

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 September 30, 2024
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
(State or other jurisdiction of incorporation or organization)
2600 ANSYS Drive, Canonsburg, PA
(Address of Principal Executive Offices)

04-3219960
(I.R.S. Employer Identification No.)
15317
(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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 November 1, 2024 was 87,449,954 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)

	September 30, 2024	December 31, 2023
<i>(in thousands, except share and per share data)</i>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,246,057	\$ 860,201
Short-term investments	49,212	189
Accounts receivable, less allowance for doubtful accounts of \$16,500 and \$20,700, respectively	782,674	864,526
Other receivables and current assets	270,135	324,651
Total current assets	2,348,078	2,049,567
Long-term assets:		
Property and equipment, net	87,134	77,780
Operating lease right-of-use assets	106,727	116,980
Goodwill	3,818,560	3,805,874
Other intangible assets, net	756,712	835,417
Other long-term assets	276,551	273,030
Deferred income taxes	214,311	164,227
Total long-term assets	5,259,995	5,273,308
Total assets	\$ 7,608,073	\$ 7,322,875
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 16,394	\$ 22,772
Accrued bonuses and commissions	107,926	170,909
Accrued income taxes	26,781	22,454
Other accrued expenses and liabilities	176,201	215,645
Deferred revenue	427,188	457,514
Total current liabilities	754,490	889,294
Long-term liabilities:		
Deferred income taxes	55,704	75,301
Long-term operating lease liabilities	88,830	100,505
Long-term debt	754,128	753,891
Other long-term liabilities	126,145	113,520
Total long-term liabilities	1,024,807	1,043,217
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	1,750,243	1,670,450
Retained earnings	5,576,346	5,283,342
Treasury stock, at cost: 7,843,557 and 8,361,447 shares, respectively	(1,427,128)	(1,474,110)
Accumulated other comprehensive loss	(71,638)	(90,271)
Total stockholders' equity	5,828,776	5,390,364
Total liabilities and stockholders' equity	\$ 7,608,073	\$ 7,322,875

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<i>(in thousands, except per share data)</i>				
Revenue:				
Software licenses	\$ 276,948	\$ 162,422	\$ 720,501	\$ 586,471
Maintenance and service	324,944	296,373	942,134	878,370
Total revenue	601,892	458,795	1,662,635	1,464,841
Cost of sales:				
Software licenses	11,067	8,692	32,420	29,095
Amortization	21,890	20,707	66,759	60,404
Maintenance and service	36,152	35,858	107,952	111,750
Total cost of sales	69,109	65,257	207,131	201,249
Gross profit	532,783	393,538	1,455,504	1,263,592
Operating expenses:				
Selling, general and administrative	233,065	194,552	681,331	585,278
Research and development	132,320	123,223	393,755	368,581
Amortization	5,860	5,947	18,125	16,598
Total operating expenses	371,245	323,722	1,093,211	970,457
Operating income	161,538	69,816	362,293	293,135
Interest income	13,292	4,909	36,495	12,389
Interest expense	(12,318)	(12,276)	(36,925)	(34,594)
Other (expense) income, net	(1,257)	96	(3,118)	(3,564)
Income before income tax provision	161,255	62,545	358,745	267,366
Income tax provision	33,063	7,043	65,741	41,716
Net income	\$ 128,192	\$ 55,502	\$ 293,004	\$ 225,650
Earnings per share – basic:				
Earnings per share	\$ 1.47	\$ 0.64	\$ 3.36	\$ 2.60
Weighted average shares	87,399	86,817	87,266	86,814
Earnings per share – diluted:				
Earnings per share	\$ 1.46	\$ 0.64	\$ 3.34	\$ 2.58
Weighted average shares	87,885	87,381	87,814	87,335

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		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<i>(in thousands)</i>				
Net income	\$ 128,192	\$ 55,502	\$ 293,004	\$ 225,650
Other comprehensive income (loss):				
Foreign currency translation adjustments	48,714	(32,834)	18,357	(11,547)
Unrealized gains on available-for-sale securities, net of tax	361	—	276	—
Comprehensive income	<u>\$ 177,267</u>	<u>\$ 22,668</u>	<u>\$ 311,637</u>	<u>\$ 214,103</u>

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

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

	Nine Months Ended	
	September 30, 2024	September 30, 2023
<i>(in thousands)</i>		
Cash flows from operating activities:		
Net income	\$ 293,004	\$ 225,650
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	107,328	99,016
Operating lease right-of-use assets expense	17,175	17,625
Deferred income tax benefit	(72,395)	(74,426)
Provision for bad debts	1,353	2,442
Stock-based compensation expense	197,884	158,533
Other	692	1,252
Changes in operating assets and liabilities:		
Accounts receivable	66,649	168,958
Other receivables and current assets	52,907	61,203
Other long-term assets	6,629	(5,897)
Accounts payable, accrued expenses and current liabilities	(105,137)	(105,197)
Accrued income taxes	3,697	6,327
Deferred revenue	(30,379)	(65,242)
Other long-term liabilities	(1,640)	(5,844)
Net cash provided by operating activities	537,767	484,400
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(1,586)	(197,786)
Capital expenditures	(32,261)	(16,541)
Purchases of short-term investments	(48,745)	(117)
Other investing activities	(3,438)	(5,722)
Net cash used in investing activities	(86,030)	(220,166)
Cash flows from financing activities:		
Purchase of treasury stock	—	(196,494)
Restricted stock withholding taxes paid in lieu of issued shares	(83,994)	(60,827)
Proceeds from shares issued for stock-based compensation	10,446	26,015
Other financing activities	(2,922)	(1,294)
Net cash used in financing activities	(76,470)	(232,600)
Effect of exchange rate fluctuations on cash and cash equivalents	10,589	(6,683)
Net increase in cash and cash equivalents	385,856	24,951
Cash and cash equivalents, beginning of period	860,201	614,391
Cash and cash equivalents, end of period	\$ 1,246,057	\$ 639,342
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ 113,709	\$ 100,135
Interest paid	\$ 36,410	\$ 33,795
Non-cash consideration in connection with acquisitions	\$ —	\$ 5,056

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

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

<i>(in thousands)</i>	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
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
Stock-based compensation activity			48,070		(79)	7,174		55,244
Other comprehensive loss, net of tax effects							(8,418)	(8,418)
Net income				130,034				130,034
Balance, June 30, 2024	95,267	\$ 953	\$ 1,689,883	\$ 5,448,154	7,892	\$ (1,431,774)	\$ (120,713)	\$ 5,586,503
Stock-based compensation activity			60,360		(48)	4,646		65,006
Other comprehensive income, net of tax effects							49,075	49,075
Net income				128,192				128,192
Balance, September 30, 2024	95,267	\$ 953	\$ 1,750,243	\$ 5,576,346	7,844	\$ (1,427,128)	\$ (71,638)	\$ 5,828,776

<i>(in thousands)</i>	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
Balance, January 1, 2023	95,267	\$ 953	\$ 1,540,317	\$ 4,782,930	8,317	\$ (1,335,627)	\$ (122,722)	\$ 4,865,851
Treasury shares acquired, including excise tax					650	(197,416)		(197,416)
Stock-based compensation activity			(34,529)		(356)	34,350		(179)
Other comprehensive income							13,284	13,284
Net income				100,622				100,622
Balance, March 31, 2023	95,267	\$ 953	\$ 1,505,788	\$ 4,883,552	8,611	\$ (1,498,693)	\$ (109,438)	\$ 4,782,162
Treasury shares acquired, including excise tax						343		343
Stock-based compensation activity			44,365		(105)	10,013		54,378
Other comprehensive income							8,003	8,003
Net income				69,526				69,526
Balance, June 30, 2023	95,267	\$ 953	\$ 1,550,153	\$ 4,953,078	8,506	\$ (1,488,337)	\$ (101,435)	\$ 4,914,412
Treasury shares acquired, including excise tax						264		264
Stock-based compensation activity			62,116		(77)	7,340		69,456
Other comprehensive loss							(32,834)	(32,834)
Net income				55,502				55,502
Balance, September 30, 2023	95,267	\$ 953	\$ 1,612,269	\$ 5,008,580	8,429	\$ (1,480,733)	\$ (134,269)	\$ 5,006,800

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

ANSYS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2024
(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.

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, 2023 (2023 Form 10-K). The condensed consolidated December 31, 2023 balance sheet presented is derived from the audited December 31, 2023 balance sheet included in the 2023 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 and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for any future period.

Accounting Guidance Issued and Not Yet Adopted

Segment reporting: In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting* (Topic 280): *Improvements to Reportable Segment Disclosures* (ASU 2023-07). ASU 2023-07 requires enhanced disclosures related to segment information, including for entities with one reportable segment. It does not change the determination of reportable segments. The enhanced disclosures in accordance with the new guidance are required to be reported in the annual period beginning after December 15, 2023. Early adoption is permitted. The standard only impacts footnote disclosures.

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.

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 September 30, 2024.

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) income. 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) income, 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) income, 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		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<i>(in thousands, except percentages)</i>				
Revenue:				
Subscription lease licenses	\$ 194,322	\$ 103,573	\$ 507,711	\$ 386,494
Perpetual licenses	82,626	58,849	212,790	199,977
Software licenses	276,948	162,422	720,501	586,471
Maintenance	306,670	278,108	889,836	820,393
Service	18,274	18,265	52,298	57,977
Maintenance and service	324,944	296,373	942,134	878,370
Total revenue	\$ 601,892	\$ 458,795	\$ 1,662,635	\$ 1,464,841
Direct revenue, as a percentage of total revenue	74.6 %	73.5 %	72.8 %	73.7 %
Indirect revenue, as a percentage of total revenue	25.4 %	26.5 %	27.2 %	26.3 %

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 nine months ended September 30, 2024 and 2023 were as follows:

<i>(in thousands)</i>	2024	2023
Beginning balance – January 1	\$ 479,754	\$ 435,758
Acquired deferred revenue	—	7,910
Deferral of revenue	1,634,160	1,399,367
Recognition of revenue	(1,662,635)	(1,464,841)
Currency translation	59	(7,761)
Ending balance – September 30	<u>\$ 451,338</u>	<u>\$ 370,433</u>

Total revenue allocated to remaining performance obligations as of September 30, 2024 will be recognized as revenue as follows:

<i>(in thousands)</i>	
Next 12 months	\$ 902,792
Months 13-24	343,105
Months 25-36	146,030
Thereafter	71,870
Total revenue allocated to remaining performance obligations	<u>\$ 1,463,797</u>

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 nine months ended September 30, 2024 and 2023 included amounts in deferred revenue and backlog at the beginning of the period of \$742.8 million and \$706.2 million, respectively.

4. Acquisitions

During the three and nine months ended September 30, 2024, we incurred acquisition-related expenses of \$13.2 million and \$39.9 million, respectively, primarily consisting of costs related to the Merger Agreement with Synopsys. Acquisition-related expenses are recognized as selling, general and administrative and research and development expenses on the condensed consolidated statements of income.

On December 5, 2023, we entered into an agreement to make a strategic equity investment in Humanetics in the amount of \$300.0 million, subject to receipt of regulatory approvals among other customary closing conditions. As a result of our interactions with regulators, the parties mutually agreed to terminate the investment agreement in July 2024.

2023 Acquisitions

On January 3, 2023, we completed the acquisition of DYNAmore for a purchase price of \$140.8 million, or \$128.0 million net of cash acquired. The acquisition expanded our position as a simulation solution provider within the automotive industry. The effects of the acquisition were not material to our condensed consolidated results of operations.

Additionally, during the year ended December 31, 2023, we completed other acquisitions to expand our solution offerings and enhance our customers' experience. These acquisitions were not significant, individually or in the aggregate. The combined purchase price of these acquisitions during the year ended December 31, 2023 was approximately \$94.4 million, or \$88.3 million net of cash acquired.

The operating results of each acquisition have been included in our condensed consolidated financial statements since each respective date of acquisition. The effects of the acquisitions were not material to our condensed consolidated results of operations.

5. Other Receivables and Current Assets

Our other receivables and current assets comprise the following balances:

<i>(in thousands)</i>	September 30, 2024	December 31, 2023
Receivables related to unrecognized revenue	\$ 176,725	\$ 253,646
Income taxes receivable, including overpayments and refunds	29,034	22,104
Prepaid expenses and other current assets	64,376	48,901
Total other receivables and current assets	<u>\$ 270,135</u>	<u>\$ 324,651</u>

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

6. 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:

<i>(in thousands, except per share data)</i>	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net income	\$ 128,192	\$ 55,502	\$ 293,004	\$ 225,650
Weighted average shares outstanding – basic	87,399	86,817	87,266	86,814
Dilutive effect of stock plans	486	564	548	521
Weighted average shares outstanding – diluted	87,885	87,381	87,814	87,335
Basic earnings per share	\$ 1.47	\$ 0.64	\$ 3.36	\$ 2.60
Diluted earnings per share	\$ 1.46	\$ 0.64	\$ 3.34	\$ 2.58
Anti-dilutive shares	—	73	18	257

7. Goodwill and Intangible Assets

Intangible assets are classified as follows:

<i>(in thousands)</i>	September 30, 2024		December 31, 2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangible assets:				
Developed software and core technologies	\$ 1,151,665	\$ (619,558)	\$ 1,146,022	\$ (557,359)
Customer lists	271,859	(88,541)	289,874	(89,800)
Trade names	190,607	(149,677)	190,203	(143,880)
Total	<u>\$ 1,614,131</u>	<u>\$ (857,776)</u>	<u>\$ 1,626,099</u>	<u>\$ (791,039)</u>
Indefinite-lived intangible asset:				
Trade name	<u>\$ 357</u>		<u>\$ 357</u>	

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

As of September 30, 2024, estimated future amortization expense for the intangible assets reflected above was as follows:

(in thousands)

Remainder of 2024	\$	27,689
2025		116,232
2026		117,102
2027		120,311
2028		113,810
2029		99,816
Thereafter		161,395
Total intangible assets subject to amortization		756,355
Indefinite-lived trade name		357
Other intangible assets, net	\$	756,712

The changes in goodwill during the nine months ended September 30, 2024 and 2023 were as follows:

(in thousands)

	2024	2023
Beginning balance – January 1	\$ 3,805,874	\$ 3,658,267
Acquisitions and adjustments ⁽¹⁾	841	113,502
Currency translation	11,845	(2,448)
Ending balance – September 30	\$ 3,818,560	\$ 3,769,321

⁽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 2024, 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, 2024. No events or circumstances changed during the nine months ended September 30, 2024 that would indicate that the fair values of our reporting unit and indefinite-lived intangible asset are below their carrying amounts.

8. Cash Equivalents and Short-Term Investments

During the nine months ended September 30, 2024, we invested in available-for-sale debt securities, which are included in short-term investments in the condensed consolidated balance sheets. As of September 30, 2024, our cash equivalents and short-term investments were as follows:

<i>(in thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses Less Than 12 Continuous Months	Estimated Fair Value ⁽¹⁾
Cash equivalents:				
Money market funds	\$ 246,657	\$ —	\$ —	\$ 246,657
Total cash equivalents	246,657	—	—	246,657
Short-term investments:				
Corporate debt securities	26,855	244	—	27,099
Municipal bonds	16,746	117	(8)	16,855
U.S. agency bonds	5,062	17	(4)	5,075
Other short-term investments	183	—	—	183
Total short-term investments	48,846	378	(12)	49,212
Total cash equivalents and short-term investments	\$ 295,503	\$ 378	\$ (12)	\$ 295,869

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

Of the \$27.1 million corporate debt securities, \$0.5 million are in a loss position at September 30, 2024. Of the \$16.9 million municipal bonds, \$4.5 million are in a loss position at September 30, 2024. Of the \$5.1 million U.S. agency bonds, \$2.0 million are in a loss position at September 30, 2024.

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 September 30, 2024:

<i>(in thousands)</i>	Amortized Cost	Fair Value
Less than 1 year	\$ 15,551	\$ 15,599
1-3 years	33,112	33,430
Total	\$ 48,663	\$ 49,029

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:		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(in thousands)	September 30, 2024			
Assets				
Cash equivalents:				
Money market funds	\$ 246,657	\$ 246,657	\$ —	\$ —
Short-term investments:				
Corporate debt securities	\$ 27,099	\$ —	\$ 27,099	\$ —
Municipal bonds	\$ 16,855	\$ —	\$ 16,855	\$ —
U.S. agency bonds	\$ 5,075	\$ —	\$ 5,075	\$ —
Other short-term investments	\$ 183	\$ —	\$ 183	\$ —
Deferred compensation plan investments	\$ 2,434	\$ 2,434	\$ —	\$ —
Equity securities	\$ 698	\$ 698	\$ —	\$ —

		Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(in thousands)	December 31, 2023			
Assets (Liabilities)				
Cash equivalents:				
Money market funds	\$ 170,821	\$ 170,821	\$ —	\$ —
Short-term investments:				
Other short-term investments	\$ 189	\$ —	\$ 189	\$ —
Deferred compensation plan investments	\$ 2,337	\$ 2,337	\$ —	\$ —
Equity securities	\$ 634	\$ 634	\$ —	\$ —
Forward contracts	\$ (412)	\$ —	\$ (412)	\$ —

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.

The forward contracts represent currency hedges to mitigate exchange rate exposure. These contracts are classified within Level 2 because these contracts are not actively traded and the valuation inputs are based on quoted prices and market observable data of similar instruments. The liabilities associated with the forward contracts are recorded at fair value in other accrued expenses and liabilities in 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 \$4.5 million per annum through 2024 and \$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		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<i>(in thousands)</i>				
Lease liability cost	\$ 7,016	\$ 7,097	\$ 21,472	\$ 21,207
Variable lease cost not included in the lease liability ⁽¹⁾	1,454	1,523	4,096	4,134
Total lease cost	<u>\$ 8,470</u>	<u>\$ 8,620</u>	<u>\$ 25,568</u>	<u>\$ 25,341</u>

⁽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		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<i>(in thousands)</i>				
Cash paid for amounts included in the measurement of the lease liability:				
Operating cash flows from operating leases	\$ (7,208)	\$ (7,288)	\$ (21,362)	\$ (20,993)
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 1,771	\$ 2,192	\$ 8,184	\$ 7,508

	As of September 30,	
	2024	2023
Weighted-average remaining lease term of operating leases	5.7 years	6.5 years
Weighted-average discount rate of operating leases	3.3 %	3.4 %

The maturity schedule of the operating lease liabilities as of September 30, 2024 is as follows:

(in thousands)

Remainder of 2024	\$	7,295
2025		27,488
2026		23,101
2027		18,930
2028		17,493
Thereafter		30,222
Total future lease payments		124,529
Less: Present value adjustment		(10,882)
Present value of future lease payments ⁽¹⁾	\$	113,647

⁽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 September 30, 2024.

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 TermSOFR 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 and nine months ended September 30, 2024 was 6.25% and 6.27%, respectively, as compared to 6.22% and 5.89% for the three and nine months ended September 30, 2023, respectively. The rate in effect as of September 30, 2024 and for the fourth quarter of 2024 under the 2022 Credit Agreement is 5.53%.

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 September 30, 2024, we had \$755.0 million of borrowings outstanding under the term loan, with a carrying value of \$754.1 million, which is net of \$0.9 million of unamortized debt discounts and issuance costs. The total amount was included in long-term debt. As of September 30, 2024, no borrowings were outstanding under the revolving loan facility.

As of December 31, 2023, we had \$755.0 million of borrowings outstanding under the term loan, with a carrying value of \$753.9 million, which is net of \$1.1 million of unamortized debt discounts and issuance costs. The total amount was included in long-term debt. As of December 31, 2023, no borrowings were outstanding under the revolving loan facility.

We were in compliance with all covenants under the 2022 Credit Agreement as of September 30, 2024 and December 31, 2023.

12. Income Taxes

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

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<i>(in thousands, except percentages)</i>				
Income before income tax provision	\$ 161,255	\$ 62,545	\$ 358,745	\$ 267,366
Income tax provision	\$ 33,063	\$ 7,043	\$ 65,741	\$ 41,716
Effective tax rate	20.5 %	11.3 %	18.3 %	15.6 %

The increase in the effective tax rate for the three months ended September 30, 2024 compared to the three months ended September 30, 2023 was a result of an increase in U.S. federal tax expense on foreign earnings and an increase in non-deductible expenses related to business combinations.

13. Stock Repurchase Program

There have been no share repurchases in 2024. For the nine months ended September 30, 2023, 650 thousand shares were repurchased at an average price of \$302.34 per share, with a total cost of \$196.5 million. As of September 30, 2024, 1.1 million shares remained available for repurchase under the program.

14. 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		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<i>(in thousands, except per share data)</i>				
Cost of sales:				
Maintenance and service	\$ 3,653	\$ 3,568	\$ 10,678	\$ 9,924
Operating expenses:				
Selling, general and administrative	44,074	32,907	117,043	89,006
Research and development	24,603	21,586	70,163	59,603
Stock-based compensation expense before taxes	72,330	58,061	197,884	158,533
Related income tax benefits	(13,051)	(12,993)	(50,340)	(41,848)
Stock-based compensation expense, net of taxes	\$ 59,279	\$ 45,068	\$ 147,544	\$ 116,685
Net impact on earnings per share:				
Basic earnings per share	\$ (0.68)	\$ (0.52)	\$ (1.69)	\$ (1.34)
Diluted earnings per share	\$ (0.67)	\$ (0.52)	\$ (1.68)	\$ (1.34)

15. 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:

(in thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
United States	\$ 292,364	\$ 204,824	\$ 806,867	\$ 661,953
Japan	46,737	40,956	132,253	141,770
Germany	38,717	37,901	111,187	117,240
China and Hong Kong	34,516	19,548	107,288	91,128
South Korea	29,193	27,928	80,210	75,868
Other Europe, Middle East and Africa (EMEA)	98,303	83,719	275,250	251,696
Other international	62,062	43,919	149,580	125,186
Total revenue	<u>\$ 601,892</u>	<u>\$ 458,795</u>	<u>\$ 1,662,635</u>	<u>\$ 1,464,841</u>

Property and equipment by geographic area is as follows:

(in thousands)	September 30, 2024	December 31, 2023
United States	\$ 62,856	\$ 56,421
India	6,077	5,057
France	5,553	4,771
Other EMEA	7,091	6,924
Other international	5,557	4,607
Total property and equipment, net	<u>\$ 87,134</u>	<u>\$ 77,780</u>

16. 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 \$7.3 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 September 30, 2024. 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 \$7.3 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.

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 nine months ended September 30, 2024, and with our audited consolidated financial statements and notes thereto for the year ended December 31, 2023 included in the 2023 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 6,400 and 6,200 people as of September 30, 2024 and December 31, 2023, 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. Our investments in artificial intelligence (AI) capabilities across our simulation portfolio and technical support services enhance the customer experience, democratize simulation 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 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; 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 diverse set 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 as a wholly owned subsidiary of Synopsys. Our Board of Directors and stockholders have approved the Merger Agreement. If 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 under certain applicable antitrust and foreign investment regimes. We expect the transaction to close in the first half of 2025.

The foregoing summary of the Merger Agreement and the transactions contemplated thereby does not purport to be complete and is subject to, and qualified in its entirety by, the Merger Agreement, which was filed as Exhibit 2.1 to our Current Report on Form 8-K filed on January 16, 2024.

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 2024 and 2023 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 and nine months ended September 30, 2024 as compared to the three and nine months ended September 30, 2023 reflected the following variances:

	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Revenue	31.2 %	13.5 %
GAAP Operating income	131.4 %	23.6 %
Non-GAAP Operating income	76.3 %	28.3 %
GAAP Diluted earnings per share	128.1 %	29.5 %
Non-GAAP Diluted earnings per share	83.0 %	33.4 %

Our results reflect an increase in revenue during the three and nine months ended September 30, 2024 due to growth in subscription lease license, maintenance and perpetual license revenue. We also experienced increased operating expenses during the three and nine months ended September 30, 2024, primarily due to increased personnel and acquisition costs. Acquisition costs primarily consist of costs related to the Merger Agreement with Synopsys. 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 also 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 2024 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 2023 comparable period, rather than the actual exchange rates in effect for the 2024 period. Constant currency growth rates are calculated by adjusting the 2024 period reported amounts by the 2024 period currency fluctuation impacts and comparing to the 2023 comparable period reported amounts.

Impact of Foreign Currency

Our comparative financial results were impacted by fluctuations in the U.S. Dollar during the three and nine months ended September 30, 2024 as compared to the three and nine months ended September 30, 2023. 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 2023 period exchange rates are reflected in the table below. Amounts in parenthesis indicate an adverse impact from currency fluctuations.

<i>(in thousands)</i>	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Revenue	\$ 133	\$ (13,576)
GAAP Operating income	\$ (418)	\$ (10,531)
Non-GAAP Operating income	\$ (320)	\$ (10,259)

In constant currency, our variances were as follows:

	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Revenue	31.2 %	14.4 %
GAAP Operating income	132.0 %	27.2 %
Non-GAAP Operating income	76.5 %	30.2 %

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, 2024, the anniversary dates would be July 1, 2025 and July 1, 2026. We label these anniversary dates as they are contractually committed. While this contract would be up for renewal on July 1, 2027, 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, 2024 – June 30, 2025, would each contribute \$100,000 to ACV for fiscal year 2024 with no contribution to ACV for fiscal year 2025.

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, 2024 – June 30, 2027, would each contribute \$100,000 to ACV in each of fiscal years 2024, 2025 and 2026. There would be no contribution to ACV for fiscal year 2027 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, 2024 would contribute \$200,000 to ACV in fiscal year 2024.

During the three and nine months ended September 30, 2024 and 2023 our ACV was as follows:

(in thousands, except percentages)	Three Months Ended September 30,			Change			
	2024		2023				
	Actual	Constant Currency	Actual	Actual		Constant Currency	
	Amount			Amount	%	Amount	%
ACV	\$ 540,527	\$ 538,963	\$ 457,549	\$ 82,978	18.1	\$ 81,414	17.8

(in thousands, except percentages)	Nine Months Ended September 30,			Change			
	2024		2023				
	Actual	Constant Currency	Actual	Actual		Constant Currency	
	Amount			Amount	%	Amount	%
ACV	\$ 1,468,477	\$ 1,483,108	\$ 1,345,305	\$ 123,172	9.2	\$ 137,803	10.2

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 2023 period monthly average exchange rates, was as follows:

(in thousands, except percentages)	Twelve Months Ended September 30,		Change	
	2024	2023	Amount	%
Recurring ACV at 2023 monthly average exchange rates	\$ 2,046,306	\$ 1,801,066	\$ 245,240	13.6

Industry Commentary:

During the third quarter of 2024, ACV growth was supported by our core industries of aerospace and defense (A&D), high-tech and automotive. Our A&D customers increasingly rely on and invest in digital engineering to create autonomous attritable and expendable systems, place satellites for communications and imaging, develop electric vertical take-off and landing and improve sustainability within commercial aviation. Growth in the high-tech industry was driven by customer demand for semiconductor and electronics intelligence solutions that advance 3D-IC chip technology, further system-on-chip complexity in mobile phones, increased chips in automobiles and embedded AI at the edge. The combination of our multiphysics platform, AI/machine learning technologies and cloud and high-performance computing solutions empower our high-tech customers to achieve higher product performance and reliability while reducing development time and cost.

Additionally, high-tech customers invest in our products to balance sustainability and carbon neutrality goals with demand for advanced chip design for AI, Cloud, smart phones and other devices. Within the automotive industry, customers continue to invest in our software to reduce development time and cost across the entire electrified power system. As automakers face the challenges of new regulations, stalled customer demand and profitability pressures, they are forced to diversify their electrification line-up and bolster development of hybrid electric vehicles.

Geographic Trends:

The following table presents our geographic revenue variances using actual and constant currency rates during the three and nine months ended September 30, 2024 as compared to the three and nine months ended September 30, 2023:

	Three Months Ended September 30, 2024		Nine Months Ended September 30, 2024	
	Actual	Constant Currency	Actual	Constant Currency
Americas	40.4 %	40.4 %	20.7 %	20.7 %
EMEA	12.7 %	10.7 %	4.7 %	3.9 %
Asia-Pacific	33.2 %	35.1 %	9.1 %	13.2 %
Total	31.2 %	31.2 %	13.5 %	14.4 %

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 market opportunity, including our total addressable market, the proposed transaction with Synopsys, Inc., 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 obtaining regulatory approvals, and other conditions related to the completion of the transaction;
- 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 and misuse of employee or customer data whether as a result of a cybersecurity incident or otherwise;
- increased 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; 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; the extent of corporate benefits from such spending including with respect to customer relationship management; 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).

Important Information and Where to Find It

This Quarterly Report on Form 10-Q refers to a proposed transaction between Synopsys and Ansys. In connection with the proposed transaction, Synopsys filed with the SEC, and the SEC declared effective on April 17, 2024, a registration statement on Form S-4 (File No. 333-277912), that included a prospectus with respect to the shares of common stock of Synopsys to be issued in the proposed transaction and a proxy statement of Ansys which is referred to herein as the "proxy statement/prospectus." Ansys and Synopsys have filed and may continue to file with the SEC other documents regarding the proposed transaction. This Quarterly Report on Form 10-Q is not a substitute for the proxy statement/prospectus or registration statement or any other document that Synopsys or Ansys may file with the SEC. The definitive proxy statement/prospectus has been mailed to all Ansys stockholders as of the record date. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT, PROXY STATEMENT/PROSPECTUS AND ALL OTHER RELEVANT DOCUMENTS FILED OR THAT WILL BE FILED BY ANSYS OR SYNOPSYS WITH THE SEC IN CONNECTION WITH THE PROPOSED TRANSACTION, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, CAREFULLY AND IN THEIR ENTIRETY IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.

Investors and security holders may obtain free copies of the registration statement, proxy statement/prospectus and all other relevant documents filed or that will be filed with the SEC by Synopsys or Ansys through the website maintained by the SEC at www.sec.gov.

The documents filed by Ansys with the SEC also may be obtained free of charge at Ansys' website at <https://investors.ansys.com/> or upon written request to kelsey.debryn@ansys.com. The documents filed by Synopsys with the SEC also may be obtained free of charge at Synopsys' website at <https://investor.synopsys.com/overview/default.aspx> or upon written request to Synopsys at Synopsys, Inc., 675 Almanor Avenue, Sunnyvale, California 94085, Attention: Investor Relations.

No Offer or Solicitation

This Quarterly Report on Form 10-Q is not intended to and shall not constitute an offer to buy or sell or the solicitation of an offer to buy or sell any securities, or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made, except by means of a prospectus meeting the requirements of Section 10 of the Securities Act.

Results of Operations

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

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

Revenue:

(in thousands, except percentages)	Three Months Ended September 30,		2023		Change			
	2024		2023		GAAP		Constant Currency	
	GAAP	Constant Currency	GAAP	Constant Currency	Amount	%	Amount	%
Revenue:								
Subscription lease licenses	\$ 194,322	\$ 194,067	\$ 103,573	\$ 90,749	87.6		\$ 90,494	87.4
Perpetual licenses	82,626	82,312	58,849	23,777	40.4		23,463	39.9
Software licenses	276,948	276,379	162,422	114,526	70.5		113,957	70.2
Maintenance	306,670	307,175	278,108	28,562	10.3		29,067	10.5
Service	18,274	18,205	18,265	9	—		(60)	(0.3)
Maintenance and service	324,944	325,380	296,373	28,571	9.6		29,007	9.8
Total revenue	\$ 601,892	\$ 601,759	\$ 458,795	\$ 143,097	31.2		\$ 142,964	31.2

Revenue for the quarter ended September 30, 2024 increased 31.2% in reported and constant currency compared to the quarter ended September 30, 2023.

Subscription lease license revenue increased 87.6%, or 87.4% in constant currency, with substantially all of the increase attributable to incremental sales to our existing customers. The reported \$90.7 million increase in subscription lease license revenue was attributable to a \$76.8 million increase in value from multi-year licenses and a \$13.9 million increase in value from annual licenses. Maintenance revenue growth of 10.3%, or 10.5% in constant currency, is correlated with previous license sales and is driven substantially by our existing customer base. The reported \$28.6 million growth in maintenance revenue was attributable to a \$29.3 million increase in maintenance associated with lease licenses, partially offset by a \$0.7 million decrease in maintenance associated with perpetual sales. Perpetual license revenue, which is derived from new sales during the three months ended September 30, 2024, increased 40.4%, or 39.9% in constant currency, as compared to the three months ended September 30, 2023. Driving the increase in perpetual license revenue was a 49.5% increase in average deal size, partially offset by a 9.1% decrease in the volume of deals.

We continue to experience strong demand from our customers for contracts that often include longer-term, subscription leases involving a larger number of our software products. These arrangements typically involve a higher overall transaction price. The upfront recognition of license revenue related to these larger transactions can result in significant subscription lease revenue volatility. Software products, across a large variety of applications and industries, are increasingly distributed in software-as-a-service, cloud and other subscription environments in which the licensing approach is time-based rather than perpetual. This preference could result in a shift from perpetual licenses to time-based licenses, such as subscription leases, over the long term.

With respect to revenue, on average for the quarter ended September 30, 2024, the U.S. Dollar was 0.1% weaker, when measured against our foreign currencies, than for the quarter ended September 30, 2023. The table below presents the net impacts of currency fluctuations on revenue for the quarter ended September 30, 2024. Amounts in parenthesis indicate an adverse impact from currency fluctuations.

(in thousands)	Three Months Ended September 30, 2024
Euro	\$ 1,719
British Pound	658
Taiwan Dollar	(228)
South Korean Won	(635)
Japanese Yen	(1,153)
Other	(228)
Total	\$ 133

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

	Three Months Ended September 30,	
	2024	2023
International	51.4 %	55.4 %
Domestic	48.6 %	44.6 %
Direct	74.6 %	73.5 %
Indirect	25.4 %	26.5 %

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 September 30, 2024 and December 31, 2023 consisted of the following:

(in thousands)	Balance at September 30, 2024		
	Total	Current	Long-Term
Deferred revenue	\$ 451,338	\$ 427,188	\$ 24,150
Backlog	1,012,459	475,604	536,855
Total	\$ 1,463,797	\$ 902,792	\$ 561,005

(in thousands)	Balance at December 31, 2023		
	Total	Current	Long-Term
Deferred revenue	\$ 479,754	\$ 457,514	\$ 22,240
Backlog	992,830	439,879	552,951
Total	\$ 1,472,584	\$ 897,393	\$ 575,191

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.

(in thousands, except percentages)	Three Months Ended September 30,										
	2024					2023		Change			
	GAAP		Constant Currency		GAAP		GAAP		Constant Currency		
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	%	Amount	%	
Cost of sales:											
Software licenses	\$ 11,067	1.8	\$ 11,050	1.8	\$ 8,692	1.9	\$ 2,375	27.3	\$ 2,358	27.1	
Amortization	21,890	3.6	21,841	3.6	20,707	4.5	1,183	5.7	1,134	5.5	
Maintenance and service	36,152	6.0	36,153	6.0	35,858	7.8	294	0.8	295	0.8	
Total cost of sales	69,109	11.5	69,044	11.5	65,257	14.2	3,852	5.9	3,787	5.8	
Gross profit	\$ 532,783	88.5	\$ 532,715	88.5	\$ 393,538	85.8	\$ 139,245	35.4	\$ 139,177	35.4	

Software Licenses: The increase in the cost of software licenses was primarily due to increased third-party royalties of \$2.3 million.

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

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

(in thousands, except percentages)	Three Months Ended September 30,									
	2024						2023			
	GAAP		Constant Currency		GAAP		Change			
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	%	Amount	%
Operating expenses:										
Selling, general and administrative	\$ 233,065	38.7	\$ 232,711	38.7	\$ 194,552	42.4	\$ 38,513	19.8	\$ 38,159	19.6
Research and development	132,320	22.0	132,222	22.0	123,223	26.9	9,097	7.4	8,999	7.3
Amortization	5,860	1.0	5,826	1.0	5,947	1.3	(87)	(1.5)	(121)	(2.0)
Total operating expenses	371,245	61.7	370,759	61.6	323,722	70.6	47,523	14.7	47,037	14.5
Operating income	\$ 161,538	26.8	\$ 161,956	26.9	\$ 69,816	15.2	\$ 91,722	131.4	\$ 92,140	132.0

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

- Increased salaries and incentive compensation of \$13.7 million.
- Increased acquisition costs of \$12.1 million due to costs related to the Merger Agreement with Synopsys.
- Increased stock-based compensation of \$11.2 million.

We anticipate that we will continue to make targeted investments in our global sales and marketing organizations and our global business infrastructure to enhance and support our revenue-generating activities.

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

- Increased salaries, incentive compensation and other headcount-related expenses of \$6.0 million.
- Increased stock-based compensation of \$3.0 million.

We have traditionally invested significant resources in research and development activities and expect to continue to make investments in expanding the ease of use and capabilities of our broad portfolio of simulation software products.

Foreign currency fluctuations did not materially impact operating income for the quarter ended September 30, 2024.

Interest Income: Interest income for the three months ended September 30, 2024 was \$13.3 million as compared to \$4.9 million for the three months ended September 30, 2023. Interest income increased as a result of a higher invested cash balance, a higher interest rate environment and the related increase in the average rate of return on invested cash balances.

Other (Expense) Income, net: Other expense for the three months ended September 30, 2024 was \$1.3 million as compared to other income of \$0.1 million for the three months ended September 30, 2023. Other (expense) income consisted primarily of net foreign currency losses during the three months ended September 30, 2024 and net foreign currency gains during the three months ended September 30, 2023.

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

(in thousands, except percentages)	Three Months Ended September 30,			
	2024		2023	
Income before income tax provision	\$	161,255	\$	62,545
Income tax provision	\$	33,063	\$	7,043
Effective tax rate		20.5 %		11.3 %

The increase in the effective tax rate for the three months ended September 30, 2024 compared to the three months ended September 30, 2023 was a result of an increase in U.S. federal tax expense on foreign earnings and an increase in non-deductible expenses related to business combinations.

When compared to the federal and state combined statutory rate for each respective period, the effective tax rates for the quarters ended September 30, 2024 and September 30, 2023 were favorably impacted by the FDII deduction and research and development credits.

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

<i>(in thousands, except per share data)</i>	Three Months Ended September 30,	
	2024	2023
Net income	\$ 128,192	\$ 55,502
Diluted earnings per share	\$ 1.46	\$ 0.64
Weighted average shares outstanding - diluted	87,885	87,381

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Revenue:

(in thousands, except percentages)	Nine Months Ended September 30,		2023		Change			
	2024		2023					
	GAAP	Constant Currency	GAAP		GAAP		Constant Currency	
	Amount		Amount		Amount	%	Amount	%
Revenue:								
Subscription lease licenses	\$ 507,711	\$ 511,414	\$ 386,494	\$ 121,217	31.4	\$ 124,920	32.3	
Perpetual licenses	212,790	213,741	199,977	12,813	6.4	13,764	6.9	
Software licenses	720,501	725,155	586,471	134,030	22.9	138,684	23.6	
Maintenance	889,836	898,577	820,393	69,443	8.5	78,184	9.5	
Service	52,298	52,479	57,977	(5,679)	(9.8)	(5,498)	(9.5)	
Maintenance and service	942,134	951,056	878,370	63,764	7.3	72,686	8.3	
Total revenue	\$ 1,662,635	\$ 1,676,211	\$ 1,464,841	\$ 197,794	13.5	\$ 211,370	14.4	

Revenue for the nine months ended September 30, 2024 increased 13.5% compared to the nine months ended September 30, 2023, or 14.4% in constant currency. Subscription lease license revenue increased 31.4%, or 32.3% in constant currency, as compared to the nine months ended September 30, 2023, with substantially all of the increase attributable to incremental sales to our existing customers. The reported \$121.2 million increase in lease license revenue was attributable to a \$106.7 million increase in value from multi-year licenses and a \$14.5 million increase in value from annual licenses. Maintenance revenue growth of 8.5%, or 9.5% in constant currency, is correlated with previous license sales and is driven substantially by our existing customer base. The reported \$69.4 million growth in maintenance revenue was attributable to a \$82.9 million increase in maintenance associated with lease licenses, partially offset by a \$13.5 million decrease in maintenance associated with perpetual sales. Perpetual license revenue, which is derived from new sales during the nine months ended September 30, 2024, increased 6.4%, or 6.9% in constant currency, as compared to the nine months ended September 30, 2023. Driving the increase in perpetual license revenue was a 24.0% increase in average deal size, partially offset by a 17.6% decrease in the volume of deals.

With respect to revenue, on average for the nine months ended September 30, 2024, the U.S. Dollar was 2.0% stronger, when measured against our foreign currencies, than for the nine months ended September 30, 2023. The table below presents the net impacts of currency fluctuations on revenue for the nine months ended September 30, 2024. Amounts in parenthesis indicate an adverse impact from currency fluctuations.

(in thousands)	Nine Months Ended September 30, 2024
Japanese Yen	\$ (12,111)
South Korean Won	(2,904)
Taiwan Dollar	(1,069)
British Pound	1,312
Euro	1,823
Other	(627)
Total	\$ (13,576)

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

	Nine Months Ended September 30,	
	2024	2023
International	51.5 %	54.8 %
Domestic	48.5 %	45.2 %
Direct	72.8 %	73.7 %
Indirect	27.2 %	26.3 %

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.

(in thousands, except percentages)	Nine Months Ended September 30,						Change			
	2024		2023		2023		GAAP		Constant Currency	
	GAAP		Constant Currency		GAAP		GAAP		Constant Currency	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	%	Amount	%
Cost of sales:										
Software licenses	\$ 32,420	1.9	\$ 32,393	1.9	\$ 29,095	2.0	\$ 3,325	11.4	\$ 3,298	11.3
Amortization	66,759	4.0	66,633	4.0	60,404	4.1	6,355	10.5	6,229	10.3
Maintenance and service	107,952	6.5	108,500	6.5	111,750	7.6	(3,798)	(3.4)	(3,250)	(2.9)
Total cost of sales	207,131	12.5	207,526	12.4	201,249	13.7	5,882	2.9	6,277	3.1
Gross profit	\$ 1,455,504	87.5	\$ 1,468,685	87.6	\$ 1,263,592	86.3	\$ 191,912	15.2	\$ 205,093	16.2

Software Licenses: The increase in the cost of software licenses was primarily due to increased third-party royalties of \$3.3 million.

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

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

- Decreased third-party technical support of \$3.2 million.
- Decreased other headcount-related costs of \$1.6 million.

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

(in thousands, except percentages)	Nine Months Ended September 30,									
	2024					2023		Change		
	GAAP		Constant Currency		GAAP		GAAP		Constant Currency	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	%	Amount	%
Operating expenses:										
Selling, general and administrative	\$ 681,331	41.0	\$ 684,058	40.8	\$ 585,278	40.0	\$ 96,053	16.4	\$ 98,780	16.9
Research and development	393,755	23.7	393,739	23.5	368,581	25.2	25,174	6.8	25,158	6.8
Amortization	18,125	1.1	18,064	1.1	16,598	1.1	1,527	9.2	1,466	8.8
Total operating expenses	1,093,211	65.8	1,095,861	65.4	970,457	66.2	122,754	12.6	125,404	12.9
Operating income	\$ 362,293	21.8	\$ 372,824	22.2	\$ 293,135	20.0	\$ 69,158	23.6	\$ 79,689	27.2

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

- Increased acquisition costs of \$34.7 million due to costs related to the Merger Agreement with Synopsys.
- Increased salaries and incentive compensation of \$30.2 million.
- Increased stock-based compensation of \$28.0 million.
- Increased information technology (IT) maintenance & software hosting costs of \$3.1 million.

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

- Increased salaries, incentive compensation and other headcount-related costs of \$15.2 million.
- Increased stock-based compensation of \$10.6 million.

The impacts from currency fluctuations resulted in decreased operating income of \$10.5 million for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023.

Interest Income: Interest income for the nine months ended September 30, 2024 was \$36.5 million as compared to \$12.4 million for the nine months ended September 30, 2023. Interest income increased as a result of a higher invested cash balance, a higher interest rate environment and the related increase in the average rate of return on invested cash balances.

Interest Expense: Interest expense for the nine months ended September 30, 2024 was \$36.9 million as compared to \$34.6 million for the nine months ended September 30, 2023. Interest expense increased as a result of a higher interest rate environment.

Other Expense, net: Other expense for the nine months ended September 30, 2024 was \$3.1 million as compared to other expense of \$3.6 million for the nine months ended September 30, 2023. Other expense consisted primarily of net foreign currency losses for the nine months ended September 30, 2024 and losses on equity investments and net foreign currency losses for the nine months ended September 30, 2023.

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

(in thousands, except percentages)	Nine Months Ended September 30,	
	2024	2023
Income before income tax provision	\$ 358,745	\$ 267,366
Income tax provision	\$ 65,741	\$ 41,716
Effective tax rate	18.3 %	15.6 %

The increase in the effective tax rate for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 was primarily due to a decrease in benefits related to stock-based compensation and an increase in non-deductible expenses related to business combinations.

When compared to the federal and state combined statutory rate for each respective period, the effective tax rates for the nine months ended September 30, 2024 and September 30, 2023 were favorably impacted by tax benefits from stock-based compensation, the 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:

(in thousands, except per share data)	Nine Months Ended September 30,	
	2024	2023
Net income	\$ 293,004	\$ 225,650
Diluted earnings per share	\$ 3.34	\$ 2.58
Weighted average shares outstanding - diluted	87,814	87,335

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 September 30, 2024					
	Gross Profit	% of Revenue	Operating Income	% of Revenue	Net Income	EPS - Diluted ¹
<i>(in thousands, except percentages and per share data)</i>						
Total GAAP	\$ 532,783	88.5 %	\$ 161,538	26.8 %	\$ 128,192	\$ 1.46
Stock-based compensation expense	3,653	0.6 %	72,330	12.1 %	72,330	0.81
Excess payroll taxes related to stock-based awards	41	— %	646	0.1 %	646	0.01
Amortization of intangible assets from acquisitions	21,890	3.7 %	27,750	4.6 %	27,750	0.32
Expenses related to business combinations	—	— %	13,183	2.2 %	13,183	0.15
Adjustment for income tax effect	—	— %	—	— %	(15,091)	(0.17)
Total non-GAAP	\$ 558,367	92.8 %	\$ 275,447	45.8 %	\$ 227,010	\$ 2.58

¹ Diluted weighted average shares were 87,885.

	Three Months Ended September 30, 2023					
	Gross Profit	% of Revenue	Operating Income	% of Revenue	Net Income	EPS - Diluted ¹
<i>(in thousands, except percentages and per share data)</i>						
Total GAAP	\$ 393,538	85.8 %	\$ 69,816	15.2 %	\$ 55,502	\$ 0.64
Stock-based compensation expense	3,568	0.8 %	58,061	12.7 %	58,061	0.66
Excess payroll taxes related to stock-based awards	3	— %	241	0.1 %	241	—
Amortization of intangible assets from acquisitions	20,707	4.5 %	26,654	5.8 %	26,654	0.31
Expenses related to business combinations	—	— %	1,465	0.3 %	1,465	0.02
Adjustment for income tax effect	—	— %	—	— %	(19,026)	(0.22)
Total non-GAAP	\$ 417,816	91.1 %	\$ 156,237	34.1 %	\$ 122,897	\$ 1.41

¹ Diluted weighted average shares were 87,381.

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

Nine Months Ended September 30, 2024						
<i>(in thousands, except percentages and per share data)</i>	Gross Profit	% of Revenue	Operating Income	% of Revenue	Net Income	EPS - Diluted¹
Total GAAP	\$ 1,455,504	87.5 %	\$ 362,293	21.8 %	\$ 293,004	\$ 3.34
Stock-based compensation expense	10,678	0.6 %	197,884	11.9 %	197,884	2.25
Excess payroll taxes related to stock-based awards	467	0.1 %	7,371	0.4 %	7,371	0.08
Amortization of intangible assets from acquisitions	66,759	4.0 %	84,884	5.1 %	84,884	0.97
Expenses related to business combinations	—	— %	39,853	2.4 %	39,853	0.45
Adjustment for income tax effect	—	— %	—	— %	(54,788)	(0.62)
Total non-GAAP	\$ 1,533,408	92.2 %	\$ 692,285	41.6 %	\$ 568,208	\$ 6.47

¹ Diluted weighted average shares were 87,814.

Nine Months Ended September 30, 2023						
<i>(in thousands, except percentages and per share data)</i>	Gross Profit	% of Revenue	Operating Income	% of Revenue	Net Income	EPS - Diluted¹
Total GAAP	\$ 1,263,592	86.3 %	\$ 293,135	20.0 %	\$ 225,650	\$ 2.58
Stock-based compensation expense	9,924	0.6 %	158,533	10.7 %	158,533	1.81
Excess payroll taxes related to stock-based awards	303	— %	5,270	0.4 %	5,270	0.06
Amortization of intangible assets from acquisitions	60,404	4.2 %	77,002	5.3 %	77,002	0.88
Expenses related to business combinations	—	— %	5,758	0.4 %	5,758	0.07
Adjustment for income tax effect	—	— %	—	— %	(48,222)	(0.55)
Total non-GAAP	\$ 1,334,223	91.1 %	\$ 539,698	36.8 %	\$ 423,991	\$ 4.85

¹ Diluted weighted average shares were 87,335.

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. This non-GAAP adjustment also includes excess payroll tax expense related to stock-based compensation. 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 business combinations, 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 selling, general and administrative and research and development expenses. We exclude these acquisition-related expenses for the purpose of calculating 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

Gross Profit
Gross Profit Margin
Operating Income
Operating Profit Margin
Net Income
Diluted Earnings Per Share

Non-GAAP Reporting Measure

Non-GAAP Gross Profit
Non-GAAP Gross Profit Margin
Non-GAAP Operating Income
Non-GAAP Operating Profit Margin
Non-GAAP Net Income
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 2024 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 2023 comparable period, rather than the actual exchange rates in effect for the 2024 period. Constant currency growth rates are calculated by adjusting the 2024 period reported amounts by the 2024 currency fluctuation impacts and comparing the adjusted amounts to the 2023 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)	September 30, 2024	December 31, 2023	Change	
			Amount	%
Cash, cash equivalents and short-term investments	\$ 1,295,269	\$ 860,390	\$ 434,879	50.5
Working capital	\$ 1,593,588	\$ 1,160,273	\$ 433,315	37.3

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 September 30, 2024 and December 31, 2023:

(in thousands, except percentages)	September 30, 2024	% of Total	December 31, 2023	% of Total
	\$		\$	
Domestic	833,740	64.4	529,092	61.5
Foreign	461,529	35.6	331,298	38.5
Total	\$ 1,295,269		\$ 860,390	

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)	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
Net cash provided by operating activities	\$ 537,767	\$ 484,400	\$ 53,367	11.0

Net cash provided by operating activities increased during the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The increase in net cash provided by operating activities was a result of increased customer receipts driven primarily by ACV growth and increased interest income, partially offset by increased payments related to higher operating expenses and increased income tax payments, as compared to the nine months ended September 30, 2023.

Cash Flows from Investing Activities

(in thousands, except percentages)	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
Net cash used in investing activities	\$ (86,030)	\$ (220,166)	\$ 134,136	60.9

Net cash used in investing activities decreased by \$134.1 million during the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 due to decreased acquisition-related net cash outlays of \$196.2 million, partially offset by increased purchases of short-term investments of \$48.6 million and capital expenditures of \$15.7 million. We currently plan capital spending of \$40.0 million to \$50.0 million during fiscal year 2024 as compared to the \$25.3 million that was spent in fiscal year 2023. 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)	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
Net cash used in financing activities	\$ (76,470)	\$ (232,600)	\$ 156,130	67.1

Net cash used in financing activities decreased during the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 due to decreased stock repurchases of \$196.5 million, partially offset by increased restricted stock withholding taxes paid in lieu of issuing shares of \$23.2 million and decreased proceeds from shares issued for stock-based compensation of \$15.6 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 September 30, 2024, the carrying value of our term loan was \$754.1 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 for the fourth quarter of 2024 under the 2022 Credit Agreement is 5.53%.

We previously entered into operating lease commitments, primarily for our domestic and international offices. The commitments related to these operating leases is \$124.5 million, of which \$28.2 million is due in the next twelve months.

There have been no share repurchases in 2024. For the nine months ended September 30, 2023, 650 thousand shares were repurchased at an average price of \$302.34 per share, with a total cost of \$196.5 million. As of September 30, 2024, 1.1 million shares remained available for repurchase under the program.

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 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

On December 5, 2023, we entered into an agreement to make a strategic equity investment in Humanetics in the amount of \$300.0 million, subject to receipt of regulatory approvals among other customary closing conditions. As a result of our interactions with regulators, the parties mutually agreed to terminate the investment agreement in July 2024.

There were no other material changes to our significant contractual and other obligations during the nine months ended September 30, 2024 as compared to those previously reported within "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2023 Form 10-K.

Critical Accounting Estimates

During the first quarter of 2024, 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, 2024. No events or circumstances changed during the nine months ended September 30, 2024 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 2023 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 quarter ended September 30, 2024, the U.S. Dollar was 0.1% weaker, when measured against our foreign currencies, than for the quarter ended September 30, 2023. With respect to revenue, on average for the nine months ended September 30, 2024, the U.S. Dollar was 2.0% stronger, when measured against our foreign currencies, than for the nine months ended September 30, 2023. The table below presents the net impacts of currency fluctuations on revenue for the three and nine months ended September 30, 2024. Amounts in parenthesis indicate a net adverse impact from currency fluctuations.

<i>(in thousands)</i>	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Japanese Yen	\$ (1,153)	\$ (12,111)
South Korean Won	(635)	(2,904)
Taiwan Dollar	(228)	(1,069)
British Pound	658	1,312
Euro	1,719	1,823
Other	(228)	(627)
Total	\$ 133	\$ (13,576)

The impacts from currency fluctuations resulted in decreased operating income of \$0.4 million and \$10.5 million for the three and nine months ended September 30, 2024, respectively, as compared to the three and nine months ended September 30, 2023, respectively.

A hypothetical 10% strengthening in the U.S. Dollar against other currencies would have decreased our revenue by \$23.8 million and \$66.9 million for the three and nine months ended September 30, 2024, respectively, and decreased our operating income by \$10.7 million and \$24.9 million for the three and nine months ended September 30, 2024, respectively.

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:

As of	Period-End Exchange Rates	
	EUR/USD	USD/JPY
September 30, 2024	1.11	144
December 31, 2023	1.10	141
September 30, 2023	1.06	149

Three Months Ended	Average Exchange Rates	
	EUR/USD	USD/JPY
September 30, 2024	1.10	149
September 30, 2023	1.09	145

Nine Months Ended	Average Exchange Rates	
	EUR/USD	USD/JPY
September 30, 2024	1.09	151
September 30, 2023	1.08	138

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 and nine months ended September 30, 2024, interest income was \$13.3 million and \$36.5 million, respectively, and interest expense was \$12.3 million and \$36.9 million, respectively.

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 a \$13.0 million impact on our financial results.

Our outstanding term loan borrowings of \$755.0 million as of September 30, 2024 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 September 30, 2024.

No other material change has occurred in our market risk subsequent to December 31, 2023.

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 September 30, 2024 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 2023 Form 10-K. No material changes have occurred to such risk factors after the filing of our 2023 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 September 30, 2024.

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: November 6, 2024

By: /s/ Ajei S. Gopal
Ajei S. Gopal
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 6, 2024

By: /s/ Rachel Pyles
Rachel Pyles
Chief Financial Officer and Senior Vice President of Finance
(Principal Financial Officer)