

ANSYS INC
Form 10-Q
November 06, 2007
Table of Contents

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 September 30, 2007

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)

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

724-746-3304

04-3219960
(IRS Employer
Identification No.)

15317
(Zip Code)

(Registrant's telephone number, including area code)

Edgar Filing: ANSYS INC - Form 10-Q

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 October 31, 2007 was 78,282,085 shares.

Table of Contents**ANSYS, INC. AND SUBSIDIARIES****INDEX**

	Page No.
PART I. <u>UNAUDITED FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets – September 30, 2007 and December 31, 2006</u>	3
<u>Condensed Consolidated Statements of Income – Three and Nine Months Ended September 30, 2007 and 2006</u>	4
<u>Condensed Consolidated Statements of Cash Flows – Nine Months Ended September 30, 2007 and 2006</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6-18
<u>Report of Independent Registered Public Accounting Firm</u>	19
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	20-34
Item 3. <u>Quantitative and Qualitative Disclosures Regarding Market Risk</u>	35-36
Item 4. <u>Controls and Procedures</u>	37-38
PART II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	39
Item 1A. <u>Risk Factors</u>	39
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
Item 3. <u>Defaults Upon Senior Securities</u>	40
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	40
Item 5. <u>Other Information</u>	40
Item 6. <u>Exhibits</u>	41
<u>SIGNATURES</u>	42

ANSYS, ANSYS Workbench, AUTODYN, CFX, FLUENT and any and all ANSYS, Inc. brand, product, service and feature names, logos and slogans are registered trademarks or trademarks of ANSYS, Inc. or its subsidiaries in the United States or other countries. ICEM CFD is a trademark used by ANSYS, Inc. under license. All other brand, product, service and feature names or trademarks are the property of their respective owners.

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

<i>(in thousands, except share information)</i>	September 30, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 150,651	\$ 104,315
Short-term investments	216	171
Accounts receivable, less allowance for doubtful accounts of \$3,320 and \$2,775, respectively	39,490	37,341
Other receivables and current assets	68,578	53,141
Deferred income taxes	22,347	20,976
Total current assets	281,282	215,944
Property and equipment, net	29,010	25,530
Capitalized software costs, net	1,009	1,266
Goodwill	430,728	428,959
Other intangible assets, net	183,965	204,115
Other long-term assets	2,766	3,017
Total assets	\$ 928,760	\$ 878,831
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	\$ 9,348	\$ 13,927
Accounts payable	2,780	3,599
Accrued bonuses and commissions	17,049	20,955
Accrued income taxes	18,522	12,908
Other accrued expenses and liabilities	31,794	26,923
Deferred revenue	113,198	101,226
Total current liabilities	192,691	179,538
Long-term liabilities:		
Long-term debt and capital lease obligations, less current portion	66,153	109,393
Deferred income taxes	41,472	47,577
Other long-term liabilities	14,921	7,530
Total long-term liabilities	122,546	164,500
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 2,000,000 shares authorized; Zero issued or outstanding		
Common stock, \$.01 par value; 150,000,000 shares authorized; 78,338,928 shares issued	783	783
Additional paid-in capital	353,491	344,615
Retained earnings	244,850	193,327
Treasury stock, at cost: 84,566 and 1,156,196 shares, respectively	(2,088)	(11,650)
Accumulated other comprehensive income	16,487	7,718
Total stockholders' equity	613,523	534,793
Total liabilities and stockholders' equity	\$ 928,760	\$ 878,831

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		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Revenue:				
Software licenses	\$ 61,099	\$ 42,213	\$ 177,723	\$ 103,728
Maintenance and service	32,935	27,904	96,381	74,664
Total revenue	94,034	70,117	274,104	178,392
Cost of sales:				
Software licenses	2,236	1,748	6,756	4,938
Amortization of software and acquired technology	5,395	5,138	16,119	9,785
Maintenance and service	11,760	10,434	34,327	22,918
Total cost of sales	19,391	17,320	57,202	37,641
Gross profit	74,643	52,797	216,902	140,751
Operating expenses:				
Selling, general and administrative	26,596	24,333	80,582	58,192
Research and development	14,198	13,295	40,846	34,274
Amortization	2,239	2,314	6,647	4,018
In-process research and development				28,100
Total operating expenses	43,033	39,942	128,075	124,584
Operating income	31,610	12,855	88,827	16,167
Interest expense	(1,600)	(2,996)	(5,549)	(5,179)
Interest income	1,273	941	3,248	3,717
Other (expense) income, net	(337)	412	(735)	335
Income before income tax provision	30,946	11,212	85,791	15,040
Income tax provision	12,250	2,840	32,688	13,148
Net income	\$ 18,696	\$ 8,372	\$ 53,103	\$ 1,892
Earnings per share basic adjusted for 2-for-1 stock split Note 2:				
Basic earnings per share	\$ 0.24	\$ 0.11	\$ 0.68	\$ 0.03
Weighted average shares basic	77,981	76,804	77,653	71,220
Earnings per share diluted adjusted for 2-for-1 stock split Note 2:				
Diluted earnings per share	\$ 0.23	\$ 0.10	\$ 0.66	\$ 0.03
Weighted average shares diluted	81,196	80,580	80,938	75,054

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>	Nine Months Ended	
	September 30, 2007	September 30, 2006
Cash flows from operating activities:		
Net income	\$ 53,103	\$ 1,892
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,939	17,940
Deferred income tax benefit	(8,860)	(6,825)
Provision for bad debts	872	263
Stock-based compensation expense	6,392	3,694
Write-off of in-process research and development		28,100
Utilization of acquired net operating loss tax carryforward	6,677	1,837
Excess tax benefits from stock options	(6,106)	(4,367)
Other	73	77
Changes in operating assets and liabilities:		
Accounts receivable	(1,651)	2,468
Other receivables and current assets	(11,895)	2,969
Other long-term assets	(45)	
Accounts payable, accrued expenses and current liabilities	7,392	4,198
Deferred revenue	9,248	8,182
Other long-term liabilities	1,346	(40)
Net cash provided by operating activities	85,485	60,388
Cash flows from investing activities:		
Capital expenditures	(8,603)	(3,718)
Fluent acquisition payments, net of cash acquired		(297,926)
Other acquisition payments	(119)	(6,836)
Capitalization of internally developed software costs	(101)	(408)
Purchases of short-term investments	(46)	(6,079)
Maturities of short-term investments	20	24,118
Net cash used in investing activities	(8,849)	(290,849)
Cash flows from financing activities:		
Principal payments on long-term debt	(47,237)	(51,115)
Principal payments on long-term capital leases	(585)	(415)
Proceeds from long-term debt		198,000
Loan issuance costs		(1,940)
Purchase of treasury stock	(2,470)	
Proceeds from issuance of common stock under Employee Stock Purchase Plan	1,471	1,191
Proceeds from exercise of stock options	5,589	4,282
Excess tax benefits from stock options	6,106	4,367
Net cash (used in) provided by financing activities	(37,126)	154,370
Effect of exchange rate fluctuations on cash and cash equivalents	6,826	1,543
Net increase (decrease) in cash and cash equivalents	46,336	(74,548)
Cash and cash equivalents, beginning of period	104,315	176,166
Cash and cash equivalents, end of period	\$ 150,651	\$ 101,618
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Income taxes	\$ 32,838	\$ 2