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## Ansys Announces Financial Results With Record Q2 ACV and Revenue

Increases FY 2022 Outlook on ACV and Revenue in Constant Currency

Details related to our financial guidance, including assumptions, are included in our prepared remarks document.

### / Key Highlights - Q2 2022

- GAAP revenue of \$473.9 million and non-GAAP revenue of \$475.9 million
- GAAP diluted earnings per share of \$1.13 and non-GAAP diluted earnings per share of \$1.77
- GAAP operating profit margin of 27.0% and non-GAAP operating profit margin of 40.7%
- Operating cash flows of \$118.9 million
- Annual contract value (ACV) of \$460.3 million
- Deferred revenue and backlog of \$1,179.2 million on June 30, 2022

**PITTSBURGH, PA, August 3, 2022/Globe Newswire/** -- ANSYS, Inc. (NASDAQ: ANSS), today reported second quarter 2022 GAAP and non-GAAP revenue growth of 6% and 5% in reported currency, respectively, or 13% and 12% in constant currency, respectively, when compared to the second quarter of 2021. For the second quarter of 2022, the Company reported diluted earnings per share of \$1.13 and \$1.77 on a GAAP and non-GAAP basis, respectively, compared to \$1.06 and \$1.85 on a GAAP and non-GAAP basis, respectively, for the second quarter of 2021. Additionally, the Company reported second quarter 2022 ACV growth of 7% in reported currency, or 13% in constant currency, when compared to the second quarter of 2021.

“Ansys delivered another excellent quarter, once again exceeding our financial guidance across all key metrics. We delivered double-digit ACV and revenue growth in constant currency in both the second quarter and for the first half of 2022. Our strong performance year-to-date was broad-based across geographies and industries, highlighting how our diversified multiphysics product portfolio is crucial to customers’ key research and development initiatives. I am excited about the future and look forward to discussing our continued momentum, long-term strategy and outlook at our investor update next week,” said Ajei Gopal, Ansys president and CEO.

Nicole Anasenes, Ansys CFO, stated, “Our outstanding performance was highlighted by 13% ACV growth in constant currency for the second quarter. This consistent and robust performance of double-digit topline growth is a testament to the strength and resilience of our core business and the value we deliver to our customers. Looking toward the second half of 2022, we are raising our full-year guidance on ACV and revenue in constant currency. Given the continued strong demand for simulation, coupled with the momentum across our business, I am more confident than ever in our future.”

## / Financial Results

Ansys' second quarter and year-to-date (YTD) 2022 and 2021 financial results are presented below. The 2022 and 2021 non-GAAP results exclude the income statement effects of the acquisition accounting adjustments to deferred revenue from business combinations closed prior to 2022, stock-based compensation, excess payroll taxes related to stock-based compensation, amortization of acquired intangible assets, expenses related to business combinations and adjustments for the income tax effect of the excluded items.

GAAP and non-GAAP results are as follows:

<i>(in millions, except per share data and percentages)</i>	GAAP			Non-GAAP		
	Q2 QTD 2022	Q2 QTD 2021	% Change	Q2 QTD 2022	Q2 QTD 2021	% Change
Revenue	\$ 473.9	\$ 446.7	6 %	\$ 475.9	\$ 452.6	5 %
Net income	\$ 98.8	\$ 93.7	5 %	\$ 154.6	\$ 162.6	(5)%
Diluted earnings per share	\$ 1.13	\$ 1.06	7 %	\$ 1.77	\$ 1.85	(4)%
Operating profit margin	27.0 %	26.1 %		40.7 %	41.7 %	

<i>(in millions, except per share data and percentages)</i>	GAAP			Non-GAAP		
	Q2 YTD 2022	Q2 YTD 2021	% Change	Q2 YTD 2022	Q2 YTD 2021	% Change
Revenue	\$ 898.9	\$ 809.9	11 %	\$ 904.5	\$ 824.7	10 %
Net income	\$ 169.8	\$ 166.1	2 %	\$ 273.8	\$ 261.5	5 %
Diluted earnings per share	\$ 1.94	\$ 1.89	3 %	\$ 3.13	\$ 2.97	5 %
Operating profit margin	23.3 %	20.6 %		37.8 %	38.0 %	

The non-GAAP financial results highlighted above, and the non-GAAP financial outlook for 2022 discussed below, represent non-GAAP financial measures. Reconciliations of these measures to the appropriate GAAP measures, for the three and six months ended June 30, 2022 and 2021, and for the 2022 financial outlook, can be found later in this release.

## / Other Performance Metrics

<i>(in millions, except percentages)</i>	Q2 QTD 2022	Q2 QTD 2021	% Change	% Change in Constant Currency
ACV	\$ 460.3	\$ 430.5	7 %	13 %
Operating cash flows	\$ 118.9	\$ 118.9	— %	

<i>(in millions, except percentages)</i>	Q2 YTD 2022	Q2 YTD 2021	% Change	% Change in Constant Currency
ACV	\$ 804.4	\$ 749.9	7 %	12 %
Operating cash flows	\$ 329.9	\$ 290.0	14 %	

ACV is a metric the Company uses to better understand the business. There is no GAAP measure comparable to ACV. ACV is composed of the following:

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

### / Management's 2022 Financial Outlook

The Company's third quarter and updated FY 2022 revenue, diluted earnings per share and ACV guidance is provided below. The Company is also updating its FY 2022 guidance for operating cash flows. The revenue and diluted earnings per share guidance is provided on both a GAAP and non-GAAP basis. Non-GAAP financial measures exclude the income statement effects of acquisition adjustments to deferred revenue, stock-based compensation, excess payroll taxes related to stock-based compensation, amortization of acquired intangible assets, acquisition-related expenses and adjustments for the income tax effect of the excluded items.

This guidance is based on the Company's evaluation of factual information it has determined to be relevant and the application of certain assumptions made by the Company. Please refer to the Company's prepared remarks document for additional information regarding the Company's financial guidance, including its assumptions regarding overall business dynamics.

### / Third Quarter 2022 Guidance

The Company currently expects the following for the quarter ending September 30, 2022:

<i>(in millions, except percentages and per share data)</i>	GAAP	Non-GAAP
Revenue	\$453.8 - \$473.8	\$455.0 - \$475.0
Revenue Growth Rate	2.9 % - 7.4 %	2.1 % - 6.6 %
Revenue Growth Rate — Constant Currency	8.9 % - 13.5 %	8.1 % - 12.6 %
Diluted earnings per share	\$0.86 - \$1.05	\$1.56 - \$1.70

The difference between the GAAP and non-GAAP revenue guidance presented above is a result of the expected impact of the application of the fair value provisions applicable to the accounting for business combinations closed prior to 2022 in the amount of \$1.2 million for the quarter ending September 30, 2022.

<i>(in millions, except percentages)</i>	Other Financial Metrics
ACV	\$392.0 - \$412.0
ACV Growth Rate	7.3 % - 12.7 %
ACV Growth Rate — Constant Currency	13.0 % - 18.5 %

## / Fiscal Year 2022 Guidance

The Company currently expects the following for the fiscal year ending December 31, 2022:

<i>(in millions, except percentages and per share data)</i>	GAAP	Non-GAAP
Revenue	\$1,997.7 - \$2,047.7	\$2,005.0 - \$2,055.0
Revenue Growth Rate	4.8 % - 7.4 %	3.8 % - 6.4 %
Revenue Growth Rate — Constant Currency	10.2 % - 12.8 %	9.2 % - 11.8 %
Diluted earnings per share	\$4.91 - \$5.39	\$7.50 - \$7.88

The difference between the GAAP and non-GAAP revenue guidance presented above is a result of the expected impact of the application of the fair value provisions applicable to the accounting for business combinations closed prior to 2022 in the amount of \$7.3 million for the fiscal year ending December 31, 2022.

<i>(in millions, except percentages)</i>	Other Financial Metrics
ACV	\$1,980.0 - \$2,020.0
ACV Growth Rate	5.8 % - 8.0 %
ACV Growth Rate — Constant Currency	11.3 % - 13.5 %
Operating cash flows	\$570.0 - \$610.0

Our diluted FY 2022 EPS guidance is inclusive of \$22.0M in interest expense (\$18.0 million, net of tax). This compares to interest expense in FY 2021 of \$12.4 million (\$10.0 million, net of tax) with the significant increase in FY 2022 driven by the recent rising interest rate environment and our floating interest rate on our term loans.

Despite an ongoing volatile macroeconomic environment, the updated FY 2022 guidance reflects an operational raise on ACV, revenue, diluted EPS and operating cash flows driven by the underlying strength of our business model and market position. Offsetting this outlook, persistent and meaningful U.S. Dollar strengthening in exchange rates continues to drive unprecedented headwinds. As a result, the guidance assumes additional incremental adverse impacts from currency, primarily driven by substantial weakening in the Euro and Japanese Yen.

As we mentioned in the previous quarter, the currency impacts are solely the result of externally driven events. The underlying foundation of our business remains strong, and we continue to see momentum. The chart below captures the drivers of the update to our last guidance provided in early May:

<i>(in millions, except per share data)</i>	Mid-point of Guidance in May	Incremental Operational Performance	August mid-point of Guidance at May Exchange Rates	Currency Fluctuations from May to August Guidance	August mid-point of Guidance at Current Exchange Rates
ACV	\$1,990	\$29	\$2,019	(\$19)	\$2,000
Revenue	\$2,035	\$18	\$2,053	(\$23)	\$2,030
Diluted earnings per share	\$7.74	\$0.07	\$7.81	(\$0.12)	\$7.69
Operating cash flows	\$590	\$6	\$596	(\$6)	\$590

Additionally, when compared to the 2021 currency rates, our full-year 2022 guidance is negatively impacted on ACV by approximately \$100 million and on operating cash flow by approximately \$35 million.

## **/ Conference Call Information**

Ansys will hold a conference call at **8:30 a.m. Eastern Time** on August 4, 2022 to discuss second quarter results. The Company will provide its prepared remarks on the Company's investor relations homepage and as an exhibit in its Form 8-K in advance of the call to provide stockholders and analysts with additional time and detail for analyzing its results in preparation for the conference call. The prepared remarks will not be read on the call, and only brief remarks will be made prior to the Q&A session.

To participate in the live conference call, dial 855-239-2942 (US) or 412-542-4124 (Canada & Int'l). The call will be recorded and a replay will be available within two hours after the call. The replay will be available by dialing (877) 344-7529 (US), (855) 669-9658 (Canada) or (412) 317-0088 (Int'l) and entering the passcode 3042539. The archived webcast can be accessed, along with other financial information, on Ansys' website at <https://investors.ansys.com/events-and-presentations/events-calendar>.

**ANSYS, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

<i>(in thousands)</i>	<b>June 30, 2022</b>	<b>December 31, 2021</b>
<b>ASSETS:</b>		
Cash & short-term investments	\$ 517,635	\$ 668,028
Accounts receivable, net	566,829	645,891
Goodwill	3,566,968	3,409,271
Other intangibles, net	771,257	763,119
Other assets	695,891	838,005
Total assets	\$ 6,118,580	\$ 6,324,314
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY:</b>		
Current deferred revenue	\$ 360,910	\$ 391,528
Long-term debt	753,402	753,576
Other liabilities	551,513	695,162
Stockholders' equity	4,452,755	4,484,048
Total liabilities & stockholders' equity	\$ 6,118,580	\$ 6,324,314

**ANSYS, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Income**  
**(Unaudited)**

<i>(in thousands, except per share data)</i>	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<b>Revenue:</b>				
Software licenses	\$ 208,981	\$ 214,822	\$ 366,426	\$ 347,426
Maintenance and service	264,869	231,832	532,501	462,454
Total revenue	473,850	446,654	898,927	809,880
<b>Cost of sales:</b>				
Software licenses	8,509	8,065	16,945	15,671
Amortization	17,414	15,025	34,666	29,974
Maintenance and service	36,564	41,068	75,636	80,616
Total cost of sales	62,487	64,158	127,247	126,261
Gross profit	411,363	382,496	771,680	683,619
<b>Operating expenses:</b>				
Selling, general and administrative	170,383	160,410	340,138	306,625
Research and development	108,941	100,879	214,215	201,358
Amortization	4,029	4,434	8,154	8,841
Total operating expenses	283,353	265,723	562,507	516,824
Operating income	128,010	116,773	209,173	166,795
Interest income	269	486	796	1,003
Interest expense	(4,609)	(3,336)	(7,576)	(6,651)
Other (expense) income, net	(776)	14,937	(1,470)	15,336
Income before income tax provision	122,894	128,860	200,923	176,483
Income tax provision	24,094	35,144	31,135	10,369
Net income	\$ 98,800	\$ 93,716	\$ 169,788	\$ 166,114
<b>Earnings per share – basic:</b>				
Earnings per share	\$ 1.14	\$ 1.08	\$ 1.95	\$ 1.91
Weighted average shares	87,001	87,168	87,062	86,988
<b>Earnings per share – diluted:</b>				
Earnings per share	\$ 1.13	\$ 1.06	\$ 1.94	\$ 1.89
Weighted average shares	87,321	88,053	87,535	88,019

## / Reconciliations of GAAP to Non-GAAP Measures (Unaudited)

<i>(in thousands, except percentages and per share data)</i>	Three Months Ended						
	June 30, 2022						
	Revenue	Gross Profit	%	Operating Income	%	Net Income	EPS - Diluted <sup>1</sup>
Total GAAP	\$ 473,850	\$ 411,363	86.8 %	\$ 128,010	27.0 %	\$ 98,800	\$ 1.13
Acquisition accounting for deferred revenue	2,036	2,036	0.1 %	2,036	0.3 %	2,036	0.02
Stock-based compensation expense	—	2,264	0.5 %	39,498	8.3 %	39,498	0.45
Excess payroll taxes related to stock-based awards	—	27	— %	217	0.1 %	217	—
Amortization of intangible assets from acquisitions	—	17,414	3.6 %	21,443	4.5 %	21,443	0.25
Expenses related to business combinations	—	—	— %	2,428	0.5 %	2,428	0.03
Adjustment for income tax effect	—	—	— %	—	— %	(9,839)	(0.11)
Total non-GAAP	\$ 475,886	\$ 433,104	91.0 %	\$ 193,632	40.7 %	\$ 154,583	\$ 1.77

<sup>1</sup> Diluted weighted average shares were 87,321.

<i>(in thousands, except percentages and per share data)</i>	Three Months Ended						
	June 30, 2021						
	Revenue	Gross Profit	%	Operating Income	%	Net Income	EPS - Diluted <sup>1</sup>
Total GAAP	\$ 446,654	\$ 382,496	85.6 %	\$ 116,773	26.1 %	\$ 93,716	\$ 1.06
Acquisition accounting for deferred revenue	5,896	5,896	0.2 %	5,896	0.9 %	5,896	0.07
Stock-based compensation expense	—	3,519	0.8 %	42,885	9.5 %	42,885	0.48
Excess payroll taxes related to stock-based awards	—	182	0.1 %	2,319	0.6 %	2,319	0.03
Amortization of intangible assets from acquisitions	—	15,025	3.3 %	19,459	4.3 %	19,459	0.22
Expenses related to business combinations	—	—	— %	1,321	0.3 %	1,321	0.02
Adjustment for income tax effect	—	—	— %	—	— %	(2,997)	(0.03)
Total non-GAAP	\$ 452,550	\$ 407,118	90.0 %	\$ 188,653	41.7 %	\$ 162,599	\$ 1.85

<sup>1</sup> Diluted weighted average shares were 88,053.



<i>(in thousands, except percentages and per share data)</i>	Six Months Ended						
	June 30, 2022						
	Revenue	Gross Profit	%	Operating Income	%	Net Income	EPS - Diluted <sup>1</sup>
Total GAAP	\$ 898,927	\$ 771,680	85.8 %	\$ 209,173	23.3 %	\$ 169,788	\$ 1.94
Acquisition accounting for deferred revenue	5,596	5,596	— %	5,596	0.4 %	5,596	0.06
Stock-based compensation expense	—	4,827	0.6 %	75,149	8.4 %	75,149	0.86
Excess payroll taxes related to stock-based awards	—	444	0.1 %	5,270	0.6 %	5,270	0.06
Amortization of intangible assets from acquisitions	—	34,666	3.8 %	42,820	4.7 %	42,820	0.49
Expenses related to business combinations	—	—	— %	4,166	0.4 %	4,166	0.05
Adjustment for income tax effect	—	—	— %	—	— %	(28,971)	(0.33)
Total non-GAAP	\$ 904,523	\$ 817,213	90.3 %	\$ 342,174	37.8 %	\$ 273,818	\$ 3.13

<sup>1</sup> Diluted weighted average shares were 87,535.

<i>(in thousands, except percentages and per share data)</i>	Six Months Ended						
	June 30, 2021						
	Revenue	Gross Profit	%	Operating Income	%	Net Income	EPS - Diluted <sup>1</sup>
Total GAAP	\$ 809,880	\$ 683,619	84.4 %	\$ 166,795	20.6 %	\$ 166,114	\$ 1.89
Acquisition accounting for deferred revenue	14,819	14,819	0.3 %	14,819	1.4 %	14,819	0.17
Stock-based compensation expense	—	7,081	0.9 %	78,004	9.5 %	78,004	0.88
Excess payroll taxes related to stock-based awards	—	1,047	0.1 %	11,454	1.4 %	11,454	0.13
Amortization of intangible assets from acquisitions	—	29,974	3.6 %	38,815	4.7 %	38,815	0.44
Expenses related to business combinations	—	—	— %	3,291	0.4 %	3,291	0.04
Adjustment for income tax effect	—	—	— %	—	— %	(50,976)	(0.58)
Total non-GAAP	\$ 824,699	\$ 736,540	89.3 %	\$ 313,178	38.0 %	\$ 261,521	\$ 2.97

<sup>1</sup> Diluted weighted average shares were 88,019.

**ANSYS, INC. AND SUBSIDIARIES**  
**Reconciliation of Forward-Looking Guidance**  
**Quarter Ending September 30, 2022**

	Earnings Per Share - Diluted
U.S. GAAP expectation	\$0.86 - \$1.05
Exclusions before tax:	
Acquisition adjustments to deferred revenue	\$0.01
Acquisition-related amortization	\$0.24
Stock-based compensation and related excess payroll tax	\$0.53 - \$0.59
Expenses related to business combinations	\$0.01
Adjustment for income tax effect	(\$0.14) - (\$0.15)
Non-GAAP expectation	\$1.56 - \$1.70

**ANSYS, INC. AND SUBSIDIARIES**  
**Reconciliation of Forward-Looking Guidance**  
**Year Ending December 31, 2022**

	Earnings Per Share - Diluted
U.S. GAAP expectation	\$4.91 - \$5.39
Exclusions before tax:	
Acquisition adjustments to deferred revenue	\$0.08
Acquisition-related amortization	\$0.96 - \$0.98
Stock-based compensation and related excess payroll tax	\$1.99 - \$2.10
Expenses related to business combinations	\$0.06
Adjustment for income tax effect	(\$0.60) - (\$0.63)
Non-GAAP expectation	\$7.50 - \$7.88

**/ Use of Non-GAAP Measures**

We provide non-GAAP revenue, non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP operating income, non-GAAP operating profit margin, non-GAAP net income and non-GAAP diluted earnings per share as supplemental measures to GAAP regarding our operational performance. These financial measures exclude the impact of certain items and, therefore, have not been calculated in accordance with GAAP. A detailed explanation of each of the adjustments to such financial measures is described below. This press release also contains a reconciliation of each of these non-GAAP financial measures to its most comparable GAAP financial measure.

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

While we believe that these non-GAAP financial measures provide useful supplemental information to investors, there are limitations associated with the use of these non-GAAP financial measures. These non-GAAP financial

measures are not prepared in accordance with GAAP, are not reported by all our competitors and may not be directly comparable to similarly titled measures of our competitors due to potential differences in the exact method of calculation. We compensate for these limitations by using these non-GAAP financial measures as supplements to GAAP financial measures and by reviewing the reconciliations of the non-GAAP financial measures to their most comparable GAAP financial measures.

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

**Acquisition accounting for deferred revenue.** Historically, we have consummated acquisitions in order to support our strategic and other business objectives. Under prior accounting guidance, a fair value provision resulted in acquired deferred revenue that was often recorded on the opening balance sheet at an amount that was lower than the historical carrying value. Although this fair value provision has no impact on our business or cash flow, it adversely impacts our reported GAAP revenue in the reporting periods following an acquisition. In 2022, we adopted accounting guidance which eliminates the fair value provision that resulted in the deferred revenue adjustment on a prospective basis. In order to provide investors with financial information that facilitates comparison of both historical and future results, we provide non-GAAP financial measures which exclude the impact of the acquisition accounting adjustment for acquisitions prior to the adoption of the new guidance in 2022. We believe 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 us in our financial and operational decision-making, and (b) compare our past and future reports of financial results as the revenue reduction related to acquired deferred revenue will not recur when related subscription lease licenses and software maintenance contracts are renewed in future periods.

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

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

methodology used by us to review our operating results, and (b) review historical comparability in our financial reporting as well as comparability with competitors' operating results.

**Expenses related to business combinations.** We incur expenses for professional services rendered in connection with business combinations, which are included in our GAAP presentation of selling, general and administrative expense. As of the second quarter of 2022, we have updated this non-GAAP measure to include, in addition to professional services rendered in connection with business combinations, other expenses directly related to business combinations, including compensation expenses and concurrent restructuring activities, such as employee severances and other exit costs. These costs are included in our GAAP presentation of selling, general and administrative and research and development expenses. The additional expenses were not material in the current or comparable period. We exclude these acquisition-related expenses for the purpose of calculating non-GAAP operating income, non-GAAP operating profit margin, non-GAAP net income and non-GAAP diluted earnings per share when we evaluate our continuing operational performance, as we generally would not have otherwise incurred these expenses in the periods presented as a part of our operations. We believe that these non-GAAP financial measures are useful to investors because they allow investors to (a) evaluate our operating results and the effectiveness of the methodology used by us to review our operating results, and (b) review historical comparability in our financial reporting as well as comparability with competitors' operating results.

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

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

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

**GAAP Reporting Measure**

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

**Non-GAAP Reporting Measure**

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

**Constant currency.** In addition to the non-GAAP financial measures detailed above, we use constant currency results for financial and operational decision-making and as a means to evaluate period-to-period comparisons by excluding the effects of foreign currency fluctuations on the reported results. To present this information, the 2022 results for entities whose functional currency is a currency other than the U.S. Dollar were converted to U.S. Dollars at rates that were in effect for the 2021 comparable period, rather than the actual exchange rates in effect for 2022. Constant currency growth rates are calculated by adjusting the 2022 reported amounts by the 2022 currency fluctuation impacts and comparing the adjusted amounts to the 2021 comparable period reported amounts. We believe that these non-GAAP financial measures are useful to investors because they allow investors to (a) evaluate the effectiveness of the methodology and information used by us in our financial and operational decision-making, and (b) compare our reported results to our past reports of financial results without the effects of foreign currency fluctuations.

## **/ About Ansys**

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

Take a leap of certainty ... with Ansys.

## **/ Forward-Looking Information**

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that provide current expectations or forecasts of future events based on certain assumptions. Forward-looking statements are subject to risks, uncertainties, and factors relating to our business which could cause our actual results to differ materially from the expectations expressed in or implied by such forward-looking statements.

Forward-looking statements use words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “intend,” “likely,” “may,” “outlook,” “plan,” “predict,” “project,” “should,” “target,” or other words of similar meaning. Forward-looking statements include those about market opportunity, including our total addressable market. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise.

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

- adverse conditions in the macroeconomic environment, including high inflation, recessionary conditions and volatility in equity and foreign exchange markets; political, economic and regulatory uncertainties in the countries and regions in which we operate (including as a result of the conflict between Russia and Ukraine);
- our ability to timely recruit and retain key personnel in a highly competitive labor market for skilled personnel, including potential financial impacts of wage inflation;
- impacts from tariffs, trade sanctions, export license requirements or other trade barriers (including impacts from changes to diplomatic relations and trade policy between the United States and Russia (or the United States and other countries that may support Russia or take similar actions) due to the conflict between Russia and Ukraine);
- constrained credit and liquidity due to disruptions in the global economy and financial markets, which may limit or delay availability of credit under our existing or new credit facilities, or which may limit our ability to obtain credit or financing on acceptable terms or at all;
- current and potential future impacts of a global health crisis, natural disaster or catastrophe, including the COVID-19 pandemic and actions taken to address the pandemic by our customers, suppliers, regulatory authorities, and our business, on the global economy and our business and consolidated financial statements, and other public health and safety risks; and government actions or mandates surrounding the COVID-19 pandemic;
- declines in our customers’ businesses resulting in adverse changes in procurement patterns; disruptions in accounts receivable and cash flow due to customers’ liquidity challenges and commercial deterioration; uncertainties regarding demand for our products and services in the future and our customers’ acceptance of new products; delays or declines in anticipated sales due to reduced or altered sales and marketing interactions with customers; and potential variations in our sales forecast compared to actual sales;

- increased volatility in our revenue due to the timing, duration and value of multi-year subscription lease contracts; and our reliance on high renewal rates for annual subscription lease and maintenance contracts;
- our ability to protect our proprietary technology; cybersecurity threats or other security breaches, including in relation to an increased level of our activity that is occurring from remote global off-site locations; and disclosure and misuse of employee or customer data whether as a result of a cybersecurity incident or otherwise;
- the quality of our products, including the strength of features, functionality and integrated multi-physics capabilities; our ability to develop and market new products to address the industry's rapidly changing technology; failures or errors in our products and services; and increased pricing pressure as a result of the competitive environment in which we operate;
- investments in complementary companies, products, services and technologies; our ability to complete and successfully integrate our acquisitions and realize the financial and business benefits of the transactions; and the impact indebtedness incurred in connection with any acquisition could have on our operations;
- investments in global sales and marketing organizations and global business infrastructure; and dependence on our channel partners for the distribution of our products;
- operational disruptions generally or specifically in connection with transitions to and from remote work environments; and the failure of our technological infrastructure or those of the service providers upon whom we rely including for infrastructure and cloud services;
- our ability and our channel partners' ability to comply with laws and regulations in relevant jurisdictions; and the outcome of contingencies, including legal proceedings, government or regulatory investigations and service tax audit cases;
- our intention to repatriate previously taxed earnings in excess of working capital needs and to reinvest all other earnings of our non-U.S. subsidiaries;
- plans for future capital spending; the extent of corporate benefits from such spending including with respect to customer relationship management; and higher than anticipated costs for research and development or slowdown in our research and development activities;
- uncertainty regarding income tax estimates in the jurisdictions in which we operate; and the effect of changes in tax laws and regulations in the jurisdictions in which we operate;
- our ability to execute on our strategies related to environmental, social, and governance matters, and achieve related expectations, including as a result of evolving regulatory and other standards, processes, and assumptions, the pace of scientific and technological developments, increased costs and the availability of requisite financing, and changes in carbon markets; and
- other risks and uncertainties described in our reports filed from time to time with the Securities and Exchange Commission (the SEC).

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