

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 27, 2025

SYNOPSISYS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

000-19807
(Commission File Number)

56-1546236
(I.R.S. Employer Identification Number)

675 Almanor Ave.
Sunnyvale, California 94085
(Address of Principal Executive Offices) (Zip Code)

(650) 584-5000
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240-14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

<u>Title of Class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock (par value of \$0.01 per share)	SNPS	Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging Growth Company

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

Item 8.01 Other Events.

As previously disclosed in its Current Report on Form 8-K filed on January 16, 2024, Synopsys, Inc., a Delaware corporation (“Synopsys”), and ALTA Acquisition Corp., a Delaware corporation and wholly owned subsidiary of Synopsys (“Merger Sub”), entered into an Agreement and Plan of Merger (the “Merger Agreement”) with ANSYS, Inc., a Delaware corporation (“Ansysis”), on January 15, 2024. Pursuant to the Merger Agreement, and subject to the satisfaction or waiver of the conditions specified therein, Merger Sub will merge with and into Ansys (the “Merger”), with Ansys surviving the Merger as a wholly owned subsidiary of Synopsys.

Included in this Current Report on Form 8-K are:

- (i) the audited consolidated balance sheets of Ansys as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2024, the related notes, and the related report of Deloitte & Touche LLP, Ansys’ independent registered public accounting firm, which are included as Exhibit 99.1; and
- (ii) the unaudited pro forma condensed combined financial statements of Synopsys giving effect to the Merger along with effects of other related transactions (the “pro forma financial information”), which includes the unaudited pro forma condensed combined balance sheet as of January 31, 2025, the unaudited pro forma condensed combined statements of operations for the year ended October 31, 2024 and the three months ended January 31, 2025, and the notes related thereto, which is included as Exhibit 99.2.

The pro forma financial information included in this Current Report on Form 8-K has been prepared for informational purposes only and on the basis of certain assumptions and estimates. It is subject to other uncertainties and does not purport to reflect what Synopsys’ actual results of operations or financial condition or this pro forma financial information would have been had the Merger been consummated on the dates assumed for purposes of such pro forma financial information or to be indicative of Synopsys’ financial condition, results of operations or metrics as of or for any future date or period.

This Current Report on Form 8-K does not modify or update the consolidated financial statements of Synopsys included in Synopsys’ Annual Report on Form 10-K for the year ended October 31, 2024 or Quarterly Report on Form 10-Q for the quarter ended January 31, 2025. This Current Report on Form 8-K supplements and supersedes the unaudited pro forma financial information that Synopsys has previously disclosed in connection with the Merger in Amendment No. 1 to Form S-4 filed by Synopsys with the Securities and Exchange Commission (the “SEC”) on April 11, 2024. The information referenced in item (i) above was previously disclosed by Ansys in its Annual Report on Form 10-K for the year ended December 31, 2024.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	The audited consolidated balance sheets of Ansys as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2024, the related notes, and the related report of Deloitte & Touche LLP, Ansys’ independent registered public accounting firm.
99.2	The unaudited pro forma condensed combined financial statements of Synopsys, giving effect to the Merger along with effects of other related transactions.
104	Cover Page Interactive Data File (formatted as Inline XBRL).

Important Information and Where to Find It

Investors and security holders will be able to obtain free copies documents filed with the SEC by Synopsys through the website maintained by the SEC at www.sec.gov.

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

No Offer or Solicitation

This communication and the information contained herein are for informational purposes only and are not intended to and shall not constitute an offer to buy or sell or the solicitation of an offer to buy or sell any securities, or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made, except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

Cautionary Statement Regarding Forward Looking Statements

This communication may contain certain forward-looking statements within the meaning of the federal securities laws with respect to the proposed transaction between Synopsys and Ansys. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions or the negatives of these words or other comparable terminology to convey uncertainty of future events or outcomes. Forward-looking statements are predictions, projections and other statements about future events that are based on current expectations and assumptions and, as a result, are subject to risks and uncertainties.

Many risks, uncertainties and other factors could cause actual future events to differ materially from the forward-looking statements in this communication, including, but not limited to: (i) the completion of the proposed transaction on anticipated terms and timing, anticipated tax treatment and unforeseen liabilities, future capital expenditures, revenues, expenses, earnings, synergies, economic performance, indebtedness, financial condition, losses, pricing trends, future prospects, credit ratings, business and management strategies which may adversely affect each of Synopsys' and Ansys' business, financial condition, operating results and the price of their common stock, (ii) the failure to satisfy the conditions to the consummation of the proposed transaction, including, among other things, the receipt of certain governmental and regulatory approvals on the terms expected, in a timely manner, or at all, (iii) the risk that such regulatory approvals may result in the imposition of conditions that could adversely affect, following completion of the proposed transaction (if completed), the combined company or the expected benefits of the proposed transaction (including as noted in any forward-looking financial information), (iv) uncertainties as to access to available financing (including any future refinancing of Ansys' or the combined company's debt) to consummate the proposed transaction upon acceptable terms and on a timely basis or at all, (v) the occurrence of any event, change or other circumstance that could give rise to the termination of the Merger Agreement, (vi) the effect of the announcement or pendency of the proposed transaction on Ansys' or Synopsys' business relationships, competition, business, financial condition and operating results, (vii) risks that the proposed transaction disrupts current plans and operations of Ansys or Synopsys and the ability of Ansys or Synopsys to retain and hire key personnel, (viii) risks related to diverting either management team's attention from ongoing business operations of Ansys or Synopsys, (ix) the outcome of any legal proceedings that may be instituted against Ansys or Synopsys related to the Merger Agreement or the proposed transaction, (x) the ability of Synopsys to successfully integrate Ansys' operations and product lines, (xi) the ability of Synopsys to implement its plans, forecasts, expected financial performance and other expectations with respect to Ansys' business or the combined business after the completion of the proposed transaction and realize the benefits expected from the proposed transaction (if completed) as well as manage the scope and size of the combined company, (xii) the ability of Synopsys to manage additional debt and debt covenants as well as successfully de-lever following the proposed transaction, (xiii) risks associated with third party contracts containing consent and/or other provisions that may be triggered by the proposed transaction, (xiv) uncertainty in the macroeconomic and geopolitical environment and its potential impact on the semiconductor and electronics industries, (xv) uncertainty in the growth of the semiconductor and electronics industries, (xvi) the highly competitive industries Synopsys and Ansys operate in, (xvii) actions by the U.S. or foreign governments, such as the imposition of additional export restrictions or tariffs, (xviii) consolidation among Synopsys' customers and within the industries in which Synopsys operates, as well as Synopsys' dependence on a relatively small number of large customers, (xix) the evolving legal, regulatory and tax regimes under which Ansys and Synopsys operate and (xx) restrictions during the pendency of the proposed transaction that may impact Ansys' or Synopsys' ability to pursue certain business opportunities or strategic transactions. These risks, uncertainties and factors, as well as other risks associated with the proposed transaction, are more fully discussed in the proxy statement/prospectus filed with the SEC in connection with the proposed transaction. While the list of risks, uncertainties and factors presented here, and the list of risks presented in the proxy statement/prospectus, is considered representative, no such list is exhaustive. Unlisted risks, uncertainties and factors may present significant additional obstacles to the realization of forward-looking statements.

You should carefully consider the foregoing factors and the other risks and uncertainties that affect the businesses of Synopsys and Ansys described in the “Risk Factors” section of their respective Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and other documents filed by either of them from time to time with the SEC. These filings identify and address other important risks and uncertainties that could cause actual events and results to differ materially from those contained in the forward-looking statements. Forward-looking statements speak only as of the date they are made. All forward-looking statements by their nature address matters that involve risks and uncertainties, many of which are beyond Synopsys’ and Ansys’ control, and are not guarantees of future results. Readers are cautioned not to put undue reliance on forward-looking statements, and Synopsys and Ansys assume no obligation and do not intend to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise, unless required by law. Neither Synopsys nor Ansys gives any assurance that either Synopsys or Ansys will achieve its expectations.

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 hereunto duly authorized.

SYNOPSIS, INC.

Dated: February 27, 2025

By: /s/ John F. Runkel, Jr.

Name: John F. Runkel, Jr.

Title: General Counsel and Corporate Secretary

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of ANSYS, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ANSYS, Inc. and subsidiaries (the “Company”) as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes in the Index at Item 15 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue—Time-Based Subscription Lease Licenses—Refer to Notes 2 and 3 to the financial statements**Critical Audit Matter Description**

The Company sells time-based subscription lease license contracts with customers that are sold as a bundled arrangement that include the rights to a term software license as well as post-contract support (PCS). Revenue is recognized up front at the commencement of the lease for the term software license and recognized ratably over the term of the contract for the PCS in the arrangement. Utilizing observable inputs, the Company determined that 50% of the estimated standalone selling price of the subscription lease license is attributable to the term license, while 50% is attributable to PCS. This determination involved judgment, particularly as it relates to the value relationship between the Company’s PCS to subscription lease licenses, the value relationship between PCS and the Company’s perpetual licenses and its linkage to the shortened term of a subscription lease license, the average economic life of the Company’s software, renewal rates of its customers, and the price of the bundled arrangement in relation to the perpetual licensing approach.

Given the judgments necessary to determine the allocation between the term software license and PCS, auditing this estimate involved a high degree of auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's estimate of the allocation between the term software license and PCS in a subscription lease license included the following, among others:

- We tested the effectiveness of controls over subscription lease license revenue, including those over the determination of the estimated standalone selling price of the Company's licenses and services, as well as the allocation of this standalone selling price within the arrangement.
- We evaluated the pricing relationship between PCS and perpetual licenses on the net licensing fee of the arrangement, as well as the Company's renewal rate of PCS sales on perpetual licenses through those arrangements selected for testing that contained both elements as a consideration point of the value relationship between the term software license and PCS when a customer purchases a bundled subscription lease license.
- We evaluated the estimated economic life of the Company's software through observable data points.
- Through our current and historical audit procedures, we confirmed that the term software license portion and PCS portion of an arrangement are not sold separately from one another.
- We selected a sample of arrangements and performed the following:
 - Compared the list price of the subscription lease license to the consideration received from the customer and recalculated the discount from list price for each arrangement.
 - Evaluated whether management appropriately calculated the estimated standalone selling price for the subscription lease license.
 - Tested management's identification of distinct performance obligations.
 - Tested the mathematical accuracy of revenue recognized at a point in time or over time based upon the identification of subscription lease licenses within the arrangement.

/s/ Deloitte & Touche LLP
Pittsburgh, Pennsylvania
February 19, 2025

We have served as the Company's auditor since 2002.

ANSYS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<i>(in thousands, except share and per share data)</i>	December 31,	
	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,446,743	\$ 860,201
Short-term investments	50,774	189
Accounts receivable, less allowance for doubtful accounts of \$16,500 and \$20,700, respectively	1,022,850	864,526
Other receivables and current assets	311,126	324,651
Total current assets	2,831,493	2,049,567
Long-term assets:		
Property and equipment, net	89,646	77,780
Operating lease right-of-use assets	105,122	116,980
Goodwill	3,778,128	3,805,874
Other intangible assets, net	716,244	835,417
Other long-term assets	308,333	273,030
Deferred income taxes	222,465	164,227
Total long-term assets	5,219,938	5,273,308
Total assets	\$ 8,051,431	\$ 7,322,875
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 27,062	\$ 22,772
Accrued bonuses and commissions	189,521	170,909
Accrued income taxes	15,105	22,454
Other accrued expenses and liabilities	204,969	215,645
Deferred revenue	504,527	457,514
Total current liabilities	941,184	889,294
Long-term liabilities:		
Deferred income taxes	55,863	75,301
Long-term operating lease liabilities	86,936	100,505
Long-term debt	754,208	753,891
Other long-term liabilities	126,800	113,520
Total long-term liabilities	1,023,807	1,043,217
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 2,000,000 shares authorized; zero shares issued or outstanding	—	—
Common stock, \$0.01 par value; 300,000,000 shares authorized; 95,267,307 shares issued	953	953
Additional paid-in capital	1,790,688	1,670,450
Retained earnings	5,859,034	5,283,342
Treasury stock, at cost: 7,731,667 and 8,361,447 shares, respectively	(1,416,655)	(1,474,110)
Accumulated other comprehensive loss	(147,580)	(90,271)
Total stockholders' equity	6,086,440	5,390,364
Total liabilities and stockholders' equity	\$ 8,051,431	\$ 7,322,875

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

ANSYS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

<i>(in thousands, except per share data)</i>	Year Ended December 31,		
	2024	2023	2022
Revenue:			
Software licenses	\$ 1,263,916	\$ 1,088,748	\$ 988,978
Maintenance and service	1,280,893	1,181,201	1,076,575
Total revenue	<u>2,544,809</u>	<u>2,269,949</u>	<u>2,065,553</u>
Cost of sales:			
Software licenses	45,367	40,004	33,081
Amortization	88,560	80,990	69,372
Maintenance and service	145,892	150,304	148,188
Total cost of sales	<u>279,819</u>	<u>271,298</u>	<u>250,641</u>
Gross profit	<u>2,264,990</u>	<u>1,998,651</u>	<u>1,814,912</u>
Operating expenses:			
Selling, general and administrative	995,340	855,135	772,871
Research and development	528,014	494,869	433,661
Amortization	23,748	22,512	15,722
Total operating expenses	<u>1,547,102</u>	<u>1,372,516</u>	<u>1,222,254</u>
Operating income	<u>717,888</u>	<u>626,135</u>	<u>592,658</u>
Interest income	51,131	19,588	5,717
Interest expense	(47,849)	(47,145)	(22,726)
Other expense, net	(3,132)	(6,440)	(334)
Income before income tax provision	<u>718,038</u>	<u>592,138</u>	<u>575,315</u>
Income tax provision	142,346	91,726	51,605
Net income	<u>\$ 575,692</u>	<u>\$ 500,412</u>	<u>\$ 523,710</u>
Earnings per share – basic:			
Earnings per share	<u>\$ 6.59</u>	<u>\$ 5.76</u>	<u>\$ 6.02</u>
Weighted average shares	<u>87,313</u>	<u>86,833</u>	<u>87,051</u>
Earnings per share – diluted:			
Earnings per share	<u>\$ 6.55</u>	<u>\$ 5.73</u>	<u>\$ 5.99</u>
Weighted average shares	<u>87,895</u>	<u>87,386</u>	<u>87,490</u>

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

ANSYS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(in thousands)</i>	Year Ended December 31,		
	2024	2023	2022
Net income	\$ 575,692	\$ 500,412	\$ 523,710
Other comprehensive (loss) income:			
Foreign currency translation adjustments	(57,298)	32,451	(66,610)
Unrealized losses on available-for-sale securities, net of tax	(11)	—	—
Comprehensive income	<u>\$ 518,383</u>	<u>\$ 532,863</u>	<u>\$ 457,100</u>

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

ANSYS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in thousands)</i>	Year Ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income	\$ 575,692	\$ 500,412	\$ 523,710
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	142,672	132,504	114,563
Operating lease right-of-use assets expense	22,620	23,514	22,721
Deferred income tax benefit	(80,403)	(91,306)	(130,716)
Provision for bad debts	2,598	2,704	6,222
Stock-based compensation expense	270,900	221,891	168,128
Other	1,242	1,238	4,680
Changes in operating assets and liabilities:			
Accounts receivable	(231,900)	(102,516)	(114,986)
Other receivables and current assets	4,910	(30,204)	30,259
Other long-term assets	6,841	(8,563)	(3,613)
Accounts payable, accrued expenses and current liabilities	23,620	27,853	(8,250)
Accrued income taxes	(6,917)	13,731	99
Deferred revenue	62,005	34,507	33,003
Other long-term liabilities	1,860	(8,643)	(14,817)
Net cash provided by operating activities	795,740	717,122	631,003
Cash flows from investing activities:			
Acquisitions, net of cash acquired	(1,586)	(208,911)	(386,264)
Capital expenditures	(44,045)	(25,318)	(24,370)
Purchases of short-term investments	(53,415)	(172)	(230)
Other investing activities	(516)	(5,641)	(504)
Net cash used in investing activities	(99,562)	(240,042)	(411,368)
Cash flows from financing activities:			
Purchase of treasury stock	—	(196,494)	(205,571)
Restricted stock withholding taxes paid in lieu of issued shares	(106,097)	(63,645)	(64,242)
Proceeds from shares issued for stock-based compensation	10,475	30,114	25,595
Other financing activities	(2,922)	(1,294)	(1,290)
Net cash used in financing activities	(98,544)	(231,319)	(245,508)
Effect of exchange rate fluctuations on cash and cash equivalents	(11,092)	49	(27,403)
Net increase (decrease) in cash and cash equivalents	586,542	245,810	(53,276)
Cash and cash equivalents, beginning of period	860,201	614,391	667,667
Cash and cash equivalents, end of period	\$ 1,446,743	\$ 860,201	\$ 614,391
Supplemental disclosures of cash flow information:			
Income taxes paid	\$ 184,415	\$ 144,117	\$ 115,339
Interest paid	\$ 47,081	\$ 46,069	\$ 20,844
Non-cash and unpaid consideration in connection with acquisitions	\$ —	\$ 5,056	\$ 5,391

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

ANSYS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<i>(in thousands)</i>	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive (Loss)/Income	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
Balance, January 1, 2022	95,267	\$ 953	\$ 1,465,694	\$ 4,259,220	8,188	\$(1,185,707)	\$ (56,112)	\$ 4,484,048
Acquisition of Analytical Graphics Inc.			511		(3)	300		811
Treasury shares acquired					725	(205,571)		(205,571)
Stock-based compensation activity			74,112		(593)	55,351		129,463
Other comprehensive loss							(66,610)	(66,610)
Net income for the year				523,710				523,710
Balance, December 31, 2022	95,267	953	1,540,317	4,782,930	8,317	(1,335,627)	(122,722)	4,865,851
Treasury shares acquired, including excise tax					650	(196,609)		(196,609)
Stock-based compensation activity			130,133		(606)	58,126		188,259
Other comprehensive income							32,451	32,451
Net income for the year				500,412				500,412
Balance, December 31, 2023	95,267	953	1,670,450	5,283,342	8,361	(1,474,110)	(90,271)	5,390,364
Acquisition activity of previously acquired businesses			1,818		(8)	719		2,537
Stock-based compensation activity			118,420		(621)	56,736		175,156
Other comprehensive loss, net of tax effects							(57,309)	(57,309)
Net income for the year				575,692				575,692
Balance, December 31, 2024	95,267	\$ 953	\$ 1,790,688	\$ 5,859,034	7,732	\$(1,416,655)	\$ (147,580)	\$ 6,086,440

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

ANSYS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024

1. Organization

We develop and globally market engineering simulation software and services widely used by engineers, designers, researchers and students across a broad spectrum of industries and academia, including high-tech, aerospace and defense, automotive, energy, industrial equipment, materials and chemicals, consumer products, healthcare and construction.

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

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

Pending Acquisition

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

2. Accounting Policies

Accounting Principles

The consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States. Certain items in the consolidated statement of cash flows and notes to the consolidated financial statements of prior years have been conformed to the current year's presentation. These presentation changes had no effect on reported net income, comprehensive income, cash flows, total assets or total liabilities and stockholders' equity.

Principles of Consolidation

The accompanying consolidated financial statements include our accounts and those of our wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Recently Adopted Accounting Guidance

Segment reporting: In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* (ASU 2023-07). ASU 2023-07 requires enhanced disclosures related to segment information, including for entities with one reportable segment. It does not change the determination of reportable segments. The enhanced disclosures in accordance with the new guidance are required to be reported in the annual period beginning after December 15, 2023. The standard only impacts footnote disclosures. We have adopted the reporting requirements in the report herein. See Note 21, "Segment Disclosure."

Accounting Guidance Issued and Not Yet Adopted

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the amounts of revenue and expenses during the reported periods. Significant estimates included in or impacting these consolidated financial statements include:

- Contract revenue
- Standalone selling prices of our products and services
- Allowance for doubtful accounts receivable
- Valuation of goodwill and other intangible assets
- Useful lives for depreciation and amortization
- Operating lease assets and liabilities
- Fair values of stock awards
- Income taxes
- Uncertain tax positions
- Tax valuation reserves
- Contingencies and litigation

Actual results could differ from these estimates. Changes in estimates are recorded in the results of operations in the period that the changes occur.

Revenue Recognition

Our revenue is derived principally from the licensing of computer software products and from related maintenance contracts. We enter into contracts that include combinations of products, maintenance and services, which are accounted for as separate performance obligations with differing revenue recognition patterns.

Revenue from perpetual licenses is classified as software license revenue. Software license revenue is recognized up front upon delivery of the licensed product and/or the utility that enables the customer to access authorization keys, provided that an enforceable contract has been received. Typically, our perpetual licenses are sold with post-contract support (PCS), which includes unspecified technical enhancements and customer support. We allocate value in bundled perpetual and PCS arrangements based on the standalone selling prices of the perpetual license and PCS. Revenue from PCS is classified as maintenance revenue and is recognized ratably over the term of the contract, as we satisfy the PCS performance obligation.

In addition to perpetual licenses, we sell time-based subscription lease licenses. Subscription lease licenses are sold only as a bundled arrangement that includes the rights to a term software license and PCS. Utilizing observable inputs, we determined that 50% of the estimated standalone selling price of the subscription lease license is attributable to the term license and 50% is attributable to the PCS. This determination considered the value relationship for our products between PCS and time-based subscription lease licenses, the value relationship between PCS and perpetual licenses, the average economic life of our products, software renewal rates and the price of the bundled arrangement in relation to the perpetual licensing approach. Consistent with the perpetual sales, the license component is classified as software license revenue and recognized as revenue up front at the commencement of the lease upon delivery of the licensed product and/or utility that enables the customer to access authorization keys. The PCS is classified as maintenance revenue and is recognized ratably over the term of the contract, as we satisfy the PCS performance obligation.

Revenue from training, consulting and other services is recognized as the services are performed. For contracts in which the service consists of a single performance obligation, such as providing a training class to a customer, we recognize revenue upon completion of the performance obligation. For service contracts that are longer in duration and often include multiple performance obligations (for example, both training and consulting), we measure the progress toward completion of the obligations and recognize revenue accordingly. In measuring progress towards the completion of performance obligations, we typically utilize output-based estimates for services with contractual billing arrangements that are not based on time and materials, and estimate output based on the total tasks completed as compared to the total tasks required for each work contract. Input-based estimates are utilized for services that involve general consultations with contractual billing arrangements based on time and materials, utilizing direct labor as the input measure.

We also execute arrangements through independent channel partners in which the channel partners are authorized to market and distribute our software products to end users of our products and services. In sales facilitated by channel partners, the channel partner is the principal to the transaction with the end user. We recognize revenue from transactions with channel partners in a manner consistent with the direct sales described above for both perpetual and time-based licenses. Revenue from channel partner transactions is the amount remitted to us by the channel partners. This amount includes a fee for PCS that is compensation for providing technical enhancements and the second level of technical support to the end user, which is recognized over the period that PCS is to be provided.

Non-income related taxes collected from customers and remitted to governmental authorities are recorded on the consolidated balance sheet as accounts receivable and accrued expenses. The collection and payment of these amounts are reported on a net basis in the consolidated statements of income and do not impact reported revenues or expenses.

We do not offer right of return. We warrant to our customers that our software will perform substantially as specified in our current user manuals. We have not experienced significant claims related to software warranties beyond the scope of maintenance support, which we are already obligated to provide. The warranty is not sold, and cannot be purchased, separately. The warranty does not provide any type of additional service to the customer or performance obligation for us.

Our agreements with our customers generally require us to indemnify the customer against claims that our software infringes third-party patent, copyright, trademark or other proprietary rights. Such indemnification obligations are generally limited in a variety of industry-standard respects, including our right to replace an infringing product.

Significant Judgments

Our contracts with customers typically include promises to transfer licenses and services to a customer. Judgment is required to determine if the promises are separate performance obligations, and if so, to allocate the transaction price to each performance obligation. We use the estimated standalone selling price method to allocate the transaction price for each performance obligation. The estimated standalone selling price is determined using all information reasonably available to us, including market conditions and other observable inputs. The corresponding revenues are recognized as the related performance obligations are satisfied.

We apply a practical expedient to expense sales commissions as incurred when the amortization period would have been one year or less. Sales commissions associated with the initial year of multi-year contracts are expensed as incurred due to their immateriality. Sales commissions associated with multi-year contracts beyond the initial year are subject to an employee service requirement and are expensed as incurred as they are not considered incremental costs to obtain a contract.

We are required to adjust promised amounts of consideration for the effects of the time value of money if the timing of the payments provides the customer or us with a significant financing benefit. We consider various factors in assessing whether a financing component exists, including the duration of the contract, market interest rates and the timing of payments. Our contracts do not include a significant financing component requiring adjustment to the transaction price.

Cash, Cash Equivalents and Short-Term Investments

Cash and cash equivalents consist primarily of highly liquid investments such as deposits held at major banks and money market funds. Cash equivalents are carried at cost, which approximates fair value. Our money market fund balances were held in various funds of a single issuer at December 31, 2024.

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

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets, which range from one year to forty years. Repairs and maintenance are charged to expense as incurred. Gains or losses from the sale or retirement of property and equipment are included in operating income.

Research and Development

Research and development costs are expensed as incurred. Internally developed software costs required to be capitalized as defined by the accounting guidance are not material to our consolidated financial statements.

Business Combinations

When we consummate an acquisition, the assets acquired and the liabilities assumed are recognized separately from goodwill at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of the fair value of consideration transferred over the acquisition date fair value of the net identifiable assets acquired. While best estimates and assumptions are used to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill as we obtain new information about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the fair value of consideration transferred over the fair value of net identifiable assets acquired. Other intangible assets consist of acquired software and technology, customer lists and trade names. Intangible assets that are not considered to have an indefinite useful life are amortized over their useful lives, which range from two years to seventeen years. Amortization expense for intangible assets was \$112.3 million, \$103.5 million and \$85.1 million for the years ended December 31, 2024, 2023 and 2022, respectively.

We test goodwill and indefinite-lived intangible assets for impairment at least annually by performing a quantitative assessment of whether the fair value of each reporting unit or asset exceeds its carrying amount. We have one reporting unit. Goodwill is tested at this reporting unit level and indefinite-lived intangible assets are tested at the individual asset level. This requires us to assess and make judgments regarding a variety of factors which impact the fair value of the reporting unit or asset being tested, including business plans, anticipated future cash flows, economic projections and other market data.

During the first quarter of 2024, we completed the annual impairment test for goodwill and the indefinite-lived intangible asset and determined that these assets had not been impaired as of the test date, January 1, 2024. No other events or circumstances changed during the year ended December 31, 2024 that would indicate that the fair values of our reporting unit and indefinite-lived intangible asset are below their carrying amounts.

Concentrations of Credit Risk

We have a concentration of credit risk with respect to revenue and trade receivables due to the use of channel partners to market and sell our products. We perform periodic credit evaluations of our customers' financial condition and generally do not require collateral. The following table outlines concentrations of risk with respect to our revenue:

<i>(as a % of revenue)</i>	Year Ended December 31,		
	2024	2023	2022
Revenue from channel partners	25%	26%	24%

No single customer or channel partner accounted for more than 5% of our revenue in 2024, 2023 or 2022.

In addition to the concentration of credit risk with respect to trade receivables, our cash, cash equivalents and short-term investments are also exposed to concentration risk. Our cash and cash equivalent accounts are insured through various public and private bank deposit insurance programs, foreign and domestic; however, a significant portion of our funds are not insured. The following table outlines concentrations of risk with respect to our cash, cash equivalents and short-term investments:

<i>(in thousands)</i>	As of December 31,	
	2024	2023
Cash, cash equivalents and short-term investments held domestically	\$ 1,052,003	\$ 529,092
Cash, cash equivalents and short-term investments held by foreign subsidiaries	445,514	331,298
Cash and cash equivalents held in excess of deposit insurance, foreign and domestic	1,434,694	846,723
Largest balance of cash and cash equivalents held with one financial institution, foreign and domestic	720,577	359,362

Allowance for Doubtful Accounts

ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* requires us to use the current expected credit loss methodology to make judgments as to our ability to collect outstanding receivables and provide allowances for a portion of receivables over the lifetime of the receivables. Provisions are made based upon a specific review of all significant outstanding invoices from both value and delinquency perspectives. For those invoices not specifically reviewed, provisions are estimated at differing rates based upon the age of the receivable. In determining these percentages, we consider our historical loss experience, current economic trends and future conditions.

The changes in the allowance for doubtful accounts during the years ended December 31, 2024, 2023 and 2022 were as follows:

<i>(in thousands)</i>	2024	2023	2022
Beginning balance – January 1	\$ 20,700	\$ 18,300	\$ 14,600
Additions: Charges to expense	2,598	2,704	6,222
Deductions: Write-offs	(6,798)	(304)	(2,522)
Ending balance – December 31	\$ 16,500	\$ 20,700	\$ 18,300

Income Taxes

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period of the enactment date.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In the event we determine that we will be able to realize deferred tax assets for which a valuation allowance was used to reduce their carrying value, the adjustment to the valuation allowance will be recorded as a reduction to the provision for income taxes.

Tax benefits related to uncertain tax positions taken or expected to be taken on a tax return are recorded when such benefits meet a more-likely-than-not threshold. Otherwise, these tax benefits are recorded when a tax position has been effectively settled, which means that the statute of limitations has expired or the appropriate taxing authority has completed its examination even though the statute of limitations remains open.

We recognize interest and penalties related to income taxes within the income tax expense line in the consolidated statements of income. Accrued interest and penalties are included within the related tax liability line in the consolidated balance sheets.

Foreign Currencies

Certain of our sales and intercompany transactions are denominated in foreign currencies. These transactions are converted to the functional currency in the period in which they occur. Assets and liabilities denominated in a currency other than our functional currency or our subsidiaries' functional currencies are translated at the effective exchange rate on the balance sheet date. Gains and losses resulting from foreign exchange transactions are included in other expense, net. We recorded net foreign exchange losses of \$3.1 million and \$4.0 million for the years ended December 31, 2024 and 2023, respectively, and net foreign exchange gains of \$1.6 million for the year ended December 31, 2022.

The financial statements of our foreign subsidiaries are translated from the functional currency to U.S. Dollars. Assets and liabilities are translated at the exchange rates on the balance sheet date. Results of operations are translated at average exchange rates, which approximate rates in effect when the underlying transactions occurred.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss is composed of foreign currency translation adjustments and unrealized losses on available-for-sale securities, net of tax effects.

Earnings Per Share

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

The details of basic and diluted EPS are as follows:

<i>(in thousands, except per share data)</i>	Year Ended December 31,		
	2024	2023	2022
Net income	\$ 575,692	\$ 500,412	\$ 523,710
Weighted average shares outstanding – basic	87,313	86,833	87,051
Dilutive effect of stock plans	582	553	439
Weighted average shares outstanding – diluted	87,895	87,386	87,490
Basic earnings per share	\$ 6.59	\$ 5.76	\$ 6.02
Diluted earnings per share	\$ 6.55	\$ 5.73	\$ 5.99
Anti-dilutive shares	43	218	300

Stock-Based Compensation

We account for stock-based compensation in accordance with share-based payment accounting guidance. The guidance requires an entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost is recognized over the period during which an employee is required to provide services in exchange for the award, typically the vesting period.

Fair Value of Financial Instruments

We account for certain assets and liabilities at fair value in accordance with the accounting guidance applicable to fair value measurements and disclosures. The carrying values of cash, cash equivalents, accounts receivable, accounts payable, accrued expenses, other accrued liabilities, fixed forward contracts and short-term obligations are deemed to be reasonable estimates of their fair values because of their short-term nature. Our term loan is a variable rate debt obligation and, therefore, the carrying amount approximates the fair value.

3. Revenue from Contracts with Customers

Disaggregation of Revenue

The following table summarizes revenue:

<i>(in thousands, except percentages)</i>	Year Ended December 31,		
	2024	2023	2022
Revenue:			
Subscription lease licenses	\$ 948,831	\$ 786,050	\$ 687,665
Perpetual licenses	315,085	302,698	301,313
Software licenses	<u>1,263,916</u>	<u>1,088,748</u>	<u>988,978</u>
Maintenance	1,209,217	1,103,523	1,004,245
Service	71,676	77,678	72,330
Maintenance and service	<u>1,280,893</u>	<u>1,181,201</u>	<u>1,076,575</u>
Total revenue	<u>\$ 2,544,809</u>	<u>\$ 2,269,949</u>	<u>\$ 2,065,553</u>
Direct revenue, as a percentage of total revenue	75.2%	73.9%	76.1%
Indirect revenue, as a percentage of total revenue	24.8%	26.1%	23.9%

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

Deferred Revenue

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

The changes in deferred revenue, inclusive of both current and long-term deferred revenue, during the years ended December 31, 2024 and 2023 were as follows:

<i>(in thousands)</i>	2024	2023
Beginning balance – January 1	\$ 479,754	\$ 435,758
Acquired deferred revenue	—	8,030
Deferral of revenue	2,617,131	2,305,294
Recognition of deferred revenue	(2,544,809)	(2,269,949)
Currency translation	(15,771)	621
Ending balance – December 31	<u>\$ 536,305</u>	<u>\$ 479,754</u>

Total revenue allocated to remaining performance obligations as of December 31, 2024 will be recognized as revenue as follows:

<i>(in thousands)</i>	
Next 12 months	\$ 1,029,144
Months 13-24	419,744
Months 25-36	206,327
Thereafter	63,052
Total revenue allocated to remaining performance obligations	<u>\$ 1,718,267</u>

Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes both deferred revenue and backlog. Our backlog represents deferred revenue associated with installment billings for periods beyond the current quarterly billing cycle and committed contracts with start dates beyond the end of the current period. Revenue recognized during the years ended December 31, 2024 and 2023 included amounts in deferred revenue and backlog at the beginning of the period of \$897.4 million, of which \$457.5 million was in deferred revenue, and \$846.3 million, of which \$414.0 million was in deferred revenue, respectively.

4. Acquisitions

During the year ended December 31, 2024, we incurred acquisition-related expenses of \$52.8 million, primarily consisting of costs related to the Merger Agreement with Synopsys. Acquisition-related expenses are recognized as selling, general and administrative and research and development expenses on the consolidated statements of income.

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

2023 Acquisitions

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

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

During the year ended December 31, 2023, we incurred acquisition-related expenses of \$9.4 million. Acquisition-related expenses are recognized as selling, general and administrative and research and development expenses on the consolidated statements of income.

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

Fair Value of Consideration:

(in thousands)

Cash	\$ 230,106
Non-cash consideration	5,056
Total consideration	<u>\$ 235,162</u>

Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed:

(in thousands)

Cash	\$ 18,870
Accounts receivable and other tangible assets	19,294
Developed software and core technologies	28,110
Customer lists	83,790
Trade names	2,910
Accounts payable and other liabilities	(8,845)
Deferred revenue	(8,030)
Net deferred tax liabilities	(31,980)
Total identifiable net assets	<u>\$ 104,119</u>
Goodwill	<u>\$ 131,043</u>

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

We determined the fair value of our intangible assets using various valuation techniques, including the relief-from-royalty method and the multi-period excess earnings method. These models utilize certain unobservable inputs classified as Level 3 measurements as defined by ASC 820, *Fair Value Measurements and Disclosures*. The determination of fair value requires considerable judgment and is sensitive to changes in underlying assumptions, estimates and market factors. Estimating fair value requires us to make assumptions and estimates regarding our future plans, as well as industry and economic conditions. These assumptions and estimates include, but are not limited to: selection of a valuation methodology, royalty rate, discount rate, attrition rate and obsolescence rate.

The weighted-average useful life, valuation method and assumptions used to determine the fair value of the intangible assets related to the 2023 acquisitions are as follows:

Intangible Asset	Weighted-Average Useful Life	Valuation Method	Assumptions
Developed software and core technologies	5 years	Relief-from-royalty or multi-period excess earnings	Royalty rate: 20.0% Obsolescence rate: 15.0% - 20.0% Discount rate: 12.5% - 22.0%
Trade names	5 years	Relief-from-royalty	Royalty rate: 1.0% - 2.0% Discount rate: 15.5% - 22.0%
Customer lists	13 years	Multi-period excess earnings	Attrition rate: 5.0% Discount rate: 15.5% - 22.0%

The operating results of each acquisition have been included in our consolidated financial statements since each respective date of acquisition. The effects of the business combinations were not material to our consolidated results of operations individually or in the aggregate during 2023.

5. Cash Equivalents and Short-Term Investments

During the year ended December 31, 2024, we invested in available-for-sale debt securities, which are included in short-term investments in the consolidated balance sheets. As of December 31, 2024, our cash equivalents and short-term investments were as follows:

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

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

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

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

The following table outlines maturities of our available-for-sale debt securities as of December 31, 2024:

<i>(in thousands)</i>	<u>Amortized Cost</u>	<u>Fair Value</u>
Less than 1 year	\$ 16,796	\$ 16,822
1-3 years	33,811	33,770
Total	<u>\$ 50,607</u>	<u>\$ 50,592</u>

6. Other Receivables and Current Assets

Our other receivables and current assets comprise the following balances:

<i>(in thousands)</i>	<u>December 31,</u>	
	<u>2024</u>	<u>2023</u>
Receivables related to unrecognized revenue	\$ 244,605	\$ 253,646
Income taxes receivable, including overpayments and refunds	7,755	22,104
Prepaid expenses and other current assets	58,766	48,901
Total other receivables and current assets	<u>\$ 311,126</u>	<u>\$ 324,651</u>

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

7. Property and Equipment

Property and equipment consists of the following:

<i>(in thousands)</i>	<u>Estimated Useful Lives</u>	<u>December 31,</u>	
		<u>2024</u>	<u>2023</u>
Equipment	1-15 years	\$ 149,765	\$ 136,112
Computer software	1-5 years	34,461	29,210
Buildings and improvements	2-40 years	41,880	39,728
Leasehold improvements	1-17 years	29,862	29,587
Furniture	1-10 years	15,693	15,921
Land		<u>2,696</u>	<u>2,696</u>
Property and equipment, gross		274,357	253,254
Less: Accumulated depreciation		<u>(184,711)</u>	<u>(175,474)</u>
Property and equipment, net		<u>\$ 89,646</u>	<u>\$ 77,780</u>

Depreciation expense related to property and equipment was \$30.9 million, \$29.0 million and \$29.5 million for the years ended December 31, 2024, 2023 and 2022, respectively.

8. Goodwill and Intangible Assets

Goodwill represents the excess of the fair value of consideration over the fair value of net identifiable assets acquired. Identifiable intangible assets acquired in business combinations are recorded based on their fair values on the date of acquisition.

Intangible assets are classified as follows:

	December 31, 2024		December 31, 2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
<i>(in thousands)</i>				
Finite-lived intangible assets:				
Developed software and core technologies	\$ 1,142,840	\$ (635,450)	\$ 1,146,022	\$ (557,359)
Customer lists	261,895	(91,769)	289,874	(89,800)
Trade names	189,017	(150,646)	190,203	(143,880)
Total	<u>\$ 1,593,752</u>	<u>\$ (877,865)</u>	<u>\$ 1,626,099</u>	<u>\$ (791,039)</u>
Indefinite-lived intangible asset:				
Trade name	<u>\$ 357</u>		<u>\$ 357</u>	

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

As of December 31, 2024, estimated future amortization expense for the intangible assets reflected above is as follows:

<i>(in thousands)</i>	
2025	\$ 114,392
2026	115,188
2027	118,417
2028	112,188
2029	98,453
Thereafter	157,249
Total intangible assets subject to amortization, net	<u>715,887</u>
Indefinite-lived trade name	357
Other intangible assets, net	<u>\$ 716,244</u>

The changes in goodwill during the years ended December 31, 2024 and 2023 were as follows:

<i>(in thousands)</i>		2024	2023
Beginning balance - January 1		\$ 3,805,874	\$ 3,658,267
Acquisitions and adjustments ⁽¹⁾		868	122,635
Currency translation		(28,614)	24,972
Ending balance - December 31		<u>\$ 3,778,128</u>	<u>\$ 3,805,874</u>

⁽¹⁾ In addition to goodwill from acquisitions completed within the period, in accordance with the accounting for business combinations, we recorded adjustments to goodwill for the effect of changes in the provisional fair values of the assets acquired and liabilities assumed during the measurement period (up to one year from the acquisition date) as we obtained new information about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. Such adjustments are not material to our consolidated financial statements.

During the first quarter of 2024, we completed the annual impairment test for goodwill and the indefinite-lived intangible asset and determined that these assets had not been impaired as of the test date, January 1, 2024. No other events or circumstances changed during the year ended December 31, 2024 that would indicate that the fair values of our reporting unit and indefinite-lived intangible asset are below their carrying amounts.

9. Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

The forward contracts represent currency hedges to mitigate exchange rate exposure. These contracts are classified within Level 2 because these contracts are not actively traded and the valuation inputs are based on quoted prices and market observable data of similar instruments. The liabilities associated with the forward contracts are recorded at fair value in other accrued expenses and liabilities in the consolidated balance sheets.

10. Leases

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

The components of our global lease cost reflected in the consolidated statements of income for the years ended December 31, 2024, 2023 and 2022 are as follows:

<i>(in thousands)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Lease liability cost	\$ 28,385	\$ 28,481	\$ 27,543
Variable lease cost not included in the lease liability ⁽¹⁾	5,524	5,749	4,436
Total lease cost	<u>\$ 33,909</u>	<u>\$ 34,230</u>	<u>\$ 31,979</u>

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

Other information related to operating leases for the years ended December 31, 2024, 2023 and 2022 is as follows:

<i>(in thousands)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of the lease liability:			
Operating cash flows from operating leases	\$ (28,598)	\$ (28,281)	\$ (26,767)
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 15,655	\$ 12,913	\$ 36,735
		<u>As of December 31,</u>	
		<u>2024</u>	<u>2023</u>
Weighted-average remaining lease term of operating leases		5.8 years	6.4 years
Weighted-average discount rate of operating leases		3.3%	3.4%

The maturity schedule of the operating lease liabilities as of December 31, 2024 is as follows:

<i>(in thousands)</i>	
2025	\$ 27,781
2026	23,395
2027	19,317
2028	17,644
2029	12,592
Thereafter	21,824
Total future lease payments	<u>122,553</u>
Less: Present value adjustment	<u>(11,130)</u>
Present value of future lease payments ⁽¹⁾	<u>\$ 111,423</u>

⁽¹⁾Includes the current portion of operating lease liabilities of \$24.5 million, which is reflected in other accrued expenses and liabilities in the consolidated balance sheets.

There were no material leases that have been signed but not yet commenced as of December 31, 2024.

11. Debt

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

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

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

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

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

Under the 2022 Credit Agreement, the weighted average interest rates in effect for the years ended December 31, 2024 and 2023 were 6.08% and 6.01%, respectively. The rate in effect as of December 31, 2024 and for the first quarter of 2025 under the 2022 Credit Agreement is 5.25%.

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

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

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

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

As of December 31, 2024, all debt is scheduled to mature in 2027 with no principal payments required prior to the maturity date.

12. Income Taxes

Income before income tax provision included the following components:

<i>(in thousands)</i>	Year Ended December 31,		
	2024	2023	2022
Domestic	\$ 544,979	\$ 458,581	\$ 504,797
Foreign	173,059	133,557	70,518
Total	<u>\$ 718,038</u>	<u>\$ 592,138</u>	<u>\$ 575,315</u>

The provision for income taxes was composed of the following:

<i>(in thousands)</i>	Year Ended December 31,		
	2024	2023	2022
Current:			
Federal	\$ 144,537	\$ 115,942	\$ 103,007
State	20,265	11,759	11,286
Foreign	57,947	55,332	68,028
Deferred:			
Federal	(78,139)	(79,251)	(94,398)
State	(6,318)	(8,145)	(9,647)
Foreign	4,054	(3,911)	(26,671)
Total	<u>\$ 142,346</u>	<u>\$ 91,726</u>	<u>\$ 51,605</u>

The reconciliation of the U.S. federal statutory tax rate to the consolidated effective tax rate was as follows:

	Year Ended December 31,		
	2024	2023	2022
Federal statutory tax rate	21.0%	21.0%	21.0%
Nondeductible expenses	3.5	2.1	2.3
State income taxes, net of federal benefit	1.5	0.6	0.9
Foreign rate differential	0.7	0.4	—
Stock-based compensation	0.3	—	(1.5)
U.S. federal tax (benefit) expense on foreign earnings	0.1	(1.2)	(2.4)
Benefit from tax planning and entity structuring activities	—	(0.3)	(2.5)
Research and development credits	(3.0)	(3.2)	(3.2)
Foreign-derived intangible income deduction	(4.2)	(4.1)	(5.7)
Other	(0.1)	0.2	0.1
	19.8%	15.5%	9.0%

The components of deferred tax assets and liabilities are as follows:

<i>(in thousands)</i>	December 31,	
	2024	2023
Deferred tax assets:		
Research and experimentation capitalization	\$ 211,192	\$ 148,355
Uncertain tax positions	55,583	52,685
Net operating loss carryforwards	31,304	34,907
Stock-based compensation	29,712	33,473
Operating lease liabilities	24,967	28,380
Debt obligation basis difference	20,289	30,289
Employee benefits	12,066	13,662
Other	13,459	9,752
Valuation allowance	(16,892)	(17,608)
Total deferred tax assets	381,680	333,895
Deferred tax liabilities:		
Other intangible assets	(177,270)	(202,404)
Operating lease right-of-use assets	(23,407)	(26,878)
Deferred revenue	(11,367)	(12,080)
Property and equipment	(3,034)	(3,607)
Other	—	—
Total deferred tax liabilities	(215,078)	(244,969)
Net deferred tax assets	\$ 166,602	\$ 88,926

The net decrease in the valuation allowance was primarily due to \$0.9 million of currency fluctuations on balances relating to foreign jurisdictions, partially offset by a \$0.2 million increase in unrealizable tax assets. As of each reporting date, management considers new evidence, both positive and negative, that could affect the future realization of deferred tax assets. If management determines it is more likely than not that an asset, or a portion of an asset, will not be realized, a valuation allowance is recorded.

As of December 31, 2024, we had federal net operating loss carryforwards of \$0.7 million, which are subject to limitations of their utilization and expire between 2036 - 2037. Deferred tax assets of \$0.9 million have been recorded for state operating loss carryforwards. These losses expire between 2027 - 2042, and are subject to limitations on their utilization. We had total foreign net operating loss carryforwards of \$122.3 million, of which \$89.1 million are not currently subject to expiration dates. The remainder, \$33.2 million, expires between 2030 - 2039. We had tax credit carryforwards of \$8.5 million, of which \$1.9 million are not currently subject to expiration dates and \$6.6 million expire in various years between 2025 - 2044. Of these tax credit carryforwards, \$0.7 million are subject to limitations on their utilization.

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

The following is a reconciliation of the total amounts of unrecognized tax benefits:

<i>(in thousands)</i>	Year Ended December 31,		
	2024	2023	2022
Unrecognized tax benefit as of January 1	\$ 54,884	\$ 45,772	\$ 39,641
Gross changes—acquisitions	—	—	—
Gross increases—tax positions in prior period	146	—	403
Gross decreases—tax positions in prior period	(267)	(1,782)	(2,780)
Gross increases—tax positions in current period	12,302	14,814	13,905
Reductions due to a lapse of the applicable statute of limitations	(2,998)	(3,236)	(3,743)
Changes due to currency fluctuation	(6,516)	(684)	(1,654)
Settlements	—	—	—
Unrecognized tax benefit as of December 31	<u>\$ 57,551</u>	<u>\$ 54,884</u>	<u>\$ 45,772</u>

We believe that it is reasonably possible that \$32.2 million of uncertain tax positions included in the table above may be resolved within the next twelve months as a result of settlement with a taxing authority or a lapse of the statute of limitations. If the unrecognized tax benefit as of December 31, 2024 were to be recognized, a benefit of \$13.0 million would impact the effective tax rate.

We recognize interest and penalties related to unrecognized tax benefits as income tax expense. We recorded penalty expense of \$0.1 million, \$0.7 million and \$0.7 million for the years ended December 31, 2024, 2023 and 2022, respectively. We recorded interest income of \$0.2 million for the year ended December 31, 2024, interest income of \$0.3 million for the year ended December 31, 2023 and interest expense of \$0.1 million for the year ended December 31, 2022. As of December 31, 2024, we accrued a liability for penalties of \$8.8 million and interest of \$2.3 million. As of December 31, 2023, we accrued a liability for penalties of \$8.7 million and interest of \$2.6 million.

The OECD has introduced a two-pillar approach to address the tax challenges arising from the digitalization of the economy. Pillar Two defines global minimum tax rules and includes a 15 percent minimum tax rate. We have not recorded any income tax provision related to Pillar Two for the year ended December 31, 2024 based on the laws currently enacted in the jurisdictions in which we operate.

We are subject to taxation in the United States and various states and foreign jurisdictions. In the United States, our only major tax jurisdiction, the 2017 - 2024 tax years are open to examination by the Internal Revenue Service.

13. Pension and Profit-Sharing Plans

We have a 401(k) plan for all qualifying domestic employees that permits participants to defer a portion of their pay pursuant to Section 401(k) of the Internal Revenue Code. We make matching contributions on behalf of each eligible participant in an amount equal to 100% of the first 3% and an additional 25% of the next 5%, for a maximum total of 4.25% of the employee's eligible compensation. We may make discretionary matching contributions. We may also make discretionary nonelective contributions in an amount to be determined by the Board of Directors for each plan year, provided the employee is employed at the end of the year and has worked at least 1,000 hours. Domestic employees of acquired businesses may participate in the 401(k) plan when they become eligible. We also maintain and contribute to various defined contribution and defined benefit pension arrangements for our international employees. We meet the minimum statutory funding requirements for our foreign plans. As of December 31, 2024 and 2023, the total unfunded portions of the benefit obligations were \$12.4 million and \$11.8 million, respectively.

Expenses related to our retirement programs were \$28.0 million in 2024, \$25.9 million in 2023 and \$21.9 million in 2022.

14. Non-Compete and Employment Agreements

Our employees have signed agreements under which they have agreed not to disclose trade secrets or confidential information that, where legally permitted, restrict engagement in or connection with any business that is competitive with us anywhere in the world while employed by us (and, in some cases, for specified periods thereafter in relevant geographic areas), and that any products or technology created by them during their term of employment are our property. In addition, we require all channel partners to enter into agreements not to disclose our trade secrets and other proprietary information.

We have an employment agreement with our Chief Executive Officer. Under the terms of the employment agreement, in the event that the Chief Executive Officer's employment with us is terminated by us without "Cause" or as a result of his resignation with "Good Reason" (each as defined in the agreement) the Chief Executive Officer will be entitled to (i) receive an amount equal to two times the sum of his then effective base salary plus his target bonus, payable over 24 months in equal installments, (ii) receive payment of the prior year's earned annual cash incentive, to the extent unpaid, (iii) receive payment of a pro-rated target annual cash incentive for the year of termination, (iv) in certain circumstances, receive a lump sum amount equal to 24 months of the COBRA premium applicable to the health, dental and vision plans in which the Chief Executive Officer was participating prior to termination, (v) have any outstanding performance-based and time-based equity awards receive accelerated vesting treatment equal to an additional two years after termination, and (vi) have the period of time during which the Chief Executive Officer may exercise his vested stock options be extended to the longer of (x) six months after his date of termination or (y) seven days after the commencement of our first open trading window that occurs after the date of termination, but in no event later than the 10-year expiration date of such options. During his employment with us and for two years thereafter, following termination of employment under certain circumstances described in the contract, he will be subject to non-competition and non-solicitation obligations.

If a termination under the circumstances described above occurs during the period beginning 60 days prior to the effective date of a definitive agreement that will result in a change in control and ending 18 months after the consummation (closing) of a change in control, then, in lieu of the benefits described in the foregoing paragraph, the Chief Executive Officer will be entitled to the amounts described in the paragraph above, except that (a) the amount described in clause (i) will be paid in a lump sum rather than over 24 months, and (b) instead of the two-year acceleration period described in clause (v), all outstanding performance-based and time-based equity awards held by the Chief Executive Officer shall immediately become fully exercisable, vested and/or non-forfeitable on an accelerated basis, subject to any performance or metric-based requirements set forth therein which shall be separately determined as set forth in the applicable award agreement.

We also have employment agreements with several other employees, primarily in foreign jurisdictions. The terms of these employment agreements generally include annual compensation and non-compete clauses.

15. Stock-Based Compensation

On May 14, 2021, our stockholders approved the ANSYS, Inc. 2021 Equity and Incentive Compensation Plan (the 2021 Plan). The 2021 Plan is a long-term incentive plan pursuant to which awards may be granted to directors, officers, other employees and certain consultants of Ansys and its subsidiaries. These awards may include stock option rights, stock appreciation rights, restricted stock, restricted stock units, cash incentives, performance shares, performance units and other awards. The 2021 Plan authorizes 4.4 million shares of common stock for issuance, plus 1.6 million shares that remained available for issuance under the Fifth Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan (the Predecessor Plan) as of the effective date of the 2021 Plan plus any shares relating to the outstanding awards under the Predecessor Plan or the 2021 Plan that are subsequently forfeited. As of the effective date of the 2021 Plan, grants were no longer made under the Predecessor Plan.

The 2021 Plan requires a minimum vesting period or performance period of one year for most award types and a maximum period for options to be exercisable as ten years from the grant date. Upon the death or disability of a participant, performance awards are vested pro-rata, subject to any performance target requirements, and all other awards become fully vested. The Compensation Committee of the Board of Directors may, at its sole discretion, accelerate the date or dates on which an award granted under the 2021 Plan may vest in the event of a change in control or an employee's termination of employment. A change in control will result in awards either being assumed by the acquirer or the pre-existing awards becoming immediately vested and earned at target award levels. In the event an employee is terminated without cause within 18 months after the change in control, any assumed awards will become immediately vested.

We currently issue shares related to exercised stock options or vested awards from our existing pool of treasury shares and have no specific policy to repurchase treasury shares as stock options are exercised or as awards vest. If the treasury pool is depleted, we will issue new shares.

Total stock-based compensation expense recognized for the years ended December 31, 2024, 2023 and 2022 is as follows:

<i>(in thousands, except per share amounts)</i>	Year Ended December 31,		
	2024	2023	2022
Cost of sales:			
Maintenance and service	14,313	13,337	10,073
Operating expenses:			
Selling, general and administrative	161,905	126,175	93,117
Research and development	94,682	82,379	64,938
Stock-based compensation expense before taxes	270,900	221,891	168,128
Related income tax benefits	(65,647)	(53,880)	(50,209)
Stock-based compensation expense, net of taxes	<u>\$ 205,253</u>	<u>\$ 168,011</u>	<u>\$ 117,919</u>

As of December 31, 2024, total unrecognized estimated compensation expense related to awards granted prior to that date was \$352.8 million, which is expected to be recognized over a weighted average period of 1.5 years. Forfeitures of awards are accounted for as they occur.

Stock Options

Prior to 2017, we granted stock option awards. The value of each stock option award was estimated on the date of grant, or date of acquisition for options issued in a business combination, using the Black-Scholes option pricing model (Black-Scholes model). The determination of the fair value of stock-based payment awards using an option pricing model was affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables included our stock volatility during the preceding six years, actual and projected employee stock option exercise behaviors, interest rate assumptions using the five-year U.S. Treasury Note yield on the date of grant or acquisition date and expected dividends. The stock-based compensation expense for options was recorded ratably over the requisite service period.

As of December 31, 2024, there is no unrecognized estimated compensation cost related to unvested stock options.

Information regarding stock option transactions is summarized below:

<i>(options in thousands)</i>	Year Ended December 31,					
	2024		2023		2022	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding, beginning of year	103	\$ 94.23	226	\$ 94.24	375	\$ 83.67
Granted	—	\$ —	—	\$ —	—	\$ —
Exercised	(1)	\$ 86.57	(123)	\$ 94.32	(148)	\$ 67.56
Forfeited	(2)	\$ 86.01	—	\$ —	(1)	\$ 67.44
Outstanding, end of year	100	\$ 94.46	103	\$ 94.23	226	\$ 94.24
Vested and Exercisable, end of year	100	\$ 94.46	103	\$ 94.23	226	\$ 94.24
Nonvested	—	\$ —	—	\$ —	—	\$ —

	2024	2023	2022
Weighted Average Remaining Contractual Term <i>(in years)</i>			
Outstanding	1.59	2.52	3.53
Vested and Exercisable	1.59	2.52	3.53
Aggregate Intrinsic Value <i>(in thousands)</i>			
Exercised	\$ 83	\$ 28,231	\$ 30,358
Outstanding	\$ 24,370	\$ 27,717	\$ 33,361
Vested and Exercisable	\$ 24,370	\$ 27,717	\$ 33,361
Compensation Expense - Stock Options <i>(in thousands)</i>	\$ —	\$ —	\$ —

Information regarding stock options outstanding as of December 31, 2024 is summarized below:

<i>(options in thousands)</i>	Options Outstanding & Exercisable	
	Options	Weighted-Average Remaining Contractual Life (years)
Exercise Price		
\$86.57	7	0.67
\$94.15	1	0.58
\$95.09	92	1.67

There were no unvested stock options as of December 31, 2024.

Restricted Stock Units

Under the terms of the 2021 Plan, we have issued various restricted stock unit awards (RSUs). The following table summarizes the types of awards and vesting conditions:

Award	Vesting Period	Vesting Condition
Restricted stock units with a service condition only	Three years	Prior to March 2023, one third of the awards vested annually. Commencing in March 2023, one third vests in the first year and then one eighth quarterly thereafter.
Restricted stock units with an operating performance and service condition	Three years	Operating performance metrics as defined at the beginning of each sub-performance period and subject to continued employment through the vesting period.
Restricted stock units with a market and service condition	Three years	Our performance measured by total stockholder return relative to the Nasdaq Composite Index for the performance period and subject to continued employment through the vesting period.
Board of Director restricted stock unit awards	The earlier of one year or the next regular meeting of stockholders	Continued service on the Board of Directors through the vesting period. Directors that retire prior to the vest date receive a pro-rata portion of the RSUs.

The fair value of RSUs with only a service condition is based on the fair market value of our stock on the date of the grant and is recognized straight-line over the vesting period.

The fair value of RSUs with operating performance metrics is based on the fair market value of our stock on the date of the grant and is recognized from the grant date through the vesting period based on management's estimates concerning the probability of operating performance metric achievement.

The fair values of RSUs with a market condition were estimated using a Monte Carlo simulation model and are recognized over the vesting period. The determination of the fair values of the awards was affected by the grant date and several variables, each of which has been identified in the chart below. Due to the pending merger with Synopsys, there were no RSUs with a market condition issued in 2024.

Assumptions used in Monte Carlo lattice pricing model	Year Ended December 31,	
	2023	2022
Risk-free interest rate	4.6%	1.8%
Expected dividend yield	—%	—%
Expected volatility—Ansys stock price	36%	37%
Expected volatility—Nasdaq Composite Index	25%	26%
Expected term	2.8 years	2.8 years
Correlation factor	0.83	0.84
Weighted average fair value per share	\$ 452.14	\$ 290.65

Total compensation expense for RSU awards recorded for the years ended December 31, 2024, 2023 and 2022 was \$270.5 million, \$213.5 million and \$164.0 million, respectively.

Information regarding all employee and non-employee director RSU transactions is summarized below:

<i>(RSUs in thousands)</i>	Year Ended December 31,					
	2024		2023		2022	
	RSUs	Weighted-Average Grant Date Fair Value	RSUs	Weighted-Average Grant Date Fair Value	RSUs	Weighted-Average Grant Date Fair Value
Nonvested, beginning of year	1,538	\$ 309.33	1,220	\$ 301.72	1,074	\$ 278.02
Granted ⁽¹⁾	948	\$ 339.43	867	\$ 314.04	861	\$ 299.08
Performance adjustment - awards with market condition ⁽²⁾	(20)	\$ 285.28	(11)	\$ 279.42	(8)	\$ 276.73
Performance adjustment - awards with performance condition ⁽²⁾	59	\$ 339.62	79	\$ 310.37	73	\$ 300.28
Vested	(894)	\$ 310.84	(558)	\$ 300.30	(598)	\$ 257.51
Forfeited	(76)	\$ 322.38	(59)	\$ 313.58	(182)	\$ 295.13
Nonvested, end of year	1,555	\$ 327.62	1,538	\$ 309.33	1,220	\$ 301.72

(1) Includes all RSUs granted during the year. RSUs with operating performance conditions have one performance cycle or three sub-performance cycles. Performance conditions are assigned near the beginning of each performance cycle or sub-performance cycle, as applicable, and awards are reflected as grants at the target number of units at that time.

(2) RSUs with a market or performance condition are granted at target and vest based on achievement of the market or operating performance and service conditions. The actual number of RSUs issued may be more or less than the target RSUs depending on the achievement of the market or operating performance conditions.

Employee Stock Purchase Plan

On May 12, 2022, our stockholders approved the ANSYS, Inc. 2022 Employee Stock Purchase Plan (2022 ESPP) and the reservation by our Board of Directors of 750,000 shares of common stock for issuance under the 2022 ESPP. On October 27, 2022, our Board of Directors approved the amendment and restatement of the 2022 ESPP. The 2022 ESPP replaced the 1996 Employee Stock Purchase Plan (1996 Plan) in its entirety. Shares issued in 2024 were issued under the 2022 ESPP. The 2022 ESPP and 1996 Plan (Purchase Plans) allow our employees and employees of our designated subsidiaries to purchase shares of our common stock at a discount to fair market value. Due to the pending merger with Synopsys, there were no offering periods under the Purchase Plans in 2024 after the conclusion of the offering period ending January 31, 2024. There were 634,167 shares available for future purchases as of December 31, 2024.

The Purchase Plans are administered by the Compensation Committee. Offerings under the Purchase Plans commence on the first business day occurring on or before each February 1 and August 1, and end on the last business day occurring on or before the following July 31 and January 31, respectively. An employee who owns or is deemed to own shares of stock representing in excess of 5% of the combined voting power of all classes of our stock may not participate in the Purchase Plans.

During each offering, an eligible employee may purchase shares by authorizing payroll deductions of up to 10% of his or her cash compensation during the offering period. The maximum number of shares that may be purchased by any participating employee during any offering period is limited to 3,840 shares. Subject to limitations within the Purchase Plans, each employee's accumulated payroll deductions will be used to purchase common stock on the last day of the applicable offering period at a price equal to 85% of the fair market value of the common stock on the first or last day of the applicable offering period, whichever is less. Under applicable tax rules, an employee may not accrue at a rate that exceeds \$25,000 of the fair market value of our stock (determined on the option grant date or dates) for each calendar year in which the option to purchase shares is outstanding at any time. As of December 31, 2024, 115,833 shares of common stock had been issued under the 2022 ESPP. The total compensation expense recorded under the Purchase Plans during the years ended December 31, 2024, 2023 and 2022 was \$0.3 million, \$8.3 million and \$4.2 million, respectively.

16. Stock Repurchase Program

There were no share repurchases in 2024. For the year ended December 31, 2023, 650 thousand shares were repurchased at an average price of \$302.34 per share, with a total cost of \$196.5 million. For the year ended December 31, 2022, 725 thousand shares were repurchased at an average price of \$283.38 per share, with a total cost of \$205.6 million. As of December 31, 2024, 1.1 million shares remained available for repurchase under the program.

17. Royalty Agreements

We have entered into various renewable license agreements under which we have been granted access to the licensor's technology and the right to sell the technology in our product line. Royalties are payable to developers of the software at various rates and amounts, which generally are based upon unit sales, revenue or flat fees. Royalty fees are reported in cost of software licenses and were \$44.1 million, \$39.0 million and \$32.0 million for the years ended December 31, 2024, 2023 and 2022, respectively.

18. Geographic Information

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

<i>(in thousands)</i>	Year Ended December 31,		
	2024	2023	2022
United States	\$ 1,251,892	\$ 1,058,293	\$ 932,587
Germany	209,714	199,068	198,612
Japan	184,547	203,013	186,199
China and Hong Kong	126,628	111,467	105,101
South Korea	112,895	106,261	127,948
Other EMEA	445,791	406,719	349,159
Other international	213,342	185,128	165,947
Total revenue	<u>\$ 2,544,809</u>	<u>\$ 2,269,949</u>	<u>\$ 2,065,553</u>

Property and equipment by geographic area was as follows:

<i>(in thousands)</i>	December 31,	
	2024	2023
United States	\$ 65,731	\$ 56,421
India	6,280	5,057
France	4,975	4,771
Other EMEA	6,279	6,924
Other international	6,381	4,607
Total property and equipment, net	<u>\$ 89,646</u>	<u>\$ 77,780</u>

19. Unconditional Purchase Obligations

We have entered into various unconditional purchase obligations which primarily include minimum royalty contracts and software licenses and support. We expended \$66.4 million, \$54.8 million and \$54.8 million related to unconditional purchase obligations that existed as of the beginning of each year for the years ended December 31, 2024, 2023 and 2022, respectively. Future expenditures under unconditional purchase obligations in effect as of December 31, 2024 are as follows:

(in thousands)

2025	\$	66,763
2026		16,115
2027		9,322
2028		3,896
2029		299
Total	\$	<u>96,395</u>

20. Contingencies and Commitments

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

Our Indian subsidiary has several service tax audits pending that have resulted in formal inquiries being received on transactions through mid-2012. We could incur tax charges and related liabilities of \$7.2 million. As such charges are not probable at this time, a reserve has not been recorded on the consolidated balance sheet as of December 31, 2024. The service tax issues raised in our notices and inquiries are very similar to the case, M/s Microsoft Corporation (I) (P) Ltd. Vs. Commissioner of Service Tax, New Delhi, wherein the Delhi Customs, Excise and Service Tax Appellate Tribunal (CESTAT) issued a favorable ruling to Microsoft. The Microsoft ruling was subsequently challenged in the Supreme Court of India by the Indian tax authority and a decision is still pending. We can provide no assurances on the impact that the Microsoft case's decision will have on our cases, however, an unfavorable ruling in the Microsoft case may impact our assessment of probability and result in the recording of a \$7.2 million reserve. We are uncertain as to when these service tax matters will be concluded.

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

21. Segment Disclosure

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

<i>(in thousands)</i>	Year Ended December 31,		
	2024	2023	2022
Revenue	\$ 2,544,809	\$ 2,269,949	\$ 2,065,553
Salaries	(620,815)	(581,027)	(511,776)
Stock-based compensation	(270,900)	(221,891)	(168,128)
Incentive compensation ⁽¹⁾	(219,557)	(194,025)	(195,524)
Amortization	(112,308)	(103,502)	(85,094)
Depreciation	(30,929)	(29,002)	(29,468)
Interest income	51,131	19,588	5,717
Interest expense	(47,849)	(47,145)	(22,726)
Other segment expenses, net ⁽²⁾	(575,544)	(520,807)	(483,239)
Income tax provision	(142,346)	(91,726)	(51,605)
Net income	\$ 575,692	\$ 500,412	\$ 523,710

(1) Incentive compensation includes bonuses and commissions.

(2) Other segment expenses, net consists primarily of other headcount-related expenses, IT maintenance and software hosting costs, acquisition-related costs and consulting and professional fees.

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

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information presents the pro forma effects of the acquisition of Ansys by Synopsys along with effects of other related transactions described below.

Ansys Acquisition

On January 15, 2024, Synopsys, ALTA Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Synopsys (“Merger Sub”), and ANSYS, Inc. (“Ansys”), entered into an Agreement and Plan of Merger, as may be amended from time to time (the “merger agreement”), pursuant to which Synopsys agreed to acquire Ansys in a cash and stock transaction. Pursuant to the terms of the merger agreement, Merger Sub will merge with and into Ansys (the “merger”) with Ansys surviving the merger as a wholly owned subsidiary of Synopsys.

As a result of the merger, each share of Ansys common stock issued and outstanding immediately prior to the effective time of the merger will be converted into the right to receive:

- (a) \$197.00 per share in cash, without interest (the “Per Share Cash Amount”), and
- (b) 0.3450 shares of Synopsys common stock, \$0.01 par value per share, plus cash in lieu of any fractional shares (the “Exchange Ratio”).

The Exchange Ratio is fixed and will not be adjusted for changes in the market price of either Synopsys common stock or Ansys common stock between the dates of signing of the merger agreement and completion of the merger. However, if the aggregate number of shares of Synopsys common stock to be issued in connection with the merger would exceed 19.9999% of the shares of Synopsys common stock issued and outstanding immediately prior to the successful completion of the merger (the “Maximum Share Number”), (a) the Exchange Ratio will be reduced to the minimum extent necessary such that the aggregate number of shares of Synopsys common stock to be issued in connection with the merger does not exceed the Maximum Share Number and (b) the Per Share Cash Amount will be correspondingly increased to offset such adjustment.

Upon closing, Ansys common stock, including treasury stock, will be cancelled and will cease to exist.

The merger is expected to close in the first half of 2025, subject to the receipt of required regulatory approvals and other customary closing conditions.

The merger will be accounted for as a business combination using the acquisition method of accounting in accordance with Accounting Standards Codification (“ASC”) Topic 805, “Business Combinations” (“ASC 805”) under U.S. GAAP, with Synopsys as the accounting acquirer. Synopsys is expected to be the accounting acquirer primarily based on the transfer of cash consideration by Synopsys to the former economic interest holders of Ansys and the relative share ownership, voting rights, composition of the governing body, and the designation of certain senior management positions of the combined entity. Under this method of accounting, the purchase price of the merger will be allocated to the assets acquired and liabilities assumed based on their preliminary fair values at the closing date. The excess purchase price over the fair values of identifiable assets and liabilities will be recorded as goodwill.

Financing

In connection with the execution of the merger agreement, on January 15, 2024, Synopsys entered into a debt commitment letter (the “debt commitment letter”) with certain financial institutions that committed to provide, subject to the satisfaction of customary closing conditions for similar facilities, senior unsecured bridge term loans in an aggregate principal amount of up to \$16.0 billion to be comprised of Bridge Tranche 1 and Bridge Tranche 2. On February 13, 2024, Synopsys reduced the commitments under the debt commitment letter to \$11.7 billion by terminating the Bridge Tranche 2 commitments of \$4.3 billion in connection with Synopsys’ entry into the term loan credit agreement as further described below. On October 3, 2024, Synopsys reduced the Bridge Tranche 1 commitments under the debt commitment letter to \$10.6 billion following the sale of the Software Integrity Group (the “Software Integrity business”).

On February 13, 2024, Synopsys entered into a term loan credit agreement, which provides Synopsys with the ability to borrow up to \$4.3 billion at the closing of the merger, subject to the satisfaction of customary closing conditions for similar facilities, for the purpose of financing a portion of the cash consideration to be paid in the merger and paying related fees and expenses in connection with the merger and the other transactions contemplated by the merger agreement.

On February 13, 2024, Synopsys entered into a Sixth Amendment, which amended and restated Synopsys' revolving credit facility, dated as of December 14, 2022. The revolving credit facility provides an unsecured \$850.0 million committed multicurrency revolving loan facility and an unsecured uncommitted incremental revolving loan facility of up to \$150.0 million. The maturity date of the revolving credit facility is December 14, 2027, which may be extended at Synopsys' option.

Based on the available cash on hand as of January 31, 2025, Synopsys does not anticipate, and the unaudited pro forma condensed financial information does not assume, borrowing under the revolving credit facility upon closing of the merger.

The unaudited pro forma condensed combined financial information assumes that Synopsys raised debt capital in an amount of \$10.0 billion with a blended interest rate of 5.4% per annum (the "debt financing"). Such amount is assumed sufficient to fund the merger, together with cash on hand and borrowing under the term loan credit agreement, after giving effect to other transactions assumed to have occurred on such date. The pro forma assumes that pursuant to the debt financing and borrowing under the term loan credit agreement, the Tranche 1 commitments of \$10.6 billion under the debt commitment letter will be reduced in its entirety. Synopsys has not issued any senior notes, or drawn down on the term loan credit agreement and any financing related to the merger may be different from the amount assumed for purposes of the pro forma combined statements.

The unaudited pro forma condensed combined financial information assumes the cash portion of the merger consideration will be funded through a combination of cash on hand of Synopsys as on January 31, 2025, and borrowings under the term loan credit agreement and the debt financing. The total borrowings of up to \$14.3 billion under the term loan credit agreement and the debt financing will be used to (a) pay the cash consideration for the merger, and (b) pay the merger costs.

The unaudited pro forma condensed combined financial information assumes completion of the Divestiture of Optical Solutions Group (the "Optical Solutions Divestiture"), at the same time as the merger and assumes that the proceeds of the Optical Solutions Divestiture will be used to repay \$0.6 billion of borrowing under the term loan credit agreement at such time. As described below, the Optical Solutions Divestiture is expected to be completed after the merger, and Synopsys anticipates using additional cash on hand (from available cash or from the debt financing and borrowing under the term loan credit agreement) to fund the merger.

The unaudited pro forma condensed combined financial information includes assumed debt issuance costs related to the debt financing as adjustments to net proceeds and interest expense on borrowings. The write off of unamortized deferred issuance costs related to the reduction of the Bridge Tranche 1 commitments under the debt commitment letter is included in the unaudited pro forma condensed combined balance sheet as an adjustment to other long-term assets and retained earnings. Refer to Note 7 for details.

These assumptions and expectations are subject to change, and the debt issuance costs to be incurred and related interest expense could vary significantly from what is assumed in the unaudited pro forma condensed combined financial information. Other factors that are subject to change include, but are not limited to, the timing of borrowings, the amount of cash on hand at the time of the closing and inputs to interest rate determination on debt instruments issued.

Optical Solutions Divestiture

As a condition to obtain regulatory approval of the merger in certain jurisdictions, Synopsys is required to divest its Optical Solutions Group. On September 3, 2024, Synopsys entered into a definitive agreement to sell the Optical Solutions Group to Keysight Technologies, Inc. for gross proceeds of \$583.8 million. The Optical Solutions Divestiture is subject to customary closing conditions, including review by regulatory authorities, and the successful closing of the merger.

The unaudited pro forma condensed combined financial information gives effect to the Optical Solutions Divestiture, as further discussed in Note 8.

Other considerations

Historically, Synopsys' fiscal year ended on the Saturday nearest to October 31 and consisted of 52 weeks, with the exception that approximately every five years, Synopsys had a 53-week year. When a 53-week year occurred, Synopsys included the additional week in the first quarter to realign fiscal quarters with calendar quarters. Fiscal 2024 was a 53-week year ending on November 2, 2024. During fiscal 2024, Synopsys' Board of Directors approved a change in the fiscal year end from Saturday closest to October 31 of each year to October 31 of each year. The fiscal year change became effective beginning in fiscal year 2025, which began on November 3, 2024. Synopsys' fiscal quarters end on January 31, April 30 and July 31 of each year. For presentation purposes, the unaudited pro forma financial information and accompanying notes refer to the closest calendar month end for all periods presented.

The unaudited pro forma condensed combined balance sheet as of January 31, 2025 is prepared using Synopsys' unaudited condensed consolidated balance sheet as of January 31, 2025 and Ansys' audited consolidated balance sheet as of December 31, 2024, respectively, giving effect to (i) the merger, borrowings under the term loan credit agreement, debt financing, and the Optical Solutions Divestiture as if they had been completed on January 31, 2025 and (ii) the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined statements of income for the three months ended January 31, 2025 is prepared using Synopsys' unaudited condensed consolidated statements of income for the three months ended January 31, 2025 and Ansys' unaudited condensed consolidated statements of income for the three months ended December 31, 2024, which is derived by subtracting the unaudited condensed consolidated statements of income for the nine months ended September 30, 2024 from the audited consolidated statements of income for the year ended December 31, 2024, as permitted under Rule 11-02 of Regulation S-X. The unaudited pro forma condensed combined statements of income give effect to (i) the merger, borrowings under the term loan credit agreement, debt financing, and the Optical Solutions Divestiture as if it had been completed on November 1, 2023 and (ii) the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial information.

As the difference between Synopsys' and Ansys' fiscal year-end dates is less than one fiscal quarter, the unaudited pro forma condensed combined statements of income for the year ended October 31, 2024 is prepared using Synopsys' audited consolidated statement of income for the year ended October 31, 2024 and Ansys' unaudited condensed consolidated statement of income for the twelve months ended September 30, 2024, which is derived by subtracting the unaudited condensed consolidated statements of income for the nine months ended September 30, 2023 from audited consolidated statements of income for the year ended December 31, 2023 and adding the unaudited condensed consolidated statements of income for the nine months ended September 30, 2024, as permitted under Rule 11-02 of Regulation S-X.

The unaudited pro forma condensed combined financial information was derived from and should be read in conjunction with:

- the accompanying notes to the unaudited pro forma condensed combined financial information;
- the separate historical audited consolidated financial statements of Synopsys as of and for the year ended October 31, 2024, included in Synopsys' Annual Report on Form 10-K filed with the SEC on December 19, 2024, and incorporated by reference in this registration statement;
- the separate historical unaudited condensed consolidated financial statements of Synopsys as of and for the three months ended January 31, 2025, included in Synopsys' Quarterly Report on Form 10-Q filed with the SEC on February 26, 2025, and incorporated by reference in this registration statement;
- the separate historical audited consolidated financial statements of Ansys as of and for the year ended December 31, 2024, included in Ansys' Annual Report on Form 10-K filed with the SEC on February 19, 2025, and incorporated by reference in this registration statement;
- the separate historical unaudited condensed consolidated financial statements of Ansys as of and for the nine months ended September 30, 2024, included in Ansys' Quarterly Report on Form 10-Q filed with the SEC on November 6, 2024, and incorporated by reference in this registration statement.

- the separate historical audited consolidated financial statements of Ansys as of and for the year ended December 31, 2023, included in Ansys' Annual Report on Form 10-K filed with the SEC on February 21, 2024, and incorporated by reference in this registration statement.
- the separate historical unaudited condensed consolidated financial statements of Ansys as of and for the nine months ended September 30, 2023, included in Ansys' Quarterly Report on Form 10-Q filed with the SEC on November 1, 2023, and incorporated by reference in this registration statement.

The unaudited pro forma condensed combined financial information should also be read together with the Management's Discussion and Analysis of Financial Condition and Results of Operations of Synopsys and Ansys, respectively, included in the periodic reports incorporated by reference in this registration statement.

The unaudited pro forma condensed combined financial information is provided for informational purposes only and is not indicative of the operating results that would have occurred if the merger, borrowings under the term loan credit agreement, debt financing and the Optical Solutions Divestiture had been completed as of the dates set forth above, nor is it indicative of the future results of Synopsys following the merger.

In determining the preliminary estimate of fair values of assets acquired and liabilities assumed of Ansys in connection with the acquisition, Synopsys used publicly available benchmarking information along with other relevant assumptions, including market participant assumptions. The purchase price allocation relating to the merger is preliminary and subject to change, as additional information becomes available and as additional analyses are performed. There can be no assurance that the final valuations will not result in material changes to this preliminary purchase price allocation. The unaudited pro forma condensed combined financial information does not give effect to the potential impact of any anticipated synergies, operating efficiencies or cost savings that may result from the merger or of any integration costs. The unaudited pro forma condensed combined financial information does not purport to project the future operating results or financial position of Synopsys following the merger.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEETS
AS OF JANUARY 31, 2025
(dollars in thousands)

	As of January 31, 2025	As of December 31, 2024					
	SYNOPSIS, INC. (Historical)	ANSYS, INC. (Historical)	Reclassification and Accounting Policy Adjustments	Merger Adjustments	Financing Adjustments	Divestiture Adjustments	Pro Forma Combined
ASSETS							
Current assets							
Cash and cash equivalents	3,653,880	1,446,743	-	(17,279,267)	5a	14,236,265	7a
			-	(129,691)	5b	(573,700)	7b
			-	(185,816)	5c	-	-
			-	(755,111)	5i	-	-
			-	(569)	5k	-	-
Short-term investments	155,489	50,774	-	-	-	-	206,263
Accounts receivable, net	892,647	1,022,850	(214,915)	3a	(123,257)	5f	-
			255,604	3f	-	-	(7,916)
Inventories	415,199	-	-	-	-	-	(257)
Prepaid and other current assets	1,206,401	-	214,915	3a	(8,352)	5f	-
			62,569	3e	-	-	(2,593)
Other receivables and current assets	-	311,126	(62,569)	3e	-	-	-
			(248,557)	3f	-	-	-
Total current assets	6,323,616	2,831,493	7,047	(18,482,063)	13,662,565	562,934	4,905,592
Property and equipment, net	546,406	89,646	-	17,458	5d	-	(338)
Operating lease right-of-use assets, net	545,867	105,122	-	(5,380)	5m	-	645,609
Goodwill	3,433,369	3,778,128	-	(3,778,128)	5j	-	(24,858)
			-	21,133,136	5e	-	-
Intangible assets, net	180,950	716,244	-	11,863,756	5g	-	(237)
Deferred income taxes	1,393,044	222,465	-	-	-	7,302	7d
Other long-term assets	617,837	308,333	-	-	-	(9,195)	7a
			-	-	-	(29,970)	7c
Total assets	13,041,089	8,051,431	7,047	10,748,779	13,630,702	537,501	46,016,549
LIABILITIES AND STOCKHOLDERS' EQUITY							
Current liabilities							
Accounts payable and accrued liabilities	938,679	-	412,689	3b	(13,490)	5b	-
			-	(27,326)	5c	-	(548)
			-	(111)	5i	-	(4,882)
			-	(2,222)	5f	-	-
Accounts payable	-	27,062	(27,062)	3b	-	-	-
Accrued bonuses and commissions	-	189,521	(189,521)	3b	-	-	-
Accrued income taxes	-	15,105	(15,105)	3b	-	-	-
Other accrued expenses and liabilities	-	204,969	(181,001)	3b	-	-	-
			(24,487)	3c	-	-	-
			519	3f	-	-	-
Operating lease liabilities	99,310	-	24,487	3c	-	-	-

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEETS
AS OF JANUARY 31, 2025
(dollars in thousands)

	As of January 31, 2025	As of December 31, 2024						
	SYNOPSYS, INC. (Historical)	ANSYS, INC. (Historical)	Reclassification and Accounting Policy Adjustments	Merger Adjustments	Financing Adjustments	Divestiture Adjustments	Pro Forma Combined	
Deferred revenue	1,320,605	504,527	(7,355) 3f	(12,636) 5f	-	(7,576) 8a	1,797,565	
Current portion of long-term debt	-	-	-	-	573,700 7a	-	-	
					(573,700) 7b	-		
Total current liabilities	2,358,594	941,184	(6,836)	(55,785)	-	(13,006)	3,224,151	
Deferred income taxes	-	55,863	-	2,660,990 5l	-	105,726 8a	2,821,268	
					-	(1,210) 8b		
					-	(101) 8c		
Long-term operating lease liabilities	551,507	86,936	-	-	-	-	638,443	
Long-term deferred revenue	316,178	-	31,778 3d	-	-	(830) 8a	361,009	
			13,883 3f	-	-	-		
Long-term debt	14,220	754,208	-	792 5h	13,653,370 7a	-	13,668,875	
				(755,000) 5i	1,285 7b	-		
Other long-term liabilities	495,689	126,800	(31,778) 3d	(44,542) 5f	-	-	546,169	
Total liabilities	3,736,188	1,964,991	7,047	1,806,455	13,654,655	90,579	21,259,915	
Stockholders' equity:								
Preferred stock, \$ 0.01 par value	-	-	-	-	-	-	-	
Common stock, \$ 0.01 par value	1,547	953	-	303 5a	-	-	1,850	
				(953) 5j	-	-		
Capital in excess of par value	1,127,181	1,790,688	-	15,145,230 5a	-	432 8c	16,273,481	
				(1,790,688) 5j	-	-		
				638 5k	-	-		
Retained earnings	9,278,950	5,859,034	-	(116,200) 5b	(1,285) 7b	450,791 8a	9,584,080	
				(5,859,034) 5j	(29,970) 7c	(3,970) 8b		
				(1,207) 5k	7,302 7d	(331) 8c		
Treasury stock, at cost	(860,967)	(1,416,655)	-	1,416,655 5j	-	-	(860,967)	
Accumulated other comprehensive income (loss)	(241,919)	(147,580)	-	147,580 5j	-	-	(241,919)	
Total Synopsys stockholders' equity	9,304,792	6,086,440	-	8,942,324	(23,953)	446,922	24,756,525	
Non-controlling interest	109	-	-	-	-	-	109	
Total stockholders' equity	9,304,901	6,086,440	-	8,942,324	(23,953)	446,922	24,756,634	
Total liabilities and stockholders' equity	13,041,089	8,051,431	7,047	10,748,779	13,630,702	537,501	46,016,549	

See accompanying notes to unaudited pro forma condensed combined financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED JANUARY 31, 2025
(dollars in thousands, except per unit and per share data)

	For the three months ended January 31, 2025	For the three months ended December 31, 2024	Reclassification and Accounting Policy Adjustments	Merger Adjustments	Financing Adjustments	Divestiture Adjustments	Pro Forma Combined
	SYNOPSIS, INC. (Historical)	ANSYS, INC. (Historical)					
Revenue:							
Time-based products	828,238	-	-	-	-	(1) 8d	828,237
Upfront products	368,124	-	543,415 3g	(2,930) 6h	-	(16,954) 8d	891,655
Software licenses	-	543,415	(543,415) 3g	-	-	-	-
Maintenance and service	258,953	338,759	-	(3,325) 6h	-	(4,529) 8d	589,858
Total revenue	1,455,315	882,174	-	(6,255)	-	(21,484)	2,309,750
Cost of revenue:							
Products	168,842	-	12,947 3h	4 6b	-	(938) 8d	179,971
			-	(884) 6h	-	-	-
Software licenses	-	12,947	(12,947) 3h	-	-	-	-
Maintenance and service	92,537	37,940	-	(247) 6b	-	(1,664) 8d	128,883
			-	341 6c	-	-	-
			-	(24) 6f	-	-	-
Amortization of acquired intangible assets	8,596	21,801	-	160,730 6a	-	(79) 8d	191,048
Total cost of revenue	269,975	72,688	-	159,920	-	(2,681)	499,902
Gross margin	1,185,340	809,486	-	(166,175)	-	(18,803)	1,809,848
Operating expenses:							
Research and development	553,216	134,259	-	(1,030) 6b	-	(5,167) 8d	682,957
			-	2,303 6c	-	-	-
			-	(592) 6h	-	-	-
			-	(32) 6f	-	-	-
Sales and marketing	209,199	-	243,426 3i	(964) 6b	-	(3,846) 8d	450,810
			-	3,094 6c	-	-	-
			-	(99) 6f	-	-	-
General and administrative	167,086	-	70,583 3i	(415) 6b	-	(5,962) 8d	232,323
			-	1,117 6c	-	-	-
			-	(86) 6f	-	-	-
Selling, general and administrative	-	314,009	(314,009) 3i	-	-	-	-
Amortization of acquired intangible assets	4,000	5,623	-	159,565 6a	-	-	169,188
Total operating expenses	933,501	453,891	-	162,861	-	(14,975)	1,535,278
Operating income	251,839	355,595	-	(329,036)	-	(3,828)	274,570
Interest expense	-	(10,924)	(10,683) 3l	10,924 6d	(188,158) 7e	-	(198,841)
Interest income	-	14,636	(14,636) 3j	-	-	-	-
Other income (expense), net	-	(14)	14 3k	-	-	-	-
Interest and other income (expense), net	39,278	-	14,636 3j	-	(37,483) 7f	-	27,100 7f
			(14) 3k	-	-	-	-

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED JANUARY 31, 2025
(dollars in thousands, except per unit and per share data)

	For the three months ended January 31, 2025	For the three months ended December 31, 2024	Reclassification and Accounting Policy Adjustments	Merger Adjustments	Financing Adjustments	Divestiture Adjustments	Pro Forma Combined
	SYNOPSYS, INC. (Historical)	ANSYS, INC. (Historical)	10,683 ³¹	-	-	-	-
Income from continuing operations before income taxes	291,117	359,293	-	(318,112)	(225,641)	(3,828)	102,829
Provision (benefit) for income taxes	(6,294)	76,605	-	(65,078) ^{6e}	(46,160) ^{6e}	(783) ^{8h}	(41,710)
Net income from continuing operations	297,411	282,688	-	(253,034)	(179,481)	(3,045)	144,539
Net income from continuing operations attributed to non-controlling interest and redeemable non-controlling interest	1,728	-	-	-	-	-	1,728
Net income from continuing operations attributed to Synopsys	295,683	282,688	-	(253,034)	(179,481)	(3,045)	142,811
Net income from continuing operations per share attributed to Synopsys:	-	-	-	-	-	-	-
Basic	\$ 1.91	-	-	-	-	-	\$ 0.77 ⁹
Diluted	\$ 1.89	-	-	-	-	-	\$ 0.76 ⁹
Shares used in computing per share amounts:							
Basic	154,408	-	-	-	-	-	184,670
Diluted	156,189	-	-	-	-	-	187,529

See accompanying notes to unaudited pro forma condensed combined financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME
FOR THE YEAR ENDED OCTOBER 31, 2024
(dollars in thousands, except per unit and per share data)

	For the year ended October 31, 2024	For the twelve months ended September 30, 2024					
	SYNOPTYS, INC. (Historical)	ANSYS, INC. (Historical)	Reclassification and Accounting Policy Adjustments	Merger Adjustments	Financing Adjustments	Divestiture Adjustments	Pro Forma Combined
Revenue:							
Time-based products	3,224,299	-	-	-	-	-	3,224,299
Upfront products	1,802,222	-	1,222,778 3g	(45,952) 6h	-	(64,411) 8d	2,914,637
Software licenses	-	1,222,778	(1,222,778) 3g	-	-	-	-
Maintenance and service	1,100,915	1,244,965	-	(10,474) 6h	-	(17,344) 8d	2,318,062
Total revenue	6,127,436	2,467,743	-	(56,426)	-	(81,755)	8,456,998
Cost of revenue:							
Products	770,238	-	43,329 3h	(5) 6b	-	(2,865) 8d	798,389
			-	(12,308) 6h	-	-	-
Software licenses	-	43,329	(43,329) 3h	-	-	-	-
Maintenance and service	367,055	146,506	-	(793) 6b	-	(6,108) 8d	510,400
			-	2,880 6c	-	874 8f	-
			-	(96) 6f	-	82 8g	-
Amortization of acquired intangible assets	107,996	87,345	-	642,780 6a	-	(316) 8d	837,805
Total cost of revenue	1,245,289	277,180	-	632,458	-	(8,333)	2,146,594
Gross margin	4,882,147	2,190,563	-	(688,884)	-	(73,422)	6,310,404
Operating expenses:							
Research and development	2,082,360	520,043	-	(3,165) 6b	-	(18,514) 8d	2,601,981
			-	18,996 6c	-	2,734 8f	-
			-	(389) 6h	-	267 8g	-
			-	(351) 6f	-	-	-
Sales and marketing	859,342	-	692,167 3i	(2,758) 6b	-	(14,395) 8d	1,559,194
			-	23,573 6c	-	1,572 8f	-
			-	(390) 6f	-	83 8g	-
General and administrative	568,496	-	259,021 3i	(1,246) 6b	-	(10,861) 8d	939,429
			-	7,946 6c	-	-	-
			-	(127) 6f	-	-	-
			-	116,200 6g	-	-	-
Selling, general and administrative	-	951,188	(951,188) 3i	-	-	-	-
Amortization of acquired intangible assets	16,238	24,039	-	636,710 6a	-	-	676,987
Total operating expenses	3,526,436	1,495,270	-	794,999	-	(39,114)	5,777,591
Operating income	1,355,711	695,293	-	(1,483,883)	-	(34,308)	532,813
Interest expense	-	(49,476)	(35,161) 3l	49,476 6d	(783,517) 7e	-	(818,678)
Interest income	-	43,694	(43,694) 3j	-	-	-	-
Other income (expense), net	-	(5,994)	5,994 3k	-	-	-	-
Interest and other income (expense), net	158,147	-	43,694 3j	-	(78,600) 7f	580,819 8e	733,227 7f

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME
FOR THE YEAR ENDED OCTOBER 31, 2024
(dollars in thousands, except per unit and per share data)

	For the year ended October 31, 2024	For the twelve months ended September 30, 2024					
	SYNOPSIS, INC. (Historical)	ANSYS, INC. (Historical)	Reclassification and Accounting Policy Adjustments	Merger Adjustments	Financing Adjustments	Divestiture Adjustments	Pro Forma Combined
			(5,994) 3k	-	-	-	
			35,161 3l	-	-	-	
Income from continuing operations before income taxes	1,513,858	683,517	-	(1,434,407)	(862,117)	546,511	447,362
Provision (benefit) for income taxes	99,718	115,751	-	(371,764) 6e	(223,440) 6e	141,642 8h	(238,093)
Net income from continuing operations	1,414,140	567,766	-	(1,062,643)	(638,677)	404,869	685,455
Net loss from continuing operations attributed to non-controlling interest and redeemable non-controlling interest	(27,570)	-	-	-	-	-	(27,570)
Net income from continuing operations attributed to Synopsys	1,441,710	567,766	-	(1,062,643)	(638,677)	404,869	713,025
Net income from continuing operations per share attributed to Synopsys:							
Basic	\$ 9.41	-	-	-	-	-	\$ 3.89 9
Diluted	\$ 9.25	-	-	-	-	-	\$ 3.81 9
Shares used in computing per share amounts:							
Basic	153,138	-	-	-	-	-	183,400
Diluted	155,944	-	-	-	-	-	186,918

See accompanying notes to unaudited pro forma condensed combined financial information.

Note 1. Basis of Presentation

The unaudited pro forma condensed combined financial information is prepared in accordance with Article 11 of Regulation S-X. The historical information of Synopsys and Ansys is presented in accordance with accounting principles generally accepted in the United States of America.

The unaudited pro forma condensed combined balance sheet as of January 31, 2025 is prepared using Synopsys' unaudited condensed consolidated balance sheet as of January 31, 2025 and Ansys' audited consolidated balance sheet as of December 31, 2024, respectively, giving effect to (i) the merger, borrowings under the term loan credit agreement, debt financing, and the Optical Solutions Divestiture as if they had been completed on January 31, 2025 and (ii) the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined statements of income for the three months ended January 31, 2025 is prepared using Synopsys' unaudited condensed consolidated statements of income for the three months ended January 31, 2025 and Ansys' unaudited condensed consolidated statements of income for the three months ended December 31, 2024, which is derived by subtracting the unaudited condensed consolidated statements of income for the nine months ended September 30, 2024 from the audited consolidated statements of income for the year ended December 31, 2024, as permitted under Rule 11-02 of Regulation S-X. The unaudited pro forma condensed combined statements of income give effect to (i) the merger, borrowings under the term loan credit agreement, debt financing, and the Optical Solutions Divestiture as if it had been completed on November 1, 2023 and (ii) the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial information.

As the difference between Synopsys' and Ansys' fiscal year-end dates is less than one fiscal quarter, the unaudited pro forma condensed combined statements of income for the year ended October 31, 2024 is prepared using Synopsys' audited consolidated statement of income for the year ended October 31, 2024 and Ansys' unaudited condensed consolidated statement of income for the twelve months ended September 30, 2024, which is derived by subtracting the unaudited condensed consolidated statements of income for the nine months ended September 30, 2023 from audited consolidated statements of income for the year ended December 31, 2023 and adding the unaudited condensed consolidated statements of income for the nine months ended September 30, 2024, as permitted under Rule 11-02 of Regulation S-X.

The unaudited pro forma condensed combined financial information is prepared using the acquisition method of accounting in accordance with the business combination accounting guidance as provided in Accounting Standards Codification 805, Business Combinations, with Synopsys treated as the accounting acquirer for the merger.

The unaudited pro forma condensed combined financial information is prepared based on the expectation that Ansys shareholders will hold approximately 16.5% of the issued and outstanding shares of the combined company immediately following the completion of the merger. The merger agreement also provides for Synopsys' assumption of certain outstanding Ansys options and other unvested Ansys equity awards held by continuing Ansys employees. If the stock consideration to be issued by Synopsys in connection with the merger exceeds 19.9999% of the shares of Synopsys common stock issued and outstanding immediately prior to the effective time, the Exchange Ratio will be reduced to the minimum extent necessary such that the aggregate number of shares of Synopsys common stock to be issued in connection with the merger does not exceed the Maximum Share Number and the Per Share Cash Amount will be correspondingly increased to offset such adjustment.

On September 30, 2024, Synopsys completed the sale of its Software Integrity business. The operating results of the Software Integrity business were presented as discontinued operations in Synopsys' audited consolidated financial statements as of and for the year ended October 31, 2024, included in Synopsys' Annual Report on Form 10-K filed with the SEC on December 19, 2024, and incorporated by reference in this registration statement. The unaudited pro forma condensed combined statements of income for the year ended October 31, 2024 are only presented through continuing operations, and therefore exclude the income from discontinued operations related to the Software Integrity business.

The unaudited pro forma condensed combined financial information gives effect to the Optical Solutions Divestiture, as further discussed in Note 8.

The unaudited pro forma condensed combined financial information is provided for informational purposes only and may not be indicative of the operating results that would have occurred if the merger, borrowings under the term loan credit agreement, debt financing, and the Optical Solutions Divestiture conditioned on the closing of the merger, had been completed as of the dates set forth above, nor is it indicative of the future results of Synopsys following the merger. In determining the preliminary estimate of fair values of assets acquired and liabilities assumed of Ansys, Synopsys used publicly available benchmarking information as well as a variety of other assumptions, including market participant assumptions. The pro forma purchase price allocation relating to the merger is preliminary and subject to change, as additional information becomes available and as additional analyses are performed. There can be no assurances that the final valuations will not result in material changes to this pro forma preliminary purchase price allocation. The unaudited pro forma condensed combined financial information does not give effect to the potential impact of any anticipated synergies, operating efficiencies or cost savings that may result from the merger or of any integration costs. The unaudited pro forma condensed combined financial information does not purport to project the future operating results or financial position of Synopsys following the merger.

Note 2. Significant Accounting Policies

The accounting policies used in the preparation of the unaudited pro forma condensed combined financial information are those set out in Synopsys' audited financial statements as of and for the year ended October 31, 2024. For presentation purposes, the unaudited pro forma condensed combined financial information and accompanying notes refer to the closest calendar month end. Upon completion of the merger, management will perform a comprehensive review of the accounting policies between the two entities. Management has not made any adjustments to the pro forma condensed combined financial information related to any potential policy differences other than the adjustments described in Note 3 below. Upon completion of the merger and management's comprehensive review, management may identify differences in accounting policies between the two entities which, when conformed, could have a material impact on the consolidated financial statements of Synopsys following the merger.

Note 3. Reclassifications and Accounting Policy Adjustments

Certain reclassifications and accounting policy adjustments are reflected in the pro forma adjustments to conform Ansys' presentation to Synopsys' in the unaudited pro forma condensed combined balance sheet and statement of income. In addition, other reclassification adjustments to disaggregate certain financial statement line items are made to Synopsys historical financial information. These reclassifications have no effect on previously reported shareholders' equity, or income from continuing operations of Synopsys or Ansys. The pro forma financial information may not reflect all reclassifications necessary to conform Ansys' presentation to that of Synopsys due to limitations on the availability of information as of the date of this registration statement. Additional accounting policy differences and reclassification adjustments may be identified as more information becomes available.

The reclassifications and accounting policy adjustments are as follows:

- (a) Represents the adjustment to align Ansys' methodology with Synopsys' methodology with respect to when the company has an unconditional right to invoice a customer and correspondingly recognize contract assets.
- (b) Represents the reclassification of accounts payable, accrued bonuses and commissions, accrued income taxes, and other accrued expenses and liabilities to accounts payable and accrued liabilities.
- (c) Represents the reclassification of current portion of operating lease liabilities from other accrued expenses and liabilities to operating lease liabilities.
- (d) Represents the reclassification of non-current portion of deferred revenue from other long-term liabilities to long-term deferred revenue.

- (e) Represents the reclassification of remaining balance of other receivables and current assets to prepaid and other current assets. The balance reclassified relates to income taxes receivable, including overpayments and refunds, and prepaid expenses and other current assets.
- (f) Represents the reclassification of Ansys other receivables and current assets to accounts receivable, net to conform with Synopsys' presentation. This adjustment also includes grossing up/netting of accounts receivable against current and long-term deferred revenues to conform with Synopsys' presentation.
- (g) Represents the reclassification of revenue from software licenses presented by Ansys to revenue from upfront products to align presentation with Synopsys.
- (h) Represents the reclassification of cost of revenue related to software licenses to cost of revenue related to products.
- (i) Represents the reclassification of selling, general and administrative expense to sales and marketing expense and general and administrative expense.
- (j) Represents the reclassification of Ansys interest income to interest and other income (expense), net to conform with Synopsys' presentation.
- (k) Represents the reclassification of Ansys other income (expense), net to interest and other income (expense), net to conform with Synopsys' presentation.
- (l) Represents the reclassification of Synopsys interest expense from interest and other income (expense), net to interest expense for purposes of the pro forma financial information presentation.

Note 4. Calculation of Merger Consideration and Preliminary Purchase Price Allocation

The unaudited pro forma condensed combined financial information reflects the acquisition of Ansys for an estimated preliminary merger consideration of \$32.4 billion. The fair value of the merger consideration expected to be transferred on the closing date includes the value of the estimated cash consideration; the estimated fair value of approximately 30.3 million shares of Synopsys common stock to be transferred, calculated by using the price per share of Synopsys common stock as of February 20, 2025; and the estimated fair value of assumed Ansys equity awards attributable to pre-combination services. The unaudited pro forma condensed combined financial information do not include equity awards that will, in the ordinary course, either vest and settle and/or be granted between the effective date of this presentation and closing of the merger. The calculation of estimated merger consideration is as follows:

Consideration Transferred

	(in thousands)
Estimated cash consideration ⁽¹⁾	\$ 17,279,267
Estimated fair value of Synopsys common stock to be issued ⁽²⁾	14,947,708
Estimated fair value of assumed Ansys equity awards attributable to pre-combination services ⁽³⁾	197,825
Total estimated merger consideration	\$ 32,424,800
Total cash consideration	17,279,267
Total equity consideration	15,145,533
Total estimated merger consideration	\$ 32,424,800

- (1) Represents the estimated cash consideration to be paid, consisting of approximately (i) \$17.3 billion calculated as a product of 87.7 million outstanding shares of Ansys common stock and cash consideration of \$197.00 per share and (ii) approximately \$1.0 million to settle all Ansys specified RSUs that are granted to non-employee directors representing amounts attributable to pre-combination services.

(2) Represents the estimated fair value of approximately 30.3 million shares of Synopsys common stock estimated to be issued, calculated using the per share price of Synopsys common stock as of February 20, 2025. The fair value of Synopsys common stock to be issued consists of approximately (i) \$14.9 billion for the shares of Ansys common stock and (ii) approximately \$0.8 million associated with Ansys' specified RSUs that are granted to non-employee directors representing amounts attributable to pre-combination services. As outlined in the merger agreement, each share of Ansys common stock to be settled at closing will be exchanged for 0.3450 shares of Synopsys common stock.

(3) Represents the estimated fair value of Ansys options and Ansys RSUs (other than specified RSUs) attributable to pre-combination services. As outlined in the merger agreement, each outstanding Ansys option and Ansys RSUs (other than specified RSUs) will be assumed by Synopsys and converted into a number of stock options and RSUs denominated in shares of Synopsys common stock. Synopsys estimates that approximately 0.1 million of Synopsys options with an estimated fair value of \$27.2 million will be issued in connection with the merger, with \$25.2 million attributed to pre-combination services. The fair value of Ansys' equity awards after their conversion into Synopsys equity awards attributable to post-combination service will be recognized as expense over the post-combination service period. Synopsys also estimates that approximately 1.6 million of Synopsys RSUs with an estimated fair value of \$779.2 million will be issued in connection with the merger, with \$172.6 million attributed to pre-combination services.

The actual value of Synopsys common stock to be issued will depend on the per share price of Synopsys common stock at the closing date of the merger, and therefore, the actual merger consideration will fluctuate with the market price of Synopsys common stock until the merger is completed. The following table shows the effect of changes in Synopsys' stock price and the resulting impact on the estimated merger consideration and estimated goodwill:

Change in Stock Price	Stock Price	Estimated Merger Consideration	Estimated Goodwill
		(in thousands, except stock price)	
Increase of 10%	\$ 543.37	\$ 33,939,351	\$ 22,647,685
Decrease of 10%	\$ 444.57	\$ 30,910,245	\$ 19,618,579

Preliminary Purchase Price Allocation

Under the acquisition method of accounting, Ansys' identifiable assets acquired, and liabilities assumed by Synopsys will be recorded at the acquisition date fair values. The excess purchase price over the fair value of identifiable assets and liabilities is recorded as goodwill. The pro forma adjustments are preliminary and based on estimates of the fair value and useful lives of the assets acquired and liabilities assumed and are prepared to illustrate the estimated effect of the merger. The final determination of the purchase price allocation will be completed as soon as practicable after the completion of the merger and will be based on the fair values of the assets acquired and liabilities assumed as of the closing date. The final amounts allocated to assets acquired and liabilities assumed could differ significantly from the amounts presented in the unaudited pro forma condensed combined financial information. Accordingly, the pro forma purchase price allocation is subject to further adjustment as additional information becomes available and as additional analyses and final valuations are completed. There can be no assurances that these additional analyses and final valuations will not result in material changes to the estimates of fair value set forth below.

The following table sets forth a preliminary allocation of the estimated merger consideration to Ansys' identifiable tangible and intangible assets expected to be acquired and liabilities expected to be assumed by Synopsys, as if the merger has been completed on January 31, 2025, based on the audited consolidated balance sheet of Ansys as of December 31, 2024, adjusted for the reclassifications and accounting policy adjustments as discussed in Note 3, with the excess recorded as goodwill:

	(in thousands)
Cash and cash equivalents	\$ 505,816
Short-term investments	50,774
Accounts receivable, net	940,282
Prepaid and other current assets	269,132
Property and equipment, net	107,104
Operating lease right-of-use assets, net	99,742
Intangible assets, net	12,580,000
Other long-term assets	308,333
Deferred income taxes	222,465
Total assets	15,083,648
Accounts payable and accrued liabilities	383,031
Operating lease liabilities	24,487
Deferred revenue	484,536
Long-term operating lease liabilities	86,936
Long-term deferred revenue	45,661
Deferred income taxes	2,716,853
Other long-term liabilities	50,480
Total liabilities	3,791,984
Net assets acquired (a)	11,291,664
Estimated purchase consideration (b)	32,424,800
Estimated goodwill (b) - (a)	\$ 21,133,136

Goodwill represents the excess of the preliminary estimated merger consideration over the estimated fair value of the underlying net assets acquired. Goodwill will not be amortized but instead will be reviewed for impairment annually on the first day of the fourth fiscal quarter, or more frequently if facts and circumstances warrant a review. Goodwill is attributable to the assembled workforce of Ansys, planned growth in new markets, and synergies expected to be achieved from the combined operations of Synopsys and Ansys. Goodwill recognized in the merger is not expected to be deductible for tax purposes.

Note 5. Merger Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

- (a) Represents the total merger consideration of \$32.4 billion, consisting of (i) cash consideration comprising \$17.3 billion, and (ii) equity consideration comprising (a) issuance of approximately 30.3 million shares of Synopsys common stock with an estimated fair value of \$14.9 billion, and (b) issuance of approximately 0.1 million and 1.6 million of Synopsys options and Synopsys RSUs, respectively with an estimated fair value of \$25.2 million and \$172.6 million attributable to pre-combination services, respectively.
- (b) Reflects the payment of \$129.7 million of merger costs incurred or estimated to be incurred by Synopsys in connection with the merger, of which \$13.5 million of merger costs were accrued on Synopsys' unaudited condensed consolidated balance sheet as of January 31, 2025. This is a non-recurring item.
- (c) Reflects the payment of \$185.8 million of merger costs incurred or estimated to be incurred by Ansys in connection with the merger, of which \$27.3 million of merger costs were accrued on Ansys' audited consolidated balance sheet as of December 31, 2024. This is a non-recurring item.
- (d) Represents the net adjustment to the estimated fair value of property and equipment of Ansys. Preliminary property and equipment fair values in the pro forma financial information are provided in the table below. The estimated fair values of real and personal property were determined using the cost approach. The depreciation expense related to these assets is reflected as a pro forma adjustment in the unaudited pro forma condensed combined statements of income, as further described in Note 6(b).

Property and equipment, net	Approximate Fair Value (in thousands)	Estimated Useful Life (in years)
Office furniture and equipment	\$ 10,878	5
Computer hardware and software	53,586	3
Buildings and improvements	18,119	29
Leasehold improvements	15,628	6
Land	7,378	n/a
Site improvements	1,515	5
Total	\$ 107,104	
Eliminate historical Ansys property and equipment carrying value	89,646	
Adjustment	\$ 17,458	

(e) Represents the preliminary estimate of goodwill based on the preliminary purchase price allocation.

(f) Represents the derecognition of accounts receivable, net, prepaid and other current assets, other long-term liabilities, accounts payable and accrued liabilities, and deferred revenue in the unaudited pro forma condensed combined balance sheets arising from pre-existing transactions between Ansys and Synopsys.

(g) Represents the net adjustment to the estimated fair value of intangible assets acquired in the merger. Preliminary identifiable intangible assets in the pro forma financial information are provided in the table below. The estimated fair values of developed software and core technologies, IPR&D, and trade names were determined using the relief from royalty method under the income approach. The estimated fair values of customer relationships and order backlog were determined using the multi-period excess earnings method under the income approach. The amortization related to these identifiable intangible assets is reflected as a pro forma adjustment in the unaudited pro forma condensed combined statements of income, as further described in Note 6(a). The identifiable intangible assets and related amortization are preliminary and are based on management's estimates after consideration of similar transactions.

Intangible Assets	Approximate Fair Value (in thousands)	Estimated Useful Life (in years)
Developed software and core technologies	\$ 6,400,000	8.8
Customer relationships	4,900,000	9
Order backlog	300,000	4
Trade names	950,000	23
IPR&D	30,000	
Total	\$ 12,580,000	
Eliminate historical Ansys intangible assets carrying value	716,244	
Adjustment	\$ 11,863,756	

(h) Represents the elimination of unamortized debt issuance costs of \$0.8 million associated with Ansys' unsecured term loan facility of \$755.0 million, which will be paid off by Ansys at the closing of the merger, as further described in Note 5(i) below.

(i) Represents the elimination of outstanding principal balance and accrued interest related to Ansys' unsecured term loan facility, which will be paid with cash on hand of Ansys at the closing of the merger.

(j) Represents the elimination of Ansys' historical goodwill and equity balances.

(k) Represents the adjustment to Synopsys' retained earnings to record a one-time post-combination expense of \$1.2 million, comprising stock-based compensation expense associated with the assumed settlement of Ansys' specified RSUs that are granted to non-employee directors. Because these awards will be settled at closing and require no further service, the entire post-combination portion of such awards is recognized as compensation expense immediately after the closing of the merger. This will be settled in cash for \$0.6 million and the remaining fair value of \$0.6 million by issuance of shares of Synopsys common stock.

- (l) Represents the adjustment for the deferred tax liability balances associated with the incremental differences in the book and tax basis created from the preliminary purchase price allocation, net of Synopsys' valuation allowance, primarily resulting from the closing date value of intangible assets. Deferred taxes are established based on a blended statutory tax rate based on jurisdictions where income is generated. The effective tax rate of Synopsys following the merger could be significantly different (either higher or lower) depending on post-acquisition activities, including repatriation decisions, cash needs and the geographical mix of income. This determination is preliminary and subject to change based upon the final determination of the fair value of the identifiable intangible assets and liabilities.
- (m) Reflects a preliminary purchase accounting adjustment to record a \$5.4 million unfavorable contractual lease balance when compared to market terms.

Note 6. Merger Adjustments to Unaudited Pro Forma Condensed Combined Statements of Income

- (a) Represents the adjustment to record elimination of historical amortization expense and recognition of new amortization expense related to acquired identifiable intangible assets based on the estimated fair value and the associated estimated useful life. Amortization expense is calculated based on the estimated fair value of each of the identifiable intangible assets and the associated estimated useful life as discussed in Note 5(g) above and is allocated between amortization of acquired intangible assets – cost of revenue and amortization of acquired intangible assets – operating expenses based on the nature of the intangible assets acquired. The amortization is based on the periods over which the economic benefits of the intangible assets are expected to be realized, which are subject to adjustment as additional information becomes available.

The adjustment for the amortization of the identifiable intangible assets acquired is as follows:

	<u>For the three months ended January 31, 2025</u>		<u>For the year ended October 31, 2024</u>	
	<u>Cost of revenue</u>	<u>Operating expenses</u>	<u>Cost of revenue</u>	<u>Operating expenses</u>
	<u>(in thousands)</u>		<u>(in thousands)</u>	
Reversal of Ansys' historical amortization expense	\$ (21,801)	\$ (5,623)	\$ (87,345)	\$ (24,039)
Amortization of acquired identifiable intangible assets	182,531	165,188	730,125	660,749
Total additional intangible asset amortization expense	\$ 160,730	\$ 159,565	\$ 642,780	\$ 636,710

- (b) Represents the adjustment to record elimination of historical depreciation expense and recognition of new depreciation expense related to the property and equipment acquired based on the estimated fair value and the associated estimated useful life as of January 31, 2025. The depreciation of property and equipment is based on the estimated remaining useful lives of the assets as discussed in Note 5(d) above and is allocated between cost of revenue and operating expenses based on the nature of the tangible assets acquired. Depreciation expense is allocated among products, maintenance and service (referred to as M&S), research and development (referred to as R&D), sales and marketing (referred to as S&M), and general and administrative (referred to as G&A) based upon the nature of activities associated with the use of the property and equipment. Although the step-up in fair value of the assets generated additional depreciation expense, the useful lives of property and equipment, net, were conformed to the lives for the same major asset classes per Synopsys' accounting policy resulting in a longer estimated useful lives and therefore, a decrease in depreciation expense for the pro forma periods presented.

	For the three months ended January 31, 2025					For the year ended October 31, 2024				
	Cost of revenue		Operating expenses			Cost of revenue		Operating expenses		
	Products	M&S	R&D	S&M	G&A	Products	M&S	R&D	S&M	G&A
	(in thousands)					(in thousands)				
Reversal of Ansys' historical depreciation expense	\$ -	\$ (790)	\$ (3,199)	\$ (2,854)	\$ (1,269)	\$ (19)	\$ (2,965)	\$ (11,842)	\$ (10,316)	\$ (4,662)
Depreciation of acquired property and equipment	4	543	2,169	1,890	854	14	2,172	8,677	7,558	3,416
Total increase (reduction) in depreciation expense	\$ 4	\$ (247)	\$ (1,030)	\$ (964)	\$ (415)	\$ (5)	\$ (793)	\$ (3,165)	\$ (2,758)	\$ (1,246)

(c) Represents the adjustment to record the elimination of historical Ansys stock-based compensation expense, recognition of new stock-based compensation expense for the post-combination portion of Ansys' RSU's.

Specified RSUs that are granted to non-employee directors will vest upon the change in control and be settled for \$1.6 million in cash and \$1.4 million in Synopsys common stock. The portion attributable to pre-combination services is \$1.8 million and, accordingly, has been reflected as part of the purchase consideration. The remaining \$1.2 million, which will be settled through a combination of cash and Synopsys common stock, will be recognized as post-combination expense immediately upon the closing of the merger, which includes \$0.2 million relating to estimated excess in fair value of Synopsys common stock over the Ansys common stock.

Ansys' RSUs that were issued to other employees and converted into approximately 1.6 million of Synopsys RSUs, with an estimated fair value of \$779.2 million. Fair value has been estimated based upon the trading price of Synopsys common stock as of February 20, 2025. Synopsys RSUs will be subject to the same vesting terms and conditions applicable to the corresponding Ansys equity awards. The pre-combination portion of the Synopsys RSUs will get reflected as the purchase consideration and the post-combination portion of Synopsys' RSUs will be recognized as stock-based compensation expense over the remaining vesting period. With respect to any Synopsys RSU that replaces an Ansys RSU that is an Ansys PSU, vesting will no longer be subject to the achievement of performance goals or metrics and will solely be based on providing continued service to Synopsys and its affiliates, including Ansys, through the end of the applicable performance period. Of the fair value of \$779.2 million, \$172.6 million relates to pre-combination services and is included in the purchase consideration. The remaining fair value of \$606.6 million will be recognized as post-combination expense over the remaining vesting period which includes \$41.8 million related to the estimated excess fair value of Synopsys RSUs over the Ansys RSUs.

Out of the \$606.6 million attributable to post combination expense, \$306.3 million was recognized in the year ended October 31, 2024, and \$53.8 million was recognized in the three months ended January 31, 2025. The remaining \$246.5 million will be recognized in subsequent periods.

The estimated excess fair value of \$2.0 million attributable to Ansys options will be recognized as post-combination expense immediately upon closing of the merger.

The following table reflects the elimination of Ansys' historical stock-based compensation expense, and the recognition of stock-based compensation expense based on the fair value of Synopsys RSUs. Stock-based compensation expense is allocated among M&S, G&A, S&M, and R&D is as follows:

	For the three months ended January 31, 2025				For the year ended October 31, 2024			
	Cost of revenue	Operating expenses			Cost of revenue	Operating expenses		
	M&S	R&D	S&M	G&A	M&S	R&D	S&M	G&A
	(in thousands)				(in thousands)			
Post-combination stock-based compensation expense	\$ 2,512	\$ 16,946	\$ 22,766	\$ 8,222	\$ 15,299	\$ 100,905	\$ 125,218	\$ 42,210
Reversal of Ansys' historical stock-based compensation expense	(2,340)	(15,784)	(21,206)	(7,658)	(13,811)	(91,094)	(113,043)	(38,106)
Excess fair value of the Synopsys awards over the Ansys awards	169	1,141	1,534	553	1,392	9,185	11,398	3,842
Total increase in stock-based compensation expense	\$ 341	\$ 2,303	\$ 3,094	\$ 1,117	\$ 2,880	\$ 18,996	\$ 23,573	\$ 7,946

(d) Represents the reversal of Ansys' historical interest expense, including the amortization of debt issuance costs.

(e) A blended tax rate of approximately 23.4% has been assumed for the three months ended January 31, 2025 and for the year ended October 31, 2024 for all pro forma adjustments. The blended statutory tax rate is not necessarily indicative of the effective tax rate of Synopsys following the merger, which could be significantly different depending on post-acquisition activities, including repatriation decisions, cash needs and the geographical mix of income.

(f) Represents an adjustment to record amortization expense for all unfavorable contractual lease terms when compared to market.

(g) Reflects the total estimated merger costs for Synopsys to be recognized in the condensed combined statement of income for the year ended October 31, 2024. Merger costs of \$116.2 million are expensed and reflected as if incurred on November 1, 2023, the date the merger is assumed to have been completed for the purposes of the unaudited pro forma condensed combined statements of income. This is a non-recurring item.

(h) Represents the elimination of revenue and expenses in the unaudited pro forma condensed combined statements of income arising from pre-existing transactions between Ansys and Synopsys.

Note 7. Financing Adjustments

a. Debt Obligations

Debt obligations and cash and cash equivalents have been adjusted for the following:

(in thousands)	Total
Borrowings under the debt financing	\$ 10,000,000
Borrowings under the term loan credit agreement	4,300,000
Debt issuance costs related to debt financing ⁽¹⁾	(63,735)
Total Pro forma adjustments to cash	14,236,265
Reclass of unamortized portion of debt issuance cost related to term loan ⁽²⁾	(9,195)
Total Pro forma adjustments to debt ⁽³⁾	14,227,070
Pro forma adjustment to Current portion of long-term debt ⁽⁴⁾	573,700
Pro forma adjustment to Long-term debt	13,653,370

- (1) Reflects the expected debt issuance costs associated with the debt financing issued to fund the merger.
- (2) As of January 31, 2025, unamortized debt issuance costs associated with the term loan credit agreement were \$9.2 million. The unamortized portion of debt issuance costs will be reclassified from other long-term assets and netted against proceeds from the issuance of the new debt.
- (3) Reflects the assumption of newly raised borrowings under the debt financing and term loan credit agreement with a total combined principal amount of \$14.3 billion to be drawn upon by Synopsys to fund the merger and pay the merger costs, net of a total of \$72.9 million unamortized debt issuance costs.
- (4) The current portion of borrowings under the term loan credit agreement reflects a portion of the obligations that are expected to be prepaid utilizing the proceeds from the Optical Solutions Divestiture.

b. Prepayment of Term Loan

Synopsys expects to pay off a portion of borrowings assumed under the term loan credit agreement using the net proceeds from the Optical Solutions Divestiture as described in Note 8 below. The unaudited pro forma condensed combined balance sheet as of January 31, 2025 reflects the principal prepayment of \$573.7 million related to the term loan. In addition, the pro forma adjustment also includes a write-off of unamortized debt issuance costs of \$1.3 million, which is reflected as a reduction to retained earnings within equity on the unaudited pro forma condensed combined balance sheet as of January 31, 2025.

(in thousands)

Prepayment of term loan from Optical Solutions Divestiture proceeds	\$ (573,700)
Write-off unamortized debt issuance costs	1,285
Net impact of prepayment of term loan	\$ (572,415)

c. Unamortized commitment fees

As discussed in the Financing section above, pursuant to the issuance of debt financing, the Bridge Tranche 1 commitments of \$10.6 billion under the debt commitment letter are expected to reduce in its entirety. As a result of the issuance, this adjustment represents the one-time write-off of \$30.0 million related to the commitment fees and deferred financing costs on the Bridge Tranche 1 commitments under the debt commitment letter that were unamortized as of January 31, 2025.

d. Tax impact

Reflects the deferred tax impact resulting from the write-off unamortized debt issuance costs associated with the prepayment of term loans and Bridge Tranche 1 commitments based on the blended statutory tax rate.

e. Interest Expense

Represents an increase to interest expense of \$0.2 billion and \$0.8 billion for the three months ended January 31, 2025, and for the year ended October 31, 2024, respectively, which includes the following:

(in thousands)	For the three months ended January 31, 2025	For the year ended October 31, 2024
Interest on borrowings under the debt financing ⁽¹⁾	\$ 135,860	\$ 543,176
Interest on borrowings under the term loan credit agreement ⁽²⁾	52,298	209,086
Write off unamortized costs associated with debt commitment letter ⁽³⁾	-	29,970
Write off unamortized costs associated with prepayment of term loan ⁽⁴⁾	-	1,285
Total pro forma interest expense adjustment	\$ 188,158	\$ 783,517

- (1) Represents additional interest expense and amortization of debt issuance costs on the \$10.0 billion of borrowings assumed under the debt financing using the effective interest rate method, with a blended interest rate equal to 5.4%.

The interest expense adjustment is based on the assumed \$10.0 billion of debt issued at an assumed blended rate of 5.4% per annum. Difference in the actual amount of debt incurred from the assumption and changes in interest rates would affect the actual interest expense.

A sensitivity analysis on interest expense for the three months ended January 31, 2025 and the year ended October 31, 2024, has been performed to assess the effect of a hypothetical change of 12.5 basis points on the interest rate. The following table shows the impact of the hypothetical change in interest expense for the borrowings under the debt financing:

(in thousands)	For the three months ended January 31, 2025	For the year ended October 31, 2024
Increase of 0.125%	\$ 3,120	\$ 12,474
Decrease of 0.125%	\$ (3,120)	\$ (12,474)

- (2) Represents additional interest expense and amortization of debt issuance costs on the \$3.7 billion borrowings under the term loan credit agreement. The adjustment assumes the borrowings were obtained on November 1, 2023, in two tranches of \$1.5 billion and \$2.8 billion for two-year and three-year terms, respectively, with a subsequent principal prepayment of \$573.7 million utilizing the proceeds from the Optical Solutions Divestiture, as discussed in Note 7(b). Interest expense is calculated using the effective interest rate method, with the weighted average rate equal to 5.6% and 5.7% for the two-year and three-year tranches, respectively.

A sensitivity analysis on interest expense for the three months ended January 31, 2025 and the year ended October 31, 2024, has been performed to assess the effect of a hypothetical change of 12.5 basis points on the interest rate. The following table shows the impact of the hypothetical change in interest expense for the borrowings under the term loan credit agreement:

(in thousands)	For the three months ended January 31, 2025	For the year ended October 31, 2024
Increase of 0.125%	\$ 1,164	\$ 4,655
Decrease of 0.125%	\$ (1,164)	\$ (4,655)

- (3) Reflects the one-time write-off of unamortized commitment fees and deferred financing costs for the debt commitment letter commitments as a result of obtaining permanent financing pursuant to issuance of the debt financing replacing the debt commitment letter as discussed in Note 7(c).

- (4) Reflects the one-time write-off of a portion of unamortized debt issuance costs of \$1.3 million related to prepayment of \$573.7 million term loan as discussed in Note 7(b).

f. Interest Income

Represents the partial derecognition of Synopsys' and Ansys' interest income earned on bank deposits amounting to \$37.5 million for the three months ended January 31, 2025 and \$78.6 million for the year ended October 31, 2024, respectively. The said portion of interest income, which is presented in interest and other income (expense), net, would not have been earned had the merger been completed on November 1, 2023.

Following the adjustment for the elimination of a portion of historical interest income and considering the reclassification adjustments as outlined in Note 3, the pro forma combined balance for interest and other income (expense), net comprises interest income, gains (losses) on assets related to deferred compensation plan, gain on sale of strategic investments, foreign currency exchange gains (losses) and other expenses, net.

Note 8. Divestiture Adjustments

Optical Solutions Divestiture-related adjustments are as follows:

Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

- (a) Represents the elimination of assets and liabilities related to the Optical Solutions Divestiture and the recognition of gross proceeds of \$583.8 million, which includes estimated working capital adjustments and contingent proceeds. Additionally, represents the pre-tax gain on sale of the business of approximately \$580.8 million, which is reflected net of deferred income taxes of \$130.0 million and the elimination of deferred tax liability of \$24.3 million.
- (b) Represents the settlement of approximately \$10.1 million in obligations at close of the Optical Solutions Divestiture which includes approximately a) \$4.9 million of accrued liabilities comprising \$1.2 million of accrued payroll liabilities and \$3.7 million of accrued bonuses and b) expected future employee compensation of \$5.2 million that are reflected as an adjustment to retained earnings for \$4.0 million, net of \$1.2 million tax.
- (c) Represents adjustment for certain outstanding equity awards issued to employees of the Optical Solutions Group that are subject to accelerated vesting as a result of the Optical Solutions Divestiture, net of tax.

Adjustments to Unaudited Pro Forma Condensed Combined Income Statement

- (d) Represents the elimination of pre-tax historical revenue, cost of revenue and other expenses related to the Optical Solutions Divestiture within the unaudited pro forma condensed combined income statement for the three months ended January 31, 2025 and for the year ended October 31, 2024, respectively.
- (e) Represents the pre-tax gain on sale from the Optical Solutions Divestiture within the unaudited pro forma condensed combined income statement for the year ended October 31, 2024. This is a non-recurring item.
- (f) Represents one-time adjustment to record expected future employee compensation cost of \$5.2 million within the unaudited pro forma condensed combined income statement for the year ended October 31, 2024.
- (g) Represents one-time adjustment for certain outstanding equity awards issued to employees of the Optical Solutions Group that are subject to accelerated vesting as a result of the Optical Solutions Divestiture, net of tax within the unaudited pro forma condensed combined income statement for the year ended October 31, 2024.
- (h) A blended tax rate of approximately 23.4% has been assumed for the three months ended January 31, 2025 and for the year ended October 31, 2024 for all pro forma adjustments related to the Optical Solutions Divestiture. The statutory tax rate is not necessarily indicative of the effective tax rate of Synopsys at the time of the Optical Solutions Divestiture.

Note 9. Earnings Per Share

Represents the pro forma basic net earnings per share attributable to common stock calculated using the historical basic weighted average shares of Synopsys common stock outstanding, adjusted for additional shares to be issued to holders of Ansys common stock and holders of Ansys equity awards to complete the merger. Pro forma diluted net earnings per share attributable to common stock is calculated using the historical diluted weighted average shares of Synopsys common stock outstanding, with consideration given to the potentially dilutive impact for the additional shares to be issued to holders of Ansys common stock and holders of Ansys equity awards, including the potential dilutive effect of the additional Synopsys RSUs and options to be issued in conjunction with the merger.

	For the three months ended January 31, 2025	For the year ended October 31, 2024
(in thousands, except per share data)		
Numerator:		
Pro forma net income from continuing operations attributed to Synopsys	\$ 142,811	713,025
Denominator:		
Historical Synopsys weighted average shares outstanding (basic)	154,408	153,138
Shares of Synopsys common stock to be issued to Ansys stockholders pursuant to the merger agreement	30,262	30,262
Pro forma weighted average shares (basic)	<u>184,670</u>	<u>183,400</u>
Historical Synopsys weighted average shares outstanding (diluted)	156,189	155,944
Shares of Synopsys common stock to be issued to Ansys stockholders pursuant to the merger agreement	30,262	30,262
Dilutive impact of Synopsys' options and RSUs to be issued to replace Ansys' options, RSUs and PSUs	1,078	712
Pro forma weighted average shares (diluted)	<u>187,529</u>	<u>186,918</u>
Pro forma shares used in computing pro forma net income per share:		
Basic	184,670	183,400
Diluted	187,529	186,918
Pro forma net income per share attributable to common stock:		
Basic	\$ 0.77	\$ 3.89
Diluted	\$ 0.76	\$ 3.81