ANSYS INC
Form 10-Q
May 02, 2019

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2019

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.)
2600 ANSYS Drive, Canonsburg, PA	**15317**
(Address of principal executive offices)	(Zip Code)

844-462-6797

(Registrant's telephone number, including area code)

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

Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o
Emerging growth company	o		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

o

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

Yes o No x

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

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, $0.01 par value	**ANSS**	**The Nasdaq Global Select Market**

per share

The number of shares of the Registrant's Common Stock, par value $.01 per share, outstanding as of April 26, 2019 was 83,928,433 shares.

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

(in thousands, except share and per share data)	**March 31, 2019 (Unaudited)**	**December 31, 2018 (Audited)**
ASSETS		
Current assets:		
Cash and cash equivalents	**$607,391**	$777,139
Short-term investments	**237**	225
Accounts receivable, less allowance for doubtful accounts of $8,600 and $8,000, respectively	**268,526**	317,700
Other receivables and current assets	**186,657**	216,113
Total current assets	**1,062,811**	1,311,177
Long-term assets:		
Property and equipment, net	**63,301**	61,655
Operating lease right-of-use assets	**99,991**	—
Goodwill	**1,748,228**	1,572,455
Other intangible assets, net	**278,327**	211,272
Other long-term assets	**97,699**	82,775
Deferred income taxes	**21,906**	26,630
Total long-term assets	**2,309,452**	1,954,787
Total assets	**$3,372,263**	$3,265,964
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$11,502**	$7,953
Accrued bonuses and commissions	**20,506**	79,945
Accrued income taxes	**15,694**	8,726
Other accrued expenses and liabilities	**124,818**	99,559
Deferred revenue	**330,890**	328,584
Total current liabilities	**503,410**	524,767
Long-term liabilities:		
Deferred income taxes	**38,370**	30,077
Long-term operating lease liabilities	**87,259**	—
Other long-term liabilities	**58,843**	61,573
Total long-term liabilities	**184,472**	91,650
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value; 2,000,000 shares authorized; zero shares issued or outstanding	**—**	—
Common stock, $.01 par value; 300,000,000 shares authorized; 93,236,023 shares issued	**932**	932
Additional paid-in capital	**824,997**	867,462
Retained earnings	**3,005,641**	2,919,411
Treasury stock, at cost: 9,357,968 and 9,601,670 shares, respectively	**(1,077,252)**	(1,075,879)
Accumulated other comprehensive loss	**(69,937)**	(62,379)
Total stockholders' equity	**2,684,381**	2,649,547
Total liabilities and stockholders' equity	**$3,372,263**	$3,265,964

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

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ANSYS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(in thousands, except per share data)	**Three Months Ended March 31, 2019**	**March 31, 2018**
Revenue:		
Software licenses	**$123,044**	$110,046
Maintenance and service	**194,086**	172,827
Total revenue	**317,130**	282,873
Cost of sales:		
Software licenses	**4,708**	3,911
Amortization	**4,547**	8,786
Maintenance and service	**25,560**	26,341
Total cost of sales	**34,815**	39,038
Gross profit	**282,315**	243,835
Operating expenses:		
Selling, general and administrative	**112,169**	87,809
Research and development	**70,738**	57,530
Amortization	**3,759**	3,435
Total operating expenses	**186,666**	148,774
Operating income	**95,649**	95,061
Interest income	**3,442**	2,285
Other expense, net	**(425)**	(308)
Income before income tax provision	**98,666**	97,038
Income tax provision	**12,436**	12,758
Net income	**$86,230**	$84,280
Earnings per share – basic:		
Earnings per share	**$1.03**	$1.00
Weighted average shares	**83,764**	83,931
Earnings per share – diluted:		
Earnings per share	**$1.01**	$0.98
Weighted average shares	**85,493**	86,152

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

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ANSYS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(in thousands)	**Three Months Ended**	
	March 31, 2019	**March 31, 2018**
Net income	**$86,230**	$84,280
Other comprehensive (loss) income:		
Foreign currency translation adjustments	**(7,558)**	8,243
Comprehensive income	**$78,672**	$92,523

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

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ANSYS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash flows from operating activities:		
Net income	**$86,230**	$84,280
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**17,898**	16,613
Deferred income tax benefit	**(1,387)**	(3,245)
Provision for bad debts	**390**	64
Stock-based compensation expense	**23,800**	15,269
Other	**1,093**	272
Changes in operating assets and liabilities:		
Accounts receivable	**43,983**	22,507
Other receivables and current assets	**28,363**	6,167
Other long-term assets	**(2,516)**	1,189
Accounts payable, accrued expenses and current liabilities	**(54,050)**	(40,009)
Accrued income taxes	**5,999**	(1,807)
Deferred revenue	**2,235**	31,704
Other long-term liabilities	**(460)**	(583)
Net cash provided by operating activities	**151,578**	132,421
Cash flows from investing activities:		
Acquisitions, net of cash acquired	**(244,323)**	—
Capital expenditures	**(6,900)**	(2,933)
Other investing activities	**(460)**	(4,303)
Net cash used in investing activities	**(251,683)**	(7,236)
Cash flows from financing activities:		
Purchase of treasury stock	**(44,856)**	(117,831)
Restricted stock withholding taxes paid in lieu of issued shares	**(32,994)**	(24,333)
Proceeds from shares issued for stock-based compensation	**10,376**	12,759
Other financing activities	**(1,617)**	—
Net cash used in financing activities	**(69,091)**	(129,405)
Effect of exchange rate fluctuations on cash and cash equivalents	**(552)**	8,212
Net (decrease) increase in cash and cash equivalents	**(169,748)**	3,992
Cash and cash equivalents, beginning of period	**777,139**	881,501
Cash and cash equivalents, end of period	**$607,391**	$885,493
Supplemental disclosure of cash flow information:		
Income taxes paid	**$4,832**	$3,402

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

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ANSYS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Three Months Ended March 31, 2019							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total Stockholders' Equity
(in thousands)	Shares	Amount			Shares	Amount		
Balance, January 1, 2019	**93,236**	**$ 932**	**$ 867,462**	**$ 2,919,411**	**9,602**	**$ (1,075,879)**	**$ (62,379)**	**$ 2,649,547**
Treasury shares acquired					**250**	**(44,856)**		**(44,856)**
Stock-based compensation activity			**(42,465)**		**(494)**	**43,483**		**1,018**
Other comprehensive loss							**(7,558)**	**(7,558)**
Net income				**86,230**				**86,230**
Balance, March 31, 2019	**93,236**	**$ 932**	**$ 824,997**	**$ 3,005,641**	**9,358**	**$ (1,077,252)**	**$ (69,937)**	**$ 2,684,381**

	Three Months Ended March 31, 2018							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive (Loss)/Income	Total Stockholders' Equity
(in thousands)	Shares	Amount			Shares	Amount		
Balance, January 1, 2018	93,236	$ 932	$ 873,357	$ 2,316,916	9,044	$ (907,530)	$ (37,844)	$ 2,245,831
Cumulative effect of the ASC 606 adoption				183,132				183,132
Treasury shares acquired					750	(117,831)		(117,831)
Stock-based compensation activity			(39,943)		(492)	43,648		3,705
Other comprehensive income							8,243	8,243
Net income				84,280				84,280
Balance, March 31, 2018	93,236	$ 932	$ 833,414	$ 2,584,328	9,302	$ (981,713)	$ (29,601)	$ 2,407,360

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

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ANSYS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019
(Unaudited)

1. Organization
ANSYS, Inc. (hereafter the Company or 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 and defense, automotive, electronics, semiconductors, energy, materials and chemical processing, turbomachinery, consumer products, healthcare, and sports.
As defined by the accounting guidance for segment reporting, the Company operates as one segment.
Given the integrated approach to the multi-discipline problem-solving needs of the Company's customers, a single sale of software may contain components from multiple product areas and include combined technologies. The Company also has a multi-year product and integration strategy that will result in new, combined products or changes to the historical product offerings. As a result, it is impracticable for the Company to provide accurate historical or current reporting among its various product lines.

2. Accounting Policies
Basis of Presentation
The accompanying unaudited condensed consolidated financial statements have been prepared by ANSYS in accordance with accounting principles generally accepted in the United States for interim financial information for commercial and industrial companies, the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, the accompanying unaudited condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements (and notes thereto) included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 (2018 Form 10-K). The condensed consolidated December 31, 2018 balance sheet presented is derived from the audited December 31, 2018 balance sheet included in the 2018 Form 10-K. In the opinion of management, all adjustments considered necessary for a fair presentation of the financial statements have been included, and all adjustments are of a normal and recurring nature. Operating results for the three months ended March 31, 2019 are not necessarily indicative of the results that may be expected for any future period.
Changes in Accounting Policies
The Company’s accounting policies are described in Note 2, “Accounting Policies,” in the 2018 Form 10-K. Summarized below is the accounting guidance adopted subsequent to December 31, 2018.
Leases: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). The Company adopted ASU 2016-02 and its related amendments (collectively known as Accounting Standards Codification (ASC) 842) on January 1, 2019 using the modified retrospective approach. Results for reporting periods beginning after January 1, 2019 are presented under ASC 842, while prior period amounts are not adjusted and continue to be reported in accordance with ASC 840, *Leases*. ASC 842 requires virtually all leases, other than leases of intangible assets, to be recorded on the balance sheet with a right-of-use (ROU) asset and a corresponding lease liability.
The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed the Company to carry forward its historical assessments of whether a contract contains a lease, lease classification and initial direct costs. In addition, the Company elected the accounting policy to combine the lease and nonlease components as a single component for all asset classes.
The Company determines if an arrangement is a lease at inception. Leases are classified as either operating or finance leases based on certain criteria. This classification determines the timing and presentation of expenses on the income

statement, as well as the presentation of the related cash flows and balance sheet. Operating leases are recorded on the balance sheet as operating lease right-of-use assets, other accrued expenses and liabilities, and long-term operating lease liabilities. The Company currently has no finance leases.

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ROU assets and related liabilities are recorded at lease commencement based on the present value of the lease payments over the expected lease term. Lease payments include future increases unless the increases are based on changes in an index or rate. As the Company's leases do not usually provide an implicit rate, the Company's incremental borrowing rate is used to calculate ROU assets and related liabilities. The incremental borrowing rate is determined based on the Company's estimated credit rating, the term of the lease, the economic environment where the asset resides and full collateralization. The ROU assets and related lease liabilities include optional renewals for which the Company is reasonably certain to exercise; whereas, optional terminations are included unless it is reasonably certain not to be elected.

The adoption of the new standard resulted in the recognition of ROU assets of $90.9 million and lease liabilities of $92.5 million, and corresponding deferred tax assets and liabilities, on the Company's condensed consolidated balance sheet as of January 1, 2019. The adoption had no impact on the Company's condensed consolidated statements of income or cash flows.

Accounting Guidance Issued and Not Yet Adopted

Credit losses: In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). The current guidance requires the allowance for doubtful accounts to be estimated based on an incurred loss model, which considers past and current conditions. ASU 2016-13 requires companies to use an expected loss model that also considers reasonable and supportable forecasts of future conditions. ASU 2016-13 is effective for annual periods beginning after December 15, 2019, including interim periods within that reporting period. Early adoption is permitted for annual periods beginning after December 15, 2018, including interim periods within that reporting period. The standard requires a cumulative-effect adjustment to the balance sheet as of the beginning of the first reporting period in which the guidance is effective. The Company did not early adopt the standard. The Company is currently evaluating the effect that this update will have on its financial results upon adoption.

Implementation cost accounting for cloud computing arrangements: In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* (ASU 2018-15). The standard aligns the accounting for costs incurred to implement a cloud computing arrangement (CCA) that is a service arrangement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. Under ASU 2018-15, an entity would apply Subtopic 350-40 to determine which implementation costs related to a CCA that is a service contract should be capitalized. The standard does not change the accounting for the service component of a CCA. The associated cash flows will be reflected within operating activities. ASU 2018-15 is effective for annual periods beginning after December 15, 2019, including interim periods within that reporting period. Early adoption is permitted, including adoption in any interim period for which financial statements have not been issued. Entities can choose to adopt the new guidance (1) prospectively to eligible costs incurred on or after the date the guidance is first applied or (2) retrospectively. The Company is currently evaluating the effect that this update will have on its financial results upon adoption.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of highly liquid investments such as deposits held at major banks and money market funds. Cash equivalents are carried at cost, which approximates fair value. The Company's cash and cash equivalent balances comprise the following:

	March 31, 2019		**December 31, 2018**	
(in thousands, except percentages)	**Amount**	**% of Total**	**Amount**	**% of Total**
Cash accounts	**$379,831**	**62.5**	$331,084	42.6
Money market funds	**227,560**	**37.5**	446,055	57.4
Total	**$607,391**		$777,139	

The Company's money market fund balances are held in various funds of a single issuer.

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3. Revenue from Contracts with Customers

Disaggregation of Revenue

The following table summarizes revenue:

(in thousands)	Three Months Ended March 31, 2019	March 31, 2018
Revenue:		
Lease licenses	**$69,256**	$48,772
Perpetual licenses	**53,788**	61,274
Software licenses	**123,044**	110,046
Maintenance	**181,461**	163,896
Service	**12,625**	8,931
Maintenance and service	**194,086**	172,827
Total revenue	**$317,130**	$282,873

The Company's software licenses revenue is recognized up front, while maintenance and service revenue is generally recognized over the term of the contract. The Company derived 29.5% and 23.5% of its total revenue through the indirect sales channel for the three months ended March 31, 2019 and 2018, respectively.

Deferred Revenue

Deferred revenue consists of billings made or payments received in advance of revenue recognition from software license and maintenance agreements. The timing of revenue recognition may differ from the timing of billings to customers. Payment terms vary by the type and location of customer and the products or services offered. The time between invoicing and when payment is due is not significant.

The changes in deferred revenue, inclusive of both current and long-term deferred revenue, during the three months ended March 31, 2019 and 2018 were as follows:

(in thousands)	2019	2018
Beginning balance – January 1	**$343,174**	$299,730
Acquired deferred revenue	**2,349**	—
Deferral of revenue	**318,279**	307,978
Recognition of revenue	**(317,130)**	(282,873)
Currency translation	**(2,396)**	4,559
Ending balance – March 31	**$344,276**	$329,394

Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, and includes both deferred revenue and backlog. The Company's backlog represents installment billings for periods beyond the current quarterly billing cycle and customer orders received but not processed. Revenue recognized during the three months ended March 31, 2019 and 2018 included amounts in deferred revenue and backlog at the beginning of the period of $172.6 million and $145.8 million, respectively. Total revenue allocated to remaining performance obligations as of March 31, 2019 will be recognized as revenue as follows:

(in thousands)	
Next 12 months	**$477,092**
Months 13-24	**119,694**
Months 25-36	**44,061**
Thereafter	**31,801**
Total revenue allocated to remaining performance obligations	**$672,648**

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4. Acquisitions

During the three months ended March 31, 2019, the Company acquired 100% of the shares of Granta Design Limited (Granta Design) and Helic, Inc. (Helic) for a combined purchase price of $260.8 million, paid in cash. The acquisition of Granta Design, the premier provider of materials information technology, expands ANSYS' portfolio into this important area, giving customers access to material intelligence, including data that is critical to successful simulations. The acquisition of Helic, the industry-leading provider of electromagnetic crosstalk solutions for systems on chips, combined with ANSYS' flagship electromagnetic and semiconductor solvers, will provide a comprehensive solution for on-chip, 3D integrated circuit and chip-package-system electromagnetics and noise analysis.

The assets and liabilities of Granta Design and Helic have been recorded based upon management's estimates of their fair market values as of each respective date of acquisition. The following tables summarize the fair value of consideration transferred and the fair values of identified assets acquired and liabilities assumed at each respective date of acquisition:

Fair Value of Consideration Transferred:

(in thousands)	**Granta Design**	**Helic**	**Total**
Cash	**$198,723**	**$62,086**	**$260,809**

Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed:

(in thousands)			
Cash	$13,644	$2,842	$16,486
Accounts receivable and other tangible assets	6,926	6,008	12,934
Developed software and core technologies (12 year weighted-average life)	32,445	8,600	41,045
Customer lists (13 year weighted-average life)	20,016	11,500	31,516
Trade names (10 year weighted-average life)	4,579	890	5,469
Accounts payable and other liabilities	(6,176)	(3,477)	(9,653)
Deferred revenue	(1,426)	(923)	(2,349)
Net deferred tax liabilities	(9,822)	(5,049)	(14,871)
Total identifiable net assets	**$60,186**	**$20,391**	**$80,577**
Goodwill	**$138,537**	**$41,695**	**$180,232**

The goodwill, which is not tax-deductible, is attributed to intangible assets that do not qualify for separate recognition, including the assembled workforce of the acquired business and the synergies expected to arise as a result of the acquisitions.

The fair values of the assets acquired and liabilities assumed are based on preliminary calculations. The estimates and assumptions for these items are subject to change as additional information about what was known and knowable at the acquisition date is obtained during the measurement period (up to one year from the acquisition date).

On May 2, 2018, the Company completed the acquisition of 100% of the shares of OPTIS, a premier provider of software for scientific simulation of light, human vision and physics-based visualization, for a purchase price of $291.0 million, paid in cash. The acquisition extends the Company's portfolio into the area of optical simulation to provide comprehensive sensor solutions, covering visible and infrared light, electromagnetics and acoustics for camera, radar and lidar.

The operating results of each acquisition have been included in the Company's condensed consolidated financial statements since each respective date of acquisition. The effects of the business combinations were not material to the Company's consolidated results of operations individually or in the aggregate.

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5. Other Receivables and Current Assets

The Company's other receivables and current assets comprise the following balances:

(in thousands)	**March 31, 2019**	**December 31, 2018**
Receivables related to unrecognized revenue	**$129,917**	$167,144
Income taxes receivable, including overpayments and refunds	**13,662**	13,709
Prepaid expenses and other current assets	**43,078**	35,260
Total other receivables and current assets	**$186,657**	$216,113

Receivables for unrecognized revenue represent the current portion of billings made for customer contracts that have not yet been recognized as revenue.

6. Earnings Per Share

Basic earnings per share (EPS) amounts are computed by dividing earnings by the weighted average number of common shares outstanding during the period. Diluted EPS amounts assume the issuance of common stock for all potentially dilutive equivalents outstanding using the treasury stock method. To the extent stock awards are anti-dilutive, they are excluded from the calculation of diluted EPS.

The details of basic and diluted EPS are as follows:

	Three Months Ended	
(in thousands, except per share data)	**March 31, 2019**	**March 31, 2018**
Net income	**$86,230**	$84,280
Weighted average shares outstanding – basic	**83,764**	83,931
Dilutive effect of stock plans	**1,729**	2,221
Weighted average shares outstanding – diluted	**85,493**	86,152
Basic earnings per share	**$1.03**	$1.00
Diluted earnings per share	**$1.01**	$0.98
Anti-dilutive shares	**—**	—

7. Goodwill and Intangible Assets

The Company's intangible assets and estimated useful lives are classified as follows:

	March 31, 2019		**December 31, 2018**	
(in thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Finite-lived intangible assets:				
Developed software and core technologies (3 – 15 years)	**$450,361**	**$(318,209)**	$410,680	$(314,730)
Customer lists and contract backlog (5 – 15 years)	**238,629**	**(120,682)**	209,031	(117,614)
Trade names (2 – 10 years)	**142,409**	**(114,538)**	137,225	(113,677)
Total	**$831,399**	**$(553,429)**	$756,936	$(546,021)
Indefinite-lived intangible asset:				
Trade name	**$357**		$357	

Amortization expense for the intangible assets reflected above was $8.3 million and $12.2 million for the three months ended March 31, 2019 and 2018, respectively.

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As of March 31, 2019, estimated future amortization expense for the intangible assets reflected above is as follows:

(in thousands)	
Remainder of 2019	**$25,433**
2020	**36,001**
2021	**33,709**
2022	**32,306**
2023	**30,442**
2024	**27,932**
Thereafter	**92,147**
Total intangible assets subject to amortization	**277,970**
Indefinite-lived trade name	**357**
Other intangible assets, net	**$278,327**

The changes in goodwill during the three months ended March 31, 2019 and 2018 were as follows:

(in thousands)	**2019**	**2018**
Beginning balance – January 1	**$1,572,455**	$1,378,553
Acquisitions and adjustments[1]	**181,201**	—
Currency translation	**(5,428)**	905
Ending balance – March 31	**$1,748,228**	$1,379,458

[1] In accordance with the accounting for business combinations, the Company recorded adjustments to goodwill for the effect of changes in the provisional fair values of the assets acquired and liabilities assumed during the measurement period (up to one year from the acquisition date) as the Company obtained new information about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date.

During the first quarter of 2019, the Company completed the annual impairment test for goodwill and the indefinite-lived intangible asset and determined that these assets had not been impaired as of the test date, January 1, 2019. No other events or circumstances changed during the three months ended March 31, 2019 that would indicate that the fair values of the Company's reporting unit and indefinite-lived intangible asset are below their carrying amounts.

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8. Fair Value Measurement

The valuation hierarchy for disclosure of assets and liabilities reported at fair value prioritizes the inputs for such valuations into three broad levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; or
- Level 3: unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value.

The classification of a financial asset or liability within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following tables provide the assets carried at fair value and measured on a recurring basis:

(in thousands)	March 31, 2019	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents	**$227,560**	**$ 227,560**	**$ —**	**$ —**
Short-term investments	**$237**	**$ —**	**$ 237**	**$ —**
Deferred compensation plan investments	**$2,138**	**$ 2,138**	**$ —**	**$ —**

(in thousands)	December 31, 2018	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents	$446,055	$ 446,055	$ —	$ —
Short-term investments	$225	$ —	$ 225	$ —
Deferred compensation plan investments	$1,646	$ 1,646	$ —	$ —

The cash equivalents in the preceding tables represent money market funds, valued at net asset value, with carrying values which approximate their fair values because of their short-term nature.

The short-term investments in the preceding tables represent deposits held by certain foreign subsidiaries of the Company. The deposits have fixed interest rates with original maturities ranging from three months to one year.

The deferred compensation plan investments in the preceding tables represent trading securities held in a rabbi trust for the benefit of the non-employee Directors. These securities consist of mutual funds traded in an active market with quoted prices. As a result, the plan assets are classified as Level 1 in the fair value hierarchy. The plan assets are recorded within other long-term assets on the Company's condensed consolidated balance sheets.

9. Leases

The Company primarily has operating leases for office space and leased cars included in its ROU assets and lease liabilities. 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. The term of the lease is 183 months, which began on October 1, 2014 and expires on December 31, 2029. The lease agreement includes options to renew the contract through August 2044, an option to lease additional space in January 2025 and an option to terminate the lease in December 2025. No options are included in the lease liability as renewal is not reasonably certain. In addition, the Company is reasonably certain it will not terminate the lease agreement. Absent the exercise of options in the lease, the Company's base rent

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(inclusive of property taxes and certain operating costs) is $4.3 million per annum for the first five years of the lease term, $4.5 million per annum for years six through ten and $4.7 million per annum for years eleven through fifteen.
The components of the Company's global lease cost reflected in the condensed consolidated statements of income for the three months ended March 31, 2019 are as follows:

(in thousands)	
Lease liability cost	**$5,285**
Variable lease cost not included in the lease liability[1]	**797**
Total lease cost	**$6,082**

[1] Variable lease cost includes common area maintenance, property taxes, utilities and fluctuations in rent due to a change in an index or rate.
Lease cost totaled $4.9 million for the three months ended March 31, 2018.
Other information related to operating leases for the three months ended March 31, 2019 is as follows:

(in thousands)	
Cash paid for amounts included in the measurement of the lease liability:	
Operating cash flows from operating leases	**$(4,332)**
Right-of-use assets obtained in exchange for new operating lease liabilities	**$13,835**

As of March 31, 2019, the weighted-average remaining lease term of operating leases was 8.0 years, and the weighted-average discount rate of operating leases was 3.3%.
The maturity schedule of the operating lease liabilities as of March 31, 2019 is as follows:

(in thousands)	
Remainder of 2019	**$15,081**
2020	**18,043**
2021	**15,756**
2022	**13,415**
2023	**9,676**
Thereafter	**46,749**
Total future lease payments	**118,720**
Less: Present value adjustment	**(16,195)**
Present value of future lease payments[1]	**$102,525**

[1]Includes the current portion of operating lease liabilities of $15.3 million, which is reflected in other accrued expenses and liabilities in the condensed consolidated balance sheets.
There were no material leases that have been signed but not yet commenced as of March 31, 2019.
The future minimum lease payments under ASC 840, including termination fees, under noncancellable operating leases for office space in effect at December 31, 2018 were as follows:

(in thousands)	
2019	$16,354
2020	12,469
2021	10,177
2022	8,523
2023	6,809
Thereafter	14,267
Total	$68,599

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10. Debt

In February 2019, the Company entered into a credit agreement for a $500 million unsecured revolving credit facility, which includes a $50 million sublimit for the issuance of letters of credit, with Bank of America, N.A. as the Administrative Agent. The revolving credit facility is available for general corporate purposes, including, among others, to finance acquisitions and capital expenditures and becomes payable in full on February 22, 2024.

Borrowings under the revolving credit facility will accrue interest at the Eurodollar rate plus an applicable margin or at the base rate. The base rate is the applicable margin plus the highest of (i) the federal funds rate plus 0.500%, (ii) the Bank of America prime rate and (iii) the Eurodollar rate plus 1.000%. The applicable margin for these borrowings is a percentage per annum based on the lower of (1) a pricing level determined by the Company’s then-current consolidated leverage ratio and (2) a pricing level determined by the Company’s debt ratings (if such debt ratings exist). This results in a margin ranging from 1.125% to 1.750% and 0.125% to 0.750% for the Eurodollar rate and base rate, respectively.

The credit agreement contains customary representations and warranties, affirmative and negative covenants and events of default. The credit agreement also contains a financial covenant requiring the Company and its subsidiaries to maintain a consolidated leverage ratio of indebtedness to earnings before interest, taxes, depreciation and amortization of 3.50 to 1.00 as of the end of any fiscal quarter (for the four-quarter period ending on such date) with an opportunity for a temporary increase in such consolidated leverage ratio to 4.00 to 1.00 upon the consummation of certain qualified acquisitions for which the aggregate consideration is at least $250 million.

The credit agreement will terminate and all amounts owing thereunder will be due and payable on February 22, 2024 unless (i) the commitments are terminated earlier upon the occurrence of certain events, including an event of default, or (ii) the maturity date is further extended upon the Company's request, subject to the agreement of the lenders.

As of March 31, 2019, there were no outstanding borrowings under the credit agreement, and the Company was in compliance with all covenants.

11. Stock Repurchase Program

Under the Company's stock repurchase program, the Company repurchased shares as follows:

(in thousands, except per share data)	**Three Months Ended March 31, 2019**	**March 31, 2018**
Number of shares repurchased	**250**	