

ANSYS INC
Form 10-K
February 26, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

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

04-3219960

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

2600 ANSYS Drive, Canonsburg, PA
(Address of principal executive offices)

15317
(Zip Code)

724-746-3304

(Registrant's telephone number, including area code)

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

Common Stock, \$0.01 par value per share

The NASDAQ Stock Market, LLC

(Title of each class)

(Name of exchange on which registered)

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

None

(Title of class)

Indicate by a check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by a check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by a 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 website, 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). Yes ☒ No ☐

Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in PART III of this Form 10-K, or any amendment to this Form 10-K. ☐

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 ☐

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Indicate by a check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing sale price of the Common Stock on June 30, 2014 as reported on the NASDAQ Global Select Market, was \$5,569,000,000. Shares of Common Stock held by each officer, director and by each shareholder who owns 5% or more of the outstanding Common Stock have been excluded in that such shareholders may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The number of shares of the Registrant's Common Stock, par value \$.01 per share, outstanding as of February 20, 2015 was 90,023,551 shares.

Documents Incorporated By Reference:

Portions of the Proxy Statement for the Registrant's 2015 Annual Meeting of Stockholders are incorporated by reference into Part III.

ANSYS, Inc.
ANNUAL REPORT ON FORM 10-K FOR FISCAL YEAR 2014
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Important Factors Regarding Future Results

Information provided by ANSYS, Inc. (hereafter the "Company" or "ANSYS"), in this Annual Report on Form 10-K, may contain forward-looking statements concerning such matters as projected financial performance, market and industry segment growth, product development and commercialization, acquisitions or other aspects of future operations. Such statements, made pursuant to the safe harbor established by the securities laws, are based on the assumptions and expectations of the Company's management at the time such statements are made. The Company cautions investors that its performance (and, therefore, any forward-looking statement) is subject to risks and uncertainties. Various important factors including, but not limited to, those discussed in Item 1A. Risk Factors, may cause the Company's future results to differ materially from those projected in any forward-looking statement. All information presented is as of December 31, 2014, unless otherwise indicated.

PART I

ITEM 1. BUSINESS

ANSYS, a Delaware corporation formed in 1994, develops and globally markets engineering simulation software and services widely used by engineers, designers, researchers and students across a broad spectrum of industries and academia, including aerospace, automotive, materials and chemical processing, turbomachinery, consumer products, electronics, biomedical, energy, defense and others. Headquartered south of Pittsburgh, Pennsylvania, the Company and its subsidiaries employed approximately 2,700 people as of December 31, 2014. The Company focuses on the development of open and flexible solutions that enable users to analyze designs directly on the desktop, providing a common platform for fast, efficient and cost-conscious product development, from design concept to final-stage testing and validation. The Company distributes its ANSYS suite of simulation technologies through a global network of independent resellers and distributors (collectively, channel partners) and direct sales offices in strategic, global locations. It is the Company's intention to continue to maintain this hybrid sales and distribution model.

The Company's product portfolio consists of the following:

Simulation Platform: ANSYS® Workbench™

ANSYS Workbench is the framework upon which the Company's suite of advanced engineering simulation technologies is built. The innovative project schematic view ties together the entire simulation process, guiding the user through complex multiphysics analyses with drag-and-drop simplicity. With bi-directional computer-aided design ("CAD") connectivity, powerful highly-automated meshing, a project-level update mechanism, pervasive parameter management and integrated optimization tools, the ANSYS® Workbench™ platform delivers unprecedented productivity, enabling Simulation-Driven Product Development.™

Simulation Process and Data Management

ANSYS Engineering Knowledge Manager™ ("ANSYS EKM") is a comprehensive solution for simulation-based process and data management challenges. ANSYS EKM provides solutions and benefits to all levels of a company, enabling an organization to address the critical issues associated with simulation data including backup and archival, traceability and audit trail, process automation, collaboration and capture of engineering expertise, and intellectual property protection.

High-Performance Computing

The Company's high-performance computing ("HPC") product suite enables enhanced insight into product performance and improves the productivity of the design process. The HPC product suite delivers cross-physics parallel processing capabilities for the full spectrum of the Company's simulation software by supporting structures, fluids, thermal and electronics simulations. This product suite decreases turnaround time for individual simulations, allowing users to consider multiple design ideas and make the right design decisions early in the design cycle.

Geometry Interfaces

The Company offers comprehensive geometry handling solutions for engineering simulation in an integrated environment with direct interfaces to all major CAD systems, support of additional readers and translators, and an integrated geometry modeler exclusively focused on analysis.

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Meshing

Creating a mesh that transforms a physical model into a mathematical model is a critical and foundational step in almost every engineering simulation study. Accurate meshing is especially challenging today with increasing product design complexity and heightened expectations of product performance. The Company's meshing technology provides a means to balance these requirements, obtaining the right mesh for each simulation in the most automated way possible. The technology is built on the strengths of world-class leading algorithms that are integrated in a single environment to produce the most robust and reliable meshing available.

Structures

The Company's structural analysis product suite offers simulation tools for product design and optimization that increase productivity, minimize physical prototyping and help to deliver better and more innovative products in less time. These tools tackle real-world analysis problems by making product development less costly and more reliable. In addition, these tools have capabilities that cover a broad range of analysis types, elements, contacts, materials, equation solvers and coupled physics capabilities all targeted toward understanding and solving complex design problems.

Explicit Dynamics

The Company's explicit dynamics product suite simulates events involving short-duration, large-strain, large-deformation, fracture, complete material failure or structural problems with complex interactions. This suite is ideal for simulating physical events that occur in a short period of time and may result in material damage or failure. Such events are often difficult or expensive to study experimentally.

Composites

Composites blend two or more materials that possess very different properties. The Company's composite analysis and optimization technology efficiently defines materials, plies and stacking sequences, and also offers a wide choice of state-of-the-art failure criteria. The Company's composite software provides all necessary functionalities for finite element analysis of layered composites structures.

Fluids

The Company's fluids product suite enables modeling of fluid flow and other related physical phenomena. Fluid flow analysis capabilities provide all the tools needed to design and optimize new fluids equipment and to troubleshoot already existing installations. The suite contains general-purpose computational fluid dynamics software and specialized products to address specific industry applications.

Electronics

The Company's electronics product suite provides field simulation software for designing high-performance electronic and electromechanical products. The software streamlines the design process and predicts performance of mobile communication and internet-access devices, broadband networking components and systems, integrated circuits ("ICs") and printed circuit boards ("PCBs"), as well as electromechanical systems such as automotive components and power electronics equipment, all prior to building a prototype.

Low-Power Electronics

The Company's power analysis and optimization software suite manages the power budget, power delivery integrity and power-induced noise in an electronic design, from initial prototyping to system sign-off. These solutions deliver accuracy with correlation to silicon measurement; the capacity to handle an entire electronic system, including IC, package and PCB; efficiency for ease-of-debug and fast turnaround time; and comprehensiveness to facilitate cross-domain communications and electronic ecosystem enablement.

Systems

The Company delivers a unique and comprehensive system simulation capability that is ideal for the design of today's increasingly automated products. This collaborative environment leverages the Company's multiphysics, multibody dynamics, circuit and embedded software simulation capabilities, enabling users to simulate the complex interactions between components, circuits and control software within a single environment. These technologies provide a complete view into predicted product performance, which creates greater design confidence for engineers.

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Multiphysics

The Company's multiphysics product suite allows engineers and designers to create virtual prototypes of their designs operating under real-world multiphysics conditions. As the range of need for simulation expands, companies must be able to accurately predict how complex products will behave in real-world environments, where multiple types of physics interact in a coupled way. ANSYS multiphysics software enables engineers and scientists to simulate the interactions between structures, heat transfer, fluids and electronics all within a single, unified engineering simulation environment.

Embedded Software

The Company's SCADE® product suite is a comprehensive solution for embedded software simulation, code production and automated certification. It has been developed specifically for use in critical systems with high dependability requirements, including aerospace, rail transportation, nuclear, industrial applications and, more recently, automotive. SCADE® software supports the entire development workflow, from requirements analysis and design, through verification, implementation and deployment. SCADE® solutions easily integrate with each other and the rest of the ANSYS product suite, allowing for development optimization and increased communication among team members.

3-D Direct Modeling

The Company's 3-D direct modeling technology provides a CAD-neutral environment to modify and prepare geometry for simulation. This approach allows engineers to dramatically reduce the pre-processing step in simulation, and ultimately delivers product design insights much faster in the earliest stages of development.

Academic

The Company's academic product suite provides a highly scalable portfolio of academic products based on several usage tiers: associate, research and teaching. Each tier includes various noncommercial products that bundle a broad range of physics and advanced coupled field solver capabilities. The academic product suite provides entry-level tools intended for class demonstrations and hands-on instruction. It includes flexible terms of use and more complex analysis suitable for doctoral and post-doctoral research projects. The Company also provides a low-cost product for simplified problems suitable for student use away from the classroom.

PRODUCT DEVELOPMENT

The Company makes significant investments in research and development and emphasizes frequent, integrated product releases. The Company's product development strategy centers on ongoing development and innovation of new technologies to increase productivity and to provide engineering simulation solutions that customers can integrate into enterprise-wide product lifecycle management ("PLM") systems. The Company's product development efforts focus on extensions of the full product line with new functional modules, further integration with CAD, electronic CAD ("ECAD"), PLM products and the development of new products. The Company's products run on the most widely used engineering computing platforms and operating systems, including Windows, Linux and most UNIX workstations.

During the year ended December 31, 2014 and in the period from January 1, 2015 until the filing date, the Company completed the following major product development activities and releases:

• In January 2015, the Company announced the release of ANSYS® 16.0, with major advancements across the Company's entire product portfolio.

The pervasive connectivity of electronic devices requires a higher standard for hardware and software reliability. ANSYS 16.0 delivers capabilities to verify electronics reliability and performance throughout the design process. Another important new feature in ANSYS 16.0 is the ability to create 3-D components and integrate them into larger electronic assemblies. This modeling approach can facilitate the creation of wireless communication systems, which is especially useful as these systems become more complex. Simulation-ready 3-D components are created and stored in library files that can be added to larger system designs without the need to apply excitations, boundary conditions and material properties.

ANSYS 16.0 accelerates the process for engineers to model thin materials, such as sheet metal and plate steel, and define how parts are connected in a complete assembly. It provides new functionality for composite designs and comprehensive tools for understanding the solution results. ANSYS 16.0 provides advanced solutions for elastomers,

such as rubber, which are often used in seals and vibration dampers, and features adaptive re-meshing, which refines the mesh in highly distorted areas without the need for the user to stop the simulation manually.

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In addition, ANSYS 16.0 significantly reduces fluid dynamics preprocessing time for complex models. Engineers designing turbomachinery equipment will benefit from significant simulation speed-up as a result of HPC scalability extending to thousands of central processing unit cores. Furthermore, continued advances in modeling transient blade row interaction will extend and improve engineers' ability to simulate the complex, unsteady flow phenomena found in such rotating machinery as aircraft engines and power generation turbines.

ANSYS 16.0 features extended modeling capabilities, enabling hardware and software engineers to define the intricacies of a system's and its subsystems' operations. This is crucial because, as systems become more complex, engineers need greater definition of their operations. Systems and software engineers can better collaborate on joint projects, reducing development time and effort. ANSYS 16.0 addresses this need with the addition of behavioral diagram modeling.

DO-178C, Software Considerations in Airborne Systems and Equipment Certification, is the new certification that authorities such as the Federal Aviation Administration, the European Aviation Safety Agency and Transport Canada will use to approve all commercial software-based aerospace systems. Within the aeronautics domain, ANSYS 16.0 provides a model-based approach that satisfies the requirements of DO-330, the tools qualification document within DO-178C, for the highest levels of safety requirements. ANSYS 16.0 is the first tool to meet that new certification requirement. ANSYS's SCADE® products provide a model-based approach that satisfies the requirements of DO-330.

As part of the launch, ANSYS is introducing ANSYS AIM™, an innovative, immersive simulation environment that lowers the barrier to entry for multiphysics simulations. ANSYS AIM simulation uses proven ANSYS technology packaged in a new intuitive environment, accessible to the entire engineering organization. Its guided simulation process paradigm delivers high levels of automation and provides opportunities for customization to automate engineering best practices.

In May 2014, the Company released the 2014 version of its RedHawk™ software. RedHawk 2014 delivers greater performance, capacity and coverage, as well as sign-off accuracy required to meet the increasing complexity of FinFET-based designs. The new software release incorporates technologies that enable the simulation of more than 100 million instances or over two billion node designs, while maintaining flat simulation accuracy for sign-off.

In addition, it introduces the industry's first integrated chip-package co-simulation and co-analysis solution, increasing the coverage and accuracy of power noise analysis, as well as streamlining the process. RedHawk 2014 is foundry certified for IR-drop and electromigration analysis for the latest process technology.

The Company's total research and development expenses were \$165.4 million, \$151.4 million and \$132.6 million in 2014, 2013 and 2012, respectively, or 17.7%, 17.6% and 16.6% of total revenue, respectively. As of December 31, 2014, the Company's product development staff consisted of approximately 1,000 employees, most of whom hold advanced degrees and have industry experience in engineering, mathematics, computer science or related disciplines. The Company has traditionally invested significant resources in research and development activities and intends to continue to make investments in these areas, particularly as it relates to expanding the capabilities of its flagship products and other products within its broad portfolio of simulation software, the evolution of its ANSYS®

Workbench™ platform, integrated multiphysics, expanding its HPC capabilities, an immersive user interface, robust design and ongoing integration of acquired technology.

PRODUCT QUALITY

The Company's employees generally perform product development tasks according to predefined quality plans, procedures and work instructions. Certain technical support tasks are also subject to a quality process. These plans define for each project the methods to be used, the responsibilities of project participants and the quality objectives to be met. The majority of software products are developed under a quality system that is certified to the ISO 9001:2008 standard. The Company establishes quality plans for its products and services, and subjects product designs to multiple levels of testing and verification in accordance with processes established under the Company's quality system.

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SALES AND MARKETING

The Company distributes and supports its products through a global network of independent channel partners, as well as through its own direct sales offices. This channel partner network provides the Company with a cost-effective, highly specialized channel of distribution and technical support. It also enables the Company to draw on business and technical expertise from a global network, provides relative stability to the Company's operations to offset geography-specific economic trends and provides the Company with an opportunity to take advantage of new geographic markets. The Company derived 24.9%, 25.3% and 26.0% of its total revenue through the indirect sales channel for the years ended December 31, 2014, 2013 and 2012, respectively.

The channel partners sell ANSYS products to new customers, expand installations within the existing customer base, offer training and consulting services, and provide the first line of ANSYS technical support. The Company's channel partner certification process helps to ensure that each channel partner has the ongoing capability to adequately represent the Company's expanding product lines and to provide an acceptable level of training, consultation and customer support.

The Company also has a direct sales management organization in place to develop an enterprise-wide, focused sales approach and to implement a worldwide major account strategy. The sales management organization also functions as a focal point for requests to ANSYS from the channel partners and provides additional support in strategic locations through the presence of direct sales offices.

During 2014, the Company continued to invest in its existing domestic and international strategic sales offices. In total, the Company's direct sales offices comprise 1,300 employees who are responsible for the sales, technical support, consulting services, marketing initiatives and administrative activities designed to support the Company's overall revenue growth and expansion strategies.

The Company's products are utilized by organizations ranging in size from small consulting firms to the world's largest industrial companies. No single customer accounted for more than 5% of the Company's revenue in 2014, 2013 or 2012.

Information with respect to foreign and domestic revenue may be found in Note 17 to the consolidated financial statements in Part IV, Item 15 of this Annual Report on Form 10-K and in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Annual Report on Form 10-K.

STRATEGIC ALLIANCES AND MARKETING RELATIONSHIPS

The Company has established and continues to pursue strategic alliances with advanced technology suppliers, hardware vendors, specialized application developers, and CAD, ECAD and PLM providers. The Company believes that these relationships facilitate accelerated incorporation of advanced technology into the Company's products, provide access to new customers, expand the Company's sales channels, develop specialized product applications and provide direct integration with leading CAD, electronic design automation ("EDA"), product data management and PLM systems.

The Company has technical and marketing relationships with leading CAD vendors, such as Autodesk, Dassault Systèmes, PTC and Siemens Product Lifecycle Management Software, to provide direct links between products. These links facilitate the transfer of electronic data models between the CAD systems and ANSYS products. Similarly, the Company maintains marketing and software development relationships with leading EDA software companies, including Cadence, Synopsys, Mentor Graphics, Zuken and Agilent. These relationships support transfer of data between electronics design and layout packages and the ANSYS electronics simulation portfolio.

The Company has strengthened relationships with leading suppliers of computer hardware, including Intel, AMD, Microsoft, NVIDIA, Hewlett-Packard, IBM, Dell, Cray, Fujitsu and other leading regional resellers and system integrators. These relationships provide the Company with joint marketing opportunities, such as advertising, public relations, editorial coverage and customer events. In addition, these alliances provide the Company with early access and technical collaboration on new and emerging computing technologies, ensuring that the Company's software products are certified to run effectively on the most current hardware platforms. In 2014, an important engagement with Intel occurred in the area of accelerator technology, and parallel scaling to 36,000 cores was demonstrated with Cray and the National Center for Supercomputing Applications.

The Company entered new partnerships with Amazon Web Services, Gcompute, Nimbix, R Systems, Penguin Computing, CPU 24/7 and Atos, pursuing best practices for executing engineering simulation in the Cloud. Supporting this effort, new certifications were introduced for the remote visualization solutions from Microsoft, OpenText, NICE SRL ("NICE") and RealVNC.

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The Company's Enhanced Solution Partner Program actively encourages specialized developers of software solutions to use the Company's technology as a development platform for their applications and provides customers with enhanced functionality related to their use of the Company's software. With over 100 active enhanced solution partnerships, spanning a wide range of technologies, including optimization, electronics, mechanical simulation, fluid simulation and CAD, this partner ecosystem extends the depth and breadth of the Company's technology offerings. Important software engagements in 2014 included extending a topology optimization-focused strategic partnership with Vanderplaats R&D, and expanding the deployment of the Company's development toolkits in response to growing demand from partners, including CoreTech System, Dassault Systèmes, FunctionBay, VirtualMotion and others.

The Company has a software license agreement with Livermore Software Technology Corporation ("LSTC") whereby LSTC has provided LS-DYNA software for explicit dynamics solutions used in applications such as crash test simulations in automotive and other industries. Under this arrangement, LSTC assists in the integration of the LS-DYNA software with the Company's pre- and post-processing capabilities and provides updates and problem resolution in return for royalties from sales of the ANSYS/LS-DYNA combined product.

The Company has a software license agreement with HBM that provides the advanced fatigue capabilities of nCode DesignLife™, a leading durability software from HBM. ANSYS® nCode DesignLife™ technology leverages the open architecture of the ANSYS platform and enables mechanical engineers to more easily address complex product life and durability issues before a prototype is built.

The Company has a software license agreement with NICE that targets the emerging paradigm of data-center-based deployment of simulation. EngineFrame from NICE is bundled with ANSYS EKM and facilitates running interactive ANSYS applications on remote data centers.

COMPETITION

The Company believes that the principal factors affecting sales of its software include ease of use, breadth and depth of functionality, flexibility, quality, ease of integration with other software systems, file compatibility across computer platforms, range of supported computer platforms, performance, price and total cost of ownership, customer service and support, company reputation and financial viability, and effectiveness of sales and marketing efforts.

The Company continues to experience competition across all markets for its products and services. Some of the Company's current and possible future competitors have greater financial, technical, marketing and other resources than the Company, and some have well-established relationships with current and potential customers of the Company. The Company's current and possible future competitors also include firms that have or may in the future elect to compete by means of open source licensing. These competitive pressures may result in decreased sales volumes, price reductions and/or increased operating costs, and could result in lower revenues, margins and net income.

PROPRIETARY RIGHTS AND LICENSES

The Company regards its software as proprietary and relies on a combination of trade secret, copyright, patent and trademark laws, license agreements, nondisclosure and other contractual provisions, and technical measures to protect its proprietary rights in its products. The Company distributes its software products under software license agreements that grant customers nonexclusive licenses, which are typically nontransferable, for the use of the Company's products. License agreements for the Company's products are directly between the Company and end-users. Use of the licensed software product is restricted to specified sites unless the customer obtains a multi-site license for its use of the software product. Software security measures are also employed to prevent unauthorized use of the Company's software products and the licensed software is subject to terms and conditions prohibiting unauthorized reproduction. Customers may purchase a perpetual license of the technology with the right to annually purchase ongoing maintenance, technical support and upgrades, or may lease the product on a fixed-term basis for a fee that includes the license, maintenance, technical support and upgrades.

The Company licenses its software products utilizing a combination of web-based and hard-copy license terms and forms. For certain software products, the Company primarily relies on "click-wrapped" licenses. The enforceability of these types of agreements under the laws of some jurisdictions is uncertain.

The Company also seeks to protect the source code of its software as a trade secret and as unpublished copyrighted work. The Company has obtained federal trademark registration protection for ANSYS and other marks in the U.S. and foreign countries. Additionally, the Company was awarded numerous patents by the U.S. Patent and Trademark Office, and has a number of patent applications pending. To the extent the Company does not choose to seek patent protection for its intellectual property, the Company primarily relies on the protection of its source code as a trade secret.

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

Despite these precautions, there can be no assurance that misappropriation of the Company's technology and proprietary information (including source code) will be prevented. Further, there can be no assurance that copyright, trademark, patent and trade secret protection will be available for the Company's products in certain jurisdictions, or that restrictions on the ability of employees and channel partners to engage in activities competitive with the Company will be enforceable. Costly and time-consuming litigation could be necessary in the future to enforce the Company's rights to its trade secrets and proprietary information or to enforce its patent rights and copyrights, and it is possible that, in the future, the Company's competitors may be able to obtain the Company's trade secrets or to independently develop similar, unpatented technology.

The software development industry is characterized by rapid technological change. Therefore, the Company believes that factors such as the technological and creative skills of its personnel, new product developments, frequent product enhancements, name recognition and reliable product maintenance are also important to establishing and maintaining technology leadership in addition to the various legal protections of its technology that may be available.

The Company does not believe that any of its products infringe upon the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim such infringement by the Company or its licensors or licensees with respect to current or future products. The Company expects that software suppliers will increasingly be subject to the risk of such claims as the number of products and suppliers continues to expand and the functionality of products continues to increase. Any such claims, with or without merit, could be time consuming, result in costly litigation, cause product release delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Company.

SEASONAL VARIATIONS

The Company's business has experienced seasonality, including quarterly reductions in software sales resulting from slowdowns of customer activities during the summer months, particularly in Europe, as well as from the seasonal purchasing and budgeting patterns of the Company's global customers. The Company's revenue is typically highest in the fourth quarter.

DEFERRED REVENUE AND BACKLOG

Deferred revenue consists of billings made or payments received in advance of revenue recognition from software license and maintenance agreements. The deferred revenue on the Company's consolidated balance sheets does not represent the total value of annual or multi-year, noncancellable software license and maintenance agreements. The Company's backlog represents installment billings for periods beyond the current quarterly billing cycle and customer orders received but not processed. The Company's deferred revenue and backlog as of December 31, 2014 and 2013 consisted of the following:

	Balance at December 31, 2014		
(in thousands)	Total	Current	Long-Term
Deferred revenue	\$345,305	\$332,664	\$12,641
Backlog	122,985	41,390	81,595
Total	\$468,290	\$374,054	\$94,236
	Balance at December 31, 2013		
(in thousands)	Total	Current	Long-Term
Deferred revenue	\$317,730	\$309,775	\$7,955
Backlog	91,786	33,446	58,340
Total	\$409,516	\$343,221	\$66,295

Revenue associated with deferred revenue and backlog that will be recognized in the subsequent twelve months is classified as current in the table above.

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As of December 31, 2014, the Company and its subsidiaries had 2,700 employees. At that date, there were also contract personnel and co-op students providing ongoing development services and technical support. Certain employees of the Company are subject to collective bargaining agreements and have local work councils.

ACQUISITIONS

The Company makes targeted acquisitions in order to support its long-term strategic direction, accelerate innovation, provide increased capabilities to its existing products, supply new products and services, expand its customer base and enhance its distribution channels. The following table presents the Company's acquisitions from January 1, 2012 to December 31, 2014.

Date of closing	Company	Details
April 30, 2014	SpaceClaim Corporation	SpaceClaim Corporation ("SpaceClaim"), a leading provider of 3-D modeling technology, was acquired for \$85.0 million. SpaceClaim's software provides customers with a powerful and intuitive 3-D direct modeling solution to author new concepts and then leverage the power of simulation to rapidly iterate on these designs to drive innovation.
January 3, 2014	Reaction Design	Reaction Design, a leading developer of chemistry simulation software, was acquired for \$19.1 million in cash. Reaction Design's solutions enable transportation manufacturers and energy companies to rapidly achieve their clean technology goals by automating the analysis of chemical processes via computer simulation and modeling solutions.
April 2, 2013	EVEN - Evolutionary Engineering AG	EVEN - Evolutionary Engineering AG ("EVEN"), a leading provider of composite analysis and optimization technology relying on cloud computing, was acquired for \$8.1 million. The acquisition strengthens the Company's simulation solutions for composites technology, which has become a standard in manufacturing in a wide range of industries due to its combination of light weight, high strength and outstanding flexibility.
August 1, 2012	Esterel Technologies, S.A.	Esterel Technologies, S.A. ("Esterel"), a leading provider of embedded software simulation solutions for mission critical applications, was acquired for \$58.2 million. Esterel's software enables software and systems engineers to design, simulate and automatically produce certified embedded software, which is the control code built into the electronics in aircraft, rail transportation, automotive, energy systems, medical devices and other industrial products that have central processing units.

For further information on the Company's business combinations, see Note 3 to the consolidated financial statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

AVAILABLE INFORMATION

The Company's website is www.ansys.com. The Company also maintains a presence on social media through its blog at www.ansys-blog.com, Facebook page at www.facebook.com/ANSYSInc, Twitter account at www.twitter.com/ansys_inc and LinkedIn page at www.linkedin.com/company/ansys-inc. The Company makes available on its website, free of charge, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, interactive data files, Current Reports on Form 8-K, reports filed pursuant to Section 16 and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such materials are electronically filed or furnished to the Securities and Exchange Commission ("SEC"). The Company's reports may also be obtained by accessing the EDGAR database of the SEC's website at www.sec.gov. In addition, the Company has posted the charters for its Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Strategy Committee, as well as the Company's Code of Business Conduct and Ethics, Standard Business Practices and Corporate Governance Guidelines on its website. Information posted on the Company's website or social media accounts is not incorporated by reference in this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

Information provided by the Company or its spokespersons, including information contained in this Annual Report on Form 10-K, may from time to time contain forward-looking statements concerning projected financial performance, market and industry sector growth, product development and commercialization or other aspects of future operations. Such statements will be based on the assumptions and expectations of the Company's management at the time such statements are made. The Company cautions investors that its performance (and, therefore, any forward-looking statement) is subject to risks and uncertainties. Various important factors including, but not limited to, the following may cause the Company's future results to differ materially from those projected in any forward-looking statement.

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Global Economic Conditions. The Company's operations and performance depend significantly on foreign and domestic economic conditions. Uncertainty regarding economic conditions may negatively impact the Company as customers defer spending in response to tighter credit, higher unemployment, financial market volatility, government austerity programs, negative financial news, declining valuations of investments and other factors. In addition, certain of the Company's customers' budgets may be constrained and they may be unable to purchase the Company's products at the same level as prior periods. The Company's customers' ability to pay for the Company's products and services may also be impaired, which may lead to an increase in the Company's allowance for doubtful accounts and write-offs of accounts receivable. Since the Company is exposed to the majority of major world markets, uncertainty in any significant market may negatively impact the Company's performance and results, particularly with respect to the Company's largest geographic customer bases. The Company is unable to predict the likely duration and severity of the current economic conditions or the likelihood of additional uncertainty arising in any of the Company's key markets. Should these conditions result in the Company not meeting its revenue growth objectives, the Company's operating results, cash flows and financial condition could be adversely affected.

Decline in Customers' Businesses. The Company's sales are based significantly on end-user demand for products in key industrial sectors. Many of these sectors periodically experience economic declines, which may be exacerbated by other economic factors. These factors may also adversely affect the Company's business by extending sales cycles and reducing revenue. These economic factors may cause the Company's customers to reduce the size of their workforce or cut back on operations and may lead to a reduction in renewals of licenses or maintenance contracts with the Company. The Company's customers may request discounts or extended payment terms on new products or seek to extend payment terms on existing contracts, all of which may cause fluctuations in the Company's future operating results. The Company may not be able to adjust its operating expenses to offset such fluctuations because a substantial portion of the Company's operating expenses is related to personnel, facilities and marketing programs. The level of personnel and related expenses may not be able to be adjusted quickly and is based, in significant part, on the Company's expectation for future revenue.

Risks Associated with International Activities. A majority of the Company's business comes from outside the United States and the Company has customers that supply a wide spectrum of goods and services in virtually all of the world's major economic regions. As the Company continues to expand its sales presence in international regions, the portion of its revenue, expenses, cash, accounts receivable and payment obligations denominated in foreign currencies continues to increase. If any of the foreign economies in which the Company does business deteriorate or suffer periods of uncertainty, the Company's business and performance may be negatively impacted through reduced customer spending, changes in purchasing cycles or timing, reduced access to credit for its customers, or other factors impacting the Company's international sales and collections.

As a result of its increasing international activities, the Company has revenue, expenses, cash, accounts receivable and payment obligations denominated in foreign currencies. As a result, the Company is subject to currency exchange risk. The Company's revenues and operating results are adversely affected when the U.S. Dollar strengthens relative to other currencies and are positively affected when the U.S. Dollar weakens. As a result, changes in currency exchange rates will affect the Company's financial position, results of operations and cash flows. In the event that there are economic declines in countries in which the Company conducts transactions, the resulting changes in currency exchange rates may affect the Company's financial position, results of operations and cash flows. The Company is most impacted by movements in and among the Japanese Yen, Euro, British Pound, Korean Won, Indian Rupee, Russian Rouble and U.S. Dollar. The Company seeks to reduce these risks primarily through its normal operating and treasury activities, but there can be no assurance that it will be successful in reducing these risks.

Additional risks inherent in the Company's international business activities include imposition of government controls; export license requirements; restrictions on the export of critical technology, products and services; the violation of anti-corruption laws and regulations, which are applicable to the Company, by third parties in countries where such conduct may be permissible or commonplace; political and economic instability; trade restrictions; changes in tariffs and taxes; difficulties in staffing and managing international operations; longer accounts receivable payment cycles; and the burdens of complying with a wide variety of foreign laws and regulations. Effective patent, copyright, trademark and trade secret protection may not be available in every foreign country in which the Company sells its

products and services. The Company's business, financial position, results of operations and cash flows could be materially, adversely affected by any of these risks.

Stock Market and Stock Price Volatility. Market prices for securities of software companies have generally been volatile. In particular, the market price of the Company's common stock has been, and may continue to be, subject to significant fluctuations as a result of factors affecting the Company, the software industry or the securities markets in general. Such factors include, but are not limited to, declines in trading price that may be triggered by the Company's failure to meet the expectations of securities analysts and investors. Moreover, the trading price could be subject to additional fluctuations in response to quarter-to-quarter variations in the Company's operating results, material announcements made by the Company or its competitors, conditions in the financial markets or the software industry generally, or other events and factors, many of which are beyond the Company's control.

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Rapidly Changing Technology; New Products; Risk of Product Errors. The Company operates in an industry generally characterized by rapidly changing technology and frequent new product introductions, which can render existing products obsolete or unmarketable. A major factor in the Company's future success will be its ability to anticipate technological changes and to develop and introduce, in a timely manner, enhancements to its existing products, products acquired in acquisitions and new products to meet those changes. If the Company is unable to introduce new products and to respond quickly to industry changes, its business, financial position, results of operations and cash flows could be materially, adversely affected.

The introduction and marketing of new or enhanced products require the Company to manage the transition from existing products in order to minimize disruption in customer purchasing patterns. There can be no assurance that the Company will be successful in developing and marketing, on a timely basis, new products or product enhancements, that its new products will adequately address the changing needs of the marketplace or that it will successfully manage the transition from existing products. Software products as complex as those offered by the Company may contain undetected errors when first introduced, or as new versions are released, and the likelihood of errors is increased as a result of the Company's commitment to the frequency of its product releases. There can be no assurance that errors will not be found in any new or enhanced products after commencement of commercial shipments. Certain products require a higher level of sales and support expertise. The ability of the Company's sales channel, particularly the indirect channel, to obtain this expertise and to sell the new product offerings effectively could have an adverse impact on the Company's sales in future periods. Any of these problems may result in the loss of or delay in customer acceptance, diversion of development resources, damage to the Company's reputation, or increased service and warranty costs, any of which could have a material, adverse effect on the Company's business, financial position, results of operations and cash flows.

Product Quality. The Company has separate quality systems and registrations under the ISO 9001:2008 standard, in addition to other governmental and industrial regulations. The Company's continued compliance with quality standards and favorable outcomes in periodic examinations is important to retain current customers and vital to procure new sales. If the Company was determined not to be compliant with various regulatory or ISO 9001/9000 standards, its certificates of registration could be suspended, requiring remedial action and a time-consuming re-registration process. Product quality issues or failures could result in the Company's reputation becoming diminished, resulting in a material, adverse impact on revenue, operating margins, net income, financial position and cash flows.

Competition. The Company continues to experience competition across all markets for its products and services. Some of the Company's current and possible future competitors have greater financial, technical, marketing and other resources than the Company, and some have well-established relationships with current and potential customers of the Company. The Company's current and possible future competitors also include firms that have or may in the future elect to compete by means of open source licensing. Parties among the Company's current or future strategic alliances may diminish or sever technical, software development and marketing relationships with the Company for competitive purposes. These competitive pressures may result in decreased sales volumes, price reductions and/or increased operating costs, and could result in lower revenues, margins and net income.

Changes in the Company's Pricing Models. The intense competition the Company faces in the sales of its products and services, and general economic and business conditions, can put pressure on the Company to adjust its prices. If the Company's competitors offer deep discounts on certain products or services, or develop products that the marketplace considers more valuable, the Company may need to lower prices or offer discounts or other favorable terms in order to compete successfully. Any such changes may reduce operating margins and could adversely affect operating results. The Company's software license updates and product support fees are generally priced as a percentage of its new software license fees. The Company's competitors may offer lower percentage pricing on product updates and support that could put pressure on the Company to further discount its new license or product support prices.

Any broad-based change to the Company's prices and pricing policies could cause new software license and service revenues to decline or be delayed as its sales force implements and its customers adjust to the new pricing policies. Some of the Company's competitors may bundle software products for promotional purposes or as a long-term pricing strategy or provide guarantees of prices, product implementations or wider geographical license usage provisions. These practices could, over time, significantly constrain the prices that the Company can charge for certain of its

products. If the Company does not adapt its pricing models to reflect changes in customer use of its products or changes in customer demand, the Company's new software license revenues could decrease. Additionally, increased distribution of applications through application service providers, including software-as-a-service providers, may reduce the average price for the Company's products or adversely affect other sales of the Company's products, reducing new software license revenues unless the Company can offset price reductions with volume increases. The increase in open source software distribution may also cause the Company to adjust its pricing models.

Dependence on Senior Management and Key Technical Personnel. The Company's success depends upon the continued services of the Company's senior executives, key technical employees and other employees. Each of the Company's executive

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officers, key technical personnel and other employees could terminate his or her relationship with the Company at any time. The loss of any of the Company's senior executives might significantly delay or prevent the achievement of the Company's business objectives and could materially harm the Company's business and customer relationships.

In addition, because of the highly technical nature of the Company's products, the Company must attract and retain highly skilled engineering and development personnel, many of whom are recruited from outside of the United States. The market for this talent is highly competitive. The Company is limited in its ability to recruit internationally by restrictive domestic immigration laws. If the Company has less success in recruiting and retaining key personnel, the Company's business, reputation and operating results could be materially and adversely affected.

Dependence on Proprietary Technology. The Company's success is highly dependent upon its proprietary technology. The Company generally relies on contracts and the laws of copyrights, patents, trademarks and trade secrets to protect its technology. The Company maintains a trade secrets program, enters into confidentiality agreements with its employees and channel partners, and limits access to and distribution of its software, documentation and other proprietary information. There can be no assurance that the steps taken by the Company to protect its proprietary technology will be adequate to prevent misappropriation of its technology by third parties, or that third parties will not be able to develop similar technology independently. Costly and time-consuming litigation could be necessary to enforce and determine the scope of trade secret rights and related confidentiality and nondisclosure provisions.

Although the Company is not aware that any of its technology infringes upon the rights of third parties, there can be no assurance that other parties will not assert technology infringement claims against the Company or that, if asserted, such claims will not prevail.

Risks Associated with Security of the Company's Products, Source Code and IT Systems. The Company makes significant efforts to maintain and improve the security and integrity of its products, source code, computer systems and data. Despite significant efforts to create security barriers to such programs, it is virtually impossible for the Company to entirely mitigate this risk. There appears to be an increasing number of computer "hackers" developing and deploying a variety of destructive software programs (such as viruses, worms, and the like) that could attack the Company's products and computer systems. Because the techniques used to obtain unauthorized access to networks or to sabotage systems change frequently and generally are not recognized until launched against a target, the Company may be unable to anticipate these techniques or to implement adequate preventative measures. Like all software products, the Company's software is vulnerable to such attacks. The impact of such an attack could disrupt the proper functioning of the Company's software products, cause errors in the output of its customers' work, allow unauthorized access to sensitive, proprietary or confidential information of the Company or its customers and other destructive outcomes. If this were to occur, the Company's reputation may suffer, customers may stop buying its products, it could face lawsuits and potential liability and its financial performance could be negatively impacted.

There is also a danger of industrial espionage, cyber-attacks, misuse, theft of information or assets (including source code), or damage to assets by people who have gained unauthorized access to the Company's facilities, systems or information. Such cybersecurity breaches, misuse or other disruptions could lead to the disclosure of portions of the Company's product source code or other confidential information, improper usage and distribution of its products without compensation, illegal usage of its products which could jeopardize the security of information stored in and transmitted through its computer systems, and theft, manipulation and destruction of private and proprietary data, resulting in defective products and production downtimes. Although the Company actively employs measures to combat unlicensed copying, access and use of software and intellectual property through a variety of techniques, preventing unauthorized use or infringement of the Company's rights is inherently difficult. These events could adversely affect the Company's financial results or could result in significant claims for damages against it.

Participating in lawsuits to protect against any such unauthorized access to, usage of or disclosure of any of the Company's products or any portion of the Company's product source code, or in prosecutions in connection with any such cybersecurity breach, could be costly and time-consuming, and may divert management's attention, adversely affecting the market's perception of the Company and its products.

Policing the unauthorized distribution and use of the Company's products is difficult, and software piracy (including online piracy) is a persistent problem. The proliferation of technology designed to circumvent typical software protection measures used in the Company's products, and the possibility that methods of circumventing the techniques

it employs in its products, may lead to an expansion in piracy or misuse of its products and intellectual property. As a result, and despite the Company's efforts to prevent such activities and to prosecute instances of such activities, the Company may nonetheless lose significant revenue due to illegal use of its software, and management's attention may be diverted to address specific instances of piracy or misuse, or address piracy and misuse in general.

A number of the Company's core processes, such as software development, sales and marketing, customer service and financial transactions, rely on its IT infrastructure and applications. The Company also relies upon third-party products, which are exposed to various security vulnerabilities. Malicious software, sabotage and other cybersecurity breaches of the types discussed above could cause an outage of the Company's infrastructure, which could lead to a substantial denial of service and

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ultimately to production downtime, recovery costs and customer claims. This could have a significant negative impact on the Company's business, financial position, profit or cash flows.

The Company has implemented a number of measures designed to ensure the security of its information, IT resources and other assets. Nonetheless, unauthorized users could gain access to its systems through cyber-attacks and steal, use without authorization, and sabotage the Company's intellectual property and confidential data. Any breach of its IT security, misuse or theft could lead to loss of production, recovery costs or litigation brought by employees, customers or business partners, which could have a significant negative impact on the Company's business, financial position, profit, cash flows and reputation.

Dependence on Channel Partners. The Company continues to distribute a meaningful portion of its products through its global network of independent, regional channel partners. The channel partners sell the Company's software products to new and existing customers, expand installations within the existing customer base, offer consulting services and provide the first line of technical support. Consequently, in certain geographies, the Company is highly dependent upon the efforts of the channel partners. Difficulties in ongoing relationships with channel partners, such as failure to meet performance criteria or to promote the Company's products as aggressively as the Company expects, and differences in the handling of customer relationships, could adversely affect the Company's performance. Additionally, the loss of any major channel partner for any reason, including a channel partner's decision to sell competing products rather than the Company's products, could have a material, adverse effect on the Company. Moreover, the Company's future success will depend substantially on the ability and willingness of its channel partners to continue to dedicate the resources necessary to promote the Company's portfolio of products and to support a larger installed base of the Company's products. If the channel partners are unable or unwilling to do so, the Company may be unable to sustain revenue growth.

During times of significant fluctuations in world currencies, certain channel partners may have solvency issues to the extent that effective hedge transactions are not employed or there is not sufficient working capital. In particular, if the U.S. Dollar strengthens relative to other currencies, certain channel partners who pay the Company in U.S. Dollars may have trouble paying the Company on time or may have trouble distributing the Company's products due to the impact of the currency exchange fluctuation on such channel partner's cash flows. This may impact the Company's ability to distribute its products into certain regions and markets, and may have an adverse effect on the Company's results of operations and cash flows.

Reliance on Perpetual Licenses. Although the Company has historically maintained stable recurring revenue from the sale of software lease licenses and software maintenance subscriptions, it also has relied on sales of perpetual licenses that involve payment of a single, up-front fee and that are more typical in the computer software industry. While revenue generated from software lease licenses and software maintenance subscriptions currently represents a portion of the Company's revenue, to the extent that perpetual license revenue continues to represent a significant percentage of total revenue, the Company's revenue in any period will depend significantly on sales completed during that period. If customer purchasing patterns shift toward a stronger preference for lease licenses and fewer perpetual licenses, there could be a short-term, adverse impact on the Company's revenue and profitability.

In addition, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes most current revenue recognition guidance, including industry-specific guidance. This update, which is effective for reporting periods beginning after December 15, 2016, could affect the timing and amounts of revenue recognized for perpetual licenses, which could have an adverse impact on the Company's revenue and results of operations.

Renewal Rates for Annual Lease and Maintenance Contracts. A substantial portion of the Company's license and maintenance revenue is derived from annual lease and maintenance contracts. These contracts are generally renewed on an annual basis and typically have a high rate of customer renewal. In addition to the recurring revenue base associated with these contracts, a majority of customers purchasing new perpetual licenses also purchase related annual maintenance contracts. If the rate of renewal for these contracts is adversely affected by economic or other factors, the Company's license and maintenance growth will be adversely affected over the term that the revenue for those contracts would have otherwise been recognized. As a result, the Company's business, financial position, results of operations and cash flows may also be adversely impacted during those periods.

Risks Associated with Acquisitions. Historically, the Company has consummated acquisitions in order to support the Company's long-term strategic direction, accelerate innovation, provide increased capabilities to existing products, supply new products and services, expand its customer base and enhance its distribution channels. The Company has completed a number of acquisitions in recent years and expects to make additional acquisitions in the future, but may not be able to identify suitable acquisition candidates or, if suitable candidates are identified, the Company may not be able to complete the business combination on commercially acceptable terms. The process of exploring and pursuing acquisition opportunities may result in devotion of significant management and financial resources.

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Even if the Company is able to consummate acquisitions that it believes will be successful, such transactions present many risks including, among others: failing to achieve anticipated synergies and revenue increases; difficulty incorporating and integrating the acquired technologies or products with the Company's existing product lines; difficulty in coordinating, establishing or expanding sales, distribution and marketing functions, as necessary; disruption of the Company's ongoing business and diversion of management's attention to transition or integration issues; unanticipated and unknown liabilities; the loss of key employees, customers, partners and channel partners of the Company or of the acquired company; and difficulties implementing and maintaining sufficient controls, policies and procedures over the systems, products and processes of the acquired company. If the Company does not achieve the anticipated benefits of its acquisitions as rapidly or to the extent anticipated by the Company's management and financial or industry analysts, there could be a material, adverse effect on the Company's stock price, business, financial position, results of operations or cash flows.

In addition, for companies acquired, limited experience will exist for several quarters following the acquisition relating to how the acquired company's sales pipelines will convert into sales or revenues and the conversion rate post-acquisition may be quite different than the historical conversion rate. Because a substantial portion of the Company's sales are completed in the latter part of a quarter, and its cost structure is largely fixed in the short-term, revenue shortfalls may have a negative impact on the Company's profitability. A delay in a small number of large, new software license transactions could cause the Company's quarterly software license revenues to fall significantly short of its predictions.

Risks Associated with the SpaceClaim and Reaction Design Acquisitions. On April 30, 2014, the Company completed the acquisition of SpaceClaim. Under the terms of the agreement, ANSYS acquired SpaceClaim for a purchase price of \$85.0 million, which was paid almost entirely in cash. On January 3, 2014, the Company completed the acquisition of Reaction Design. Under the terms of the agreement, ANSYS acquired Reaction Design for a purchase price of \$19.1 million in cash. The acquisitions are expected to accelerate development of new and innovative products to the marketplace while lowering design and engineering costs for customers. The Company will need to meet significant challenges to realize the expected benefits and synergies of the acquisitions. These challenges include:

- integrating the management teams, strategies, cultures and operations of the companies;
- retaining and assimilating the key personnel of each company;
- retaining existing customers of each company;
- developing new products and services that utilize the technologies and resources of the companies; and
- creating uniform standards, controls, procedures, policies and information systems.

The accomplishment of these post-acquisition objectives will involve considerable risks, including:

- the loss of key employees that are critical to the successful integration and future operations of the companies;
- the potential disruption of each company's ongoing business and distraction of their respective management teams;
- the difficulty and potential unanticipated expenses of incorporating acquired technology and rights into the Company's products and services;
- potential disruptions in each company's operations, loss of existing customers, loss of key information, expertise or know-how, and unanticipated additional recruitment and training costs;
- possible inconsistencies in standards, controls, procedures and policies that could adversely affect the Company's ability to maintain relationships with customers and employees or to achieve the anticipated benefits of the acquisitions; and
- potential unknown liabilities associated with the acquisitions.

The market price of the Company's common stock may decline as a result of the acquisitions for a number of reasons, including:

- the integration of SpaceClaim and Reaction Design by the Company may be unsuccessful; and
- the Company may not achieve the perceived benefits of the acquisitions as rapidly as or to the extent anticipated by financial or industry analysts.

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If the Company does not succeed in addressing these challenges or any other problems encountered in connection with the acquisitions, its operating results and financial condition could be adversely affected.

Disruption of Operations or Infrastructure Failures. A significant portion of the Company's software development personnel, source code and computer equipment is located at operating facilities in the United States, Canada, India, Japan and throughout Europe. The occurrence of a natural disaster or other unforeseen catastrophe at any of these facilities could cause interruptions in the Company's operations, services and product development activities.

Additionally, if the Company experiences problems that impair its business infrastructure, such as a computer virus, telephone system failure or an intentional disruption of its information technology systems by a third party, these interruptions could have a material, adverse effect on the Company's business, financial position, results of operations, cash flows and the ability to meet financial reporting deadlines. Further, because the Company's sales are not generally linear during any quarterly period, the potential adverse effects resulting from any of the events described above or any other disruption of the Company's business could be accentuated if it occurs close to the end of a fiscal quarter.

Sales Forecasts. The Company makes many operational and strategic decisions based upon short- and long-term sales forecasts. The Company's sales personnel continually monitor the status of all proposals, including the estimated closing date and the value of the sale, in order to forecast quarterly sales. These forecasts are subject to significant estimation and are impacted by many external factors, including global economic conditions and the performance of the Company's customers. A variation in actual sales activity from that forecasted could cause the Company to plan or budget incorrectly and, therefore, could adversely affect the Company's business, financial position, results of operations and cash flows. The Company's management team forecasts macroeconomic trends and developments, and integrates them through long-range planning into budgets, research and development strategies and a wide variety of general management duties. Global economic conditions, and the effect those conditions and other disruptions in global markets have on the Company's customers, may have a significant impact on the accuracy of the Company's sales forecasts. These conditions may increase the likelihood or the magnitude of variations between actual sales activity and the Company's sales forecasts and, as a result, the Company's performance may be hindered because of a failure to properly match corporate strategy with economic conditions. This, in turn, may adversely affect the Company's business, financial position, results of operations and cash flows.

Risks Associated with Significant Sales to Existing Customers. A significant portion of the Company's sales includes follow-on sales to existing customers that invest in the Company's broad suite of engineering simulation software and services. If a significant number of current customers were to become dissatisfied with the Company's products and services, or choose to license or utilize competitive offerings, the Company's follow-on sales, and recurring lease and maintenance revenues, could be materially, adversely impacted, resulting in reduced revenue, operating margins, net income and cash flows.

Periodic Reorganization of Sales Force. The Company relies heavily on its direct sales force. From time to time, the Company reorganizes and makes adjustments to its sales leadership and/or its sales force in response to such factors as management changes, performance issues, market opportunities and other considerations. These changes may result in a temporary lack of sales production and may adversely impact revenue in future quarters. There can be no assurance that the Company will not restructure its sales force in future periods or that the transition issues associated with such a restructuring will not occur.

Income Tax Estimates. The Company makes significant estimates in determining its worldwide income tax provision. These estimates involve complex tax regulations in a number of jurisdictions across the Company's global operations and are subject to many transactions and calculations in which the ultimate tax outcome is uncertain. The final outcome of tax matters could be different than the estimates reflected in the historical income tax provision and related accruals. Such differences could have a material impact on income tax expense and net income in the periods in which such determinations are made.

The amount of income tax paid by the Company is subject to ongoing audits by federal, state and foreign tax authorities. These audits can often result in additional assessments, including interest and penalties. The Company's estimate for liabilities associated with uncertain tax positions is highly judgmental and actual future outcomes may result in favorable or unfavorable adjustments to the Company's estimated tax liabilities, including estimates for

uncertain tax positions, in the period the assessments are made or resolved, audits are closed or when statutes of limitation on potential assessments expire. As a result, the Company's effective tax rate may fluctuate significantly on a quarterly or annual basis.

The Company allocates a portion of its purchase price to goodwill and intangible assets. Impairment charges associated with goodwill are generally not tax-deductible and will result in an increased effective income tax rate in the period the impairment is recorded. The Company has recorded significant deferred tax liabilities related to acquired intangible assets that are not deductible for tax purposes. These deferred tax liabilities are based on future statutory tax rates in the locations in which the intangible assets are recorded. Any future changes in statutory tax rates would be recorded as an adjustment to the deferred tax liabilities in the period the change is announced, and could have a material impact on the Company's effective tax rate during that period.

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Regulatory Compliance. Like all other public companies, the Company is subject to the rules and regulations of the SEC, including those that require the Company to report on and receive an attestation from its independent registered public accounting firm regarding the Company's internal control over financial reporting. Compliance with these requirements causes the Company to incur additional expenses and causes management to divert time from the day-to-day operations of the Company. While the Company anticipates being able to fully comply with these requirements, if it is not able to comply with the Sarbanes-Oxley reporting or attestation requirements relating to internal control over financial reporting, the Company may be subject to sanctions by the SEC or NASDAQ. Such sanctions could divert the attention of the Company's management from implementing its business plan and could have an adverse effect on the Company's business and results of operations.

As the Company's stock is listed on the NASDAQ Global Select Market, the Company is subject to the ongoing financial and corporate governance requirements of NASDAQ. While the Company anticipates being able to fully comply with these requirements, if it is not able to comply, the Company's name may be published on NASDAQ's daily Non-Compliant Companies list until NASDAQ determines that it has regained compliance or the Company no longer trades on NASDAQ. If the Company were unable to return to compliance with the governance requirements of NASDAQ, the Company may be delisted from the NASDAQ Global Select Market, which could have an adverse effect on the market value of the Company's equity securities and the ability to raise additional capital.

Governmental Revenue Sources. The Company's sales to the United States government must comply with Federal Acquisition Regulations. Failure to comply with these regulations could result in penalties being assessed against the Company or an order preventing the Company from making future sales to the United States government. Further, the Company's international activities must comply with the export control laws of the United States and other countries, the Foreign Corrupt Practices Act, the United Kingdom Bribery Act of 2010 and a variety of other laws and regulations of the United States and other countries in which the Company operates. Failure to comply with any of these laws and regulations could adversely affect the Company's business, financial position, results of operations and cash flows.

In certain circumstances, the United States government, state and local governments and their respective agencies, and certain foreign governments may have the right to terminate contractual arrangements at any time, without cause. The United States, European Union and certain other government contracts, as well as the Company's state and local level contracts, are subject to the approval of appropriations or funding authorizations. Certain of these contracts permit the imposition of various civil and criminal penalties and administrative sanctions, including, but not limited to, termination of contracts, refund of a portion of fees received, forfeiture of profits, suspension of payments, fines and suspensions or debarment from future government business, any of which could have an adverse effect on the Company's results of operations and cash flows.

Contingencies. The Company is subject to various investigations, claims and legal proceedings that arise in the ordinary course of business, including commercial disputes, labor and employment matters, tax audits, alleged infringement of intellectual property rights and other matters. Each of these matters is subject to various uncertainties, and it is possible that an unfavorable resolution of one or more of these matters could materially affect the Company's results of operations, cash flows or financial position.

Changes in Existing Financial Accounting Standards. Changes in existing accounting rules or practices, new accounting pronouncements, or varying interpretations of current accounting pronouncements could have a significant, adverse effect on the Company's results of operations or the manner in which the Company conducts its business.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). ASU 2014-09 supersedes most current revenue recognition guidance, including industry-specific guidance. The Company is currently evaluating the effect that implementation of this update will have on its financial results upon adoption. This update will impact the timing and amounts of revenue recognized, including a potential impact on transactions completed prior to adoption, which could have a significant, adverse impact on the Company's results of operations.

In addition, the Company could incur significant costs for changes to its business systems, processes and internal controls as a result of the transition. These costs could have a significant, adverse impact on the Company's results of

operations and cash flows. The transition could also cause management to divert time from the day-to-day operations of the Company, which could impact the Company's business. If the Company is unable to successfully transition its business systems, processes and internal controls before the guidance effective date, it could impact the ability to meet financial reporting deadlines.

Changes in Tax Law. The Company's operations are subject to income and transaction taxes in the United States and in multiple foreign jurisdictions. A change in the tax law in the jurisdictions in which the Company does business, including an increase in tax rates, an adverse change in the treatment of an item of income or expense, or a decrease in tax rates in a jurisdiction in which the Company has significant deferred tax assets, could result in a material increase in tax expense. Currently, a substantial portion of the Company's revenue is generated from customers located outside the United States, and a

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substantial portion of assets are located outside the United States. United States income taxes and foreign withholding taxes have not been provided on undistributed earnings for non-United States subsidiaries to the extent such earnings are considered to be indefinitely reinvested in the operations of those subsidiaries. Changes in existing taxation rules or practices, new taxation rules, or varying interpretations of current taxation practices could have a material, adverse effect on the Company's results of operations or the manner in which the Company conducts its business.

The Company has significant operations in India. There have been court rulings concerning certain Indian tax laws that have been inconsistent with tax positions taken by the Company and inconsistent with the advice provided to the Company by its tax advisors.

An Indian subsidiary of the Company received a formal inquiry after a service tax audit was held in 2011. The Company could incur tax charges and related liabilities, including those related to the service tax audit case, of approximately \$6 million. The service tax issues raised in the Company's notice 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) has passed a ruling favorable to Microsoft. The Company can provide no assurances on whether the Microsoft case's favorable ruling will be challenged in higher courts or on the impact that the Microsoft case's decision will have on the Company's audit case. The Company is uncertain as to when the service tax audit will be completed.

Other court cases are pending in India that could have a material impact on the Company's financial position, results of operations or cash flows if the ultimate outcome of those cases is similarly inconsistent with tax positions taken by the Company.

ITEM 1B. UNRESOLVED STAFF COMMENTS

The Company has received no written comments regarding our periodic or current reports from the staff of the SEC that were issued 180 days or more preceding the end of our fiscal year 2014 and that remain unresolved.

ITEM 2. PROPERTIES

The Company's 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. On September 14, 2012, the Company entered into a lease agreement for this facility, which serves as the Company's new headquarters. The lease was effective as of September 14, 2012, but because the leased premises were under construction, the Company was not obligated to pay rent until January 1, 2015. The term of the lease is 183 months, beginning on October 1, 2014.

The Company leases a 52,000 square foot office facility in San Jose, California. In June 2012, the Company entered into a new lease for this property, with the lease term commencing July 1, 2012 and ending June 30, 2022.

The Company owns: a 94,000 square foot office facility in Lebanon, New Hampshire; a 60,000 square foot office building near its current Canonsburg headquarters; and a 60,000 square foot facility in Pune, India.

The Company and its subsidiaries also lease office space in various locations throughout the world. The Company owns substantially all equipment used in its facilities. Management believes that, in most geographic locations, its facilities allow for sufficient space to support present and future foreseeable needs, including such expansion and growth as the business may require. In other geographic locations, the Company expects that it will be required to expand capacity beyond that which it currently owns or leases.

The Company's properties and equipment are in good operating condition and are adequate for the Company's current needs. The Company does not anticipate difficulty in renewing existing leases as they expire or in finding alternative facilities.

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ITEM 3. LEGAL PROCEEDINGS

The Company is subject to various investigations, claims and legal proceedings that arise in the ordinary course of business, including commercial disputes, labor and employment matters, tax audits, alleged infringement of intellectual property rights and other matters. In the opinion of the Company, the resolution of pending matters is not expected to have a material, adverse effect on the Company's 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, in the future, materially affect the Company's results of operations, cash flows or financial position.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND
5. ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock trades on the NASDAQ Global Select Market tier of the NASDAQ Stock Market under the symbol: "ANSS". The following table sets forth the low and high sale price of the Company's common stock in each of the Company's last eight fiscal quarters.

	Fiscal Quarter Ended 2014		Fiscal Quarter Ended 2013	
	Low Sale Price	High Sale Price	Low Sale Price	High Sale Price
December 31	\$71.09	\$84.87	\$81.20	\$89.42
September 30	\$73.67	\$82.96	\$72.19	\$89.71
June 30	\$71.50	\$78.13	\$70.66	\$81.52
March 31	\$72.10	\$87.15	\$68.33	\$81.55

On January 15, 2015, there were 169 stockholders of record and 90,385 beneficial holders of the Company's common stock.

The Company has not paid cash dividends on its common stock as it has retained earnings primarily for acquisitions, future business opportunities and to repurchase stock when authorized by the Board of Directors and when such repurchase meets the Company's objectives. The Company reviews its policy with respect to the payment of dividends from time to time; however, there can be no assurance that any dividends will be paid in the future.

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Performance Graph

Set forth below is a line graph comparing the yearly percentage change in the cumulative total stockholder return on the Company's common stock, based on the market price of the Company's common stock, with the total return of companies included within the Russell 1000 Index, the NASDAQ Composite Stock Market Index and an industry peer group of four companies (Autodesk, Inc., PTC Inc., Cadence Design Systems, Inc. and Synopsys, Inc.) selected by the Company pursuant to Item 201(e) of Regulation S-K, for the period commencing January 1, 2010 and ending December 31, 2014. The calculation of total cumulative returns assumes a \$100 investment in the Company's common stock, the Russell 1000 Index, the NASDAQ Composite Stock Market Index and the peer group on January 1, 2010, and the reinvestment of all dividends, and accounts for all stock splits. The historical information set forth below is not necessarily indicative of future performance.

ASSUMES \$100 INVESTED ON JANUARY 1, 2010

ASSUMES DIVIDENDS REINVESTED

FIVE FISCAL YEARS ENDING DECEMBER 31, 2014

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Equity Compensation Plan Information as of December 31, 2014

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))
Equity Compensation Plans Approved by Security Holders			
1996 Stock Option and Grant Plan	4,455,436	\$ 50.73	3,537,029
Ansoft Corporation 2006 Stock Incentive Plan	288,669	\$ 37.62	—
Apache Design Solutions, Inc. 2001 Stock/Option Issuance Plan	171,417	\$ 19.08	—
SpaceClaim Corporation 2005 Stock Incentive Plan	16,936	\$ 23.26	—
1996 Employee Stock Purchase Plan	(1)	(2)	265,488
Equity Compensation Plans Not Approved by Security Holders			
None			
Total	4,932,458		3,802,517

(1) The number of shares issuable with respect to the current offering period is not determinable until the end of the period.

(2) The per share purchase price of shares issuable with respect to the current offering period is not determinable until the end of the period.

Unregistered Sale of Equity Securities and Use of Proceeds

None.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under Plans or Programs ⁽¹⁾
October 1 - October 31, 2014	—	—	—	1,568,497
November 1 - November 30, 2014	784,969	\$79.81	784,969	4,215,031
December 1 - December 31, 2014	760,413	82.24	760,413	3,454,618
Total	1,545,382	\$81.00	1,545,382	3,454,618

(1) The Company initially announced its stock repurchase program in February 2000, and subsequently announced various amendments to the program. The most recent amendment to the program, which authorized an increase in the aggregate number of shares available for repurchase to 5,000,000 shares, was approved by the Company's Board of Directors in February 2015. There is no expiration date to this amendment.

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ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data as of and for the last five years. This selected financial data should be read in conjunction with the consolidated financial statements and related notes included in Part IV, Item 15 of this Annual Report on Form 10-K.

	Year Ended December 31,				
(in thousands, except per share data)	2014	2013	2012	2011	2010
Total revenue	\$936,021	\$861,260	\$798,018	\$691,449	\$580,236
Operating income	347,450	321,863	294,253	265,559	219,268
Net income	254,690	245,327	203,483	180,675	153,132
Earnings per share – basic	\$2.77	\$2.65	\$2.20	\$1.96	\$1.69
Weighted average shares – basic	92,067	92,691	92,622	92,120	90,684
Earnings per share – diluted	\$2.70	\$2.58	\$2.14	\$1.91	\$1.64
Weighted average shares – diluted	94,194	95,139	94,954	94,381	93,209
Total assets	\$2,774,103	\$2,722,382	\$2,607,417	\$2,448,470	\$2,126,876
Working capital	645,394	627,165	435,972	301,282	403,264
Long-term liabilities	91,503	145,705	189,739	255,246	285,578
Stockholders' equity	2,217,501	2,136,246	1,940,291	1,754,473	1,529,929
Cash provided by operating activities	385,307	332,983	298,415	307,661	166,884

In the table above, the comparability of information among the years presented is impacted by the Company's acquisitions. The operating results of the Company's acquisitions have been included in the results of operations since their respective acquisition dates. For further information, see the “Acquisitions” section of Management’s Discussion and Analysis in Item 7 and Note 3 to the consolidated financial statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

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ITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF 7. OPERATIONS

Overview

ANSYS, Inc.'s results for the year ended December 31, 2014 reflect growth in revenue of 8.7%, operating income of 7.9% and diluted earnings per share of 4.7% as compared to the year ended December 31, 2013. The Company experienced higher revenue in 2014 from growth in both license and maintenance revenue. The increase in revenue was partially offset by increased operating expenses, including higher salaries and additional operating expenses related to the Company's 2014 acquisitions. The net overall strengthening of the U.S. Dollar resulted in decreased revenue of \$7.6 million and decreased operating income of \$5.1 million during the year ended December 31, 2014 as compared to the year ended December 31, 2013. An \$11.0 million tax benefit in 2013 did not recur in 2014, which adversely impacted earnings per share growth from 2013 to 2014.

The Company's non-GAAP results for the year ended December 31, 2014 reflect growth in revenue of 8.7%, operating income of 6.8% and diluted earnings per share of 4.9% as compared to the year ended December 31, 2013. The non-GAAP results exclude the income statement effects of the acquisition accounting adjustment to deferred revenue, stock-based compensation, acquisition-related amortization of intangible assets and transaction costs related to business combinations. For further disclosure regarding non-GAAP results, see the section titled "Non-GAAP Results" immediately preceding the section titled "Liquidity and Capital Resources".

During the year ended December 31, 2014, the Company repurchased 2,976,885 shares of treasury stock for \$233.8 million at an average price of \$78.54 per share. The Company's financial position includes \$788.8 million in cash and short-term investments, and working capital of \$645.4 million as of December 31, 2014.

On April 30, 2014, the Company completed the acquisition of SpaceClaim, a leading provider of 3-D modeling technology. Under the terms of the agreement, ANSYS acquired SpaceClaim for a purchase price of \$85.0 million, which was paid almost entirely in cash, plus retention vehicles and an adjustment for working capital. The operating results of SpaceClaim have been included in the Company's consolidated financial statements since the date of acquisition.

In February 2014, the Company received a \$26.8 million refund related to its 2009 and 2010 federal income tax returns. The Company received notice from the Internal Revenue Service in 2013 that the Joint Committee on Taxation took no exception to the Company's tax returns that were filed for 2009 and 2010.

On January 3, 2014, the Company completed the acquisition of Reaction Design, a leading developer of chemistry simulation software, for a purchase price of \$19.1 million in cash. The operating results of Reaction Design have been included in the Company's consolidated financial statements from the date of acquisition.

ANSYS develops and globally markets engineering simulation software and services widely used by engineers, designers, researchers and students across a broad spectrum of industries and academia, including aerospace, automotive, materials and chemical processing, turbomachinery, consumer products, electronics, biomedical, energy, defense and others. Headquartered south of Pittsburgh, Pennsylvania, the Company and its subsidiaries employed approximately 2,700 people as of December 31, 2014 and focus on the development of open and flexible solutions that enable users to analyze designs directly on the desktop, providing a common platform for fast, efficient and cost-conscious product development, from design concept to final-stage testing and validation. The Company distributes its ANSYS suite of simulation technologies through a global network of independent channel partners and direct sales offices in strategic, global locations. It is the Company's intention to continue to maintain this hybrid sales and distribution model.

The Company licenses its technology to businesses, educational institutions and governmental agencies. Growth in the Company's revenue is affected by the strength of global economies, general business conditions, currency exchange rate fluctuations, customer budgetary constraints and the competitive position of the Company's products. Please see the sub-sections entitled "Global Economic Conditions," "Decline in Customers' Businesses," "Risks Associated with International Activities," "Rapidly Changing Technology; New Products; Risk of Product Defects" and "Competition" under Item 1A. Risk Factors for a complete discussion of how these factors might impact the Company's financial condition and operating results. The Company believes that the features, functionality and integrated multiphysics capabilities of its software products are as strong as they have ever been. However, the software business is generally

characterized by long sales cycles. These long sales cycles increase the difficulty of predicting sales for any particular quarter. The Company makes many operational and strategic decisions based upon short- and long-term sales forecasts that are impacted not only by these long sales cycles, but also by current global economic conditions. As a result, the Company believes that its overall performance is best measured by fiscal year results rather than by quarterly results. Please see the sub-section entitled "Sales Forecasts" under Item 1A. Risk Factors

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for a complete discussion of the potential impact of the Company's sales forecasts on the Company's financial condition, cash flows and operating results.

The Company's management considers the competition and price pressure that it faces in the short- and long-term by focusing on expanding the breadth, depth, ease of use and quality of the technologies, features, functionality and integrated multiphysics capabilities of its software products as compared to its competitors; investing in research and development to develop new and innovative products and increase the capabilities of its existing products; supplying new products and services; focusing on customer needs, training, consulting and support; and enhancing its distribution channels. From time to time, the Company also considers acquisitions to supplement its global engineering talent, product offerings and distribution channels.

Geographic Trends

In North America, the Company's performance was primarily driven by the aerospace and defense, automotive, automotive electronics and mobile electronics industries. This enabled North America to deliver 9% constant currency revenue growth for the twelve months ended December 31, 2014. Electronics, efficiency and emissions continue to be the major trends driving technology investments in the automotive and ground transportation industries. In addition, the Company continued to see increased interest and investment in high-performance computing across the Company's customer base to accelerate workflows, systems engineering and smart product initiatives across multiple industries. The Company's sales hiring, sales pipeline building and customer engagement activities in North America remain strong, as demand for innovation continues to drive simulation investments across a broad array of industries. Despite ongoing economic and geo-political challenges, Europe delivered 7% constant currency revenue growth for the twelve months ended December 31, 2014. From an industry perspective, the Company experienced growth from various chemicals and metals companies, which are focusing on energy efficiency, sustainability, emissions controls and developing engineered materials. The Company's sales hiring and pipeline-building activities continued to progress, and solid customer renewal rates in Europe remained intact.

The Company's General International Area was the Company's strongest region with revenue growth of 13% in constant currency for the twelve months ended December 31, 2014. Investments by chemicals and metals, commercial aerospace, networking equipment, wireless, power electronics and smart medical device companies drove the performance. Throughout the year, the Company continued to focus and make progress on sales leadership and internal sales improvement initiatives.

Note About Forward-Looking Statements

The following discussion should be read in conjunction with the audited consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K. The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to fair value of stock, bad debts, contract revenue, valuation of goodwill, valuation of intangible assets, income taxes, and contingencies and litigation. The Company bases its estimates on historical experience, market experience, estimated future cash flows and various other assumptions that management believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

This Annual Report on Form 10-K 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, including, but not limited to, the following statements, as well as statements that contain such words as "anticipates", "intends", "believes", "plans" and other similar expressions:

- The Company's intentions regarding its hybrid sales and distribution model.

- The Company's intentions related to investments in research and development, particularly as it relates to expanding the capabilities of its flagship products and other products within its broad portfolio of simulation software, the evolution of its ANSYS® Workbench™ platform, integrated multiphysics, expanding its HPC capabilities, an immersive

user interface, robust design and ongoing integration of acquired technology.

The Company's expectations regarding the accelerated development of new and innovative products to the marketplace while lowering design and engineering costs for customers as a result of the SpaceClaim and Reaction Design acquisitions.

•The Company's statements regarding the impact of global economic conditions.

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• The Company's statement regarding increased exposure to volatility of foreign exchange rates.
 • The Company's expectations regarding the outcome of its service tax audit case.
 • The Company's expectation that it can renew existing leases as they expire or find alternative facilities without difficulty, as needed.
 • The Company's assessment of the ultimate liabilities arising from various investigations, claims and legal proceedings.
 • The Company's statement regarding the strength of the features, functionality and integrated multiphysics capabilities of its software products.
 • The Company's estimates regarding the expected impact on reported revenue related to the acquisition accounting treatment of deferred revenue.
 • The Company's expectation that it will continue to make targeted investments in its global sales and marketing organization and its global business infrastructure to enhance major account sales activities and to support its worldwide sales distribution and marketing strategies, and the business in general.
 • The Company's intention to repatriate previously taxed earnings and to reinvest all other earnings of its non-U.S. subsidiaries.
 • The Company's plans related to future capital spending.
 • The sufficiency of existing cash and cash equivalent balances to meet future working capital and capital expenditure requirements.
 • The Company's belief that the best uses of its excess cash are to invest in the business and repurchase stock in order to both offset dilution and return capital to stockholders in excess of its requirements with the goal of increasing stockholder value.
 • The Company's intentions related to investments in complementary companies, products, services and technologies.
 • The Company's expectations regarding future claims related to indemnification obligations.
 • The Company's estimates regarding total compensation expense associated with granted stock-based awards for future years.
 • The Company's estimation that it is probable that all remaining payments will be made for contingent consideration related to the EVEN acquisition.
 • The Company's assessment of its ability to realize deferred tax assets.
 Except for the service tax audit discussed in Note 19 to the consolidated financial statements included in Part IV, Item 15 of this Annual Report on Form 10-K, the Company's expectation that foreign or state examinations will not result in a material change to the consolidated financial statements.
 Forward-looking statements should not be unduly relied upon because they involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control. The Company's actual results could differ materially from those set forth in the forward-looking statements. Certain factors that might cause such a difference include risks and uncertainties detailed in Item 1A. Risk Factors.

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Acquisitions

Date of closing	Company	Details
April 30, 2014	SpaceClaim Corporation	SpaceClaim, a leading provider of 3-D modeling technology, was acquired for \$85.0 million. SpaceClaim's software provides customers with a powerful and intuitive 3-D direct modeling solution to author new concepts and then leverage the power of simulation to rapidly iterate on these designs to drive innovation.
January 3, 2014	Reaction Design	Reaction Design, a leading developer of chemistry simulation software, was acquired for \$19.1 million in cash. Reaction Design's solutions enable transportation manufacturers and energy companies to rapidly achieve their clean technology goals by automating the analysis of chemical processes via computer simulation and modeling solutions.
April 2, 2013	EVEN - Evolutionary Engineering AG	EVEN, a leading provider of composite analysis and optimization technology relying on cloud computing, was acquired for \$8.1 million. The acquisition strengthens the Company's simulation solutions for composites technology, which has become a standard in manufacturing in a wide range of industries due to its combination of light weight, high strength and outstanding flexibility.
August 1, 2012	Esterel Technologies, S.A.	Esterel, a leading provider of embedded software simulation solutions for mission critical applications, was acquired for \$58.2 million. Esterel's software enables software and systems engineers to design, simulate and automatically produce certified embedded software, which is the control code built into the electronics in aircraft, rail transportation, automotive, energy systems, medical devices and other industrial products that have central processing units.

For further information on the Company's business combinations, see Note 3 to the consolidated financial statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

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Results of Operations

For purposes of the following discussion and analysis, the table below sets forth certain consolidated financial data for the years 2014, 2013 and 2012. The operating results of the Company's acquisitions have been included in the results of operations since their respective acquisition dates.

(in thousands)	Year Ended December 31,		
	2014	2013	2012
Revenue:			
Software licenses	\$564,502	\$528,944	\$501,870
Maintenance and service	371,519	332,316	296,148
Total revenue	936,021	861,260	798,018
Cost of sales:			
Software licenses	30,607	28,363	24,512
Amortization	37,653	38,298	40,889
Maintenance and service	85,126	80,031	74,115
Total cost of sales	153,386	146,692	139,516
Gross profit	782,635	714,568	658,502
Operating expenses:			
Selling, general and administrative	246,376	218,907	205,178
Research and development	165,421	151,439	132,628
Amortization	23,388	22,359	26,443
Total operating expenses	435,185	392,705	364,249
Operating income	347,450	321,863	294,253
Interest expense	(779)) (1,169) (2,661)
Interest income	3,002	2,841	3,360
Other expense, net	(1,534)) (1,046) (1,405)
Income before income tax provision	348,139	322,489	293,547
Income tax provision	93,449	77,162	90,064
Net income	\$254,690	\$245,327	\$203,483

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Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue:

(in thousands, except percentages)	Year Ended December 31,		Change	
	2014	2013	Amount	%
Revenue:				
Lease licenses	\$318,041	\$297,658	\$20,383	6.8
Perpetual licenses	246,461	231,286	15,175	6.6
Software licenses	564,502	528,944	35,558	6.7
Maintenance	346,698	309,085	37,613	12.2
Service	24,821	23,231	1,590	6.8
Maintenance and service	371,519	332,316	39,203	11.8
Total revenue	\$936,021	\$861,260	\$74,761	8.7

The Company's revenue increased 8.7% during the year ended December 31, 2014 as compared to the year ended December 31, 2013, including increases in all major revenue categories. The growth was partially influenced by benefits from the Company's continued investment in its global sales and marketing organization. Revenue from lease licenses increased 6.8% as compared to the prior year due primarily to growth in lease license revenue of power analysis and electronics products. Perpetual license revenue, which is derived primarily from new sales, increased 6.6% as compared to the prior year. Annual maintenance contracts that were sold with new perpetual licenses, along with maintenance contracts sold with new perpetual licenses in previous years, contributed to maintenance revenue growth of 12.2%.

With respect to revenue, on average for the year ended December 31, 2014, the U.S. Dollar was 1.6% stronger, when measured against the Company's primary foreign currencies, than for the year ended December 31, 2013. The net overall strengthening resulted in decreased revenue of \$7.6 million during the year ended December 31, 2014 as compared to the year ended December 31, 2013. The impact on revenue was primarily driven by \$9.8 million of adverse impact due to a weakening Japanese Yen, partially offset by \$1.9 million of favorable impact due to a strengthening British Pound. The net overall strengthening of the U.S. Dollar also resulted in decreased operating income of \$5.1 million during the year ended December 31, 2014 as compared to the year ended December 31, 2013. A substantial portion of the Company's license and maintenance revenue is derived from annual lease and maintenance contracts. These contracts are generally renewed on an annual basis and typically have a high rate of customer renewal. In addition to the recurring revenue base associated with these contracts, a majority of customers purchasing new perpetual licenses also purchase related annual maintenance contracts. As a result of the significant recurring revenue base, the Company's license and maintenance revenue growth rate in any period does not necessarily correlate to the growth rate of new license and maintenance contracts sold during that period. To the extent the rate of customer renewal for lease and maintenance contracts is high, incremental lease contracts, and maintenance contracts sold with new perpetual licenses, will result in license and maintenance revenue growth. Conversely, if the rate of renewal for these contracts is adversely affected by economic or other factors, the Company's license and maintenance growth will be adversely affected over the term that the revenue for those contracts would have otherwise been recognized. International and domestic revenues, as a percentage of total revenue, were 65.8% and 34.2%, respectively, during the year ended December 31, 2014, and 66.1% and 33.9%, respectively, during the year ended December 31, 2013. The Company derived 24.9% and 25.3% of its total revenue through the indirect sales channel for the years ended December 31, 2014 and 2013, respectively.

In valuing deferred revenue on the balance sheets of the Company's recent acquisitions as of their respective acquisition dates, the Company applied the fair value provisions applicable to the accounting for business combinations, resulting in a reduction of deferred revenue as compared to its historical carrying amount. As a result, the Company's post-acquisition revenue will be less than the sum of what would have otherwise been reported by ANSYS and its subsidiaries absent the acquisitions. The impact on reported revenue for the year ended December 31, 2014 was \$5.4 million. The expected impact on reported revenue is \$1.2 million for the year ending December 31, 2015.

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Cost of Sales and Gross Profit:

(in thousands, except percentages)	Year Ended December 31, 2014		2013		Change	
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
Cost of sales:						
Software licenses	\$30,607	3.3	\$28,363	3.3	\$2,244	7.9
Amortization	37,653	4.0	38,298	4.4	(645)	(1.7)
Maintenance and service	85,126	9.1	80,031	9.3	5,095	6.4
Total cost of sales	153,386	16.4	146,692	17.0	6,694	4.6
Gross profit	\$782,635	83.6	\$714,568	83.0	\$68,067	9.5

Software Licenses: The increase in costs of software licenses was primarily due to the following:

• SpaceClaim-related costs of software licenses of \$0.8 million for the period from the acquisition date (April 30, 2014) through December 31, 2014.

• Increased salaries of \$0.6 million.

Amortization: The decrease in amortization expense was primarily due to a net decrease in amortization of acquired technology, partially offset by an increase in trade name amortization.

Maintenance and Service: The increase in maintenance and service costs was primarily due to the following:

• Increased salaries of \$3.0 million.

• Increased third-party technical support of \$1.0 million.

The improvement in gross profit was a result of the increase in revenue offset by a smaller increase in related cost of sales.

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Operating Expenses:

(in thousands, except percentages)	Year Ended December 31, 2014		2013		Change	
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
Operating expenses:						
Selling, general and administrative	\$246,376	26.3	\$218,907	25.4	\$27,469	12.5
Research and development	165,421	17.7	151,439	17.6	13,982	9.2
Amortization	23,388	2.5	22,359	2.6	1,029	4.6
Total operating expenses	\$435,185	46.5	\$392,705	45.6	\$42,480	10.8

Selling, General and Administrative: The increase in selling, general and administrative costs was primarily due to the following:

• Increased salaries, incentive compensation and other headcount-related costs of \$9.8 million, primarily due to an increase in headcount.

• SpaceClaim-related selling, general and administrative costs of \$4.6 million for the period from the acquisition date (April 30, 2014) through December 31, 2014.

• Increased severance costs of \$3.2 million.

• Reaction Design-related selling, general and administrative costs of \$2.3 million for the period from the acquisition date (January 3, 2014) through December 31, 2014.

• Increased third-party commissions of \$2.1 million.

The Company anticipates that it will continue to make targeted investments in its global sales and marketing organization and its global business infrastructure to enhance major account sales activities and to support its worldwide sales distribution and marketing strategies, and the business in general.

Research and Development: The increase in research and development costs was primarily due to the following: