POWERING INNOVATION THAT DRIVES HUMAN ADVANCEMENT™

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# Ansys Announces Financial Results With Record Q3 Cash Flow and ACV

## Updates FY 2023 Outlook

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

### / Key Highlights - Q3 2023

- GAAP and non-GAAP revenue of $458.8 million
- GAAP diluted earnings per share of $0.64 and non-GAAP diluted earnings per share of $1.41
- GAAP operating profit margin of 15.2% and non-GAAP operating profit margin of 34.1%
- Operating cash flows of $160.8 million and unlevered operating cash flows of $170.6 million
- Annual contract value (ACV) of $457.5 million
- Deferred revenue and backlog of $1,205.7 million on September 30, 2023
- Incremental restrictions for export to China negatively impacted revenue and ACV by $20.0 million
- Reaffirm long-term outlook from 2022 to 2025 of 12% constant currency ACV growth, including tuck-in M&A, and $3 billion of cumulative unlevered operating cash flows

**PITTSBURGH, PA, November 1, 2023/Globe Newswire/** -- ANSYS, Inc. (NASDAQ: ANSS), today reported third quarter 2023 GAAP and non-GAAP revenue of $458.8 million, a decrease of 3% in reported currency, or 4% in constant currency, when compared to the third quarter of 2022. For the third quarter of 2023, the Company reported diluted earnings per share of $0.64 and $1.41 on a GAAP and non-GAAP basis, respectively, compared to $1.10 and $1.77 on a GAAP and non-GAAP basis, respectively, for the third quarter of 2022. Additionally, the Company reported third quarter ACV growth of 12% in reported currency, or 10% in constant currency, when compared to the third quarter of 2022.

In the context of broader U.S. foreign policy shifts, the U.S. Department of Commerce is continuing to apply controls to the export to China of certain technologies. Ansys maintains a robust global compliance program. Compliance and cooperation with the U.S. government's evolving requirements are paramount to Ansys. Our third quarter results were negatively impacted by incremental approval processes and export restrictions, including additional restrictions on sales to certain Chinese entities, which created a $20 million headwind to ACV and revenue that was not contemplated in our third quarter guidance provided in August. We continue to collaborate with the Department of Commerce to adhere to the new requirements, and we have internally aligned our business operations to adjust to these requirements. Please see the '*Fourth Quarter and Fiscal Year 2023 Guidance*' section for more details.

"Ansys continues to see robust, broad-based demand for our technology and products. We were tracking to deliver on our third quarter guidance commitments when we were notified by the U.S. Department of Commerce of incremental export restrictions and enhanced approval processes for certain products and services. This disrupted our business in the quarter by adding restrictions on sales to certain Chinese entities and elongating the transaction cycle for certain prospects. Despite these developments, Ansys delivered a strong quarter, marked by double-digit growth in ACV. Given the critical role that Ansys solutions play in our customers' product development initiatives and the strength of the underlying foundation of our business, I am confident in our ability to execute on our short- and long-term objectives," stated Ajei Gopal, Ansys president and CEO.

Nicole Anasenes, Ansys CFO, stated, "Our ability to deliver double-digit ACV constant currency growth in Q3, despite the disruption from changes required for export compliance, is a testament to the resilience of our business model. Our highly recurring business model, significant base of renewal business, market-leading simulation portfolio and deep customer relationships create a strong financial foundation and contribute to unwavering demand for our product. Despite the disruption in Q3, our results year-to-date are strong with ACV growth of 12% in constant currency. With our double-digit performance year-to-date and the continued strong pipeline and momentum in our business, we are confident in our ability to achieve our short- and long-term guidance."

The non-GAAP financial results highlighted, and the non-GAAP financial outlook for 2023 discussed below, represent non-GAAP financial measures. Reconciliations of these measures to the comparable GAAP measures for the three and nine months ended September 30, 2023 and 2022, and for the 2023 financial outlook, can be found later in this release.

## / Financial Results

Ansys' third quarter and year-to-date (YTD) 2023 and 2022 financial results are presented below. The 2023 and 2022 non-GAAP results exclude the income statement effects of stock-based compensation, excess payroll taxes related to stock-based compensation, amortization of acquired intangible assets, expenses related to business combinations and adjustments for the income tax effect of the excluded items. The 2022 period non-GAAP results also exclude the income statement effects of acquisition accounting adjustments to deferred revenue from business combinations closed prior to 2022. There is no adjustment in 2023 as the impact is not material.

GAAP and non-GAAP results are as follows:

| | GAAP | | | Non-GAAP | | |
|---|---|---|---|---|---|---|
| *(in millions, except per share data and percentages)* | Q3 QTD 2023 | Q3 QTD 2022 | % Change | Q3 QTD 2023 | Q3 QTD 2022 | % Change |
| Revenue | **$ 458.8** | $ 472.5 | (3)% | **$ 458.8** | $ 473.7 | (3)% |
| Net income | **$ 55.5** | $ 96.0 | (42)% | **$ 122.9** | $ 154.7 | (21)% |
| Diluted earnings per share | **$ 0.64** | $ 1.10 | (42)% | **$ 1.41** | $ 1.77 | (20)% |
| Operating profit margin | **15.2 %** | 26.1 % | | **34.1 %** | 41.0 % | |

| *(in millions, except per share data and percentages)* | GAAP Q3 YTD 2023 | GAAP Q3 YTD 2022 | GAAP % Change | Non-GAAP Q3 YTD 2023 | Non-GAAP Q3 YTD 2022 | Non-GAAP % Change |
|---|---|---|---|---|---|---|
| Revenue | **$ 1,464.8** | $ 1,371.4 | 7 % | **$ 1,464.8** | $ 1,378.2 | 6 % |
| Net income | **$ 225.7** | $ 265.8 | (15)% | **$ 424.0** | $ 428.5 | (1)% |
| Diluted earnings per share | **$ 2.58** | $ 3.04 | (15)% | **$ 4.85** | $ 4.90 | (1)% |
| Operating profit margin | **20.0 %** | 24.2 % | | **36.8 %** | 38.9 % | |

## / Other Performance Metrics

| *(in millions, except percentages)* | Q3 QTD 2023 | Q3 QTD 2022 | % Change | % Change in Constant Currency |
|---|---|---|---|---|
| ACV | **$ 457.5** | $ 409.3 | 12 % | 10 % |
| Operating cash flows | **$ 160.8** | $ 127.2 | 26 % | |
| Unlevered operating cash flows | **$ 170.6** | $ 132.0 | 29 % | |

| *(in millions, except percentages)* | Q3 YTD 2023 | Q3 YTD 2022 | % Change | % Change in Constant Currency |
|---|---|---|---|---|
| ACV | **$ 1,345.3** | $ 1,213.7 | 11 % | 12 % |
| Operating cash flows | **$ 484.4** | $ 457.0 | 6 % | |
| Unlevered operating cash flows | **$ 512.3** | $ 467.0 | 10 % | |

ACV is a key performance metric and is useful to investors in assessing the strength and trajectory of our business. ACV is a supplemental metric to help evaluate the annual performance of the business. Over the life of the contract, ACV equals the total value realized from a customer. ACV is not impacted by the timing of license revenue recognition. ACV is used by management in financial and operational decision-making and in setting sales targets used for compensation. ACV is not a replacement for, and should be viewed independently of, GAAP revenue and deferred revenue as ACV is a performance metric and is not intended to be combined with any of these items. There is no GAAP measure comparable to ACV. ACV is composed of the following:

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

When we refer to the anniversary dates in the definition of ACV above, we are referencing the date of the beginning of the next twelve-month period in a contractually committed multi-year contract. If a contract is three years in duration, with a start date of July 1, 2023, the anniversary dates would be July 1, 2024 and July 1, 2025. We label these anniversary dates as they are contractually committed. While this contract would be up for renewal on July 1, 2026, our ACV performance metric does not assume any contract renewals.

*Example 1:* For purposes of calculating ACV, a $100,000 subscription lease contract or a $100,000 maintenance contract with a term of July 1, 2023 – June 30, 2024, would each contribute $100,000 to ACV for fiscal year 2023 with no contribution to ACV for fiscal year 2024.

*Example 2:* For purposes of calculating ACV, a $300,000 subscription lease contract or a $300,000 maintenance contract with a term of July 1, 2023 – June 30, 2026, would each contribute $100,000 to ACV in each of fiscal years 2023, 2024 and 2025. There would be no contribution to ACV for fiscal year 2026 as each period captures the full annual value upon the anniversary date.

*Example 3:* A perpetual license valued at $200,000 with a contract start date of March 1, 2023 would contribute $200,000 to ACV in fiscal year 2023.

## / Management's 2023 Financial Outlook

The Company's fourth quarter and updated FY 2023 revenue, diluted earnings per share and ACV guidance is provided below. The diluted earnings per share guidance is provided on both a GAAP and non-GAAP basis. Non-GAAP financial measures exclude the income statement effects of stock-based compensation, excess payroll taxes related to stock-based compensation, amortization of acquired intangible assets, expenses related to business combinations and adjustments for the income tax effect of the excluded items.

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

## / Fourth Quarter and Fiscal Year 2023 Guidance

The Company currently expects the following for the fourth quarter ending December 31, 2023:

| *(in millions, except percentages and per share data)* | GAAP | Non-GAAP |
|---|---|---|
| **Revenue** | **$769.2 - $819.2** | **$769.2 - $819.2** |
| *Revenue Growth Rate* | *10.8 % - 18.0 %* | *10.7 % - 17.9%* |
| *Revenue Growth Rate — Constant Currency* | *11.6 % - 18.9 %* | *11.5 % - 18.8 %* |
| **Diluted earnings per share** | **$2.72 - $3.18** | **$3.48 - $3.89** |

| *(in millions, except percentages)* | Other Financial Metrics |
|---|---|
| **ACV** | **$897.8 - $942.8** |
| *ACV Growth Rate* | *9.8 % - 15.3 %* |
| *ACV Growth Rate — Constant Currency* | *10.5 % - 16.2 %* |

The Company currently expects the following for the fiscal year ending December 31, 2023:

| *(in millions, except percentages and per share data)* | GAAP | Non-GAAP |
|---|---|---|
| **Revenue** | **$2,234.0 - $2,284.0** | **$2,234.0 - $2,284.0** |
| *Revenue Growth Rate* | *8.2 % - 10.6 %* | *7.8 % - 10.2 %* |
| *Revenue Growth Rate — Constant Currency* | *8.8 % - 11.3 %* | *8.4 % - 10.9 %* |
| **Diluted earnings per share** | **$5.31 - $5.77** | **$8.34 - $8.75** |

| *(in millions, except percentages)* | Other Financial Metrics |
|---|---|
| **ACV** | **$2,243.0 - $2,288.0** |
| *ACV Growth Rate* | *10.4 % - 12.6 %* |
| *ACV Growth Rate — Constant Currency* | *11.0 % - 13.3 %* |
| **Unlevered operating cash flows** | **$705.0 - $735.0** |

Our FY 2023 guidance is inclusive of $47.1 million in interest expense. This compares to interest expense in FY 2022 of $22.7 million with the significant increase in FY 2023 driven by the interest rate environment and our floating interest rate on our term loan. Reconciliations of the GAAP to Non-GAAP diluted EPS outlook and the operating cash flow to unlevered operating cash flow outlook are available in our "Reconciliations of GAAP to Non-GAAP Measures" section found later in this document.

In the context of broader U.S. foreign policy shifts, the U.S. Department of Commerce is continuing to apply controls to the export to China of certain technologies. Ansys maintains a robust global compliance program.

Compliance and cooperation with the U.S. government's evolving requirements are paramount to Ansys. Ansys has and will continue to align our internal processes to comply with U.S. export laws and regulations and any changes to those laws and regulations. During the third quarter, the U.S. Department of Commerce informed Ansys of additional restrictions on sales to certain Chinese entities, and incremental approval processes and export restrictions on the sale of certain Ansys products and services to entities performing research & development and certain controlled activities in China. The incremental export restrictions and processes took effect during the third quarter and initially included a broad export license requirement for certain China sales, which was later replaced by an enhanced Ansys screening process that was approved by the U.S. Department of Commerce's Bureau of Industry and Security (BIS) on the final business day of the quarter. The new restrictions and processes have led to an elongated transaction cycle with certain prospects, which, in turn, is expected to lead to a delay in certain fourth quarter transactions and in some situations, could result in a loss of business. Ansys will continue to work collaboratively with the U.S. Department of Commerce to adhere to the new requirements, and we have internally aligned our business operations to adjust to these requirements.

For the full year 2023 guidance, we expect these incremental restrictions and processes to be a $25 million headwind to ACV and revenue relative to our full year guidance provided in August, which will mute our growth in China in 2023. The full year 2023 impact for ACV, revenue, diluted earnings per share and unlevered operating cash flows is summarized in the table below.

Despite these challenges, we are seeing operational momentum in the rest of our business and as a result are increasing ACV, revenue, diluted earnings per share and unlevered operating cash flows. The updated full year 2023 guidance reflects this incremental operational performance offset by China impacts. Additionally, meaningful U.S. Dollar strengthening in exchange rates has created continued headwinds since providing full year guidance in August. As a result, the guidance also assumes incremental adverse impacts from currency, primarily driven by substantial fluctuations in the Euro and Japanese Yen exchange rates.

The underlying foundation of our business remains strong and we continue to see momentum. The below chart captures the drivers of the update to our guidance since August:

| *(in millions, except per share data)* | **Mid-point of Guidance in August** | **Incremental Operational Performance *** | **Reduction due to China Export Restrictions and Processes** | **November mid-point of Guidance at August Exchange Rates** | **Currency Fluctuations** | **November mid-point of Guidance at Current Exchange Rates** |
|---|---|---|---|---|---|---|
| ACV | **$2,308** | $11 | ($25) | **$2,294** | ($28) | **$2,266** |
| Revenue | **$2,292** | $15 | ($25) | **$2,282** | ($23) | **$2,259** |
| Diluted earnings per share | **$8.64** | $0.25 | ($0.21) | **$8.68** | ($0.13) | **$8.55** |
| Unlevered operating cash flows | **$724** | $10 | ($7) | **$727** | ($7) | **$720** |

*Incremental operational performance captures changes to our results and outlook, excluding the impact of fluctuations from exchange rates and of incremental China export restrictions and processes.

## / Fiscal Year 2024 Comments

As we look to the future, the updated export restrictions and incremental processes will also mute Ansys's ACV and revenue growth in China in 2024, after which we expect our growth in China to return to steady-state. Despite these headwinds, in February, we still expect to initiate full year 2024 guidance with ACV of around 10% constant currency growth excluding tuck-in M&A, which is consistent with our model. Ansys has a diverse and broad customer base, and we play a critical role in our customers' product development. We continue to focus our efforts on areas of opportunity and innovation to ensure continued growth. As a result, we reaffirm our long-term outlook from 2022 to 2025 of 12% constant currency ACV growth, including tuck-in M&A, and $3 billion of cumulative unlevered operating cash flows.

## / Conference Call Information

Ansys will hold a conference call at **8:30 a.m. Eastern Time** on November 2, 2023 to discuss third quarter results. The Company will provide its prepared remarks on the Company's investor relations homepage and as an exhibit in its Form 8-K in advance of the call to provide stockholders and analysts with additional time and detail for analyzing its results in preparation for the conference call. The prepared remarks will not be read on the call, and only brief remarks will be made prior to the Q&A session.

To participate in the live conference call, dial 855-239-2942 (US) or 412-542-4124 (Canada & Int'l). The call will be recorded and a replay will be available within two hours after the call. The replay will be available by dialing (877) 344-7529 (US), (855) 669-9658 (Canada) or (412) 317-0088 (Int'l) and entering the access code 7702246. The archived webcast can be accessed, along with other financial information, on Ansys' website at https://investors.ansys.com/events-presentations/events.

## GAAP Financial Statements

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

| *(in thousands)* | | September 30, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| **ASSETS:** | | | | |
| Cash & short-term investments | **$** | **639,513** | $ | 614,574 |
| Accounts receivable, net | | **673,973** | | 760,287 |
| Goodwill | | **3,769,321** | | 3,658,267 |
| Other intangibles, net | | **849,205** | | 809,183 |
| Other assets | | **741,508** | | 845,634 |
| Total assets | **$** | **6,673,520** | $ | 6,687,945 |
| **LIABILITIES & STOCKHOLDERS' EQUITY:** | | | | |
| Current deferred revenue | **$** | **349,668** | $ | 413,989 |
| Long-term debt | | **753,812** | | 753,574 |
| Other liabilities | | **563,240** | | 654,531 |
| Stockholders' equity | | **5,006,800** | | 4,865,851 |
| Total liabilities & stockholders' equity | **$** | **6,673,520** | $ | 6,687,945 |

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

| *(in thousands, except per share data)* | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| Revenue: | | | | |
| Software licenses | **$ 162,422** | $ 208,906 | **$ 586,471** | $ 575,332 |
| Maintenance and service | **296,373** | 263,605 | **878,370** | 796,106 |
| Total revenue | **458,795** | 472,511 | **1,464,841** | 1,371,438 |
| Cost of sales: | | | | |
| Software licenses | **8,692** | 8,425 | **29,095** | 25,370 |
| Amortization | **20,707** | 17,281 | **60,404** | 51,947 |
| Maintenance and service | **35,858** | 36,261 | **111,750** | 111,897 |
| Total cost of sales | **65,257** | 61,967 | **201,249** | 189,214 |
| Gross profit | **393,538** | 410,544 | **1,263,592** | 1,182,224 |
| Operating expenses: | | | | |
| Selling, general and administrative | **194,552** | 175,283 | **585,278** | 515,421 |
| Research and development | **123,223** | 108,056 | **368,581** | 322,271 |
| Amortization | **5,947** | 3,821 | **16,598** | 11,975 |
| Total operating expenses | **323,722** | 287,160 | **970,457** | 849,667 |
| Operating income | **69,816** | 123,384 | **293,135** | 332,557 |
| Interest income | **4,909** | 1,345 | **12,389** | 2,141 |
| Interest expense | **(12,276)** | (6,092) | **(34,594)** | (13,668) |
| Other income (expense), net | **96** | (656) | **(3,564)** | (2,126) |
| Income before income tax provision | **62,545** | 117,981 | **267,366** | 318,904 |
| Income tax provision | **7,043** | 22,006 | **41,716** | 53,141 |
| Net income | **$ 55,502** | $ 95,975 | **$ 225,650** | $ 265,763 |
| Earnings per share – basic: | | | | |
| Earnings per share | **$ 0.64** | $ 1.10 | **$ 2.60** | $ 3.05 |
| Weighted average shares | **86,817** | 87,063 | **86,814** | 87,062 |
| Earnings per share – diluted: | | | | |
| Earnings per share | **$ 0.64** | $ 1.10 | **$ 2.58** | $ 3.04 |
| Weighted average shares | **87,381** | 87,418 | **87,335** | 87,496 |

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

| (in thousands, except percentages and per share data) | Three Months Ended September 30, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Revenue | Gross Profit | % | Operating Income | % | Net Income | EPS - Diluted[1] |
| Total GAAP | $ 458,795 | $ 393,538 | 85.8 % | $ 69,816 | 15.2 % | $ 55,502 | $ 0.64 |
| Stock-based compensation expense | — | 3,568 | 0.8 % | 58,061 | 12.7 % | 58,061 | 0.66 |
| Excess payroll taxes related to stock-based awards | — | 3 | — % | 241 | 0.1 % | 241 | — |
| Amortization of intangible assets from acquisitions | — | 20,707 | 4.5 % | 26,654 | 5.8 % | 26,654 | 0.31 |
| Expenses related to business combinations | — | — | — % | 1,465 | 0.3 % | 1,465 | 0.02 |
| Adjustment for income tax effect | — | — | — % | — | — % | (19,026) | (0.22) |
| Total non-GAAP | $ 458,795 | $ 417,816 | 91.1 % | $ 156,237 | 34.1 % | $ 122,897 | $ 1.41 |

[1] Diluted weighted average shares were 87,381.

| (in thousands, except percentages and per share data) | Three Months Ended September 30, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Revenue | Gross Profit | % | Operating Income | % | Net Income | EPS - Diluted[1] |
| Total GAAP | $ 472,511 | $ 410,544 | 86.9 % | $ 123,384 | 26.1 % | $ 95,975 | $ 1.10 |
| Acquisition accounting for deferred revenue | 1,162 | 1,162 | — % | 1,162 | 0.2 % | 1,162 | 0.01 |
| Stock-based compensation expense | — | 2,621 | 0.5 % | 46,970 | 9.9 % | 46,970 | 0.55 |
| Excess payroll taxes related to stock-based awards | — | 37 | — % | 260 | 0.1 % | 260 | — |
| Amortization of intangible assets from acquisitions | — | 17,281 | 3.7 % | 21,102 | 4.4 % | 21,102 | 0.24 |
| Expenses related to business combinations | — | — | — % | 1,210 | 0.3 % | 1,210 | 0.01 |
| Adjustment for income tax effect | — | — | — % | — | — % | (11,958) | (0.14) |
| Total non-GAAP | $ 473,673 | $ 431,645 | 91.1 % | $ 194,088 | 41.0 % | $ 154,721 | $ 1.77 |

[1] Diluted weighted average shares were 87,418.

| (in thousands, except percentages and per share data) | Nine Months Ended September 30, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Revenue | Gross Profit | % | Operating Income | % | Net Income | EPS - Diluted[1] |
| Total GAAP | $ 1,464,841 | $ 1,263,592 | 86.3 % | $ 293,135 | 20.0 % | $ 225,650 | $ 2.58 |
| Stock-based compensation expense | — | 9,924 | 0.6 % | 158,533 | 10.7 % | 158,533 | 1.81 |
| Excess payroll taxes related to stock-based awards | — | 303 | — % | 5,270 | 0.4 % | 5,270 | 0.06 |
| Amortization of intangible assets from acquisitions | — | 60,404 | 4.2 % | 77,002 | 5.3 % | 77,002 | 0.88 |
| Expenses related to business combinations | — | — | — % | 5,758 | 0.4 % | 5,758 | 0.07 |
| Adjustment for income tax effect | — | — | — % | — | — % | (48,222) | (0.55) |
| Total non-GAAP | $ 1,464,841 | $ 1,334,223 | 91.1 % | $ 539,698 | 36.8 % | $ 423,991 | $ 4.85 |

[1] Diluted weighted average shares were 87,335.

| (in thousands, except percentages and per share data) | Nine Months Ended September 30, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Revenue | Gross Profit | % | Operating Income | % | Net Income | EPS - Diluted[1] |
| Total GAAP | $ 1,371,438 | $ 1,182,224 | 86.2 % | $ 332,557 | 24.2 % | $ 265,763 | $ 3.04 |
| Acquisition accounting for deferred revenue | 6,758 | 6,758 | 0.1 % | 6,758 | 0.3 % | 6,758 | 0.08 |
| Stock-based compensation expense | — | 7,448 | 0.5 % | 122,119 | 8.9 % | 122,119 | 1.40 |
| Excess payroll taxes related to stock-based awards | — | 481 | — % | 5,530 | 0.5 % | 5,530 | 0.06 |
| Amortization of intangible assets from acquisitions | — | 51,947 | 3.8 % | 63,922 | 4.6 % | 63,922 | 0.73 |
| Expenses related to business combinations | — | — | — % | 5,376 | 0.4 % | 5,376 | 0.06 |
| Adjustment for income tax effect | — | — | — % | — | — % | (40,929) | (0.47) |
| Total non-GAAP | $ 1,378,196 | $ 1,248,858 | 90.6 % | $ 536,262 | 38.9 % | $ 428,539 | $ 4.90 |

[1] Diluted weighted average shares were 87,496.

| (in thousands) | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| Net cash provided by operating activities | $ 160,768 | $ 127,151 | $ 484,400 | $ 457,031 |
| Cash paid for interest | 11,948 | 5,894 | 33,795 | 12,192 |
| Tax benefit | (2,091) | (1,061) | (5,914) | (2,195) |
| Unlevered operating cash flows | $ 170,625 | $ 131,984 | $ 512,281 | $ 467,028 |

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**ANSYS, INC. AND SUBSIDIARIES**
**Reconciliation of Forward-Looking Guidance**
**Quarter Ending December 31, 2023**

| | Earnings Per Share - Diluted |
|---|---|
| U.S. GAAP expectation | $2.72 - $3.18 |
| Exclusions before tax: | |
| Acquisition-related amortization | $0.30 - $0.31 |
| Stock-based compensation and related excess payroll tax | $0.64 - $0.69 |
| Expenses related to business combinations | $0.01 |
| Adjustment for income tax effect | ($0.24) - ($0.25) |
| Non-GAAP expectation | $3.48 - $3.89 |

**ANSYS, INC. AND SUBSIDIARIES**
**Reconciliation of Forward-Looking Guidance**
**Year Ending December 31, 2023**

| | Earnings Per Share - Diluted |
|---|---|
| U.S. GAAP expectation | $5.31 - $5.77 |
| Exclusions before tax: | |
| Acquisition-related amortization | $1.18 - $1.19 |
| Stock-based compensation and related excess payroll tax | $2.51 - $2.57 |
| Expenses related to business combinations | $0.08 |
| Adjustment for income tax effect | ($0.79) - ($0.81) |
| Non-GAAP expectation | $8.34 - $8.75 |

| *(in millions)* | Unlevered Operating Cash Flows |
|---|---|
| Net cash provided by operating activities | $667.0 - $697.0 |
| Cash paid for interest | $46.1 |
| Tax benefit | ($8.1) |
| Unlevered operating cash flows | $705.0 - $735.0 |

## / Use of Non-GAAP Measures

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

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

While we believe that these non-GAAP financial measures provide useful supplemental information to investors, there are limitations associated with the use of these non-GAAP financial measures. These non-GAAP financial measures are not prepared in accordance with GAAP, are not reported by all our competitors and may not be directly comparable to similarly titled measures of our competitors due to potential differences in the exact method of calculation. We compensate for these limitations by using these non-GAAP financial measures as supplements to GAAP financial measures and by reviewing the reconciliations of the non-GAAP financial measures to their most comparable GAAP financial measures.

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

**Acquisition accounting for deferred revenue.** Historically, we have consummated acquisitions in order to support our strategic and other business objectives. Under prior accounting guidance, a fair value provision resulted in acquired deferred revenue that was often recorded on the opening balance sheet at an amount that was lower than the historical carrying value. Although this fair value provision has no impact on our business or cash flow, it adversely impacts our reported GAAP revenue in the reporting periods following an acquisition. In 2022, we adopted accounting guidance which eliminates the fair value provision that resulted in the deferred revenue adjustment on a prospective basis. In order to provide investors with financial information that facilitates comparison of both historical and future results, we have historically provided non-GAAP financial measures which exclude the impact of the acquisition accounting adjustment for acquisitions prior to the adoption of the new guidance in 2022. The 2022 non-GAAP financial measures presented in this document include the adjustment to exclude the income statement effects of acquisition accounting adjustments to deferred revenue from business combinations closed prior to 2022. There is no adjustment included for 2023 as the impact is not material.

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

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

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

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

**Unlevered operating cash flows.** We make cash payments for the interest incurred in connection with our debt financing which are included in our GAAP presentation of operating cash flows. We exclude this cash paid for interest, net of the associated tax benefit, for the purpose of calculating unlevered operating cash flows. Unlevered operating cash flow is a supplemental non-GAAP measure that we use to evaluate our core operating business. We believe this measure is useful to investors and management because it provides a measure of our cash generated through operating activities independent of the capital structure of the business.

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

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

| GAAP Reporting Measure | Non-GAAP Reporting Measure |
|---|---|
| Revenue | Non-GAAP Revenue |
| Gross Profit | Non-GAAP Gross Profit |
| Gross Profit Margin | Non-GAAP Gross Profit Margin |
| Operating Income | Non-GAAP Operating Income |
| Operating Profit Margin | Non-GAAP Operating Profit Margin |
| Net Income | Non-GAAP Net Income |
| Diluted Earnings Per Share | Non-GAAP Diluted Earnings Per Share |
| Operating Cash Flows | Unlevered Operating Cash Flows |

**Constant currency.** In addition to the non-GAAP financial measures detailed above, we use constant currency results for financial and operational decision-making and as a means to evaluate period-to-period comparisons by excluding the effects of foreign currency fluctuations on the reported results. To present this information, the 2023 results for entities whose functional currency is a currency other than the U.S. Dollar were converted to U.S. Dollars at rates that were in effect for the 2022 comparable period, rather than the actual exchange rates in effect for 2023. Constant currency growth rates are calculated by adjusting the 2023 reported amounts by the 2023 currency fluctuation impacts and comparing the adjusted amounts to the 2022 comparable period reported amounts. We believe that these non-GAAP financial measures are useful to investors because they allow investors to (a) evaluate the effectiveness of the methodology and information used by us in our financial and operational decision-making, and (b) compare our reported results to our past reports of financial results without the effects of foreign currency fluctuations.

## / About Ansys

Our Mission: Powering Innovation that Drives Human Advancement™

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

## / Forward-Looking Information

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act). Forward-looking statements are statements that provide current expectations or forecasts of future events based on certain assumptions. Forward-looking statements are subject to risks, uncertainties, and factors relating to our business which could cause our actual results to differ materially from the expectations expressed in or implied by such forward-looking statements.

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

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

- adverse conditions in the macroeconomic environment, including high inflation, recessionary conditions and volatility in equity and foreign exchange markets; political, economic and regulatory uncertainties in the countries and regions in which we operate;

- impacts from tariffs, trade sanctions, export controls or other trade barriers, including export control restrictions and licensing requirements for exports to China;

- impacts resulting from the conflict between Israel and Hamas, including impacts from changes to diplomatic relations and trade policy between the United States and other countries resulting from the conflict; impacts from changes to diplomatic relations and trade policy between the United States and Russia or the United States and other countries that may support Russia or take similar actions due to the conflict between Russia and Ukraine;

- constrained credit and liquidity due to disruptions in the global economy and financial markets, which may limit or delay availability of credit under our existing or new credit facilities, or which may limit our ability to obtain credit or financing on acceptable terms or at all;

- our ability to timely recruit and retain key personnel in a highly competitive labor market for skilled personnel, including potential financial impacts of wage inflation;

- declines in our customers' businesses resulting in adverse changes in procurement patterns; disruptions in accounts receivable and cash flow due to customers' liquidity challenges and commercial deterioration; uncertainties regarding demand for our products and services in the future and our customers' acceptance of new products; delays or declines in anticipated sales due to reduced or altered sales and marketing interactions with customers; and potential variations in our sales forecast compared to actual sales;

- increased volatility in our revenue due to the timing, duration and value of multi-year subscription lease contracts; and our reliance on high renewal rates for annual subscription lease and maintenance contracts;

- our ability to protect our proprietary technology; cybersecurity threats or other security breaches, including in relation to breaches occurring through our products and an increased level of our activity that is occurring from remote global off-site locations; and disclosure and misuse of employee or customer data whether as a result of a cybersecurity incident or otherwise;

- our ability and our channel partners' ability to comply with laws and regulations in relevant jurisdictions; and the outcome of contingencies, including legal proceedings, government or regulatory investigations and tax audit cases;

- uncertainty regarding income tax estimates in the jurisdictions in which we operate; and the effect of changes in tax laws and regulations in the jurisdictions in which we operate;

- the quality of our products, including the strength of features, functionality and integrated multiphysics capabilities; our ability to develop and market new products to address the industry's rapidly changing technology; failures or errors in our products and services; and increased pricing pressure as a result of the competitive environment in which we operate;

- investments in complementary companies, products, services and technologies; our ability to complete and successfully integrate our acquisitions and realize the financial and business benefits of the transactions; and the impact indebtedness incurred in connection with any acquisition could have on our operations;

- investments in global sales and marketing organizations and global business infrastructure; and dependence on our channel partners for the distribution of our products;

- current and potential future impacts of a global health crisis, natural disaster or catastrophe, and the actions taken to address these events by our customers, suppliers, regulatory authorities and our business, on the global economy and consolidated financial statements, and other public health and safety risks; and government actions or mandates;

- operational disruptions generally or specifically in connection with transitions to and from remote work environments; and the failure of our technological infrastructure or those of the service providers upon whom we rely including for infrastructure and cloud services;

- our intention to repatriate previously taxed earnings and to reinvest all other earnings of our non-U.S. subsidiaries;

- plans for future capital spending; the extent of corporate benefits from such spending including with respect to customer relationship management; and higher than anticipated costs for research and development or a slowdown in our research and development activities;

- our ability to execute on our strategies related to environmental, social, and governance matters, and meet evolving and varied expectations, including as a result of evolving regulatory and other standards, processes, and assumptions, the pace of scientific and technological developments, increased costs and the availability of requisite financing, and changes in carbon markets; and

- other risks and uncertainties described in our reports filed from time to time with the Securities and Exchange Commission (the SEC).



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