ANSYS INC
Form 10-K
February 28, 2013

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

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012
OR

o 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.)
275 Technology Drive, Canonsburg, PA	15317
(Address of principal executive offices)	(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 ý 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 ý
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 ý 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 ý 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 x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

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

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 29, 2012 as reported on the NASDAQ Global Select Market, was $4,977,000,000. 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, 2013 was 92,939,969 shares.

Documents Incorporated By Reference:

Portions of the Proxy Statement for the Registrant's 2013 Annual Meeting of Stockholders are incorporated by reference into Part III.

ANSYS, Inc.
ANNUAL REPORT ON FORM 10-K FOR FISCAL YEAR 2012
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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, 2012, 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, manufacturing, electronics, biomedical, energy and defense. Headquartered south of Pittsburgh, Pennsylvania, the Company and its subsidiaries employed approximately 2,400 people as of December 31, 2012 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 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.

On August 1, 2012, the Company completed its acquisition of Esterel Technologies, S.A. ("Esterel"), a leading provider of embedded software simulation and automatic generation of certified code solutions for mission critical applications. Under the terms of the acquisition agreement, ANSYS acquired 100% of Esterel for a purchase price of $58.2 million, which included $13.1 million in acquired cash. The acquisition agreement also includes retention provisions for key members of Esterel's management and employees. The Company funded the transaction entirely with existing cash balances. The complementary combination is expected to accelerate development of new and innovative products to the marketplace while lowering design and engineering costs for customers.

The Company's product portfolio consists of the following:

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™.

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 coupled physics interact. ANSYS multiphysics software enables engineers and scientists to simulate the interactions between structural mechanics, heat transfer, fluid flow and electromagnetics all within a single, unified engineering simulation environment.

Structural Mechanics

The Company's structural mechanics 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.

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Fluid Dynamics

The Company's fluid dynamics product suite offers 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 fluid dynamics product suite contains general-purpose computational fluid dynamics software and specialized products to address specific industry applications.

Electromagnetics

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

System Simulation

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.

Apache Design Low-Power Electronic Solutions

The Company's suite of Apache software delivers power analysis and optimization platforms along with comprehensive and integrated methodologies that provide capabilities for managing 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.

Esterel Technologies SCADE® Solutions

The Company's SCADE product suite is a formal, comprehensive solution for developing critical systems and automatic generation of embedded software, supporting the entire development workflow, from requirements analysis and design through verification, implementation and deployment. SCADE solutions easily integrate, allowing for development optimization and increased communication among team members.

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 product 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.

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 structural, fluids, thermal and electromagnetic simulations in a single HPC solution. This product suite decreases the turnaround time for individual simulations, allowing users to consider multiple design ideas and make the right design decisions early in the design cycle.

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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.

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.

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 provides flexible terms of use and more complex analysis suitable for doctoral and post-doctoral research projects. The Company also provides a low-cost, problem-size-limited product suitable for student use at home.

PRODUCT DEVELOPMENT

The Company makes significant investments in research and development and emphasizes accelerated new 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 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”), product lifecycle management (“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 2012, the Company completed the following major product development activities and releases:

- The release of version 14.5 of ANSYS software, which delivers many new and critical multiphysics solutions, enhancements to pre-processing and meshing capabilities, a groundbreaking Chip-Package-System solution, as well as a new parametric HPC licensing model to make design exploration more scalable. The new HPC Parametric Pack amplifies the available licenses for individual applications (pre-processing, meshing, solve, HPC, post-processing), enabling simultaneous execution of multiple design points while consuming just one set of application licenses. With the integration of ANSYS TGrid™ functionalities in the ANSYS Fluent® environment, users of the new release can create higher-fidelity simulation results faster. The release introduces extended fluid-thermal capabilities, such as two-way coupling between fluid simulation and electromagnetic field simulation. The ANSYS Workbench platform supports the efficient coupling of multiple physics models and, when paired with this new feature, users can quickly and accurately predict losses and understand the effects of temperature on material performance in electromechanical devices such as motors and transformers. With the integration of Esterel's SCADE Suite with ANSYS Simplorer® in version 14.5, companies can virtually validate power electronic and mechatronic systems earlier in the design process by simulating the embedded software with the hardware, including electrical, mechanical and fluidic subsystems. This capability increases the design fidelity and boosts confidence that products will perform as expected. The release also further streamlines the design workflow and introduces ANSYS HFSS™ for ECAD.
- The release of ANSYS Academic Student, a new simulation solution derived from ANSYS's successful teaching software. The simulation functionality built into Academic Student provides access to the same solvers and user environment in ANSYS's industry products. The inclusion of structural mechanics, rigid-body dynamics, fluid dynamics and multiphysics solvers addresses the fundamental educational needs of students across many disciplines, such as mechanical, aerospace, civil, chemical, biomedical engineering and physics. Students with multi-core processors on their personal computers (up to a quad-core processor) can also benefit from the software's ability to run

the solvers in parallel, allowing for more advanced simulations.

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- The release of Apache's RedHawk-3DX™, which is designed to meet the power, performance and price demands of low-power mobile, high-performance computing, consumer and automotive electronics. The release improves the accuracy and coverage of dynamic power analysis by providing enhanced logic-handling capabilities. Its new event- and state-propagation technologies with vector-based and VectorLess™ modes utilize both the functional stimulus and statistical probability to determine the switching scenario of the design. The software provides a hierarchical extraction methodology and a re-architected transient simulation engine, delivering up to 40 percent speed improvement without sacrificing sign-off accuracy. The software enables the creation of an accurate, low-drop-out behavioral model for full-chip static and dynamic simulations to help detect and predict excessive load and line regulations.

The Company's total research and development expenses were $132.6 million, $108.5 million and $89.0 million in 2012, 2011 and 2010, respectively, or 16.6%, 15.7% and 15.3% of total revenue, respectively. As of December 31, 2012, the Company's product development staff consisted of approximately 900 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 this area, particularly as it relates to expanding the capabilities of its flagship products and other products within its broad portfolio of simulation software, evolution of its ANSYS Workbench platform, HPC capabilities, robust design and ongoing integration.

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.

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 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. Approximately 26% in 2012, 26% in 2011 and 27% in 2010 of the Company's total revenue was derived through the indirect sales channel.

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. A Vice President of Worldwide Sales and Support heads the Company's sales management organization.

During 2012, the Company continued to invest in its existing domestic and international strategic sales offices. In total, the Company's direct sales offices employ 1,100 employees who are responsible for the sales, technical support, engineering 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 2012, 2011

or 2010.

Information with respect to foreign and domestic revenue may be found in Note 18 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.

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STRATEGIC ALLIANCES AND MARKETING RELATIONSHIPS

The Company has established and continues to pursue strategic alliances with advanced technology suppliers, and marketing relationships with 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, Parametric Technology Corporation and Siemens Product Lifecycle Management Software Inc., 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 established relationships with leading suppliers of computer hardware, including Intel, AMD, Microsoft, NVIDIA, Hewlett-Packard, IBM, Dell, Cray, Mellanox 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. Important 2012 milestones included expanded support for NVIDIA General-Purpose Graphical Processing Units, work with Intel on the Xeon Phi many-core processor and demonstration of extreme parallel scaling in conjunction with Cray.

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 electronics, mechanical simulation, fluid simulation, acoustics, turbomachinery and CAD, this partner ecosystem extends the depth and breadth of the Company's technology offerings.

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.

An improved framework and streamlined workflow for composites modeling was introduced in 2012, leveraging a software license agreement between the Company and Evolutionary Engineering AG, introducing the ability to efficiently create 3-D layered composites from complex geometry and combine them with non-composite parts in global assemblies.

The Company has a software license agreement with SpaceClaim Corporation ("SpaceClaim") that provides direct modeling geometry creation and editing capability through the ANSYS SpaceClaim Direct Modeler application, leveraging the open architecture of the ANSYS platform. SpaceClaim is bundled with a variety of ANSYS products in order to encourage adoption of engineering simulation by engineers involved with early concept phase design work, where simulation can deliver low-cost, high-impact system optimization, upstream of building the first physical prototype.

The Company also 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, all before a prototype is ever built.

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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 in 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. The Company does not always choose to seek patent protection for its intellectual property, as the process of obtaining patent protection is expensive and time consuming. As a result, the Company primarily relies on the protection of its source code as a trade secret.

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 not occur. 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 unpatented technology similar to the Company's.

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

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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 shipment 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 the slowdown 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.

BACKLOG

The Company had a backlog of $55.2 million and $56.3 million of orders received but not invoiced as of December 31, 2012 and 2011, respectively.

EMPLOYEES

As of December 31, 2012, the Company and its subsidiaries had approximately 2,400 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. The Company believes that its relationship with its employees is good.

AVAILABLE INFORMATION

The Company's website is www.ansys.com. 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 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.

Global Economic Conditions. The financial markets in certain geographies continue to experience disruption, including, among other things, volatility in securities prices, diminished liquidity and credit availability, ratings downgrades of certain investments, declining valuations of others and uncertainty regarding governmental fiscal policies. These economic conditions may negatively impact the Company as some of its customers defer purchasing decisions, thereby lengthening the Company's sales cycles. 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. 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. The Company is unable to predict the likely duration and severity of the current economic conditions. Should these economic 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' Business. 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, including the recent global economic conditions. These factors may 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

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size of their workforce or cut back on operations and may lead to a reduction in license renewals or ongoing maintenance contracts with the Company. The Company's customers may also 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. 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 Euro, British Pound, Japanese Yen, Indian Rupee, Korean Won and the 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; 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.

Rapidly Changing Technology; New Products; Risk of Product Defects. 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 or failures 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

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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. The Company's reputation may become 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. 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 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 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 and product implementations. 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 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 copyright, 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 our products, source code and IT systems. We make significant efforts to maintain the security and integrity of our products, source code and computer systems and data. Despite significant efforts to create security barriers to such programs, it is virtually impossible for us 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,

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and the like) that could attack our products and computer systems. Like all software products, our software is vulnerable to such attacks. The impact of such an attack could disrupt the proper functioning of our software products, cause errors in the output of our customers' work, allow unauthorized access to sensitive, proprietary or confidential information of ours or our customers and other destructive outcomes. If this were to occur, our reputation may suffer, customers may stop buying our products, we could face lawsuits and potential liability and our financial performance could be negatively impacted.

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

Policing the unauthorized distribution and use of our products is difficult, and software piracy (including online piracy) is a persistent problem. Although we actively employ measures to combat unlicensed copying, access and use of software and intellectual property through a variety of techniques, preventing unauthorized use or infringement of our rights is inherently difficult. The proliferation of technology designed to circumvent typical software protection measures used in our products, and the possibility that methods of circumventing the techniques we employ in our products, may lead to an expansion in piracy or misuse of our products and intellectual property. As a result, and despite our efforts to prevent such activities and to prosecute instances of such activities, we may nonetheless lose significant revenue due to illegal use of our 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 our core processes, such as software development, sales and marketing, customer service and financial transactions, rely on our IT infrastructure and applications. Malicious software, sabotage and other cybersecurity breaches of the types discussed above could cause an outage of our infrastructure, which could lead to a substantial denial of service and ultimately to production downtime, recovery costs, and customer claims. This could have a significant negative impact on our business, financial position, profit, or cash flows.

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