

ANSYS INC
Form 10-Q
May 03, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number: 0-20853

ANSYS, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

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

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

15317
(Zip Code)

724-746-3304

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of the Registrant's Common Stock, par value \$.01 per share, outstanding as of April 27, 2012 was 93,146,587 shares.

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

	March 31, 2012 (Unaudited)	December 31, 2011 (Audited)
<i>(in thousands, except share and per share data)</i>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 557,846	\$ 471,828
Short-term investments	599	576
Accounts receivable, less allowance for doubtful accounts of \$4,000 and \$4,101, respectively	79,506	84,602
Other receivables and current assets	175,656	163,296
Deferred income taxes	17,195	19,731
Total current assets	830,802	740,033
Property and equipment, net	46,809	45,638
Goodwill	1,229,629	1,225,375
Other intangible assets, net	365,622	383,420
Other long-term assets	34,863	46,942
Deferred income taxes	9,333	7,062
Total assets	\$ 2,517,058	\$ 2,448,470
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	\$ 90,355	\$ 74,423
Accounts payable	5,572	6,987
Accrued bonuses and commissions	16,678	36,164
Accrued income taxes	7,669	6,213
Other accrued expenses and liabilities	55,053	55,809
Deferred revenue	281,689	259,155
Total current liabilities	457,016	438,751
Long-term liabilities:		
Long-term debt and capital lease obligations, less current portion	26,574	53,149
Deferred income taxes	105,042	101,618
Other long-term liabilities	107,533	100,479
Total long-term liabilities	239,149	255,246
Commitments and contingencies	0	0
Stockholders' equity:		
Preferred stock, \$.01 par value; 2,000,000 shares authorized; zero shares issued or outstanding	0	0
Common stock, \$.01 par value; 300,000,000 shares authorized; 93,064,954 and 92,651,739 shares issued, respectively	931	927
Additional paid-in capital	926,611	905,662
Retained earnings	881,547	836,008
Accumulated other comprehensive income	11,804	11,876
Total stockholders' equity	1,820,893	1,754,473
Total liabilities and stockholders' equity	\$ 2,517,058	\$ 2,448,470

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

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

<i>(in thousands, except per share data)</i>	Three Months Ended	
	March 31, 2012	March 31, 2011
Revenue:		
Software licenses	\$ 113,554	\$ 95,867
Maintenance and service	71,791	62,180
Total revenue	185,345	158,047
Cost of sales:		
Software licenses	5,996	2,894
Amortization	10,214	7,498
Maintenance and service	18,132	16,190
Total cost of sales	34,342	26,582
Gross profit	151,003	131,465
Operating expenses:		
Selling, general and administrative	45,249	40,476
Research and development	31,501	24,698
Amortization	6,425	4,017
Total operating expenses	83,175	69,191
Operating income	67,828	62,274
Interest expense	(818)	(803)
Interest income	901	695
Other expense, net	(616)	(514)
Income before income tax provision	67,295	61,652
Income tax provision	21,756	19,411
Net income	\$ 45,539	\$ 42,241
Earnings per share basic:		
Basic earnings per share	\$ 0.49	\$ 0.46
Weighted average shares basic	92,817	91,767
Earnings per share diluted:		
Diluted earnings per share	\$ 0.48	\$ 0.45
Weighted average shares diluted	95,190	94,171

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

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

<i>(in thousands)</i>	Three Months Ended	
	March 31, 2012	March 31, 2011
Net income	\$ 45,539	\$ 42,241
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments	(72)	3,139
Comprehensive income	\$ 45,467	\$ 45,380

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

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

<i>(in thousands)</i>	Three Months Ended	
	March 31, 2012	March 31, 2011
Cash flows from operating activities:		
Net income	\$ 45,539	\$ 42,241
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,712	14,831
Deferred income tax expense	1,789	3,038
Provision for bad debts	3	94
Stock-based compensation expense	7,802	5,147
Excess tax benefits from stock options	(3,872)	(1,712)
Other	13	1
Changes in operating assets and liabilities:		
Accounts receivable	5,632	6,804
Other receivables and current assets	(14,129)	1,391
Other long-term assets	5,365	(341)
Accounts payable, accrued expenses and current liabilities	(22,054)	(10,596)
Accrued income taxes	6,955	(675)
Deferred revenue	28,916	23,945
Other long-term liabilities	926	691
Net cash provided by operating activities	83,597	84,859
Cash flows from investing activities:		
Capital expenditures	(4,743)	(3,341)
Purchases of short-term investments	(69)	(114)
Maturities of short-term investments	68	37
Net cash used in investing activities	(4,744)	(3,418)
Cash flows from financing activities:		
Principal payments on long-term debt	(10,630)	(5,315)
Principal payments on capital leases	(9)	(32)
Purchase of treasury stock	0	(12,704)
Proceeds from issuance of common stock under Employee Stock Purchase Plan	1,116	938
Proceeds from exercise of stock options	8,053	6,172
Excess tax benefits from stock options	3,872	1,712
Net cash provided by (used in) financing activities	2,402	(9,229)
Effect of exchange rate fluctuations on cash and cash equivalents	4,763	5,243
Net increase in cash and cash equivalents	86,018	77,455
Cash and cash equivalents, beginning of period	471,828	472,479
Cash and cash equivalents, end of period	\$ 557,846	\$ 549,934
Supplemental disclosures of cash flow information:		
Income taxes paid	\$ 13,023	\$ 8,769
Interest paid	452	489

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

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ANSYS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

(Unaudited)

1. Organization

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

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

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

2. Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by ANSYS in accordance with accounting principles generally accepted in the United States for interim financial information for commercial and industrial companies and the instructions to the Quarterly Rep