

# FINAL TRANSCRIPT

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## **ANSS - ANSYS, Inc. Signs Definitive Agreement to Acquire Ansoft Corporation Conference Call**

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## CORPORATE PARTICIPANTS

**Jim Cashman**

*ANSYS, Inc. - President, CEO*

**Maria Shields**

*ANSYS, Inc. - CFO*

**Nick Csendes**

*Ansoft, Inc. - President, CEO*

## PRESENTATION

**Operator**

Good day, everyone. Welcome to the Ansys and Ansoft conference. Today's conference is being recorded at the request the of Ansys and Ansoft. A slide presentation will be provided during the call. If anyone has any objections, you may disconnect at this time.

And now for opening remarks and introductions I'd like to turn the conference over to your host, Mr. Jim Cashman, President and Chief Executive Officer of Ansys Inc. Mr. Cashman, please go ahead.

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**Jim Cashman** - *ANSYS, Inc. - President, CEO*

Good morning, everybody. It's with pleasure, we got an exciting time ahead of us, basically continuing on with the progression that we've had for many years in terms of expanding the role of simulation and its impact on everyday life and our customers products, and with that in mind, we announced this morning signing a definitive agreement to acquire Ansoft Corporation and we wanted to take this time to share with you some of the details of that transaction, as well as explain why, at least in a preliminary fashion, why we're very enthusiastic about this going forward. Now, we will be moving along with a slide deck that in the announcement explained how to get access to and my colleagues here will also give some additional information. With me this morning is Nick Csendes, who is the President and CEO of Ansoft, Inc, we're very pleased to have him with us; and also, the Ansys CFO, Maria Shields. Ad with that, Maria, I'd like to turn it over to you for some of the administrative details as well as some of the additional market information.

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**Maria Shields** - *ANSYS, Inc. - CFO*

Okay, thanks, Jim. Good morning, everyone. This is Maria Shields, CFO of Ansys and we welcome you to the Ansys and Ansoft conference call to discuss our joint announcement this morning. Our press release announcing the transaction was sent out this morning before the market opened, and you can obtain a copy of the press release for those of you who haven't seen it from the website of either Company at either [www.Ansys.Com](http://www.Ansys.Com) or [www.Anssoft.Com](http://www.Anssoft.Com).

Today, giving the prepared remarks, on behalf of Ansys is Jim Cashman, our President and CEO, Nick Csendes, the President and CEO of Ansoft will also provide some prepared remarks on behalf of Ansoft. We will walk through the slide deck that has been made available to everyone to give you a detailed overview of the transaction. We will not be opening the call today for Q&A, as both companies are currently in their quiet period, and so we won't be commenting on either the state of the business or outlook at this time, but we will be both hosting separate earnings calls to update everyone as to our progress as well as our Q1 and Ansoft Q4 results in the May time frame.

Let me caution that in the course of today's call we will be making some forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. There are a number of important factors that could cause actual results or events

Mar. 31. 2008 / 11:30AM, ANSS - ANSYS, Inc. Signs Definitive Agreement to Acquire Ansoft Corporation Conference Call

to differ materially from those indicated by such forward-looking statements. I refer you to this section in this morning's press release titled forward looking Information and of course the most recent filings of both companies with the SEC.

In connection with the proposed transaction, Ansys intends to file a registration statement on Form S-4 with the SEC which will include a prospectus proxy statement of Ansys and Ansoft and other relevant materials in connection with proposed transactions. We urge you all to read the registration statement and any other relevant material when they become available because they contain important information about Ansys and Ansoft and the proposed transaction and related matters. The final joint prospectus proxy statement will be mailed to stockholders of Ansoft. You can obtain free copies of the registration statement and the perspective proxy statement when they become available as well as other filings with the SEC containing information about Ansys and Ansoft without charge from the Investor Relations departments of either Company or from either Company's website as well as the SEC's Internet site.

Ansys/Ansoft and the respective Directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies from the security holders of Ansoft in connection with the merger. Information regarding these participants is available in each Company's annual report and proxy statement, and will be included in the registration statement and joint prospectus proxy. I'll now turn the call over to Jim, the Ansys President and CEO. Jim?

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**Jim Cashman** - ANSYS, Inc. - President, CEO

Okay, well thanks, Maria, and thank all of you for joining us on what we think is a particularly noteworthy occasion. So, again, to repeat, I'm very pleased to announce that Ansys has signed a definitive merger agreement to acquire Ansoft Corporation for approximately \$416 million in cash and 11.1 million shares of Ansys stock, or approximately 832 million creating the leading global provider of best-in-class simulation capabilities with combined trailing 12 month revenues of 485 million. We're very excited about this strategic combination as it creates value and opportunity for all of our major constituency groups. Customers, employees, partners, and stockholders of both companies. We expect that this transaction will be modestly accretive to Ansys non-GAAP earnings in the first full year of combined Operations.

The addition of Ansoft complimentary technology will enable to continue us on the journey that we've been talking about for over 10 years now by expanding the depth and the breadth of simulation capabilities and it plays into expanding our customer interaction and support activities. Now as I mentioned earlier and I think Maria also joining us today for the call is Nick Csendes, President and CEO of Ansoft. Thanks, Nick, for joining us and for all of your efforts and support in helping us bring these two great Pittsburgh based companies together.

So with that in mind let's continue to the slide deck, taking a quick look, we'll go to slide number four titled, Transaction Summary". Under the terms of the agreement, Ansoft stockholders will receive \$16.25 in cash, and 0.4319 shares of Ansys common stock for each share of Ansoft. Based upon the 10 day trailing average closing price of Ansys common stock, the implied value is \$32.50 per Ansoft share, representing an aggregate transaction of 832 million or approximately 416 million in cash and 11.1 shares of Ansoft stock that will be used to fund the transaction. We are currently expecting to close the deal in the second quarter of 2008, of course, subject to the customary closing conditions, regulatory approvals, and Ansoft stockholder approval.

Upon completion of the transaction, Ansoft stockholders will own approximately 12% of the combined Company on a pro forma basis. Also at this time I want to mention that following the closing of the transaction, Dr. Zoltan Cendes, the Founder and Chairman of Ansoft, will join the Ansys Board of Directors. We also have the one important factor working in our favor that should make integration a little less challenging than some of the other transactions that we've done in the past, in that both Ansys and Ansoft headquarters are here in the Pittsburgh area within 15 or so miles of each other. So critical in the face to face meeting and communications particularly as part of the integration efforts so that can easily accommodate those.

If we look at slide five, just Company Highlights is the title, we're enthused about this transaction for a number of reasons. Most notably the way in which our software and maintenance offerings complement one another, but also the relative consistency

Mar. 31. 2008 / 11:30AM, ANSS - ANSYS, Inc. Signs Definitive Agreement to Acquire Ansoft Corporation Conference Call

of the companies visions and cultures, both companies have been singularly devoted to excellence and engineering simulation for many many years. Both have been serving a broad, global industrial base and providing quality software products, maintenance and service and both, most importantly are committed and passionate about what we do and as a result have run viable strong businesses.

Now on slide six, for 2007, Ansys reported record annual non-GAAP revenues of \$387 million, and for the trailing 12 months ended January 31, 2008, Ansoft reported revenues of \$98 million. I just want to take a quick moment for those of you who may not know the Ansoft story to point out that while Ansys is on a calendar year-end, Ansoft has an April 30, year-end, so they're currently in the process of finishing out their 2008 fiscal year.

Now as you can see from the two charts on slide six, they're remarkably similar in a number of important ways. The most notable being consistent long term double digit growth on the top line that translates into strong operating margins and earnings growth. These similarities will serve as a solid foundation for the combined entity as we move ahead. And actually with this, I'd like to turn the call over to Nick Csendes to provide some of his own comments about the transaction as well as to give you a brief overview of the Ansoft business. Nick?

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**Nick Csendes** - Ansoft, Inc. - President, CEO

Thank you, Jim. Before we continue with the slide deck, I would just like to add a few personal comments about today's announcement. This is a very exciting day for the employees, customers, and stockholders of Ansoft. As the engineering simulation software space continues its evolution, it is more critical than ever to have the size, scope, and scale that will enable us as a combined Company to continue to invest in innovation that ultimately results in a very real and measurable benefit to our customers in the form of greater productivity, higher efficiency, and lower cost. Both Ansys and Ansoft have longstanding reputations for consistent performance and solid operating results. By combining our respective companies, we are confident that we can continue to drive operational performance with the ultimate goal of furthering customer and employee satisfaction while also focusing on long term value create for stockholders.

Financially, the two companies have trailing annual revenues of \$485 million and the combined enterprise will have a strong balance sheet and cash flows that should serve as a solid foundation to build from. Ansoft stockholders will be 12% owners of the combined Company and will have the opportunity to participate in the upside that we believe this transaction can create. That is why I and my brother Zol are solidly behind this strategic business combination and why the Ansoft Board of Directors unanimously supports it. We look forward to working with Jim and the Ansys team to complete this transaction and we look forward to the years ahead to realize the value of this merger for the benefit of our respective stakeholders. So I will now move on to slide seven and go through a high level overview of Ansoft.

We believe that Ansoft has world leading technology and high performance EDA simulation software, especially in electromagnetics. Our technology has been developed over the past 25 years and our products are used by over 10,000 electrical engineers at over 2000 companies worldwide, to design state-of-the-art technology products. Products designed using our software include cell phones, networking products, satellite communication systems, integrated circuits and circuit boards, electronic sensors and motors, and many other types of products. Our customer base is diversified across multiple geographies and industries. We have a strong financial profile and have consistently grown both our top and bottom lines over the past five years. Our top line grew at a double digit rate and we expanded our operating margins at an even greater rate. Our operating margin for the 12 months ending January 31, of this year was approximately 37%.

In terms of our products, they fall primarily into two categories. High performance electronic software and electromechanical software. Customers use our high performance electronic software products in the design and manufacturing of tenant systems, high speed interconnects, millimeter wave ICs, radio frequency ICs, RFID tags, and WiMAX ICs amongst others. Electromechanical software is used in the design of electromechanical components including solenoids and transformers, power electronics and drives, automotive systems, as well as many aspects of the aerospace industry. So let me now turn the call back to Jim.

Mar. 31. 2008 / 11:30AM, ANSS - ANSYS, Inc. Signs Definitive Agreement to Acquire Ansoft Corporation Conference Call

**Jim Cashman** - ANSYS, Inc. - President, CEO

Thanks, Nick. Actually I'll ask to you move on to slide eight and we'll spend a few minutes on the strategic rationale, that's the title for slide eight. And the good news for those of you who have been long term followers of Ansys, the fundamentals of the story for the Ansoft acquisition should sound very familiar to what you've heard us say in past acquisitions. This transaction further enhances our vision of simulation driven product development through the addition of world class EDA technology that extends the Ansys multi-physics strategy. The combination will give us a unique opportunity to add complementary physics that address the convergence of the mechanical engineering and the electrical engineering product design and development. It will take simulation to yet a new level, a level that our customers are constantly needing and demanding. Both Ansys and Ansoft have been committed to technology advancement over the years and the combined entity will continue to invest in the range of 15% of revenues across 21 development centers on three continents, allowing us to bring the innovation closer to our customer wherever they are in the globe.

So now on page nine, being close to our customers has been a fundamental passion for both companies historically and I'm encouraged on how complementary our direct presences are and when you couple these with the significant indirect channels, we think we have a powerful capability to bring this technology to broader applications and to better serve our customers. As I've mentioned a number of times and this is a critical aspect as it relates to our go forward plans the Company cultures are very similar in their commitment to serving customers, maintaining long term relationships with employees and partners and in general treating their commitments very seriously. To net it all out we're looking at two companies that share a vision, a passion for technology and base all of this on a solid business model that allows sustainable growth. The revenue growth rates and the solid operating margins of both companies coupled with a strong base of occurring revenues allow for good visibility and the ability to manage the business going forward.

So, if we turn now to slide 10, many of you who are familiar with Ansys have seen this slide in a number of different manifestations. It actually captures the essence of our journey over the last 10 plus years and as you can see the acquisition of Ansoft is yet another milestone that moves us further along the path we have consistently outlined for ourselves. This really fits hand and glove with the vision. The ability to simulate complete systems in the environments they will operate in through our unique approach to multi-physics. This combination also continues to better position us to provide the solutions our customers need to solve their increasing problems and demands.

Now slide 11 kind of an interesting one. A few slides back ago I think I talked about the convergence we're seeing between the world's of mechanical and electrical engineers so if you look at slide 11 this is a great visual that we borrowed from Ansoft, and it kind of helps depict this convergence. We all know that the global challenges around oil and gas consumption are not only real but they're consuming greater and greater amounts of resources to address the problem relative to future alternatives. In this slide you can see the example of a Humvee vehicle, now usually this denotes in most of our minds a rugged mechanical structure that's subjected to harsh environments and rough duty cycles. Upon closer inspection of this chart though, you might notice that there are also a series of even more sophisticated mechanical design issues but also the identification of a series of equally sophisticated electronic ones, those related to control systems, monitoring devices, power distribution, motors, generators and many others. This is the emerging world of today where true virtual prototyping must extend to the entirety of the product to be able to guide the ultimate success of that product, as a further example just consider how hybrid drives and fuel cells and active safety systems have grabbed the headlines in recent times.

On slide 12, you can actually see that while that's just one example, we have a broad customer presence as well as an even more diversified range of customers. This broad diversity, solid installed base and more importantly our open environment will invite partner, channel, academic and commercial customer relationships that help us build for the long term. We know we have to be open flexible system to fit into a wide range of capabilities if we want to fit into our customer environments.

On slide 13, this will give you a little snapshot as you can see on this slide we'll continue to have a very strong combined global presence and the geographic revenue diversification that will continue to be part of the strength of our ongoing business

Mar. 31. 2008 / 11:30AM, ANSS - ANSYS, Inc. Signs Definitive Agreement to Acquire Ansoft Corporation Conference Call

model. In line with the historical Ansys model, North America will make up around 37% on a combined basis, Europe about 36% and GIA now slightly higher at around 27%. Combined, we have the scale, and the reach to be near to and to grow with our customers no matter where they're located in the world.

We think that really this combination and I'll refer you to slide 14 titled, Value for all key constituencies, we think that the combination of Ansys and Ansoft is truly a win-win scenario for all of our key constituencies for customers who provide trusted viable long term partner with a commitment to engineering simulation which has been demonstrated over 37 years and an ability to deliver world class open and flexible solutions to solve their critical problems. For employees, this is a chance to maintain their longstanding dedication and focus on engineering with an even larger company that can provide critical mass, long term stability, and enriched career opportunities. And for the stockholders of both Ansys and Ansoft, this deal is positive not only for the long term but as I mentioned before is expected to be modestly accretive to non-GAAP earnings in the first year of combined Operations.

So, on slide 15, titled, Key Financial Metrics, as you can see, those metrics mostly speak for themselves but let me say that overall, we expect strong revenue growth and strong revenue visibility with just under \$150 million in combined deferred revenues, when combined with our strong cash flow generation to support the pay down of the debt and the strong gross and operating profit margins, we're truly excited about the opportunity this combination affords. Nick, is there anything you'd like to add?

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**Nick Csendes** - Ansoft, Inc. - President, CEO

Yes, thanks, Jim. I would actually like to reinforce what you said, which is that I think it is a combination of two companies that will definitely bring customers what they have been and will continue to be asking for, which is the ability to do their complete design process from structural to fluids to electronics to sending it to their PLM systems without a glitch. I think this combination will definitely push that vision further.

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**Jim Cashman** - ANSYS, Inc. - President, CEO

Okay, thanks, Nick. So now, let me turn it over to Maria for a few comments relative to the financial benefits. Maria?

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**Maria Shields** - ANSYS, Inc. - CFO

Okay, thanks, everyone. And I'll refer you to slide 16 at this point. We're very excited about the opportunity on both the revenue and cost savings fronts. From a revenue point of view, both companies have great installed bases that should serve as a solid platform for not only cross selling but equally as important, up selling. The further expansion of the breadth and depth of the capabilities that the Ansoft portfolio brings to Ansys should also enable us to target an even larger potential user base.

On the cost savings side of the equation very similar to what we just experienced with the integration of the Fluent acquisition, we see an immediate ability to optimize as well as redeploy R&D resources based upon the future direction of the combined Company. We will also identify and target opportunities for efficiencies in the areas of G&A, sales and services, and finally, we will target over time the elimination of redundant infrastructures and facilities where possible, because as we've learned through all the acquisitions that we've done over the years, not only can we experience cost savings but more importantly, we gain an upside from combining the teams into one location where we have overlapped that better enables them to really work and function as a team in their respective locations. Jim?

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**Jim Cashman** - ANSYS, Inc. - President, CEO

Thanks, Maria. Let's move on to slide 17 so moving on to integration. And from an integration perspective, we will as we have done with all of our previous acquisitions, form a team made up of key leaders from both Ansys and Ansoft whose mission it

Mar. 31. 2008 / 11:30AM, ANSS - ANSYS, Inc. Signs Definitive Agreement to Acquire Ansoft Corporation Conference Call

will be to work to bring these two great companies together. Now, while there will always be challenges along the way, we have a shared vision for execution and we foresee minimal disruption to either business as a result of this deal. As long as we keep the best interest of our customers, employees and the stockholders at the core of our thinking we should be able to drive the upside that exists from merging Ansys and Ansoft together. I'd like to remind everyone that while we can begin high level integration planning we cannot begin to implement until the transaction is closed and we are operating as a combined entity.

So in slide 18, basically in summary, I'll just add that first, Ansys has always been committed to a broad range of capabilities supporting the vision of simulation driven product development. As you can see, there are many parallels but that's only part of why this deal makes strategic sense which we've tried to summarize here. The complementary capabilities help us achieve our vision more quickly and the diversity of the customer base allows us the opportunity to provide value in so many new ways, tapping into the historical Ansoft strengths in terms of vertical industry expertise, loyal installed base, and expanded channel capabilities. This combination literally allows us to take simulation to an even higher level.

And in closing, I'd like to thank the Ansys base of loyal customers who continue to grow with us in new ways every day. The expanding array of industry partners and employees of the current and future Ansys team and the reason for the success that we've seen over the years and I'm personally excited and proud to be part of this team, and I look forward to working with Nick and Zol and the other members of the Ansoft team as we focus on building on the strong foundations of our great companies, which is to continue forward delivering innovative solutions to our customers, valuing the incredible pool of the dedicated engineering and technical professionals and partners we have, all with an eye toward delivering stockholder value. I'm confident that today is one more important step in our long journey to industry leadership, innovation, growth, and profitability. So I thank you and we look forward to speaking with all of you in the next few weeks about the outcome of Ansys's Q1 and Ansoft's Q4. Thanks for joining us.

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#### Operator

This does conclude our call. We would like to thank everyone for their participation. Have a great day.

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