

ANSYS INC
Form 10-Q
November 03, 2011
Table of Contents

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, 2011

OR

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

04-3219960
(I.R.S. Employer Identification No.)

275 Technology Drive, Canonsburg, PA
(Address of principal executive offices)

15317
(Zip Code)

724-746-3304

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

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Yes No

Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Exchange Act Rule 12b-2). (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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, par value \$.01 per share, outstanding as of October 31, 2011 was 92,380,401 shares.

Table of Contents**ANSYS, INC. AND SUBSIDIARIES****INDEX**

| | Page No. |
|--|-----------------|
| PART I. <u>UNAUDITED FINANCIAL INFORMATION</u> | |
| Item 1. <u>Financial Statements</u> | |
| <u>Condensed Consolidated Balance Sheets – September 30, 2011 and December 31, 2010</u> | 3 |
| <u>Condensed Consolidated Statements of Income – Three and Nine Months Ended September 30, 2011 and 2010</u> | 4 |
| <u>Condensed Consolidated Statements of Cash Flows – Nine Months Ended September 30, 2011 and 2010</u> | 5 |
| <u>Notes to Condensed Consolidated Financial Statements</u> | 6-20 |
| <u>Report of Independent Registered Public Accounting Firm</u> | 21 |
| Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | 22-46 |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 47-48 |
| Item 4. <u>Controls and Procedures</u> | 49 |
| PART II. <u>OTHER INFORMATION</u> | |
| Item 1. <u>Legal Proceedings</u> | 50 |
| Item 1A. <u>Risk Factors</u> | 50-52 |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 52 |
| Item 3. <u>Defaults Upon Senior Securities</u> | 52 |
| Item 4. <u>(Removed and Reserved)</u> | 52 |
| Item 5. <u>Other Information</u> | 52 |
| Item 6. <u>Exhibits</u> | 53 |
| <u>SIGNATURES</u> | 54 |

Table of Contents**PART I UNAUDITED FINANCIAL INFORMATION****Item 1. Financial Statements:****ANSYS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

| | September 30, 2011 (Unaudited) | December 31, 2010 (Audited) |
|---|--------------------------------------|-----------------------------------|
| <i>(in thousands, except share and per share data)</i> | | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 406,298 | \$ 472,479 |
| Short-term investments | 582 | 455 |
| Accounts receivable, less allowance for doubtful accounts of \$4,400 and \$4,503, respectively | 65,084 | 76,604 |
| Other receivables and current assets | 134,191 | 147,402 |
| Deferred income taxes | 20,272 | 17,693 |
| Total current assets | 626,427 | 714,633 |
| Property and equipment, net | 40,251 | 36,921 |
| Goodwill | 1,229,872 | 1,035,083 |
| Other intangible assets, net | 396,645 | 278,320 |
| Other long-term assets | 48,858 | 56,123 |
| Deferred income taxes | 5,852 | 5,796 |
| Total assets | \$ 2,347,905 | \$ 2,126,876 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt and capital lease obligations | \$ 58,494 | \$ 31,962 |
| Accounts payable | 4,423 | 2,241 |
| Accrued bonuses and commissions | 30,194 | 29,719 |
| Accrued income taxes | 6,575 | 6,179 |
| Deferred income taxes | 14 | 216 |
| Other accrued expenses and liabilities | 46,050 | 41,247 |
| Deferred revenue | 225,729 | 199,805 |
| Total current liabilities | 371,479 | 311,369 |
| Long-term liabilities: | | |
| Long-term debt and capital lease obligations, less current portion | 79,723 | 127,563 |
| Deferred income taxes | 109,691 | 75,026 |
| Other long-term liabilities | 93,995 | 82,989 |
| Total long-term liabilities | 283,409 | 285,578 |
| Commitments and contingencies | 0 | 0 |
| Stockholders equity: | | |
| Preferred stock, \$.01 par value; 2,000,000 shares authorized; zero shares issued or outstanding | 0 | 0 |
| Common stock, \$.01 par value; 300,000,000 shares authorized; 92,349,434 and 91,647,012 shares issued and outstanding, respectively | 923 | 916 |
| Additional paid-in capital | 888,066 | 856,718 |
| Retained earnings | 788,551 | 655,333 |
| Accumulated other comprehensive income | 15,477 | 16,962 |
| Total stockholders equity | 1,693,017 | 1,529,929 |
| Total liabilities and stockholders equity | \$ 2,347,905 | \$ 2,126,876 |

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

Table of Contents**ANSYS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)**

| <i>(in thousands, except per share data)</i> | Three Months Ended | | Nine Months Ended | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | September 30, 2011 | September 30, 2010 | September 30, 2011 | September 30, 2010 |
| Revenue: | | | | |
| Software licenses | \$ 104,477 | \$ 82,643 | \$ 297,780 | \$ 245,973 |
| Maintenance and service | 68,458 | 57,200 | 195,460 | 167,690 |
| Total revenue | 172,935 | 139,843 | 493,240 | 413,663 |
| Cost of sales: | | | | |
| Software licenses | 4,220 | 2,555 | 10,144 | 7,474 |
| Amortization | 8,993 | 8,180 | 23,993 | 24,572 |
| Maintenance and service | 17,814 | 14,544 | 51,535 | 42,026 |
| Total cost of sales | 31,027 | 25,279 | 85,672 | 74,072 |
| Gross profit | 141,908 | 114,564 | 407,568 | 339,591 |
| Operating expenses: | | | | |
| Selling, general and administrative | 43,180 | 36,954 | 123,786 | 108,161 |
| Research and development | 28,899 | 21,696 | 78,779 | 65,673 |
| Amortization | 4,500 | 4,037 | 12,587 | 11,874 |
| Total operating expenses | 76,579 | 62,687 | 215,152 | 185,708 |
| Operating income | 65,329 | 51,877 | 192,416 | 153,883 |
| Interest expense | (753) | (902) | (2,330) | (3,696) |
| Interest income | 789 | 491 | 2,196 | 1,281 |
| Other income (expense), net | 78 | (574) | (544) | (942) |
| Income before income tax provision | 65,443 | 50,892 | 191,738 | 150,526 |
| Income tax provision | 19,897 | 14,762 | 58,520 | 46,534 |
| Net income | \$ 45,546 | \$ 36,130 | \$ 133,218 | \$ 103,992 |
| Earnings per share basic: | | | | |
| Basic earnings per share | \$ 0.49 | \$ 0.40 | \$ 1.45 | \$ 1.15 |
| Weighted average shares basic | 92,277 | 90,880 | 91,995 | 90,486 |
| Earnings per share diluted: | | | | |
| Diluted earnings per share | \$ 0.48 | \$ 0.39 | \$ 1.41 | \$ 1.12 |
| Weighted average shares diluted | 94,445 | 93,212 | 94,268 | 93,044 |

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

Table of Contents**ANSYS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

| <i>(in thousands)</i> | Nine Months Ended | |
|---|-----------------------|-----------------------|
| | September 30, 2011 | September 30, 2010 |
| Cash flows from operating activities: | | |
| Net income | \$ 133,218 | \$ 103,992 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 46,916 | 45,417 |
| Deferred income tax benefit | (3,035) | (20,651) |
| Provision for bad debts | 278 | 927 |
| Stock-based compensation expense | 16,574 | 13,903 |
| Excess tax benefits from stock options | (7,030) | (7,801) |
| Other | 149 | 141 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 12,072 | 11,965 |
| Other receivables and current assets | 19,154 | (30,008) |
| Other long-term assets | (1,580) | (59,757) |
| Accounts payable, accrued expenses and current liabilities | 17 | 7,608 |
| Accrued income taxes | 6,476 | 80,865 |
| Deferred revenue | 14,153 | 8,716 |
| Other long-term liabilities | (7,315) | 36,832 |
| Net cash provided by operating activities | 230,047 | 192,149 |
| Cash flows from investing activities: | | |
| Apache acquisition, net of cash acquired | (269,753) | 0 |
| Capital expenditures | (12,524) | (9,155) |
| Purchases of short-term investments | (282) | (1,044) |
| Maturities of short-term investments | 227 | 7,990 |
| Net cash used in investing activities | (282,332) | (2,209) |
| Cash flows from financing activities: | | |
| Principal payments on long-term debt | (21,260) | (60,315) |
| Principal payments on capital leases | (70) | (229) |
| Purchase of treasury stock | (12,704) | 0 |
| Proceeds from issuance of common stock under Employee Stock Purchase Plan | 2,168 | 1,592 |
| Proceeds from exercise of stock options | 14,828 | 13,060 |
| Excess tax benefits from stock options | 7,030 | 7,801 |
| Net cash used in financing activities | (10,008) | (38,091) |
| Effect of exchange rate fluctuations on cash and cash equivalents | (3,888) | 6,989 |
| Net (decrease) increase in cash and cash equivalents | (66,181) | 158,838 |
| Cash and cash equivalents, beginning of period | 472,479 | 335,878 |
| Cash and cash equivalents, end of period | \$ 406,298 | \$ 494,716 |
| Supplemental disclosures of cash flow information: | | |
| Income taxes paid | \$ 50,505 | \$ 45,964 |
| Interest paid | 1,457 | 2,538 |

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

Table of Contents

ANSYS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011

(Unaudited)

1. Organization

ANSYS, Inc. (hereafter the Company or ANSYS) develops and globally markets engineering simulation software and technologies widely used by engineers, designers, researchers and students across a broad spectrum of industries and academia, including aerospace, automotive, manufacturing, electronics, biomedical, energy and defense.

In connection with its August 1, 2011 acquisition of Apache Design Solutions, Inc. (Apache), the Company has reviewed the accounting guidance issued for disclosures about segments of an enterprise. As defined by the accounting guidance, the Company operates as two segments. However, the Company determined that its two operating segments are sufficiently similar and should be aggregated under the criteria provided in the related accounting guidance.

Given the integrated approach to the multi-discipline problem-solving needs of the Company's customers, a single sale of software may contain components from multiple product areas and include combined technologies. As a result, it is impracticable for the Company to provide accurate historical or current reporting among its various product lines.

2. Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by ANSYS in accordance with accounting principles generally accepted in the United States for interim financial information for commercial and industrial companies and the instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, the accompanying 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 condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements (and notes thereto) included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010. The condensed consolidated December 31, 2010 balance sheet presented is derived from the audited December 31, 2010 balance sheet included in the most recent Annual Report on Form 10-K. In the opinion of management, 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, 2011 are not necessarily indicative of the results that may be expected for any future period.

Table of Contents**Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of highly liquid investments such as deposits held at major banks and money market mutual funds. Cash equivalents are carried at cost, which approximates fair value. The Company's cash and cash equivalents balances comprise the following:

| <i>(in thousands, except percentages)</i> | September 30, 2011 | | December 31, 2010 | |
|---|-----------------------|---------------|-------------------|---------------|
| | Amount | % of Total | Amount | % of Total |
| Cash accounts | \$ 242,912 | 59.8 | \$ 170,765 | 36.1 |
| Money market mutual funds | 160,513 | 39.5 | 273,926 | 58.0 |
| Time deposits | 2,873 | 0.7 | 27,788 | 5.9 |
| Total | \$ 406,298 | | \$ 472,479 | |

The money market mutual fund balances reflected above are held in various funds of a single issuer. The time deposit balances at December 31, 2010 were primarily invested in pooled funds which hold a mix of bank time deposits with varying durations of up to three months.

3. Accumulated Other Comprehensive Income

Accumulated other comprehensive income is composed entirely of foreign currency translation adjustments.

The components of comprehensive income are as follows:

| <i>(in thousands)</i> | Three Months Ended | | Nine Months Ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2011 | September 30, 2010 | September 30, 2011 | September 30, 2010 |
| Net income | \$ 45,546 | \$ 36,130 | \$ 133,218 | \$ 103,992 |
| Foreign currency translation adjustment | (7,853) | 12,777 | (1,485) | 7,001 |
| Unrealized loss on interest rate swap, net of tax of \$0, \$0, \$0 and \$4, respectively | 0 | 0 | 0 | (7) |
| Realized loss on interest rate swap reclassified into interest expense, net of tax of \$0, \$0, \$0 and \$325, respectively | 0 | 0 | 0 | 539 |
| Comprehensive income | \$ 37,693 | \$ 48,907 | \$ 131,733 | \$ 111,525 |

Table of Contents

4. Acquisitions

On August 1, 2011, the Company completed its acquisition of Apache Design Solutions, Inc., a leading simulation software provider for advanced, low power solutions in the electronics industry. Under the terms of the merger agreement, ANSYS acquired 100% of the outstanding shares of Apache for a purchase price of \$314.2 million, which included \$31.9 million in acquired cash and short-term investments on Apache's balance sheet, \$3.2 million in ANSYS replacement stock option awards issued to holders of partially-vested Apache stock options and \$9.5 million in contingent consideration that is based on the retention of a key member of Apache's management. The agreement also included \$13.0 million of performance equity awards for key members of management and employees, earned annually over a three fiscal year period beginning January 1, 2012. These awards will be accounted for outside of the business combination. The Company funded the transaction entirely with cash on-hand.

Apache's software enables engineers to design power-efficient devices while satisfying ever-increasing performance requirements. Engineers use Apache's products to design and simulate efficient, low power integrated circuits for high-performance electronic products found in devices such as tablets, smartphones, LCD televisions, laptops and high end computer servers. The complementary combination is expected to accelerate development and delivery of new and innovative products to the marketplace while lowering design and engineering costs for customers.

The operating results of Apache have been included in the Company's condensed consolidated financial statements since the date of acquisition, August 1, 2011. The acquired business contributed revenues of \$4.4 million and a net loss of \$2.1 million to the Company during the period from August 1, 2011 to September 30, 2011.

During the three and nine month periods ended September 30, 2011, the Company incurred \$190,000 and \$2.0 million in acquisition-related costs, respectively. These costs are included in selling, general and administrative expenses in the Company's condensed consolidated statements of income for the three and nine month periods ended September 30, 2011.

The merger agreement includes a contingent consideration arrangement that requires additional payments totaling \$12.0 million to be paid by the Company in equal installments to the Apache stockholders and holders of vested Apache options on each of the first three anniversaries of the closing of the acquisition. To receive these payments, a key member of Apache's management must remain an employee of ANSYS on each of the first three anniversaries of the acquisition closing date. Management estimated that it was probable that all three payments would be made, and recorded the fair value of the contingent payments as a liability on the date of acquisition. The portion of contingent payments attributable to the key member of Apache management was determined to be compensation, and is accounted for outside of the business combination. The portion of the contingent payments attributable to other shareholders was determined to be contingent purchase price consideration and is estimated to be \$9.5 million based on the net present value of the expected payments. Refer to Note 9 for a description of the valuation technique and inputs used to estimate the fair value of the contingent consideration.

Table of Contents

Under the merger agreement, holders of partially-vested Apache options at the date of acquisition received options to purchase ANSYS shares of common stock based on an agreed-upon conversion ratio (the Replacement Awards). The value of the Replacement Awards attributable to pre-combination service was estimated to be \$3.2 million at the acquisition date, and was included in the consideration transferred. The value of the Replacement Awards attributable to post-combination service will be recognized as stock-based compensation in earnings during the post-acquisition period.

In valuing deferred revenue on the Apache balance sheet as of the acquisition date, the Company applied the fair value provisions applicable to the accounting for business combinations. Although this acquisition accounting requirement had no impact on the Company's business or cash flow, the Company's reported revenue under accounting principles generally accepted in the United States, primarily for the first 12 months post-acquisition, will be less than the sum of what would otherwise have been reported by Apache absent the acquisition. Acquired deferred revenue of \$10.1 million was recorded on the opening balance sheet. This amount was approximately \$13.6 million lower than the historical carrying value. The impact on reported revenue for the three and nine months ended September 30, 2011 was \$4.9 million, primarily in lease license revenue. The expected impact on reported revenue for the quarter ending December 31, 2011 is \$4.7 million and for the year ending December 31, 2012 is \$3.4 million.

Table of Contents

The assets and liabilities of Apache have been recorded based upon management's estimates of their fair market values as of the acquisition date. The following tables summarize the fair value of consideration transferred and the fair values of identified assets acquired and liabilities assumed at the acquisition date:

Fair Value of Consideration Transferred:

| | |
|--|-------------------|
| <i>(in thousands)</i> | |
| Cash | \$ 301,573 |
| Contingent consideration | 9,501 |
| ANSYS replacement stock options | 3,170 |
| Total consideration transferred at fair value | \$ 314,244 |

Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed:

| | |
|---|-------------------|
| <i>(in thousands)</i> | |
| Cash and short-term investments | \$ 31,948 |
| Accounts receivable and other tangible assets | 6,011 |
| Developed software (7-year life) | 81,900 |
| Customer relationships (20-year life) | 37,500 |
| Contract backlog (3-year life) | 12,800 |
| Platform trade names (indefinite-lives) | 19,500 |
| Apache trade name (6-year life) | 2,100 |
| Accounts payable and other liabilities | (16,563) |
| Deferred revenue | (10,100) |
| Net deferred tax liabilities | (46,138) |
| Total identifiable net assets | \$ 118,958 |
| Goodwill | \$ 195,286 |

The goodwill, which is not tax-deductible, is attributed to intangible assets that do not qualify for separate recognition, including the assembled workforce of the acquired business and the synergies expected to arise as a result of the acquisition of Apache.

The fair values of the intangible assets listed above are provisional pending receipt of the final valuation of those assets. In addition, Apache is in the process of preparing its tax returns for the pre-acquisition period from January 1, 2011 to July 31, 2011. As a result, the estimates of fair value of the assets acquired and liabilities assumed are preliminary.

Table of Contents

The following unaudited pro forma information presents the 2010 and 2011 results of operations of the Company as if the acquisition had occurred on January 1, 2010. The unaudited pro forma results are not necessarily indicative of results that would have occurred had the acquisition been in effect for the periods presented, nor are they necessarily indicative of future results. The 2010 pro forma results are based on the three and nine months ended September 30, 2010 for ANSYS, as reported, combined with the three and nine months ended September 30, 2010 for Apache. The three and nine month 2011 pro forma results are based on ANSYS's stand-alone results for the three and nine months ended September 30, 2011 combined with Apache's results for the three and nine months ended September 30, 2011. The unaudited pro forma financial information for all periods presented includes the business combination accounting effects on amortization expense from acquired intangible assets, lost interest income on the cash paid for the acquisition and the related tax effects. The unaudited pro forma financial information excludes contingent payments, transaction costs, IPO-related costs incurred by Apache prior to the acquisition, expenses related to performance awards issued as part of the acquisition and the income statement effects of the acquisition accounting adjustment to deferred revenue. No pro forma adjustments were made to stock-based compensation expense previously recorded by Apache.

| <i>(in thousands, except per share data)</i> | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2011 | September 30, 2010 | September 30, 2011 | September 30, 2010 |
| Total revenue | \$ 182,276 | \$ 150,590 | \$ 527,727 | \$ 445,550 |
| Net income | \$ 47,279 | \$ 33,409 | \$ 132,837 | \$ 99,070 |
| Earnings per share: | | | | |
| Basic | \$ 0.51 | \$ 0.37 | \$ 1.44 | \$ 1.09 |
| Diluted | \$ 0.50 | \$ 0.36 | \$ 1.41 | \$ 1.06 |

5. Other Current Assets

The Company reports accounts receivable, related to the portion of annual lease licenses and software maintenance that has not yet been recognized as revenue, as a component of other receivables and current assets. These amounts totaled \$68.3 million and \$89.9 million as of September 30, 2011 and December 31, 2010, respectively.

The Company reports income taxes receivable, including amounts related to overpayments and refunds, as a component of other receivables and current assets. These amounts totaled \$51.0 million and \$32.9 million as of September 30, 2011 and December 31, 2010, respectively.

Table of Contents**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 options 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, 2011 | September 30, 2010 | September 30, 2011 | September 30, 2010 |
| Net income | \$ 45,546 | \$ 36,130 | \$ 133,218 | \$ 103,992 |
| Weighted average shares outstanding basic | 92,277 | 90,880 | 91,995 | 90,486 |
| Dilutive effect of stock plans | 2,168 | 2,332 | 2,273 | 2,558 |
| Weighted average shares outstanding diluted | 94,445 | 93,212 | 94,268 | 93,044 |
| Basic earnings per share | \$ 0.49 | \$ 0.40 | \$ 1.45 | \$ 1.15 |
| Diluted earnings per share | \$ 0.48 | \$ 0.39 | \$ 1.41 | \$ 1.12 |
| Anti-dilutive options | 1,185 | 1,748 | 1,172 | 1,741 |

7. Long-Term Debt

Borrowings consist of the following:

| <i>(in thousands)</i> | September 30, 2011 | December 31, 2010 |
|--|-----------------------|----------------------|
| Term loan payable in quarterly installments with a final maturity of July 31, 2013 | \$ 138,187 | \$ 159,446 |
| Capitalized lease obligations | 30 | 79 |
| Total | 138,217 | 159,525 |
| Less current portion | (58,494) | (31,962) |
| Long-term debt and capital lease obligations, net of current portion | \$ 79,723 | \$ 127,563 |

On July 31, 2008, in association with the acquisition of Ansoft Corporation (Ansoft), ANSYS borrowed \$355.0 million from a syndicate of banks. The interest rate on the indebtedness provides for tiered pricing with the initial rate at the prime rate + 0.50%, or the LIBOR rate + 1.50%, with step downs permitted after the initial six months under the credit agreement down to a flat prime rate or the LIBOR rate + 0.75%. Such tiered pricing is determined by the Company's consolidated leverage ratio. The Company's consolidated leverage ratio has been reduced to the lowest level in the debt agreement. During the nine months ended September 30, 2011, the Company made the required quarterly principal payments of \$21.3 million in the aggregate.

Table of Contents

As of September 30, 2011, required future principal payments total \$10.6 million for the remainder of 2011, \$74.4 million in 2012 and \$53.1 million in 2013.

The Company entered into an interest rate swap agreement in order to hedge a portion of each of the first eight forecasted quarterly variable rate interest payments on the Company's term loan. The interest rate swap agreement terminated on June 30, 2010.

For the three and nine months ended September 30, 2011, the Company recorded interest expense related to the term loan at weighted average interest rates of 1.00% and 1.04%, respectively. For the three and nine months ended September 30, 2010, the Company recorded interest expense related to the term loan at weighted average interest rates of 1.28% and 1.66%, respectively. If the Company did not enter into the interest rate swap agreement, the weighted average interest rate would have been 1.10% for the nine months ended September 30, 2010. There was no swap-related impact on the weighted average interest rate for the three and nine months ended September 30, 2011, or for the three months ended September 30, 2010, as the interest rate swap agreement terminated on June 30, 2010. The interest expense on the term loan and amortization related to debt financing costs were as follows:

| | Three Months Ended | | | |
|-------------------------|--------------------|--------------|--------------------|--------------|
| | September 30, 2011 | | September 30, 2010 | |
| (in thousands) | Interest Expense | Amortization | Interest Expense | Amortization |
| July 31, 2008 term loan | \$ 379 | \$ 236 | \$ 558 | \$ 256 |

| | Nine Months Ended | | | |
|--|--------------------|--------------|--------------------|--------------|
| | September 30, 2011 | | September 30, 2010 | |
| (in thousands) | Interest Expense | Amortization | Interest Expense | Amortization |
| July 31, 2008 term loan (interest expense includes \$0 loss and \$864 loss, respectively, on interest rate swap) | \$ 1,210 | \$ 733 | \$ 2,523 | \$ 873 |

The interest rate on the outstanding term loan balance of \$138.2 million is set for the quarter ending December 31, 2011 at 1.12%, which is based on LIBOR + 0.75%.

The credit agreement includes covenants related to the consolidated leverage ratio and the consolidated fixed charge coverage ratio, as well as certain restrictions on additional investments and indebtedness. As of September 30, 2011, the Company is in compliance with all financial covenants as stated in the credit agreement.

8. Goodwill and Intangible Assets

During the first quarter of 2011, the Company completed the annual impairment test for goodwill and intangible assets with indefinite lives and determined that these assets had not been impaired as of the test date, January 1, 2011. The Company tested the goodwill and identifiable intangible assets utilizing estimated cash flow methodologies and market comparable information. No events occurred or circumstances changed during the nine months ended September 30, 2011 that would indicate that the fair values of the Company's reporting units are below their carrying amounts.

Table of Contents

The Company's intangible assets and estimated useful lives are classified as follows:

| <i>(in thousands)</i> | September 30, 2011 | | December 31, 2010 | |
|---|-----------------------|--------------------------|-----------------------|--------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Amortized intangible assets: | | | | |
| Developed software and core technologies (3 – 10 years) | \$ 286,739 | \$ (137,366) | \$ 205,137 | \$ (120,633) |
| Trademarks (3 – 10 years) | 103,093 | (28,502) | 100,994 | (21,499) |
| Non-compete agreements (5 years) | 432 | (425) | 575 | (489) |
| Customer lists and contract backlog (3 – 20 years) | 224,641 | (71,824) | 172,845 | (58,967) |
| Total | \$ 614,905 | \$ (238,117) | \$ 479,551 | \$ (201,588) |
| Unamortized intangible assets: | | | | |
| Trademarks | \$ 19,857 | | \$ 357 | |

The significant increase in the intangible assets reflected above was due to the August 1, 2011 acquisition of Apache. Amortization expense for the intangible assets reflected above was \$13.5 million and \$12.2 million for the three months ended September 30, 2011 and 2010, respectively. Amortization expense for the intangible assets reflected above was \$36.6 million and \$36.4 million for the nine months ended September 30, 2011 and 2010, respectively.

As of September 30, 2011, estimated future amortization expense for the intangible assets reflected above is as follows:

| <i>(in thousands)</i> | |
|--|-------------------|
| Remainder of fiscal 2011 | \$ 14,839 |
| Fiscal 2012 | 65,510 |
| Fiscal 2013 | 57,883 |
| Fiscal 2014 | 51,394 |
| Fiscal 2015 | 47,365 |
| Fiscal 2016 | 39,754 |
| Thereafter | 100,043 |
| Total intangible assets subject to amortization | 376,788 |
| Indefinite-lived trademarks | 19,857 |
| Other intangible assets, net | \$ 396,645 |

The changes in goodwill during the nine months ended September 30, 2011 are as follows:

| <i>(in thousands)</i> | |
|--|---------------------|
| Beginning balance – January 1, 2011 | \$ 1,035,083 |
| Acquisition of Apache | 195,286 |
| Currency translation and other | (497) |
| Ending balance – September 30, 2011 | \$ 1,229,872 |

Table of Contents**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 the Company's own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

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

| <i>(in thousands)</i> | Fair Value Measurements at Reporting Date Using: | | | |
|--------------------------|--|---|---|---|
| | September 30, 2011 | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets | | | | |
| Cash equivalents | \$ 163,386 | \$ 160,513 | \$ 2,873 | \$ 0 |
| Short-term investments | \$ 582 | \$ 0 | \$ 582 | \$ 0 |
| Liabilities | | | | |
| Foreign currency future | \$ (561) | \$ 0 | \$ (561) | \$ 0 |
| Deferred compensation | \$ (2,063) | \$ 0 | \$ 0 | \$ (2,063) |
| Contingent consideration | \$ (9,529) | \$ 0 | \$ 0 | \$ (9,529) |

| <i>(in thousands)</i> | Fair Value Measurements at Reporting Date Using: | | | |
|------------------------|--|---|---|---|
| | December 31, 2010 | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets | | | | |
| Cash equivalents | \$ 301,714 | \$ 273,926 | \$ 27,788 | \$ 0 |
| Short-term investments | \$ 455 | \$ 0 | \$ 455 | \$ 0 |

The cash equivalents in the preceding tables represent money market mutual funds and time deposits.

Table of Contents

The short-term investments in the preceding tables represent deposits held by certain foreign subsidiaries of the Company. The deposits have fixed interest rates with maturity dates ranging from three months to one year. For the three and nine months ended September 30, 2011, there were no unrealized gains or losses associated with these deposits.

During 2011, the Company entered into three foreign currency futures contracts with a third-party U.S. financial institution. Two of the contracts were settled in June and September 2011, respectively, while the remaining contract will be settled in December 2011. The purpose of these contracts is to mitigate the Company's exposure to foreign exchange risk arising from intercompany receivables from its Japanese subsidiary. As of September 30, 2011, the Company's foreign exchange future is in a liability position of \$561,000. The foreign exchange futures are measured at fair value each reporting period, with gains or losses recognized currently in earnings.

On August 1, 2011, the Company completed its acquisition of Apache Design Solutions, Inc., a leading simulation software provider for advanced, low power solutions in the electronics industry. The merger agreement included a contingent consideration arrangement that requires additional payments totaling \$12.0 million to be paid by the Company in equal installments to the Apache stockholders and holders of vested Apache options on each of the first three anniversaries of the closing of the acquisition. To receive these payments, a key member of Apache's management must remain an employee of ANSYS on each of the first three anniversaries of the acquisition closing date. Management estimated that it was probable that all three payments would be made, and recorded the fair value of the contingent payments as a liability on the date of acquisition. The portion of contingent payments attributable to the key member of Apache management was determined to be deferred compensation, and is accounted for outside of the business combination. A liability of \$2.1 million for deferred compensation was recorded as of September 30, 2011 based on the net present value of the expected payments. The portion of the contingent payments attributable to other shareholders was determined to be contingent purchase price consideration and is estimated to be \$9.5 million based on the net present value of the expected payments. The net present value calculations for the deferred compensation and contingent consideration included a significant unobservable input in the assumption that all three payments will be made, and therefore the liabilities were classified as Level 3 in the fair value hierarchy.

The following table presents the changes during the nine months ended September 30, 2011 in our Level 3 liabilities for contingent consideration and deferred compensation that are measured at fair value on a recurring basis:

| <i>(in thousands)</i> | | Fair Value Measurement Using Significant Unobservable Inputs | |
|---------------------------------------|--------------------|---|--------------------------|
| | | Contingent Consideration | Deferred Compensation |
| Beginning balance | January 1, 2011 | \$ 0 | \$ 0 |
| Issuances | | 9,501 | 2,057 |
| Interest expense included in earnings | | 28 | 6 |
| Ending balance | September 30, 2011 | \$ 9,529 | \$ 2,063 |

Table of Contents

The Company had no transfers of amounts between Level 1 or Level 2 fair value measurements during the three or nine months ended September 30, 2011.

The carrying values of cash, accounts receivable, accounts payable, accrued expenses, other accrued liabilities and short-term obligations approximate their fair values because of their short-term nature. The carrying value of long-term debt approximates its fair value due to the variable interest rate underlying the Company's credit facility.

10. 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:

| <i>(in thousands)</i> | Three Months Ended | | Nine Months Ended | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2011 | September 30, 2010 | September 30, 2011 | September 30, 2010 |
| United States | \$ 53,597 | \$ 44,594 | \$ 151,107 | \$ 134,368 |
| Japan | 29,804 | 23,058 | 82,232 | 68,409 |
| Germany | 18,521 | 14,817 | 52,486 | 44,482 |
| Canada | 3,327 | 2,047 | 8,816 | 6,944 |
| Other European | 39,657 | 32,522 | 119,719 | 97,704 |
| Other international | 28,029 | 22,805 | 78,880 | 61,756 |
| Total revenue | \$ 172,935 | \$ 139,843 | \$ 493,240 | \$ 413,663 |

Property and equipment by geographic area is as follows:

| <i>(in thousands)</i> | September 30, 2011 | December 31, 2010 |
|-----------------------------------|-----------------------|----------------------|
| United States | \$ 27,158 | \$ 25,156 |
| India | 3,073 | 2,846 |
| United Kingdom | 2,680 | 2,316 |
| Germany | 1,777 | 1,709 |
| Japan | 1,483 | 1,493 |
| Canada | 947 | 1,014 |
| Other European | 2,165 | 1,959 |
| Other international | 968 | 428 |
| Total property and equipment, net | \$ 40,251 | \$ 36,921 |

Table of Contents**11. Stock Repurchase Program**

Under the Company's stock repurchase program, during the nine months ended September 30, 2011, ANSYS repurchased 247,443 shares at an average price per share of \$51.34. During the three months ended September 30, 2011, the Company repurchased no shares. As of September 30, 2011, approximately 1.1 million shares remained authorized for repurchase under the program.

12. Stock-based Compensation

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

| <i>(in thousands)</i> | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2011 | September 30, 2010 | September 30, 2011 | September 30, 2010 |
| Cost of sales: | | | | |
| Software licenses | \$ 197 | \$ 34 | \$ 270 | \$ 99 |
| Maintenance and service | 486 | 379 | 1,407 | 1,111 |
| Operating expenses: | | | | |
| Selling, general and administrative | 3,211 | 2,970 | 9,162 | 8,667 |
| Research and development | 2,214 | 1,360 | 5,735 | 4,026 |
| Stock-based compensation expense before taxes | 6,108 | 4,743 | 16,574 | 13,903 |
| Related income tax benefits | (1,293) | (1,023) | (3,797) | (2,983) |
| Stock-based compensation expense, net of taxes | \$ 4,815 | \$ 3,720 | \$ 12,777 | \$ 10,920 |
| Net impact on earnings per share | | | | |
| Basic earnings per share | \$ (0.05) | \$ (0.04) | \$ (0.14) | \$ (0.12) |
| Diluted earnings per share | \$ (0.05) | \$ (0.04) | \$ (0.14) | \$ (0.12) |

Table of Contents

13. Contingencies and Commitments

The Company is subject to various investigations, claims and legal proceedings that arise in the ordinary course of business, including alleged infringement of intellectual property rights, commercial disputes, labor and employment matters, tax audits and other matters. In the opinion of the Company, the resolution of pending matters is not expected to have a material, adverse effect on the Company's 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 in the future materially affect the Company's results of operations, cash flows or financial position.

The Company sells software licenses and services to its customers under proprietary software license agreements. Each license agreement contains the relevant terms of the contractual arrangement with the customer, and generally includes certain provisions for indemnifying the customer against losses, expenses and liabilities from damages that are incurred by or awarded against the customer in the event the Company's software or services are found to infringe upon a patent, copyright or other proprietary right of a third party. To date, the Company has not had to reimburse any of its customers for any losses related to these indemnification provisions and no material claims asserted under these indemnification provisions are outstanding as of September 30, 2011. For several reasons, including the lack of prior material indemnification claims, the Company cannot determine the maximum amount of potential future payments, if any, related to such indemnification provisions.

14. Subsidiary Merger Activities

To improve the effectiveness of the Company's operations in Japan, the Company completed the merger of its Japan subsidiaries during the third quarter of 2010. For tax purposes in Japan, this transaction resulted in a step-up in the tax basis of certain assets and liabilities of the merged subsidiary to fair value as of the date of the merger and gave rise to a taxable gain in Japan, resulting in a liability of approximately \$77.3 million which was paid during the fourth quarter of 2010. The unamortized portion of the corresponding prepaid tax, which is deductible over the succeeding five-year period in Japan for the stepped-up tax basis of the assets and liabilities, is included on the condensed consolidated balance sheets as of September 30, 2011 and December 31, 2010.

For U.S. tax purposes, this taxable gain in Japan gives rise to a foreign tax credit that reduces the current U.S. tax on foreign income. The Company's U.S. tax payments were reduced by approximately \$22.2 million in 2010 as a result of this credit. The Company recently filed an amended tax return in order to request a refund of approximately \$26.3 million for a portion of this foreign tax credit which can be carried back to reduce the tax obligation of previous years. The remaining portion of this foreign tax credit (approximately \$0.2 million) will be used to reduce the amount of taxes to be paid in the U.S. in 2011 or future periods. Recognition of this foreign tax credit resulted in a deferred tax credit that will be recognized as a reduction to the Company's U.S. taxes over the same five-year period that the prepaid tax in Japan is recognized.

Table of Contents

15. New Accounting Guidance

Presentation of Comprehensive Income: In June 2011, new accounting guidance was issued regarding the presentation of comprehensive income in consolidated financial statements. This guidance requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated guidance eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. This guidance is effective for the Company beginning January 1, 2012.

Testing Goodwill for Impairment: In September 2011, new accounting guidance was issued regarding the requirement to test goodwill for impairment on at least an annual basis. Existing guidance requires that this test be performed by comparing the fair value of a reporting unit with its carrying amount, including goodwill (step one). If the fair value of a reporting unit is less than its carrying amount, then the second step of the test must be performed to measure the amount of the impairment loss, if any. Under the new guidance, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test. This guidance is effective for the Company beginning January 1, 2012.

Fair Value Measurements: In May 2011, new accounting guidance was issued to provide a consistent definition of fair value and to ensure that the fair value measurement and disclosure requirements are similar between generally accepted accounting principles in the United States and International Financial Reporting Standards. The guidance changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This guidance is effective for the Company beginning January 1, 2012.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

ANSYS, Inc.

Canonsburg, Pennsylvania

We have reviewed the accompanying condensed consolidated balance sheet of ANSYS, Inc. and subsidiaries (the Company) as of September 30, 2011, and the related condensed consolidated statements of income for the three-month and nine-month periods ended September 30, 2011 and 2010 and of cash flows for the nine-month periods ended September 30, 2011 and 2010. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of ANSYS, Inc. and subsidiaries as of December 31, 2010, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 25, 2011, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2010 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP
Pittsburgh, Pennsylvania

November 3, 2011

Table of Contents

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

Overview:

ANSYS, Inc.'s results for the three months ended September 30, 2011 reflect growth in revenues of 23.7%, operating income of 25.9% and diluted earnings per share of 23.1% as compared to the three months ended September 30, 2010. The Company's results for the nine months ended September 30, 2011 reflect growth in revenues of 19.2%, operating income of 25.0%, diluted earnings per share of 25.9%, and a 19.7% increase in cash flow from operations as compared to the nine months ended September 30, 2010. These results were impacted by the August 2011 acquisition of Apache. The results of operations include the results of Apache for the period from the date of acquisition (August 1, 2011) through September 30, 2011. The Company experienced higher revenues in 2011 from growth in both license and maintenance revenue and the acquisition of Apache. In addition, the operating results were favorably impacted by improved operating margins, reduced interest expense, foreign currency translation fluctuations and a lower effective tax rate. These contributions were partially offset by transaction fees and additional amortization of acquired intangible assets related to the Apache acquisition.

The Company's non-GAAP results for the three months ended September 30, 2011 reflect increases in revenue of 27.2%, operating income of 30.7% and diluted earnings per share growth of 29.4% as compared to the three months ended September 30, 2010. The Company's non-GAAP results for the nine months ended September 30, 2011 reflect increases in revenue of 20.4%, operating income of 23.6% and diluted earnings per share growth of 25.0% as compared to the nine months ended September 30, 2010. The non-GAAP results exclude the income statement effects of the acquisition accounting adjustment to deferred revenue, stock-based compensation, acquisition-related amortization of intangible assets and transaction costs related to business combinations. For further disclosure regarding non-GAAP results, see the section titled "Non-GAAP Results" immediately preceding the section titled "Liquidity and Capital Resources".

In valuing deferred revenue on the Apache balance sheet as of the acquisition date, the Company applied the fair value provisions applicable to the accounting for business combinations. Although this acquisition accounting requirement had no impact on the Company's business or cash flow, the Company's reported revenue under accounting principles generally accepted in the United States, primarily for the first 12 months post-acquisition, will be less than the sum of what would otherwise have been reported by Apache and ANSYS absent the acquisition. Acquired deferred revenue of \$10.1 million was recorded on the opening balance sheet. This amount was approximately \$13.6 million lower than the historical carrying value. The impact on reported revenue for the three and nine months ended September 30, 2011 was \$4.9 million, primarily in lease license revenue. The expected impact on reported revenue for the quarter ending December 31, 2011 is \$4.7 million and for the year ending December 31, 2012 is \$3.4 million.

Table of Contents

During the nine months ended September 30, 2011, the Company had net acquisition-related cash outlays of approximately \$269.8 million and repurchased approximately 247,000 shares of treasury stock for \$12.7 million at an average price of \$51.34 per share. The Company's financial position includes \$406.9 million in cash and short-term investments, and working capital of \$254.9 million as of September 30, 2011. The Company has outstanding borrowings under its term loan of \$138.2 million.

ANSYS 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 aerospace, automotive, manufacturing, electronics, biomedical, energy and defense. Headquartered south of Pittsburgh, Pennsylvania, the Company and its subsidiaries employed approximately 2,100 people as of September 30, 2011 and focus on the development of open and flexible solutions that enable users to analyze designs directly on the desktop, providing a common platform for fast, efficient and cost-conscious product development, from design concept to final-stage testing and validation. The Company distributes its ANSYS suite of simulation technologies through a global network of independent channel partners and direct sales offices in strategic, global locations. It is the Company's intention to continue to maintain this hybrid sales and distribution model.

The Company licenses its technology to businesses, educational institutions and governmental agencies. Growth in the Company's revenue is affected by the strength of global economies, general business conditions, currency exchange rate fluctuations, customer budgetary constraints and the competitive position of the Company's products. The Company believes that the features, functionality and integrated multiphysics capabilities of its software products are as strong as they have ever been. However, the software business is generally characterized by long sales cycles. These long sales cycles increase the difficulty of predicting sales for any particular quarter. The Company makes many operational and strategic decisions based upon short- and long-term sales forecasts that are impacted not only by these long sales cycles but by current global economic conditions. As a result, the Company believes that its overall performance is best measured by fiscal year results rather than by quarterly results.

The Company's management considers the competition and price pressure that it faces 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 its software products as compared to its competitors; investing in research and development to develop new and innovative products and increase the capabilities of its existing products; supplying new products and services; focusing on customer needs, training, consulting and support; and enhancing its distribution channels. From time to time, the Company also considers acquisitions to supplement its global engineering talent, product offerings and distribution channels.

The following discussion should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and notes thereto for the three and nine months ended September 30, 2011, and with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2010 filed on the Annual Report on Form 10-K with the Securities and Exchange Commission.

Table of Contents

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company 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, the Company evaluates its estimates, including those related to fair value of stock awards, bad debts, contract revenue, valuation of goodwill, valuation of intangible assets, contingent consideration, deferred compensation, income taxes, and contingencies and litigation. The Company bases its estimates on historical experience, market experience, estimated future cash flows and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, but not limited to, the following statements, as well as statements that contain such words as "anticipates," "intends," "believes," "plans" and other similar expressions:

The Company's anticipation that it will continue to make targeted investments in its global sales and marketing organization and its global business infrastructure to enhance major account sales activities and to support its worldwide sales distribution and marketing strategies, and the business in general.

The Company's intentions related to investments in research and development, particularly as it relates to expanding the capabilities of its flagship products and other products within its broad portfolio of simulation software, evolution of its ANSYS® Workbench™ platform, High Performance Computing (HPC) capabilities and ongoing integration.

The Company's plans related to future capital spending.

The Company's intentions regarding its hybrid sales and distribution model.

The sufficiency of existing cash and cash equivalent balances to meet future working capital, capital expenditure and debt service requirements.

Management's assessment of the ultimate liabilities arising from various investigations, claims and legal proceedings.

The Company's statements regarding the competitive position and strength of its software products.

The Company's statements regarding increased exposure to volatility of foreign exchange rates.

Table of Contents

The Company's intentions related to investments in complementary companies, products, services and technologies.

The Company's expectations regarding the impact of the merger of its Japan subsidiaries on future income tax expense and cash flows from operations.

The Company's expectations regarding the accelerated development and delivery of new and innovative products to the marketplace while lowering design and engineering costs for customers as a result of the Apache acquisition.

The Company's estimates regarding the expected adverse impact on reported revenue related to the acquisition accounting treatment of deferred revenue.

Forward-looking statements should not be unduly relied upon because they involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control. The Company's actual results could differ materially from those set forth in forward-looking statements. Certain factors, among others, that might cause such a difference include risks and uncertainties disclosed in the Company's most recent Annual Report on Form 10-K, Part I, Item 1A. Information regarding new risk factors or material changes to these risk factors has been included within Part II, Item 1A of this Quarterly Report on Form 10-Q.

Table of Contents**Results of Operations****Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010**Revenue:

| <i>(in thousands, except percentages)</i> | Three Months Ended | | Change | |
|---|-----------------------|-----------------------|-----------|------|
| | September 30, 2011 | September 30, 2010 | Amount | % |
| Revenue: | | | | |
| Lease licenses | \$ 55,671 | \$ 46,189 | \$ 9,482 | 20.5 |
| Perpetual licenses | 48,806 | 36,454 | 12,352 | 33.9 |
| Software licenses | 104,477 | 82,643 | 21,834 | 26.4 |
| Maintenance | 63,282 | 53,170 | 10,112 | 19.0 |
| Service | 5,176 | 4,030 | 1,146 | 28.4 |
| Maintenance and service | 68,458 | 57,200 | 11,258 | 19.7 |
| Total revenue | \$ 172,935 | \$ 139,843 | \$ 33,092 | 23.7 |

The Company's revenue in the quarter ended September 30, 2011 increased 23.7% as compared to the quarter ended September 30, 2010, including increases in all major revenue categories. Perpetual license revenue, which is derived entirely from new sales during the quarter, increased 33.9%. This strong growth was partially influenced by an improvement in economic conditions in certain geographies as compared to the prior year quarter and benefits from the Company's continued investment in its global sales and marketing organization. Revenue from lease licenses increased 20.5% as compared to the quarter ended September 30, 2010, due to growth in sales of lease licenses and the addition of Apache-related revenue of \$4.2 million for the period from the acquisition (August 1, 2011) through September 30, 2011. The annual maintenance contracts that were sold with the new perpetual licenses, along with maintenance contracts sold with new perpetual licenses in the previous twelve months, contributed to maintenance revenue growth of 19.0%. Service revenue increased 28.4%, primarily due to increased consulting project revenues.

With respect to revenue, on average for the quarter ended September 30, 2011, the U.S. Dollar was approximately 7.5% weaker, when measured against the Company's primary foreign currencies, than for the same quarter of 2010. The overall weakening resulted in increased revenue and operating income during the quarter ended September 30, 2011, as compared with the same quarter of 2010, of approximately \$6.6 million and \$4.1 million, respectively.

Table of Contents

A substantial portion of the Company's license and maintenance revenue is derived from annual lease and maintenance contracts. These contracts are generally renewed on an annual basis and typically have a high rate of customer renewal. In addition to the recurring revenue base associated with these contracts, a majority of customers purchasing new perpetual licenses also purchase related annual maintenance contracts. As a result of the significant recurring revenue base, the Company's license and maintenance revenue growth rate in any period does not necessarily correlate to the growth rate of new license and maintenance contracts sold during that period. To the extent the rate of customer renewal for lease and maintenance contracts is high, incremental lease contracts, and maintenance contracts sold with new perpetual licenses, will result in license and maintenance revenue growth. Conversely, if the rate of renewal for these contracts is adversely affected by economic or other factors, the Company's license and maintenance growth will be adversely affected over the term that the revenue for those contracts would have otherwise been recognized.

Due to the acquisition of Apache, the Company has a backlog of \$60.2 million of orders received but not invoiced as of September 30, 2011.

International and domestic revenues, as a percentage of total revenue, were 69.0% and 31.0%, respectively, during the quarter ended September 30, 2011, and 68.1% and 31.9%, respectively, during the quarter ended September 30, 2010. The Company derived 26.8% and 27.1% of its total revenue through the indirect sales channel in the third quarters of 2011 and 2010, respectively.

In valuing deferred revenue on the Apache balance sheet as of the acquisition date, the Company applied the fair value provisions applicable to the accounting for business combinations. Although this acquisition accounting requirement had no impact on the Company's business or cash flow, the Company's reported revenue under accounting principles generally accepted in the United States, primarily for the first 12 months post-acquisition, will be less than the sum of what would otherwise have been reported by Apache and ANSYS absent the acquisition. Acquired deferred revenue of \$10.1 million was recorded on the opening balance sheet. This amount was approximately \$13.6 million lower than the historical carrying value. The impact on reported revenue for the three and nine months ended September 30, 2011 was \$4.9 million, primarily in lease license revenue. The expected impact on reported revenue for the quarter ending December 31, 2011 is \$4.7 million and for the year ending December 31, 2012 is \$3.4 million.

Table of ContentsCost of Sales and Gross Profit:

| <i>(in thousands, except percentages)</i> | Three Months Ended September 30, | | | | Change | |
|---|----------------------------------|--------------|------------|--------------|-----------|------|
| | 2011 | | 2010 | | Amount | % |
| | Amount | % of Revenue | Amount | % of Revenue | | |
| Cost of sales: | | | | | | |
| Software licenses | \$ 4,220 | 2.4 | \$ 2,555 | 1.8 | \$ 1,665 | 65.2 |
| Amortization | 8,993 | 5.2 | 8,180 | 5.8 | 813 | 9.9 |
| Maintenance and service | 17,814 | 10.3 | 14,544 | 10.4 | 3,270 | 22.5 |
| Total cost of sales | 31,027 | 17.9 | 25,279 | 18.1 | 5,748 | 22.7 |
| Gross profit | \$ 141,908 | 82.1 | \$ 114,564 | 81.9 | \$ 27,344 | 23.9 |

Software Licenses: The increase in software license costs was primarily due to Apache-related cost of sales of \$1.3 million for the period from the acquisition (August 1, 2011) through September 30, 2011, and increases in third-party royalties and stock-based compensation each of \$200,000.

Amortization: The increase in amortization expense was primarily a result of \$1.5 million in amortization that began during the third quarter of 2011 on acquired Apache software and a \$90,000 increase in amortization of an acquired trademark, partially offset by an \$800,000 decrease in amortization of other acquired software.

Maintenance and Service: The increase in maintenance and service costs is primarily due to an increase in salaries and incentive compensation of \$2.7 million.

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

Table of ContentsOperating Expenses:

| | Three Months Ended September 30, 2011 | | 2010 | | Change | |
|---|--|-----------------|-----------|-----------------|-----------|------|
| | Amount | % of Revenue | Amount | % of Revenue | Amount | % |
| <i>(in thousands, except percentages)</i> | | | | | | |
| Operating expenses: | | | | | | |
| Selling, general and administrative | \$ 43,180 | 25.0 | \$ 36,954 | 26.4 | \$ 6,226 | 16.8 |
| Research and development | 28,899 | 16.7 | 21,696 | 15.5 | 7,203 | 33.2 |
| Amortization | 4,500 | 2.6 | 4,037 | 2.9 | 463 | 11.5 |
| Total operating expenses | \$ 76,579 | 44.3 | \$ 62,687 | 44.8 | \$ 13,892 | 22.2 |

Selling, General and Administrative: The increase in selling, general and administrative costs was primarily a result of Apache-related selling, general and administrative expenses of \$2.8 million for the period from the acquisition (August 1, 2011) through September 30, 2011, increases in salaries of \$1.4 million, third-party commissions of \$500,000, business travel expenses of \$400,000, discretionary marketing costs of \$300,000 and stock-based compensation of \$200,000.

The Company anticipates that it will continue to make targeted investments in its global sales and marketing organization and its global business infrastructure to enhance major account sales activities and to support its worldwide sales distribution and marketing strategies, and the business in general.

Research and Development: The increase in research and development costs was primarily a result of Apache-related research and development expenses of \$2.3 million for the period from the acquisition (August 1, 2011) through September 30, 2011, increased salary and headcount-related costs, including incentive compensation, of \$3.5 million, increased stock-based compensation expense of \$900,000 and increased depreciation of \$200,000.

The Company has traditionally invested significant resources in research and development activities and intends to continue to make investments in this area, particularly as it relates to expanding the capabilities of its flagship products and other products within its broad portfolio of simulation software, evolution of its ANSYS® Workbench™ platform, High Performance Computing (HPC) capabilities and ongoing integration.

Amortization: The increase in amortization expense was primarily the result of \$400,000 in amortization that began during the third quarter of 2011 on acquired Apache customer lists and contract backlog, and an \$80,000 increase in amortization of other acquired customer lists.

Table of Contents

Interest Expense: The Company's interest expense consists of the following:

| <i>(in thousands)</i> | Three Months Ended | |
|--------------------------------------|-----------------------|-----------------------|
| | September 30, 2011 | September 30, 2010 |
| Bank interest on term loan | \$ 379 | \$ 558 |
| Amortization of debt financing costs | 236 | 256 |
| Other | 138 | 88 |
| Total interest expense | \$ 753 | \$ 902 |

The decreased interest expense shown above for the 2011 quarter is primarily a result of a lower average outstanding debt balance.

Interest Income: Interest income for the quarter ended September 30, 2011 was \$789,000 as compared to \$491,000 during the quarter ended September 30, 2010. Interest income primarily increased as a result of a higher average rate of return on invested foreign cash balances.

Other Income (Expense), net: The Company recorded other income of \$78,000 during the quarter ended September 30, 2011 as compared to other expense of \$574,000 during the quarter ended September 30, 2010. The activity for both quarters was primarily composed of foreign currency transaction gains and losses. As the Company's presence in foreign locations continues to expand, the Company will have increased exposure to volatility of foreign exchange rates for the foreseeable future.

Income Tax Provision: The Company recorded income tax expense of \$19.9 million and had income before income taxes of \$65.4 million for the quarter ended September 30, 2011. This represents an effective tax rate of 30.4% in the third quarter of 2011. During the quarter ended September 30, 2010, the Company recorded income tax expense of \$14.8 million and had income before income taxes of \$50.9 million. The Company's effective tax rate was 29.0% in the third quarter of 2010.

When compared to the federal and state combined statutory rate, these rates are favorably impacted by lower statutory tax rates in many of the Company's foreign jurisdictions, domestic manufacturing deductions, research and experimentation credits and tax benefits associated with the merger of the Company's Japan subsidiaries in the third quarter of 2010. These rates are also impacted by charges or benefits associated with the Company's uncertain tax positions.

The Company's tax expense in the third quarter of 2011 was also favorably impacted by approximately \$2.0 million related to the additional tax benefits associated with the filing of the Company's 2010 tax return. The benefits primarily related to a higher domestic manufacturing deduction than the Company had previously recorded.

Table of Contents

To improve the effectiveness of the Company's operations in Japan, during the third quarter of 2010, the Company completed the merger of its subsidiaries in Japan. Since the date of the merger, this transaction has had a significant impact on the Company's net income, diluted earnings per share and cash flows. The transaction is also expected to have a significant impact on these items in future periods. As a result of the merger, the Company realized a reduction in its third quarter 2011 income tax expense of \$2.8 million related to tax credits in the U.S. associated with foreign taxes paid in Japan. The Company also expects that its future income tax expense will be reduced by the following amounts:

| | Estimated Reduction in |
|---------|-------------------------------|
| | Income Tax Expense |
| Q4 2011 | \$2.2 - \$2.3 million |
| FY 2012 | \$8.9 - \$9.1 million |
| FY 2013 | \$8.9 - \$9.1 million |
| FY 2014 | \$8.9 - \$9.1 million |
| FY 2015 | \$6.7 - \$6.9 million |

Refer to the section titled, "Liquidity and Capital Resources" for the estimated impact on future cash flows.

Net Income: The Company's net income in the third quarter of 2011 was \$45.5 million as compared to net income of \$36.1 million in the third quarter of 2010. Diluted earnings per share was \$0.48 in the third quarter of 2011 and \$0.39 in the third quarter of 2010. The weighted average shares used in computing diluted earnings per share were 94.4 million in the third quarter of 2011 and 93.2 million in the third quarter of 2010.

Table of Contents**Results of Operations****Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010**Revenue:

| <i>(in thousands, except percentages)</i> | Nine Months Ended | | Change | |
|---|-----------------------|-----------------------|-----------|------|
| | September 30, 2011 | September 30, 2010 | Amount | % |
| Revenue: | | | | |
| Lease licenses | \$ 155,945 | \$ 135,692 | \$ 20,253 | 14.9 |
| Perpetual licenses | 141,835 | 110,281 | 31,554 | 28.6 |
| Software licenses | 297,780 | 245,973 | 51,807 | 21.1 |
| Maintenance | 181,603 | 154,670 | 26,933 | 17.4 |
| Service | 13,857 | 13,020 | 837 | 6.4 |
| Maintenance and service | 195,460 | 167,690 | 27,770 | 16.6 |
| Total revenue | \$ 493,240 | \$ 413,663 | \$ 79,577 | 19.2 |

The Company's revenue in the nine months ended September 30, 2011 increased 19.2% as compared to the nine months ended September 30, 2010, including increases in all major revenue categories. Perpetual license revenue, which is derived entirely from new sales during the period, increased 28.6%. This strong growth was partially influenced by an improvement in the global economy as compared to the prior year nine-month period, including the effects of these economic improvements on year-end spending patterns in certain geographies, and benefits from the Company's continued investment in its global sales and marketing organization. The annual maintenance contracts that were sold with the new perpetual licenses, along with maintenance contracts sold with new perpetual licenses in previous quarters, contributed to maintenance revenue growth of 17.4%. Revenue from lease licenses increased 14.9% as compared to the nine months ended September 30, 2010, due to growth in sales of lease licenses and the addition of Apache-related revenue of \$4.2 million for the period from the acquisition (August 1, 2011) through September 30, 2011. Service revenue increased more modestly at 6.4%.

With respect to revenue, on average for the nine months ended September 30, 2011, the U.S. Dollar was approximately 6.8% weaker, when measured against the Company's primary foreign currencies, than for the same nine-month period of 2010. The overall weakening resulted in increased revenue and operating income during the nine months ended September 30, 2011, as compared with the nine months ended September 30, 2010, of approximately \$18.4 million and \$11.0 million, respectively.

Table of Contents

International and domestic revenues, as a percentage of total revenue, were 69.4% and 30.6%, respectively, during the nine months ended September 30, 2011, and 67.5% and 32.5%, respectively, during the nine months ended September 30, 2010. The Company derived 26.8% and 26.6% of its total revenue through the indirect sales channel in the nine month periods ended September 30, 2011 and 2010, respectively.

In valuing deferred revenue on the Apache balance sheet as of the acquisition date, the Company applied the fair value provisions applicable to the accounting for business combinations. Although this acquisition accounting requirement had no impact on the Company's business or cash flow, the Company's reported revenue under accounting principles generally accepted in the United States, primarily for the first 12 months post-acquisition, will be less than the sum of what would otherwise have been reported by Apache and ANSYS absent the acquisition. Acquired deferred revenue of \$10.1 million was recorded on the opening balance sheet. This amount was approximately \$13.6 million lower than the historical carrying value. The impact on reported revenue for the three and nine months ended September 30, 2011 was \$4.9 million, primarily in lease license revenue. The expected impact on reported revenue for the quarter ending December 31, 2011 is \$4.7 million and for the year ending December 31, 2012 is \$3.4 million.

Table of ContentsCost of Sales and Gross Profit:

| | Nine Months Ended September 30, 2011 | | 2010 | | Change | |
|---|---|-----------------|------------|-----------------|-----------|-------|
| | Amount | % of Revenue | Amount | % of Revenue | Amount | % |
| <i>(in thousands, except percentages)</i> | | | | | | |
| Cost of sales: | | | | | | |
| Software licenses | \$ 10,144 | 2.1 | \$ 7,474 | 1.8 | \$ 2,670 | 35.7 |
| Amortization | 23,993 | 4.9 | 24,572 | 5.9 | (579) | (2.4) |
| Maintenance and service | 51,535 | 10.4 | 42,026 | 10.2 | 9,509 | 22.6 |
| Total cost of sales | 85,672 | 17.4 | 74,072 | 17.9 | 11,600 | 15.7 |
| Gross profit | \$ 407,568 | 82.6 | \$ 339,591 | 82.1 | \$ 67,977 | 20.0 |

Software Licenses: The increase in software license costs was primarily due to Apache-related cost of sales of \$1.3 million for the period from the acquisition (August 1, 2011) through September 30, 2011, and increases in third-party royalties of \$1.0 million and salaries of \$300,000.

Amortization: The decrease in amortization expense was primarily a result of a \$2.3 million decrease in amortization of acquired software, partially offset by \$1.5 million in amortization that began during the third quarter of 2011 on acquired Apache software and a \$300,000 increase in amortization of an acquired trademark.

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

Increase in salaries and headcount-related costs, including incentive compensation, of \$7.7 million.

Increase in business travel expenses of \$900,000.

Decrease in third-party technical support costs of \$800,000.

Increase in office and equipment lease expense of \$500,000.

Increases in depreciation and stock-based compensation, each of \$300,000.

Increase in maintenance-related costs of \$200,000.

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

Table of ContentsOperating Expenses:

| | Nine Months Ended September 30, 2011 | | 2010 | | Change | |
|---|---|-----------------|------------|-----------------|-----------|------|
| | Amount | % of Revenue | Amount | % of Revenue | Amount | % |
| <i>(in thousands, except percentages)</i> | | | | | | |
| Operating expenses: | | | | | | |
| Selling, general and administrative | \$ 123,786 | 25.1 | \$ 108,161 | 26.1 | \$ 15,625 | 14.4 |
| Research and development | 78,779 | 16.0 | 65,673 | 15.9 | 13,106 | 20.0 |
| Amortization | 12,587 | 2.6 | 11,874 | 2.9 | 713 | 6.0 |
| Total operating expenses | \$ 215,152 | 43.6 | \$ 185,708 | 44.9 | \$ 29,444 | 15.9 |

Selling, General and Administrative: The increase in selling, general and administrative costs was primarily a result of increased salary and headcount-related costs, including incentive compensation, of \$5.7 million, Apache-related selling, general and administrative expenses of \$2.8 million for the period from the acquisition (August 1, 2011) through September 30, 2011, transaction costs totaling \$2.0 million related to the Apache acquisition, increased discretionary marketing costs of \$1.6 million, increased third-party commissions of \$900,000 and increased business travel expenses of \$700,000.

Research and Development: The increase in research and development costs was primarily a result of increased salary and headcount-related costs, including incentive compensation, of \$6.8 million, Apache-related research and development expenses of \$2.3 million for the period from the acquisition (August 1, 2011) through September 30, 2011, increased stock-based compensation expense of \$1.7 million, increased depreciation expense of \$500,000 and increased facilities and information technology maintenance costs of \$300,000.

Amortization: The increase in amortization expense was primarily the result of \$400,000 in amortization that began during the third quarter of 2011 on acquired Apache customer lists and contract backlog, and a \$400,000 increase in amortization of other acquired customer lists.

Table of Contents

Interest Expense: The Company's interest expense consists of the following:

| <i>(in thousands)</i> | Nine Months Ended | |
|---|-----------------------|-----------------------|
| | September 30, 2011 | September 30, 2010 |
| Bank interest on term loan | \$ 1,210 | \$ 1,659 |
| Amortization of debt financing costs | 733 | 873 |
| Realized loss on interest rate swap agreement | 0 | 864 |
| Other | 387 | 300 |
| Total interest expense | \$ 2,330 | \$ 3,696 |

The decreased interest expense shown above for the 2011 period is primarily a result of the June 30, 2010 expiration of the interest rate swap and a lower average outstanding debt balance.

Interest Income: Interest income for the nine months ended September 30, 2011 was \$2.2 million as compared to \$1.3 million for the nine months ended September 30, 2010. Interest income primarily increased as a result of an increase in the average rate of return on foreign invested cash balances and an increase in the average domestic and foreign cash balances.

Other Expense, net: The Company recorded other expense of \$544,000 during the nine months ended September 30, 2011 as compared to other expense of \$942,000 during the nine months ended September 30, 2010. The activity for both nine-month periods was primarily composed of net foreign currency transaction losses.

Income Tax Provision: The Company recorded income tax expense of \$58.5 million and had income before income taxes of \$191.7 million for the nine months ended September 30, 2011, representing an effective tax rate of 30.5%. During the nine months ended September 30, 2010, the Company recorded income tax expense of \$46.5 million and had income before income taxes of \$150.5 million, representing an effective tax rate of 30.9%.

As a result of the merger of the Company's subsidiaries in Japan, the Company realized a reduction in its income tax expense of \$7.0 million for the nine months ended September 30, 2011 related to tax credits in the U.S. associated with foreign taxes paid in Japan. Refer to the section titled, "Liquidity and Capital Resources" for the estimated impact on future cash flows and the discussion titled, "Income Tax Provision" in the three-month quarterly comparative analysis within "Results of Operations" for the estimated impact on future income tax expense.

The Company's tax expense for the nine months ended September 30, 2011 was also favorably impacted by approximately \$2.0 million related to additional tax benefits associated with the filing of the Company's 2010 tax return. The benefits primarily related to a higher domestic manufacturing deduction than the Company had previously recorded.

Table of Contents

Net Income: The Company's net income for the nine months ended September 30, 2011 was \$133.2 million as compared to net income of \$104.0 million for the nine months ended September 30, 2010. Diluted earnings per share was \$1.41 in the nine months ended September 30, 2011 and \$1.12 in the nine months ended September 30, 2010. The weighted average shares used in computing diluted earnings per share were 94.3 million and 93.0 million during the nine month periods ended September 30, 2011 and 2010, respectively.

Table of Contents**Non-GAAP Results**

The Company provides non-GAAP revenue, 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 measures regarding the Company's 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 described below.

| <i>(in thousands, except percentages and per share data)</i> | Three Months Ended | | | | | |
|--|--------------------|--------------|------------------|--------------------|--------------|------------------|
| | September 30, 2011 | | | September 30, 2010 | | |
| | As Reported | Adjustments | Non-GAAP Results | As Reported | Adjustments | Non-GAAP Results |
| Total revenue | \$ 172,935 | \$ 4,925(1) | \$ 177,860 | \$ 139,843 | | \$ 139,843 |
| Operating income | 65,329 | 24,665(2) | 89,994 | 51,877 | \$ 16,960(4) | 68,837 |
| Operating profit margin | 37.8% | | 50.6% | 37.1% | | 49.2% |
| Net income | \$ 45,546 | \$ 16,557(3) | \$ 62,103 | \$ 36,130 | \$ 11,294(5) | \$ 47,424 |
| Earnings per share diluted: | | | | | | |
| Diluted earnings per share | \$ 0.48 | | \$ 0.66 | \$ 0.39 | | \$ 0.51 |
| Weighted average shares diluted | 94,445 | | 94,445 | 93,212 | | 93,212 |

- (1) Amount represents the revenue not reported during the period as a result of the acquisition accounting adjustment associated with accounting for deferred revenue in business combinations.
- (2) Amount represents \$13.5 million of amortization expense associated with intangible assets acquired in business acquisitions, \$6.1 million of stock-based compensation expense, the \$4.9 million adjustment to revenue as reflected in (1) above and \$0.2 million of transaction expenses related to the Apache acquisition.
- (3) Amount represents the impact of the adjustments to operating income referred to in (2) above, adjusted for the related income tax impact of \$8.1 million.
- (4) Amount represents \$12.2 million of amortization expense associated with intangible assets acquired in business acquisitions and a \$4.7 million charge for stock-based compensation.
- (5) Amount represents the impact of the adjustments to operating income referred to in (4) above, adjusted for the related income tax impact of \$5.7 million.

Table of Contents

| <i>(in thousands, except percentages and per share data)</i> | Nine Months Ended | | | | | |
|--|--------------------|--------------|------------------|--------------------|--------------|------------------|
| | September 30, 2011 | | | September 30, 2010 | | |
| | As Reported | Adjustments | Non-GAAP Results | As Reported | Adjustments | Non-GAAP Results |
| Total revenue | \$ 493,240 | \$ 4,925(1) | \$ 498,165 | \$ 413,663 | | \$ 413,663 |
| Operating income | 192,416 | 60,072(2) | 252,488 | 153,883 | \$ 50,320(4) | 204,203 |
| Operating profit margin | 39.0% | | 50.7% | 37.2% | | 49.4% |
| Net income | \$ 133,218 | \$ 40,917(3) | \$ 174,135 | \$ 103,992 | \$ 33,498(5) | \$ 137,490 |
| Earnings per share diluted: | | | | | | |
| Diluted earnings per share | \$ 1.41 | | \$ 1.85 | \$ 1.12 | | \$ 1.48 |
| Weighted average shares diluted | 94,268 | | 94,268 | 93,044 | | 93,044 |

- (1) Amount represents the revenue not reported during the period as a result of the acquisition accounting adjustment associated with accounting for deferred revenue in business combinations.
- (2) Amount represents \$36.6 million of amortization expense associated with intangible assets acquired in business acquisitions, \$16.6 million of stock-based compensation expense, the \$4.9 million adjustment to revenue as reflected in (1) above and \$2.0 million of transaction expenses related to the Apache acquisition.
- (3) Amount represents the impact of the adjustments to operating income referred to in (2) above, adjusted for the related income tax impact of \$19.2 million.
- (4) Amount represents \$36.4 million of amortization expense associated with intangible assets acquired in business acquisitions and a \$13.9 million charge for stock-based compensation.
- (5) Amount represents the impact of the adjustments to operating income referred to in (4) above, adjusted for the related income tax impact of \$16.8 million.

Non-GAAP Measures

Management uses non-GAAP financial measures (a) to evaluate the Company's historical and prospective financial performance as well as its performance relative to its 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 its employees. In addition, many financial analysts that follow the Company focus on and publish both historical results and future projections based on non-GAAP financial measures. The Company believes that it is in the best interest of its investors to provide this information to analysts so that they accurately report the non-GAAP financial information. Moreover, investors have historically requested and the Company has historically reported these non-GAAP financial measures as a means of providing consistent and comparable information with past reports of financial results.

Table of Contents

While management believes 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 of the Company's competitors and may not be directly comparable to similarly titled measures of the Company's competitors due to potential differences in the exact method of calculation. The Company compensates 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:

Acquisition accounting for deferred revenue and its related tax impact. Historically, the Company has consummated acquisitions in order to support the Company's strategic and other business objectives. In accordance with the fair value provisions applicable to the accounting for business combinations, acquired deferred revenue is often recorded on the opening balance sheet at an amount that is lower than the historical carrying value. Although this purchase accounting requirement has no impact on the Company's business or cash flow, it adversely impacts the Company's reported GAAP revenue in the reporting periods following an acquisition. In order to provide investors with financial information that facilitates comparison of both historical and future results, the Company provides non-GAAP financial measures which exclude the impact of the acquisition accounting adjustment. The Company believes that this non-GAAP financial adjustment is useful to investors because it allows investors to (a) evaluate the effectiveness of the methodology and information used by management in its financial and operational decision-making and (b) compare past and future reports of financial results of the Company as the revenue reduction related to acquired deferred revenue will not recur when related annual lease licenses and software maintenance contracts are renewed in future periods.

Amortization of intangibles from acquisitions and its related tax impact. The Company incurs amortization of intangibles, included in its GAAP presentation of amortization expense, related to various acquisitions it has made in recent years. Management excludes these expenses and their related tax impact 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 it evaluates the continuing operational performance of the Company 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 management after the acquisition. Accordingly, management does not consider these expenses for purposes of evaluating the performance of the Company during the applicable time period after the acquisition, and it excludes such expenses when making decisions to allocate resources. The Company believes 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 management in its financial and operational decision-making and (b) compare past reports of financial results of the Company as the Company has historically reported these non-GAAP financial measures.

Table of Contents

Stock-based compensation expense and its related tax impact. The Company incurs expense related to stock-based compensation included in its GAAP presentation of cost of software licenses, cost of maintenance and service, research and development expense and selling, general and administrative expense. Although stock-based compensation is an expense of the Company and viewed as a form of compensation, management excludes these 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 it evaluates the continuing operational performance of the Company. Specifically, the Company excludes stock-based compensation during its annual budgeting process and its quarterly and annual assessments of the Company's and management's performance. The annual budgeting process is the primary mechanism whereby the Company allocates resources to various initiatives and operational requirements. Additionally, the annual review by the board of directors during which it compares the Company's 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 senior management and department managers, charges related to stock-based compensation are excluded from expenditure and profitability results. In fact, the Company records stock-based compensation expense into a stand-alone cost center for which no single operational manager is responsible or accountable. In this way, management is able to 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. The Company believes that these non-GAAP financial measures are useful to investors because they allow investors to (a) evaluate the Company's operating results and the effectiveness of the methodology used by management to review the Company's operating results, and (b) review historical comparability in its financial reporting, as well as comparability with competitors' operating results.

Transaction costs related to business combinations. The Company incurs expenses for professional services rendered in connection with business combinations, which are included in its GAAP presentation of selling, general and administrative expense. These expenses are generally not tax-deductible. Management excludes these acquisition-related transaction costs 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 it evaluates the continuing operational performance of the Company, as it generally would not have otherwise incurred these expenses in the periods presented as a part of its continuing operations. The Company believes that these non-GAAP financial measures are useful to investors because they allow investors to (a) evaluate the Company's operating results and the effectiveness of the methodology used by management to review the Company's operating results, and (b) review historical comparability in its financial reporting, as well as comparability with competitors' operating results.

Non-GAAP financial measures are not in accordance with, or an alternative for, generally accepted accounting principles in the United States. The Company's 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 the Company's consolidated financial statements prepared in accordance with GAAP.

Table of Contents

The Company has provided a reconciliation of the non-GAAP financial measures to the most directly comparable GAAP financial measures as listed below:

GAAP Reporting Measure

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

Non-GAAP Reporting Measure

Non-GAAP Revenue
Non-GAAP Operating Income
Non-GAAP Operating Profit Margin
Non-GAAP Net Income
Non-GAAP Diluted Earnings Per Share

Table of Contents

Liquidity and Capital Resources

Cash, cash equivalents and short-term investments: As of September 30, 2011, the Company had cash, cash equivalents and short-term investments totaling \$406.9 million and working capital of \$254.9 million as compared to cash, cash equivalents and short-term investments of \$472.9 million and working capital of \$403.3 million at December 31, 2010.

Cash and cash equivalents consist primarily of highly liquid investments such as money market mutual funds and deposits held at major banks. Short-term investments consist primarily of deposits held by certain foreign subsidiaries of the Company with original maturities of three months to one year. The decrease in cash, cash equivalents and short-term investments during the first nine months of 2011 was primarily due to cash used in the acquisition of Apache. Cash, cash equivalents and short-term investments include \$172.0 million held by the Company's foreign subsidiaries as of September 30, 2011. If these foreign balances were repatriated to the U.S., they would be subject to domestic tax, resulting in a tax obligation in the period of repatriation. The amount of cash, cash equivalents and short-term investments held by these 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 income on the Company's condensed consolidated balance sheet).

Cash flows from operating activities: The net \$37.9 million increase in operating cash flows in the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010 was primarily related to:

An increase in net income of \$29.2 million from \$104.0 million for the nine months ended September 30, 2010 to \$133.2 million for the nine months ended September 30, 2011.

An increase in other non-cash operating adjustments of \$21.9 million from \$31.9 million for the nine months ended September 30, 2010 to \$53.9 million for the nine months ended September 30, 2011.

A \$13.2 million decrease in cash flows from operating assets and liabilities whereby these fluctuations produced a net cash inflow of \$43.0 million during the nine months ended September 30, 2011 compared to \$56.2 million during the nine months ended September 30, 2010.

Included in the \$43.0 million net cash inflow above was a reduction of approximately \$12.4 million in the amount of income tax payments that otherwise would have been made in the first nine months of 2011 as a result of the tax impact associated with the merger of the Company's Japan subsidiaries.

Table of Contents

Cash flows from investing activities: The Company's investing activities used net cash of \$282.3 million for the nine months ended September 30, 2011 as compared to \$2.2 million for the nine months ended September 30, 2010. The Company had net acquisition-related cash outlays of approximately \$269.8 million during the nine months ended September 30, 2011. Total capital spending was \$12.5 million for the nine months ended September 30, 2011 and \$9.2 million for the nine months ended September 30, 2010. In the nine months ended September 30, 2011, purchases of short-term investments exceeded maturities by \$55,000. In the nine months ended September 30, 2010, maturities of short-term investments exceeded purchases by \$6.9 million. The Company currently plans capital spending of approximately \$17.0 million to \$20.0 million during fiscal year 2011 as compared to \$14.3 million of capital spending during fiscal year 2010. However, the level of spending will be dependent upon various factors, including growth of the business and the employee base, and general economic conditions.

Cash flows from financing activities: Financing activities used cash of \$10.0 million and \$38.1 million for the nine months ended September 30, 2011 and 2010, respectively. This change of \$28.1 million was primarily the result of a \$39.1 million decrease in principal payments on long-term debt in the 2011 period as compared to the 2010 period, partially offset by treasury stock repurchases of \$12.7 million in the nine-month period ended September 30, 2011. There were no treasury stock repurchases in the nine-month period ended September 30, 2010.

The Company's term loan includes covenants related to the consolidated leverage ratio and the consolidated fixed charge coverage ratio, as well as certain restrictions on additional investments and indebtedness. As of September 30, 2011, the Company is in compliance with all financial covenants as stated in the credit agreement.

The Company believes that existing cash and cash equivalent balances of \$406.3 million, together with cash generated from operations, will be sufficient to meet the Company's working capital, capital expenditure, debt service and Apache contingent consideration requirements through the next twelve months. The Company's cash requirements in the future may also be financed through additional equity or debt financings. There can be no assurance that such financings can be obtained on favorable terms, if at all.

The Company continues to generate positive cash flows from operating activities and believes that the best use of its excess cash is to repay its long-term debt, to invest in the business and, under certain favorable conditions, to repurchase stock. Additionally, the Company has in the past, and expects in the future, to acquire or make investments in complementary companies, products, services and technologies. Any future acquisitions may be funded by available cash and investments, cash generated from operations, existing or additional credit facilities, or from the issuance of additional securities.

The Company has a \$3.1 million line of credit available on a purchase card.

Table of Contents

On August 1, 2011, the Company completed its acquisition of Apache Design Solutions, Inc., a leading simulation software provider for advanced, low power solutions in the electronics industry. Under the terms of the merger agreement, ANSYS acquired 100% of the outstanding shares of Apache for a purchase price of \$314.2 million, which included \$31.9 million in acquired cash and short-term investments on Apache's balance sheet, \$3.2 million in ANSYS replacement stock option awards issued to holders of partially-vested Apache stock options and \$9.5 million in contingent consideration that is based on the retention of a key member of Apache's management. The agreement also included \$13.0 million of performance equity awards for key members of management and employees, earned annually over a three fiscal year period beginning January 1, 2012. The Company funded the transaction entirely with cash on-hand.

In addition to the favorable impact on 2011 operating cash flows of approximately \$12.4 million that is discussed above, the merger of the Company's Japan subsidiaries is expected to favorably impact the Company's cash flow from operations in future periods. The Company's previous estimates of these amounts have been updated below:

| | Previously Provided Estimate | Updated Estimate |
|-------------------------|---|------------------------------|
| Fiscal year 2011 | \$45 - \$50 million | \$18 - \$20 million |
| Fiscal year 2012 - 2013 | \$14 - \$16 million per year | \$8 - \$9 million per year |
| Fiscal year 2014 - 2015 | \$14 - \$16 million per year | \$10 - \$12 million per year |
| Fiscal year 2016 - 2017 | - | \$11 - \$13 million per year |
| Fiscal year 2018 | - | \$4 - \$5 million |
| Uncertain timing | - | \$26 million |
| Total benefits | \$101 - \$114 million | \$106 - \$119 million |

With respect to the amounts above whereby the timing is listed as uncertain, the Company previously estimated that there would be \$26 million of additional U.S. cash flow benefits in 2011. The Company continues to expect that it will realize these cash flow benefits; however, the timing of these cash flows is now reflected as uncertain because the realization of these benefits is affected by the resolution of any administrative reviews by the Internal Revenue Service (IRS) of the Company's amended tax return refund claims. In the first quarter of 2011, the Company filed an amended tax return for a different matter seeking a less significant benefit than the one sought related to Japan restructuring. The IRS initiated an audit of this amended filing that will prevent the Company from realizing the cash flow benefits of the amended filing until the audit is completed. Due to the size of the benefit included on the amended return associated with Japan restructuring, the Company similarly expects that the IRS will initiate an audit, thus making the timing of the receipt of these refunds not predictable with certainty.

Table of Contents

Off-Balance Sheet Arrangements

The Company does not have any special purpose entities or off-balance sheet financing.

Contractual Obligations

As a result of the acquisition of Apache on August 1, 2011, the Company assumed additional contractual obligations relating to Apache office lease agreements. Total required minimum payments under the operating leases will be \$281,000 for the remainder of 2011, \$1.2 million in 2012, \$1.1 million in 2013, \$1.3 million in 2014 and \$1.1 million in 2015.

There were no other material changes to the Company's significant contractual obligations during the nine months ended September 2011 as compared to those previously reported in Management's Discussion and Analysis of Financial Condition and Results of Operations within the Company's most recent Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

No significant changes have occurred to the Company's critical accounting policies and estimates as previously reported within Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's most recent Annual Report on Form 10-K.

During the first quarter of 2011, the Company completed the annual impairment test for goodwill and intangible assets with indefinite lives and determined that these assets had not been impaired as of the test date, January 1, 2011. As of the test date, the fair value of the Company's reporting unit substantially exceeded its carrying value. No events occurred or circumstances changed during the nine months ended September 30, 2011 that would indicate that the fair values of the Company's reporting units are below their carrying amounts.

Table of Contents**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Interest Income Rate Risk. Changes in the overall level of interest rates affect the interest income that is generated from the Company's cash and short-term investments. For the three and nine months ended September 30, 2011, total interest income was \$789,000 and \$2.2 million, respectively. Cash and cash equivalents consist primarily of highly liquid investments such as money market mutual funds and deposits held at major banks.

Interest Expense Rate Risk. The Company has a term loan that is scheduled to mature on July 31, 2013 and provides for tiered pricing with the initial rate at the prime rate + 0.50%, or the LIBOR rate + 1.50%, with step downs permitted after the initial six months under the credit agreement down to a flat prime rate or the LIBOR rate + 0.75%. Such tiered pricing is determined by the Company's consolidated leverage ratio. The Company's consolidated leverage ratio has been reduced to the lowest pricing tier in the credit agreement. The credit agreement includes quarterly financial covenants, requiring the Company to maintain certain financial ratios and, as is customary for facilities of this type, certain events of default that permit the acceleration of the loan. Borrowings outstanding under this facility totaled \$138.2 million as of September 30, 2011.

Based on the effective interest rates and remaining outstanding borrowings at September 30, 2011, a 0.50% increase in interest rates would not impact the Company's interest expense for the quarter ending December 31, 2011. Based on the effective interest rates and remaining outstanding borrowings at September 30, 2011, assuming contractual quarterly principal payments are made, a 0.50% increase in interest rates would increase the Company's interest expense by approximately \$500,000 for the year ending December 31, 2011.

The interest rate on the outstanding term loan balance is set for the quarter ending December 31, 2011 at 1.12%, which is based on LIBOR + 0.75%. As of September 30, 2011, the fair value of the debt approximated the recorded value.

Foreign Currency Transaction Risk. As the Company continues to expand its business presence in international regions, the portion of its revenue, expenses, cash, accounts receivable and payment obligations denominated in foreign currencies continues to increase. As a result, changes in currency exchange rates will affect the Company's financial position, results of operations and cash flows. The Company is most impacted by movements in and among the Euro, British Pound, Japanese Yen, Canadian Dollar, Indian Rupee, Chinese Renminbi, Korean Won, Taiwan Dollar and the U.S. Dollar.

With respect to revenue, on average for the quarter ended September 30, 2011, the U.S. Dollar was approximately 7.5% weaker, when measured against the Company's primary foreign currencies, than for the same quarter of 2010. The U.S. Dollar weakened against all currencies by which the Company is most impacted. The overall weakening resulted in increased revenue and operating income during the quarter ended September 30, 2011, as compared with the same quarter of 2010, of approximately \$6.6 million and \$4.1 million, respectively.

Table of Contents

With respect to revenue, on average for the nine months ended September 30, 2011, the U.S. Dollar was approximately 6.8% weaker, when measured against the Company's primary foreign currencies, than for the same nine-month period of 2010. The U.S. Dollar weakened against all currencies by which the Company is most impacted. The overall weakening resulted in increased revenue and operating income during the nine months ended September 30, 2011, as compared with the nine months ended September 30, 2010, of approximately \$18.4 million and \$11.0 million, respectively.

The Company's operating results are favorably impacted when the U.S. Dollar weakens against the Company's primary foreign currencies and are adversely impacted when the U.S. Dollar strengthens against the Company's primary foreign currencies. Had the activity for the quarter ended December 31, 2010 been recorded at the September 30, 2011 spot rates for each transaction's functional currency, the revenue and operating income for the quarter ended December 31, 2010 would have increased by \$1.8 million and \$1.7 million, respectively.

During 2011, the Company entered into three foreign currency futures contracts with a third-party U.S. financial institution. Two of the contracts were settled in June and September 2011, while the remaining contract will be settled in December 2011. The purpose of these contracts is to mitigate the Company's exposure to foreign exchange risk arising from intercompany receivables from its Japanese subsidiary. The foreign exchange futures are measured at fair value each reporting period, with gains or losses recognized currently in earnings.

The most significant currency impacts on revenue and operating income were primarily attributable to U.S. Dollar exchange rate changes against the Euro, British Pound and Japanese Yen as reflected in the charts below:

| As of | Period End Exchange Rates | | |
|---------------------------|---------------------------|--------------|---------------|
| | USD/EUR | USD/GBP | JPY/USD |
| September 30, 2010 | 1.363 | 1.571 | 83.479 |
| December 31, 2010 | 1.337 | 1.560 | 81.215 |
| September 30, 2011 | 1.339 | 1.559 | 77.036 |

| Three Months Ended | Average Exchange Rates | | |
|---------------------------|------------------------|--------------|---------------|
| | USD/EUR | USD/GBP | JPY/USD |
| March 31, 2010 | 1.384 | 1.561 | 90.636 |
| June 30, 2010 | 1.273 | 1.492 | 92.000 |
| September 30, 2010 | 1.293 | 1.551 | 85.742 |
| December 31, 2010 | 1.359 | 1.580 | 82.535 |
| March 31, 2011 | 1.368 | 1.603 | 82.280 |
| June 30, 2011 | 1.440 | 1.631 | 81.556 |
| September 30, 2011 | 1.413 | 1.599 | 77.702 |

Other Risks. Based on the nature of the Company's business, it has no direct exposure to commodity price risk. No other material change has occurred in the Company's market risk subsequent to December 31, 2010.

Table of Contents

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. As required by Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Company has evaluated, with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, the effectiveness of the design and operation of its 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) of the Exchange Act.

The Company has a Disclosure Review Committee to assist in the quarterly evaluation of the Company's internal disclosure controls and procedures and in the review of the Company's periodic filings under the Exchange Act. The membership of the Disclosure Review Committee consists of the Company's Chief Executive Officer, Chief Financial Officer, Apache President, Global Controller, General Counsel, Investor Relations and Global Insurance Officer, Vice President of Worldwide Sales and Support, Vice President of Human Resources, Vice President of Marketing and Business Unit General Managers. This committee is advised by external counsel, particularly on SEC-related matters. Additionally, other members of the Company's global management team advise the committee with respect to disclosure via a sub-certification process.

The Company believes, based on its knowledge, that the financial statements and other financial information included in this report fairly present, in all material respects, the financial condition, results of operations and cash flows of the Company as of and for the periods presented in this report. The Company is 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, the Company reviews the disclosure controls and procedures, and may from time to time make changes to enhance their effectiveness and to ensure that the Company's systems evolve with its business.

Changes in Internal Control. The Company is in the process of extending its internal controls to its acquisition of Apache. There were no changes in the Company's internal control over financial reporting that occurred during the three months ended September 30, 2011 that materially affected, or were reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject to various legal proceedings from time to time that arise in the ordinary course of business, including alleged infringement of intellectual property rights, commercial disputes, labor and employment matters, tax audits and other matters. In the opinion of the Company, the resolution of pending matters is not expected to have a material, adverse effect on the Company's 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 in the future materially affect the Company's results of operations, cash flows or financial position.

Item 1A. Risk Factors

The Company cautions investors that its performance (and, therefore, any forward-looking statement) is subject to risks and uncertainties. Various important factors may cause the Company's future results to differ materially from those projected in any forward-looking statement. These factors were disclosed in, but are not limited to, the items within the Company's most recent Annual Report on Form 10-K, Part I, Item 1A. Any material changes which occurred during the nine months ended September 30, 2011 to the risk factors previously presented are discussed below.

On August 1, 2011, the Company completed its acquisition of Apache Design Solutions, Inc., a leading simulation software provider for advanced, low power solutions in the electronics industry. Under the terms of the merger agreement, ANSYS acquired 100% of the outstanding shares of Apache for a purchase price of \$314.2 million, which included \$31.9 million in acquired cash and short-term investments on Apache's balance sheet, \$3.2 million in ANSYS replacement stock option awards issued to holders of partially-vested Apache stock options and \$9.5 million in contingent consideration that is based on the retention of a key member of Apache's management. The agreement also included \$13.0 million of performance equity awards for key members of management and employees, earned annually over a three fiscal year period beginning January 1, 2012. These awards will be accounted for outside of the business combination. The Company funded the transaction entirely with cash on-hand. The complementary combination is expected to accelerate development and delivery of new and innovative products to the marketplace while lowering design and engineering costs for customers. As a result of the acquisition, the Company has been or may be exposed to the following additional risks:

Challenges of the Acquisition.

The Company will need to meet significant challenges to realize the expected benefits and synergies of the acquisition. These challenges include:

integrating the management teams, strategies, cultures and operations of the two companies

Table of Contents

retaining and assimilating the key personnel of each company

integrating sales and business development operations

retaining existing customers of each company

developing new products and services that utilize the technologies and resources of both companies

creating uniform standards, controls, procedures, policies and information systems

realizing the anticipated cost savings in the combined company

combining the businesses of the Company and Apache in a manner that does not materially disrupt Apache's existing customer relationships nor otherwise result in decreased revenues and that allows the Company to capitalize on Apache's growth opportunities

The accomplishment of these post-acquisition objectives will involve considerable risks, including:

the loss of key employees that are critical to the successful integration and future operations of the companies

the potential disruption of each company's ongoing business and distraction of their respective management teams

the difficulty of incorporating acquired technology and rights into the Company's products and services

unanticipated expenses related to technology integration

potential disruptions in each company's operations, loss of existing customers, loss of key information, expertise or know-how, and unanticipated additional recruitment and training costs

possible inconsistencies in standards, controls, procedures and policies that could adversely affect the Company's ability to maintain relationships with customers and employees or to achieve the anticipated benefits of the acquisition

potential unknown liabilities associated with the acquisition

If the Company does not succeed in addressing these challenges or any other problems encountered in connection with the acquisition, its operating results and financial condition could be adversely affected.

Table of Contents

Market Price of the Company's Common Stock.

The market price of the Company's common stock may decline as a result of the acquisition for a number of reasons, including:

the integration of Apache by the Company may be unsuccessful

the Company may not achieve the perceived benefits of the acquisition as rapidly as, or to the extent, anticipated by financial or industry analysts

the effect of the acquisition on the Company's financial results may not be consistent with the expectations of financial or industry analysts

Natural Disaster in Japan.

The Company has significant operations in Japan. During the first quarter of 2011, Japan experienced a catastrophic earthquake and tsunami. While the Company's operating facilities in Japan were unharmed, this natural disaster has had an economic impact on the Company's customers in Japan and on customers in other geographic regions who may rely on production or suppliers in Japan. As a result, the predictability of the timing and amounts of the Company's sales to customers in Japan or that are otherwise affected by the Japan natural disaster has become less reliable than it was prior to the earthquake and tsunami. These circumstances could cause the Company to miss its revenue and earnings estimates, or those provided by independent securities analysts.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

Table of Contents**Item 6. Exhibits**

(a) Exhibits.

| Exhibit No. | Exhibit |
|--------------------|---|
| 15 | Independent Registered Public Accountants Letter Regarding Unaudited Financial Information. |
| 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 | XBRL Instance Document** |
| 101.SCH | XBRL Taxonomy Extension Schema** |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase** |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase** |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase** |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase** |

* Indicates management contract or compensatory plan, contract or arrangement.

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

Table of Contents

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 3, 2011

By: */s/ James E. Cashman III*
James E. Cashman III
President and Chief Executive Officer

Date: November 3, 2011

By: */s/ Maria T. Shields*
Maria T. Shields
Chief Financial Officer