Amount	%
ACV	**$ 410,068**	$ 416,640	$ 407,405	$ 2,663	0.7	$ 9,235	2.3

ACV for the three months ended March 31, 2025 was impacted by timing of subscription lease license renewals. We expect double-digit fiscal year 2025 ACV growth.

Recurring ACV includes both subscription lease license and maintenance ACV and excludes perpetual license and service ACV. Our trailing twelve-month recurring ACV, converted from the functional currency to U.S. Dollars at the 2024 period monthly average exchange rates, was as follows:

	Twelve Months Ended March 31,		Change	
(in thousands, except percentages)	2025	2024	Amount	%
Recurring ACV at 2024 monthly average exchange rates	**$ 2,179,361**	$ 1,920,836	$ 258,525	13.5

Industry Commentary:

High-tech, aerospace & defense (A&D) and automotive continue to be our leading industries in 2025. In high tech, our customers are leveraging our solutions to optimize and analyze increasingly complex chip designs. Demand for leading-edge chip technologies remains strong as edge computing, AI and data centers proliferate. Within the A&D industry, our customers remain focused on optimizing sustainability in commercial aviation, and maturing digital engineering adoption to manage the complexity of connected space and defense systems. Despite uncertainty in the automotive industry, competitive pressures continue to drive innovation in areas such as electric and hybrid-electric vehicles. Our solutions remain crucial as automotive customers pursue accelerated product development cycles and opportunities to cut costs. Additionally, first quarter growth in the energy sector has been fueled by our customers working to meet growing power generation demand spurred by data center expansion, increased manufacturing and electrification. Our core physics solvers accelerated by HPC are being used to optimize product performance and resolve in-field operation issues.

Geographic Trends:

The following table presents our geographic revenue variances using actual and constant currency rates during the three months ended March 31, 2025 as compared to the three months ended March 31, 2024:

	Three Months Ended March 31, 2025	
	Actual	**Constant Currency**
Americas	**10.4 %**	10.5 %
EMEA	**0.2 %**	2.6 %
Asia-Pacific	**11.7 %**	15.0 %
Total	**8.2 %**	9.9 %

The value and duration of multi-year subscription lease contracts executed during the period significantly impact the recognition of revenue. As a result, revenue may fluctuate, particularly on a quarterly basis, due to the timing of such contracts, relative differences in duration of long-term contracts from quarter to quarter and changes in the mix of license types sold compared to the prior year. Large swings in revenue growth rates are not necessarily indicative of customers' software usage changes or cash flows during the periods presented. To drive growth, we continue to focus on a number of sales improvement activities across our geographic regions, including sales hiring, pipeline building, productivity initiatives and customer engagement activities.

Use of Estimates:

The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to contract revenue, standalone selling prices of our products and services, allowance for doubtful accounts receivable, valuation of goodwill and other intangible assets, useful lives for depreciation and amortization, operating lease assets and liabilities, fair values of stock awards, deferred compensation, income taxes, uncertain tax positions, tax valuation reserves, and contingencies and litigation. We base our estimates on historical experience, market experience, estimated future cash flows and various other assumptions that management believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Forward-Looking Information

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements are statements that provide current expectations or forecasts of future events based on certain assumptions. Forward-looking statements are subject to risks, uncertainties, and factors relating to our business which could cause our actual results to differ materially from the expectations expressed in or implied by such forward-looking statements.

Forward-looking statements use words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “intend,” “likely,” “may,” “outlook,” “plan,” “predict,” “project,” “should,” “target” or other words of similar meaning. Forward-looking statements include those about the proposed transaction with Synopsys, including the expected date of closing and the potential benefits thereof, and other aspects of future operations. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

The risks associated with the following, among others, could cause actual results to differ materially from those described in any forward-looking statements:

- our ability to complete the proposed transaction with Synopsys on anticipated terms and timing, including completing the associated divestiture of our PowerArtist RTL business and obtaining regulatory approvals, and other conditions related to the completion of the transaction with Synopsys;

- the realization of the anticipated benefits of the proposed transaction with Synopsys, including potential disruptions to our and Synopsys’ businesses and commercial relationships with others resulting from the announcement, pendency or completion of the proposed transaction and uncertainty as to the long-term value of Synopsys’ common stock;

- restrictions on our operations during the pendency of the proposed transaction with Synopsys that could impact our ability to pursue certain business opportunities or strategic transactions, including tuck-in M&A;

- adverse conditions in the macroeconomic environment, including inflation, recessionary conditions and volatility in equity and foreign exchange markets;

- political, economic and regulatory uncertainties in the countries and regions in which we operate;

- impacts from tariffs, trade sanctions, export controls or other trade barriers, including export control restrictions and licensing requirements for exports to China;

- impacts resulting from the conflict between Israel and Hamas and other countries and groups in the Middle East, including impacts from changes to diplomatic relations and trade policy between the United States and other countries resulting from the conflict;

- impacts from changes to diplomatic relations and trade policy between the United States and Russia or between the United States and other countries that may support Russia or take similar actions due to the conflict between Russia and Ukraine;

- constrained credit and liquidity due to disruptions in the global economy and financial markets, which may limit or delay availability of credit under our existing or new credit facilities, or which may limit our ability to obtain credit or financing on acceptable terms or at all;

- our ability to timely recruit and retain key personnel in a highly competitive labor market, including potential financial impacts of wage inflation and potential impacts due to the proposed transaction with Synopsys;

- our ability to protect our proprietary technology; cybersecurity threats or other security breaches, including in relation to breaches occurring through our products and an increased level of our activity that is occurring from remote global off-site locations; and disclosure or misuse of employee or customer data whether as a result of a cybersecurity incident or otherwise;

- volatility in our revenue due to the timing, duration and value of multi-year subscription lease contracts; and our reliance on high renewal rates for annual subscription lease and maintenance contracts;

- declines in our customers' businesses resulting in adverse changes in procurement patterns; disruptions in accounts receivable and cash flow due to customers' liquidity challenges and commercial deterioration; uncertainties regarding demand for our products and services in the future and our customers' acceptance of new products; delays or declines in anticipated sales due to reduced or altered sales and marketing interactions with customers; and potential variations in our sales forecast compared to actual sales;

- our ability and our channel partners' ability to comply with laws and regulations in relevant jurisdictions; and the outcome of contingencies, including legal proceedings, government or regulatory investigations and tax audit cases;

- uncertainty regarding income tax estimates in the jurisdictions in which we operate; and the effect of changes in tax laws and regulations in the jurisdictions in which we operate;

- the quality of our products, including the strength of features, functionality and integrated multiphysics capabilities; our ability to develop and market new products to address the industry's rapidly changing technology, including the use of artificial intelligence and machine learning in our products as well as the products of our competitors; failures or errors in our products and services; and increased pricing pressure as a result of the competitive environment in which we operate;

- investments in complementary companies, products, services and technologies; our ability to complete and successfully integrate our acquisitions and realize the financial and business benefits of such transactions; and the impact indebtedness incurred in connection with any acquisition could have on our operations;

- investments in global sales and marketing organizations and global business infrastructure, and dependence on our channel partners for the distribution of our products;

- current and potential future impacts of any global health crisis, natural disaster or catastrophe; the actions taken to address these events by our customers, our suppliers, and regulatory authorities; the resulting effects on our business, the global economy and our consolidated financial statements; and other public health and safety risks and related government actions or mandates;

- operational disruptions generally or specifically in connection with transitions to and from remote work environments; and the failure of our technological infrastructure or those of the service providers upon whom we rely including for infrastructure and cloud services;

- our intention to repatriate previously taxed earnings and to reinvest all other earnings of our non-U.S. subsidiaries;

- plans for future capital spending and the extent of corporate benefits from such spending; and higher than anticipated costs for research and development or a slowdown in our research and development activities;

- our ability to execute on our strategies related to environmental, social and governance matters, and meet evolving and varied expectations, including as a result of evolving regulatory and other standards, processes and assumptions, the pace of scientific and technological developments, increased costs and the availability of requisite financing, and changes in carbon markets; and

- other risks and uncertainties described in our reports filed from time to time with the Securities and Exchange Commission (the SEC).

Results of Operations

The results of operations discussed below are on a GAAP basis unless otherwise stated.

Three Months Ended March 31, 2025 Compared to Three Months Ended March 31, 2024

Revenue:

(in thousands, except percentages)	Three Months Ended March 31, 2025 GAAP	2025 Constant Currency Amount	2024 GAAP	Change GAAP Amount	Change GAAP %	Change Constant Currency Amount	Change Constant Currency %
Revenue:							
Subscription lease licenses	**$ 96,919**	$ 98,588	$ 94,800	$ 2,119	2.2	$ 3,788	4.0
Perpetual licenses	**63,036**	63,630	65,521	(2,485)	(3.8)	(1,891)	(2.9)
Software licenses	**159,955**	162,218	160,321	(366)	(0.2)	1,897	1.2
Maintenance	**324,392**	329,601	289,340	35,052	12.1	40,261	13.9
Service	**20,544**	20,751	16,944	3,600	21.2	3,807	22.5
Maintenance and service	**344,936**	350,352	306,284	38,652	12.6	44,068	14.4
Total revenue	**$ 504,891**	$ 512,570	$ 466,605	$ 38,286	8.2	$ 45,965	9.9

Revenue for the three months ended March 31, 2025 increased 8.2% compared to the three months ended March 31, 2024, or 9.9% in constant currency. Maintenance revenue growth of 12.1%, or 13.9% in constant currency, is correlated with license sales and is driven substantially by our existing customer base. The reported $35.1 million growth in maintenance revenue was attributable to a $32.8 million increase in maintenance associated with lease licenses and a $2.3 million increase in maintenance associated with perpetual sales. Service revenue increased 21.2%, or 22.5% in constant currency, as compared to the prior-year quarter, primarily driven by an increase in consulting work across various industries including automotive and A&D in the EMEA region. Subscription lease license revenue increased 2.2%, or 4.0% in constant currency, as compared to the three months ended March 31, 2024, with substantially all of the increase attributable to incremental sales to our existing customers. The reported $2.1 million increase in lease license revenue was attributable to a $5.9 million increase in value from multi-year licenses, partially offset by a $3.8 million decrease in value from annual licenses. Perpetual license revenue, which is derived from new sales during the three months ended March 31, 2025, decreased 3.8%, or 2.9% in constant currency, as compared to the three months ended March 31, 2024. Driving the decrease in perpetual license revenue was a 13.8% decrease in the volume of deals, partially offset by a 10.0% increase in average deal size, net of currency impacts.

With respect to revenue, on average for the three months ended March 31, 2025, the U.S. Dollar was 3.5% stronger, when measured against our foreign currencies, than for the three months ended March 31, 2024. The table below presents the net impacts of currency fluctuations on revenue for the three months ended March 31, 2025. Amounts in parenthesis indicate an adverse impact from currency fluctuations.

(in thousands)	Three Months Ended March 31, 2025
Euro	**$ (2,847)**
South Korean Won	**(2,431)**
Japanese Yen	**(881)**
Other	**(1,520)**
Total	**$ (7,679)**

As a percentage of revenue, our international and domestic revenues, and our direct and indirect revenues, were as follows:

	Three Months Ended March 31,	
	2025	2024
International	**56.4 %**	57.1 %
Domestic	**43.6 %**	42.9 %
Direct	**69.1 %**	66.5 %
Indirect	**30.9 %**	33.5 %

Deferred Revenue and Backlog:

Deferred revenue consists of billings made or payments received in advance of revenue recognition from customer agreements. The deferred revenue on our condensed consolidated balance sheet does not represent the total value of annual or multi-year, noncancellable agreements. Our backlog represents deferred revenue associated with installment billings for periods beyond the current quarterly billing cycle and committed contracts with start dates beyond the end of the current period. Our deferred revenue and backlog as of March 31, 2025 and December 31, 2024 consisted of the following:

	Balance at March 31, 2025		
(in thousands)	Total	Current	Long-Term
Deferred revenue	**$ 521,158**	**$ 490,318**	**$ 30,840**
Backlog	**1,106,585**	**511,197**	**595,388**
Total	**$ 1,627,743**	**$ 1,001,515**	**$ 626,228**

	Balance at December 31, 2024		
(in thousands)	Total	Current	Long-Term
Deferred revenue	$ 536,305	$ 504,527	$ 31,778
Backlog	1,181,962	524,617	657,345
Total	$ 1,718,267	$ 1,029,144	$ 689,123

Revenue associated with deferred revenue and backlog that will be recognized in the subsequent twelve months is classified as current in the tables above.

Cost of Sales and Operating Expenses:

The tables below reflect our operating results on both a GAAP and constant currency basis. Amounts included in the discussions that follow each table are provided in constant currency. The impact of foreign exchange translation is discussed separately, where material.

	Three Months Ended March 31,								Change			
	2025				2024							
	GAAP		Constant Currency		GAAP				GAAP		Constant Currency	
(in thousands, except percentages)	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue			Amount	%	Amount	%
Cost of sales:												
Software licenses	**$ 9,370**	**1.9**	$ 9,442	1.8	$ 10,044	2.2			$ (674)	(6.7)	$ (602)	(6.0)
Amortization	**23,429**	**4.6**	23,518	4.6	22,484	4.8			945	4.2	1,034	4.6
Maintenance and service	**39,770**	**7.9**	40,441	7.9	36,139	7.7			3,631	10.0	4,302	11.9
Total cost of sales	**72,569**	**14.4**	73,401	14.3	68,667	14.7			3,902	5.7	4,734	6.9
Gross profit	**$ 432,322**	**85.6**	$ 439,169	85.7	$ 397,938	85.3			$ 34,384	8.6	$ 41,231	10.4

Amortization: The increase in amortization expense was due to acquired intangible assets related to our business combinations.

Maintenance and Service: The net increase in maintenance and service costs was primarily due to the following:

- Increased salaries and other-headcount related costs of $1.9 million.
- Increased stock-based compensation of $0.6 million.
- Decreased costs related to foreign exchange translation of $0.7 million due to a stronger U.S Dollar.

The improvement in gross profit was a result of the increase in revenue, partially offset by the increase in the cost of sales.

	Three Months Ended March 31,											
	2025				2024		Change			
	GAAP		Constant Currency		GAAP		GAAP		Constant Currency	
(in thousands, except percentages)	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	%	Amount	%
Operating expenses:										
Selling, general and administrative	**$ 230,415**	**45.6**	$ 232,785	45.4	$ 219,643	47.1	$ 10,772	4.9	$ 13,142	6.0
Research and development	**137,292**	**27.2**	138,848	27.1	128,811	27.6	8,481	6.6	10,037	7.8
Amortization	**5,722**	**1.1**	5,795	1.1	6,145	1.3	(423)	(6.9)	(350)	(5.7)
Total operating expenses	**373,429**	**74.0**	377,428	73.6	354,599	76.0	18,830	5.3	22,829	6.4
Operating income	**$ 58,893**	**11.7**	$ 61,741	12.0	$ 43,339	9.3	$ 15,554	35.9	$ 18,402	42.5

Selling, General and Administrative: The net increase in selling, general and administrative costs was primarily due to the following:

- Increased salaries, incentive compensation and other headcount-related costs of $8.6 million.
- Increased stock-based compensation of $8.2 million.
- Increased marketing expenses of $1.9 million.
- Increased consulting and professional fees of $0.9 million.
- Increased depreciation of $0.9 million.
- Decreased acquisition costs of $9.7 million, primarily due to costs related to the Merger Agreement with Synopsys.
- Decreased costs related to foreign exchange translation of $2.4 million due to a stronger U.S Dollar.

Research and Development: The net increase in research and development costs was primarily due to the following:

- Increased salaries, incentive compensation and other headcount-related costs of $6.9 million.
- Increased stock-based compensation of $2.7 million.
- Decreased costs related to foreign exchange translation of $1.6 million due to a stronger U.S Dollar.

The impacts from currency fluctuations resulted in decreased operating income of $2.8 million for the three months ended March 31, 2025 as compared to the three months ended March 31, 2024.

Interest Income: Interest income for the three months ended March 31, 2025 was $16.7 million as compared to $11.0 million for the three months ended March 31, 2024. Interest income increased as a result of a higher invested cash balance, partially offset by a lower interest rate environment and a decrease in the average rate of return on invested cash balances.

Interest Expense: Interest expense for the three months ended March 31, 2025 was $10.2 million as compared to $12.4 million for the three months ended March 31, 2024. Interest expense decreased as a result of a lower interest rate environment.

Income Tax Provision: Our income before income tax provision, income tax provision and effective tax rates were as follows:

	Three Months Ended March 31,	
(in thousands, except percentages)	**2025**	**2024**
Income before income tax provision	**$ 64,529**	$ 40,958
Income tax provision	**$ 12,664**	$ 6,180
Effective tax rate	**19.6 %**	15.1 %

The increase in the effective tax rate for the three months ended March 31, 2025 compared to the three months ended March 31, 2024 was primarily due to a relative decrease in benefits related to stock-based compensation and research and development credits as compared to income before income tax provision.

When compared to the federal and state combined statutory rate for each respective period, the effective tax rates for the three months ended March 31, 2025 and March 31, 2024 were favorably impacted by tax benefits from stock-based compensation, the foreign-derived intangible income (FDII) deduction and research and development credits, partially offset by the impact of non-deductible compensation.

Net Income: Our net income, diluted earnings per share and weighted average shares used in computing diluted earnings per share were as follows:

	Three Months Ended March 31,	
(in thousands, except per share data)	**2025**	**2024**
Net income	**$ 51,865**	$ 34,778
Diluted earnings per share	**$ 0.59**	$ 0.40
Weighted average shares outstanding - diluted	**88,127**	87,780

Non-GAAP Results

We provide non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP operating income, non-GAAP operating profit margin, non-GAAP net income and non-GAAP diluted earnings per share as supplemental measures to GAAP regarding our operational performance. These financial measures exclude the impact of certain items and, therefore, have not been calculated in accordance with GAAP. A detailed explanation and a reconciliation of each non-GAAP financial measure to its most comparable GAAP financial measure are included below, as applicable.

ANSYS, INC. AND SUBSIDIARIES
Reconciliations of GAAP to Non-GAAP Measures
(Unaudited)

	Three Months Ended March 31, 2025					
(in thousands, except percentages and per share data)	**Gross Profit**	**% of Revenue**	**Operating Income**	**% of Revenue**	**Net Income**	**EPS - Diluted[1]**
Total GAAP	**$ 432,322**	**85.6 %**	**$ 58,893**	**11.7 %**	**$ 51,865**	**$ 0.59**
Stock-based compensation expense	**3,977**	**0.8 %**	**70,243**	**14.0 %**	**70,243**	**0.80**
Excess payroll taxes related to stock-based awards	**354**	**0.1 %**	**6,016**	**1.2 %**	**6,016**	**0.07**
Amortization of intangible assets from acquisitions	**23,429**	**4.6 %**	**29,151**	**5.7 %**	**29,151**	**0.33**
Expenses related to business combinations	**405**	**0.1 %**	**4,787**	**0.9 %**	**4,787**	**0.05**
Adjustment for income tax effect	**—**	**— %**	**—**	**— %**	**(17,913)**	**(0.20)**
Total non-GAAP	**$ 460,487**	**91.2 %**	**$ 169,090**	**33.5 %**	**$ 144,149**	**$ 1.64**

[1] Diluted weighted average shares were 88,127.

	Three Months Ended March 31, 2024					
(in thousands, except percentages and per share data)	**Gross Profit**	**% of Revenue**	**Operating Income**	**% of Revenue**	**Net Income**	**EPS - Diluted[1]**
Total GAAP	$ 397,938	85.3 %	$ 43,339	9.3 %	$ 34,778	$ 0.40
Stock-based compensation expense	3,343	0.7 %	58,664	12.7 %	58,664	0.66
Excess payroll taxes related to stock-based awards	378	0.1 %	5,362	1.1 %	5,362	0.06
Amortization of intangible assets from acquisitions	22,484	4.8 %	28,629	6.1 %	28,629	0.33
Expenses related to business combinations	—	— %	14,261	3.0 %	14,261	0.16
Adjustment for income tax effect	—	— %	—	— %	(19,698)	(0.22)
Total non-GAAP	$ 424,143	90.9 %	$ 150,255	32.2 %	$ 121,996	$ 1.39

[1] Diluted weighted average shares were 87,780.

We use non-GAAP financial measures (a) to evaluate our historical and prospective financial performance as well as our performance relative to our competitors, (b) to set internal sales targets and spending budgets, (c) to allocate resources, (d) to measure operational profitability and the accuracy of forecasting, (e) to assess financial discipline over operational expenditures and (f) as an important factor in determining variable compensation for management and employees. In addition, many financial analysts that follow us focus on and publish both historical results and future projections based on non-GAAP financial measures. We believe that it is in the best interest of our investors to provide this information to analysts so that they accurately report the non-GAAP financial information. Moreover, investors have historically requested, and we have historically reported, these non-GAAP financial measures as a means of providing consistent and comparable information with past reports of financial results.

While we believe that these non-GAAP financial measures provide useful supplemental information to investors, there are limitations associated with the use of these non-GAAP financial measures. These non-GAAP financial measures are not prepared in accordance with GAAP, are not reported by all our competitors and may not be directly comparable to similarly titled measures of our competitors due to potential differences in the exact method of calculation. We compensate for these limitations by using these non-GAAP financial measures as supplements to GAAP financial measures and by reviewing the reconciliations of the non-GAAP financial measures to their most comparable GAAP financial measures.

The adjustments to these non-GAAP financial measures, and the basis for such adjustments, are outlined below:

Amortization of intangible assets from acquisitions. We incur amortization of intangible assets, included in our GAAP presentation of amortization expense, related to various acquisitions we have made. We exclude these expenses for the purpose of calculating non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP operating income, non-GAAP operating profit margin, non-GAAP net income and non-GAAP diluted earnings per share when we evaluate our continuing operational performance because these costs are fixed at the time of an acquisition, are then amortized over a period of several years after the acquisition and generally cannot be changed or influenced by us after the acquisition. Accordingly, we do not consider these expenses for purposes of evaluating our performance during the applicable time period after the acquisition, and we exclude such expenses when making decisions to allocate resources. We believe that these non-GAAP financial measures are useful to investors because they allow investors to (a) evaluate the effectiveness of the methodology and information used by us in our financial and operational decision-making, and (b) compare our past reports of financial results as we have historically reported these non-GAAP financial measures.

Stock-based compensation expense. We incur expense related to stock-based compensation included in our GAAP presentation of cost of maintenance and service; research and development expense; and selling, general and administrative expense. We also incur excess payroll tax expense related to stock-based compensation, which is an additional non-GAAP adjustment. Although stock-based compensation is an expense and viewed as a form of compensation, we exclude these expenses for the purpose of calculating non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP operating income, non-GAAP operating profit margin, non-GAAP net income and non-GAAP diluted earnings per share when we evaluate our continuing operational performance. Specifically, we exclude stock-based compensation during our annual budgeting process and our quarterly and annual assessments of our performance. The annual budgeting process is the primary mechanism whereby we allocate resources to various initiatives and operational requirements. Additionally, the annual review by our Board of Directors during which it compares our historical business model and profitability to the planned business model and profitability for the forthcoming year excludes the impact of stock-based compensation. In evaluating the performance of our senior management and department managers, charges related to stock-based compensation are excluded from expenditure and profitability results. In fact, we record stock-based compensation expense into a stand-alone cost center for which no single operational manager is responsible or accountable. In this way, we can review, on a period-to-period basis, each manager's performance and assess financial discipline over operational expenditures without the effect of stock-based compensation. We believe that these non-GAAP financial measures are useful to investors because they allow investors to (a) evaluate our operating results and the effectiveness of the methodology used by us to review our operating results, and (b) review historical comparability in our financial reporting as well as comparability with competitors' operating results.

Expenses related to business combinations. We incur expenses for professional services rendered in connection with acquisitions and divestitures, which are included in our GAAP presentation of selling, general and administrative expense. We also incur other expenses directly related to business combinations, including compensation expenses and concurrent restructuring activities, such as employee severances and other exit costs. These costs are included in our GAAP presentation of cost of maintenance and service, selling, general and administrative and research and development expenses. We exclude these acquisition-related expenses for the purpose of calculating non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP operating income, non-GAAP operating profit margin, non-GAAP net income and non-GAAP diluted earnings per share when we evaluate our continuing operational performance, as we generally would not have otherwise incurred these expenses in the periods presented as a part of our operations. We believe that these non-GAAP financial measures are useful to investors because they allow investors to (a) evaluate our operating results and the effectiveness of the methodology used by us to review our operating results, and (b) review historical comparability in our financial reporting as well as comparability with competitors' operating results.

Non-GAAP tax provision. We utilize a normalized non-GAAP annual effective tax rate (AETR) to calculate non-GAAP measures. This methodology provides better consistency across interim reporting periods by eliminating the effects of non-recurring items and aligning the non-GAAP tax rate with our expected geographic earnings mix. To project this rate, we analyzed our historic and projected non-GAAP earnings mix by geography along with other factors such as our current tax structure, recurring tax credits and incentives, and expected tax positions. On an annual basis we re-evaluate and update this rate for significant items that may materially affect our projections.

Non-GAAP financial measures are not in accordance with, or an alternative for, GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP.

We have provided a reconciliation of the non-GAAP financial measures to the most directly comparable GAAP financial measures as listed below:

GAAP Reporting Measure	Non-GAAP Reporting Measure
Gross Profit	Non-GAAP Gross Profit
Gross Profit Margin	Non-GAAP Gross Profit Margin
Operating Income	Non-GAAP Operating Income
Operating Profit Margin	Non-GAAP Operating Profit Margin
Net Income	Non-GAAP Net Income
Diluted Earnings Per Share	Non-GAAP Diluted Earnings Per Share

Constant currency. In addition to the non-GAAP financial measures detailed above, we use constant currency results for financial and operational decision-making and as a means to evaluate period-to-period comparisons by excluding the effects of foreign currency fluctuations on the reported results. To present this information, the 2025 period results for entities whose functional currency is a currency other than the U.S. Dollar were converted to U.S. Dollars at rates that were in effect for the 2024 comparable period, rather than the actual exchange rates in effect for the 2025 period. Constant currency growth rates are calculated by adjusting the 2025 period reported amounts by the 2025 currency fluctuation impacts and comparing the adjusted amounts to the 2024 comparable period reported amounts. We believe that these non-GAAP financial measures are useful to investors because they allow investors to (a) evaluate the effectiveness of the methodology and information used by us in our financial and operational decision-making, and (b) compare our reported results to our past reports of financial results without the effects of foreign currency fluctuations.

Liquidity and Capital Resources

(in thousands, except percentages)	March 31, 2025	December 31, 2024	Change Amount	Change %
Cash, cash equivalents and short-term investments	**$ 1,828,559**	$ 1,497,517	$ 331,042	22.1
Working capital	**$ 2,069,729**	$ 1,890,309	$ 179,420	9.5

Cash, Cash Equivalents and Short-Term Investments

Cash and cash equivalents consist primarily of highly liquid investments such as money market funds and deposits held at major banks. Short-term investments consist of available-for-sale debt securities with remaining maturities greater than three months at the date of purchase and time deposits. The following table presents our foreign and domestic holdings of cash, cash equivalents and short-term investments as of March 31, 2025 and December 31, 2024:

(in thousands, except percentages)	March 31, 2025	% of Total	December 31, 2024	% of Total
Domestic	**$ 1,473,560**	**80.6**	$ 1,052,003	70.2
Foreign	**354,999**	**19.4**	445,514	29.8
Total	**$ 1,828,559**		$ 1,497,517	

In general, it is our intention to permanently reinvest all earnings in excess of previously taxed amounts. Substantially all of the pre-2018 earnings of our non-U.S. subsidiaries were taxed through the transition tax and post-2018 current earnings are taxed as part of global intangible low-taxed income tax expense. These taxes increase our previously taxed earnings and allow for the repatriation of the majority of our foreign earnings without any residual U.S. federal tax. Unrecognized provisions for taxes on indefinitely reinvested undistributed earnings of foreign subsidiaries would not be significant.

The amount of cash, cash equivalents and short-term investments held by foreign subsidiaries is subject to translation adjustments caused by changes in foreign currency exchange rates as of the end of each respective reporting period, the offset to which is recorded in accumulated other comprehensive loss on our condensed consolidated balance sheet.

Cash Flows from Operating Activities

(in thousands, except percentages)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Change Amount	Change %
Net cash provided by operating activities	**$ 398,935**	$ 282,817	$ 116,118	41.1

Net cash provided by operating activities increased during the three months ended March 31, 2025 compared to the three months ended March 31, 2024. The increase in net cash provided by operating activities was a result of increased customer receipts and decreased income tax payments, partially offset by increased payments related to higher operating expenses, as compared to the three months ended March 31, 2024.

Cash Flows from Investing Activities

(in thousands, except percentages)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Change Amount	Change %
Net cash used in investing activities	**$ (30,687)**	$ (34,436)	$ 3,749	10.9

Net cash used in investing activities decreased by $3.7 million during the three months ended March 31, 2025 compared to the three months ended March 31, 2024 due to the purchase of an intangible asset in the first quarter of 2024 of $4.0 million and increased maturities of short-term investments of $2.0 million, partially offset by increased purchases of short-term investments of $1.3 million and capital expenditures of $0.9 million. We currently plan capital spending of $45.0 million to $55.0 million during fiscal year 2025 as compared to the $44.0 million that was spent in fiscal year 2024. The level of spending will depend on various factors, including the growth of the business and general economic conditions.

Cash Flows from Financing Activities

(in thousands, except percentages)	Three Months Ended March 31, 2025	2024	Change Amount	%
Net cash used in financing activities	**$ (68,049)**	$ (54,643)	$ (13,406)	(24.5)

Net cash used in financing activities increased during the three months ended March 31, 2025 compared to the three months ended March 31, 2024 due to decreased proceeds from shares issued for stock-based compensation of $10.4 million and increased restricted stock withholding taxes paid in lieu of issuing shares of $3.0 million.

Other Cash Flow Information

On June 30, 2022, we entered into a credit agreement (as amended, the 2022 Credit Agreement) with PNC Bank, National Association as administrative agent, swing line lender, and an L/C issuer, the lenders party thereto, and the other L/C issuers party thereto. The 2022 Credit Agreement refinanced our previous credit agreements in their entirety. The 2022 Credit Agreement provides for a $755.0 million unsecured term loan facility and a $500.0 million unsecured revolving loan facility. Terms used in this description of the 2022 Credit Agreement with initial capital letters that are not otherwise defined herein are as defined in the 2022 Credit Agreement.

As of March 31, 2025, the carrying value of our term loan was $754.3 million, with no principal payments due in the next twelve months. Borrowings under the term loan and revolving loan facilities accrue interest at a rate that is based on the Term SOFR plus an applicable margin or at the base rate plus an applicable margin, at our election. The base rate is the highest of (i) the Overnight Bank Funding Rate, plus 0.500%, (ii) the PNC Bank, National Association prime rate, and (iii) Daily Simple SOFR plus an adjustment for SOFR plus 1.00%. The applicable margin for the borrowings is a percentage per annum based on the lower of (1) a pricing level determined by our then-current consolidated net leverage ratio and (2) a pricing level determined by our public debt rating (if available).

On September 29, 2023, the 2022 Credit Agreement was amended to provide for an interest rate adjustment (Sustainability Rate Adjustment) based upon the achievement of certain environmental, social and governance key performance indicators (KPIs). The Sustainability Rate Adjustment range is +/- 0.05% and will be adjusted annually based on the KPIs of the preceding year.

The rate in effect at March 31, 2025 under the 2022 Credit Agreement is 5.25%.

We previously entered into operating lease commitments, primarily for our domestic and international offices. The commitments related to these operating leases is $116.8 million, of which $27.8 million is due in the next twelve months.

We continue to generate positive cash flows from operating activities and believe that the best uses of our excess cash are to invest in the business; acquire or make investments in complementary companies, products, services and technologies; and make payments on our outstanding debt balances. Any future acquisitions may be funded by available cash and investments, cash generated from operations, debt financing or the issuance of additional securities.

We believe that existing cash and cash equivalent balances, together with cash generated from operations and access to our $500.0 million revolving loan facility, will be sufficient to meet our working capital, capital expenditure requirements and contractual obligations through at least the next twelve months and the foreseeable future thereafter. Our cash requirements in the future may also be financed through additional equity or debt financings. However, future disruptions in the capital markets, including as a result of global macroeconomic conditions, could make financing more challenging, and there can be no assurance that such financing can be obtained on commercially reasonable terms, or at all.

Contractual and Other Obligations

There were no material changes to our significant contractual and other obligations during the three months ended March 31, 2025 as compared to those previously reported within "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2024 Form 10-K.

Critical Accounting Estimates

During the first quarter of 2025, we completed the annual impairment test for goodwill and the indefinite-lived intangible asset and determined that these assets had not been impaired as of the test date, January 1, 2025. No events or circumstances changed during the three months ended March 31, 2025 that would indicate that the fair values of our reporting unit and indefinite-lived intangible asset are below their carrying amounts.

No significant changes have occurred to our critical accounting estimates as previously reported within "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2024 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Risk. As we operate in international regions, a portion of our revenue, expenses, cash, accounts receivable and payment obligations are denominated in foreign currencies. As a result, changes in currency exchange rates will affect our financial position, results of operations and cash flows. We seek to reduce our currency exchange transaction risks primarily through our normal operating and treasury activities, including the use of derivative instruments.

With respect to revenue, on average for the three months ended March 31, 2025, the U.S. Dollar was 3.5% stronger, when measured against our foreign currencies, than for the three months ended March 31, 2024. The table below presents the net impacts of currency fluctuations on revenue for the three months ended March 31, 2025. Amounts in parenthesis indicate a net adverse impact from currency fluctuations.

(in thousands)	Three Months Ended March 31, 2025
Euro	$ (2,847)
South Korean Won	(2,431)
Japanese Yen	(881)
Other	(1,520)
Total	$ (7,679)

The impacts from currency fluctuations resulted in decreased operating income of $2.8 million for the three months ended March 31, 2025 as compared to the three months ended March 31, 2024.

A hypothetical 10% strengthening in the U.S. Dollar against other currencies would have decreased our revenue by $22.2 million and decreased our operating income by $5.7 million for the three months ended March 31, 2025.

The most meaningful currency impacts on revenue and operating income are typically attributable to U.S. Dollar exchange rate changes against the Euro and Japanese Yen. Historical exchange rates for these currency pairs are reflected in the charts below:

	Period-End Exchange Rates	
As of	EUR/USD	USD/JPY
March 31, 2025	**1.08**	**150**
December 31, 2024	1.04	157
March 31, 2024	1.08	151

	Average Exchange Rates	
Three Months Ended	EUR/USD	USD/JPY
March 31, 2025	**1.05**	**152**
March 31, 2024	1.09	148

Interest Rate Risk. Changes in the overall level of interest rates affect the interest income that is generated from our cash, cash equivalents and short-term investments and the interest expense that is incurred from our outstanding borrowings. For the three months ended March 31, 2025, interest income was $16.7 million and interest expense was $10.2 million.

Cash and cash equivalents consist primarily of highly liquid investments such as money market funds and deposits held at major banks. Short-term investments consist of available-for-sale debt securities with remaining maturities greater than three months at the date of purchase and time deposits. A hypothetical 100 basis point change in interest rates on these holdings could have an $18.3 million impact on our financial results.

Our outstanding term loan borrowings of $755.0 million as of March 31, 2025 accrue interest at a rate that is based on the Term SOFR plus an applicable margin or at the base rate plus an applicable margin, at our election. The base rate is the highest of (i) the Overnight Bank Funding Rate, plus 0.500%, (ii) the PNC Bank, National Association prime rate, and (iii) Daily Simple SOFR plus an adjustment for SOFR plus 1.00%. The applicable margin for the borrowings is a percentage per annum based on the lower of (1) a pricing level determined by our then-current consolidated net leverage ratio and (2) a pricing level determined by our public debt rating (if available).

On September 29, 2023, the 2022 Credit Agreement was amended to provide for an interest rate adjustment (Sustainability Rate Adjustment) based upon the achievement of certain environmental, social and governance key performance indicators (KPIs). The Sustainability Rate Adjustment range is +/- 0.05% and will be adjusted annually based on the KPIs of the preceding year.

Because interest rates applicable to the outstanding borrowings are variable, we are exposed to interest rate risk from changes in the underlying index rates, which affects our interest expense. A hypothetical increase of 100 basis points in interest rates would result in an increase in interest expense and a corresponding decrease in cash flows of $7.7 million over the next twelve months, based on outstanding borrowings at March 31, 2025.

No other material change has occurred in our market risk subsequent to December 31, 2024.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. As required by Rules 13a-15 and 15d-15 of the Exchange Act, we have evaluated, with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that such disclosure controls and procedures are effective, as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act.

We believe, based on our knowledge, that the financial statements and other financial information included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows as of and for the periods presented in this report. We are committed to both a sound internal control environment and to good corporate governance.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

From time to time, we review the disclosure controls and procedures, and may periodically make changes to enhance their effectiveness and to ensure that our systems evolve with our business.

Changes in Internal Control. There were no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2025 that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to various claims, investigations and legal and regulatory proceedings that arise in the ordinary course of business, including, but not limited to, commercial disputes, labor and employment matters, tax audits, alleged infringement of third parties' intellectual property rights and other matters. Use or distribution of our products could generate product liability, regulatory infraction, or claims by our customers, end users, channel partners, government entities or third parties. Sales and marketing activities that impact processing of personal data, as well as measures taken to promote license compliance against pirated or unauthorized usage of our commercial products, may also result in claims by customers and individual employees of customers or by non-customers using pirated versions of our products. Each of these matters is subject to various uncertainties, and it is possible that an unfavorable resolution of one or more of these matters could have a significant adverse effect on our condensed consolidated financial statements as well as cause reputational damage. In our opinion, the resolution of pending matters is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

Item 1A. Risk Factors

We face a number of risks that could materially and adversely affect our business, prospects, financial condition, results of operations and cash flows. A discussion of our risk factors can be found in Part I, Item 1A "Risk Factors" in our 2024 Form 10-K. No material changes have occurred to such risk factors after the filing of our 2024 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Trading Arrangements

None of the directors or "officers" of ANSYS, Inc. (as defined in Rule 16a-1(f) promulgated under the Exchange Act of 1934, as amended) adopted, modified, or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K, during the fiscal quarter ended March 31, 2025.

Item 6. Exhibits

Exhibit No.	Exhibit
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ANSYS, Inc.

Date:	April 30, 2025	By:	/s/ *Ajei S. Gopal*
			Ajei S. Gopal President and Chief Executive Officer (Principal Executive Officer)
Date:	April 30, 2025	By:	/s/ *Rachel Pyles*
			Rachel Pyles Chief Financial Officer and Senior Vice President of Finance (Principal Financial Officer)