

ANSYS INC  
Form 10-Q  
May 08, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended March 31, 2009

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

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for such shorter period that the registrant was required to submit and post such files).

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

Non-accelerated filer

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 May 1, 2009 was 87,641,638 shares.

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

<i>(in thousands, except share information)</i>	March 31, 2009	December 31, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 229,269	\$ 228,176
Short-term investments	334	5,699
Accounts receivable, less allowance for doubtful accounts of \$4,563 and \$4,422, respectively	53,445	61,823
Other receivables and current assets	84,201	95,462
Deferred income taxes	10,959	5,993
Total current assets	378,208	397,153
Property and equipment, net	37,065	36,812
Capitalized software costs, net	438	522
Goodwill	1,045,250	1,048,003
Other intangible assets, net	355,496	373,398
Other long-term assets	7,653	8,170
Deferred income taxes	458	456
Total assets	\$ 1,824,568	\$ 1,864,514
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	\$ 29,559	\$ 29,630
Accounts payable	2,493	3,069
Accrued bonuses and commissions	5,867	22,111
Accrued income taxes	14,739	10,642
Deferred income taxes	736	1,999
Other accrued expenses and liabilities	33,581	34,024
Deferred revenue	177,776	166,189
Total current liabilities	264,751	267,664
Long-term liabilities:		
Long-term debt and capital lease obligations, less current portion	242,403	249,795
Deferred income taxes	120,190	127,527
Other long-term liabilities	36,300	36,629
Total long-term liabilities	398,893	413,951
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 2,000,000 shares authorized; zero issued or outstanding		
Common stock, \$.01 par value; 150,000,000 shares authorized; 89,716,317 shares issued	897	897
Additional paid-in capital	806,318	806,755
Retained earnings	406,905	385,810
Treasury stock, at cost: 2,212,409 and 337,275 shares, respectively	(43,628)	(9,079)
Accumulated other comprehensive loss	(9,568)	(1,484)
Total stockholders' equity	1,160,924	1,182,899
Total liabilities and stockholders' equity	\$ 1,824,568	\$ 1,864,514

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>	<b>Three Months Ended</b>	
	<b>March 31, 2009</b>	<b>March 31, 2008</b>
Revenue:		
Software licenses	<b>\$ 70,489</b>	\$ 73,636
Maintenance and service	<b>45,821</b>	35,909
Total revenue	<b>116,310</b>	109,545
Cost of sales:		
Software licenses	<b>2,300</b>	2,347
Amortization	<b>8,996</b>	5,184
Maintenance and service	<b>12,332</b>	13,376
Total cost of sales	<b>23,628</b>	20,907
Gross profit	<b>92,682</b>	88,638
Operating expenses:		
Selling, general and administrative	<b>33,825</b>	28,709
Research and development	<b>20,030</b>	15,958
Amortization	<b>3,998</b>	2,170
Total operating expenses	<b>57,853</b>	46,837
Operating income	<b>34,829</b>	41,801
Interest expense	<b>(3,277)</b>	(985)
Interest income	<b>569</b>	1,596
Other (expense) income, net	<b>(488)</b>	932
Income before income tax provision	<b>31,633</b>	43,344
Income tax provision	<b>10,538</b>	17,490
Net income	<b>\$ 21,095</b>	\$ 25,854
Earnings per share basic:		
Basic earnings per share	<b>\$ 0.24</b>	\$ 0.33
Weighted average shares basic	<b>88,866</b>	78,302
Earnings per share diluted:		
Diluted earnings per share	<b>\$ 0.23</b>	\$ 0.32
Weighted average shares diluted	<b>92,175</b>	81,643

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>	Three Months Ended	
	March 31, 2009	March 31, 2008
Cash flows from operating activities:		
Net income	\$ 21,095	\$ 25,854
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,815	9,672
Deferred income tax benefit	(9,007)	(5,663)
Provision for bad debts	284	152
Stock-based compensation expense	3,099	2,752
Utilization of acquired net operating loss tax carryforward	19	1,477
Excess tax benefits from stock options	(255)	(567)
Other	22	(96)
Changes in operating assets and liabilities:		
Accounts receivable	6,700	(5,487)
Other receivables and current assets	9,461	(9,079)
Other long-term assets	(41)	77
Accounts payable, accrued expenses and current liabilities	(11,887)	(7,732)
Deferred revenue	15,012	21,932
Other long-term liabilities	933	3,854
Net cash provided by operating activities	51,250	37,146
Cash flows from investing activities:		
Capital expenditures	(3,288)	(2,430)
Ansoft acquisition payments, net of cash acquired	(12)	
Purchases of short-term investments	(66)	(89)
Maturities of short-term investments	5,064	4,560
Net cash provided by investing activities	1,698	2,041
Cash flows from financing activities:		
Principal payments on long-term debt	(7,342)	(11,803)
Principal payments on capital leases	(116)	(141)
Loan commitment fees		(250)
Purchase of treasury stock	(39,904)	
Proceeds from issuance of common stock under Employee Stock Purchase Plan	700	727
Proceeds from exercise of stock options	857	1,141
Excess tax benefits from stock options	255	567
Net cash used in financing activities	(45,550)	(9,759)
Effect of exchange rate fluctuations on cash and cash equivalents	(6,305)	4,251
Net increase in cash and cash equivalents	1,093	33,679
Cash and cash equivalents, beginning of period	228,176	167,224
Cash and cash equivalents, end of period	\$ 229,269	\$ 200,903
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Income taxes	\$ 5,943	\$ 12,163
Interest	2,606	847
Supplemental disclosures of non-cash operating activities:		
Utilization of acquired net operating loss tax carryforward	\$ 19	\$ 1,477

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****March 31, 2009****(Unaudited)****1. Organization**

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

**2. 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 consolidated financial statements (and notes thereto) included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. The condensed consolidated December 31, 2008 balance sheet presented is derived from the audited December 31, 2008 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 months ended March 31, 2009 are not necessarily indicative of the results that may be expected for any future period.

**3. Accumulated Other Comprehensive Loss**

The components of accumulated other comprehensive loss were as follows:

<i>(in thousands)</i>	<b>March 31, 2009</b>	<b>December 31, 2008</b>
Foreign currency translation adjustment	<b>\$ (7,686)</b>	\$ 1,007
Unrealized losses on interest rate swap, net of tax of \$1,163 and \$1,538, respectively	<b>(1,882)</b>	(2,491)
<b>Accumulated other comprehensive loss</b>	<b>\$ (9,568)</b>	<b>\$ (1,484)</b>

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The components of comprehensive income were as follows:

<i>(in thousands)</i>	Three Months Ended	
	March 31, 2009	March 31, 2008
Net income	\$ 21,095	\$ 25,854
Foreign currency translation adjustment	(8,693)	4,993
Unrealized gain on interest rate swap, net of tax of \$375	609	
Comprehensive income	\$ 13,011	\$ 30,847

**4. 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 current assets. These amounts totaled \$68.0 million and \$74.3 million as of March 31, 2009 and December 31, 2008, respectively.

**5. Earnings Per Share**

Basic earnings per share ( EPS ) amounts are computed by dividing earnings by the 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 earnings per share. The details of basic and diluted earnings per share are as follows:

<i>(in thousands, except per share data)</i>	Three Months Ended	
	March 31, 2009	March 31, 2008
Net income	\$ 21,095	\$ 25,854
Weighted average shares outstanding basic		