

Anticipated Acquisition by Synopsys, Inc. of ANSYS, Inc.

Decision that undertakings might be accepted

ME/7101/24

The Competition and Markets Authority’s decision under section 73A(2) of the Enterprise Act 2002 that undertakings might be accepted, given on 8 January 2025. Full text of the decision published on 3 February 2025.

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties for reasons of commercial confidentiality.

Contents

INTRODUCTION	2
THE UNDERTAKINGS OFFERED.....	2
THE CMA’S PROVISIONAL VIEWS.....	4
CONSULTATION PROCESS.....	5
DECISION	6

INTRODUCTION

1. Synopsys, Inc. (**Synopsys**) has agreed to acquire ANSYS, Inc. (**Ansys**) (the **Merger**). Synopsys and Ansys are together referred to as the **Parties** and, for statements relating to the future, the **Merged Entity**.
2. On 20 December 2024, the Competition and Markets Authority (**CMA**) decided under section 33(1) of the Enterprise Act 2002 (the **Act**) that it is or may be the case that the Merger consists of arrangements that are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation, and that this may be expected to result in a substantial lessening of competition (**SLC**) within a market or markets in the United Kingdom (the **SLC Decision**).
3. On the date of the SLC Decision, the CMA gave notice pursuant to section 34ZA(1)(b) of the Act to the Parties of the SLC Decision. However, the CMA did not refer the Merger for a phase 2 investigation pursuant to section 33(3)(b) on the date of the SLC Decision in order to allow the Parties the opportunity to offer undertakings to the CMA in lieu of such reference for the purposes of section 73(2) of the Act.
4. Pursuant to section 73A(1) of the Act, if a party wishes to offer undertakings for the purposes of section 73(2) of the Act, it must do so within the five working day period specified in section 73A(1)(a) of the Act. Accordingly, on 31 December 2024, the Parties offered undertakings to the CMA for the purposes of section 73(2) of the Act.
5. The CMA now gives notice, pursuant to section 73A(2)(b) of the Act, to the Parties that it considers that there are reasonable grounds for believing that the undertakings offered, or a modified version of them, might be accepted by the CMA under section 73(2) of the Act and that it is considering the offer.

THE UNDERTAKINGS OFFERED

6. Under section 73 of the Act, the CMA may, instead of making a reference, and for the purpose of remedying, mitigating or preventing the SLC concerned or any adverse effect which has or may have resulted from it or may be expected to result from it, accept from such of the merger parties concerned as it considers appropriate undertakings to take such action as it considers appropriate.
7. The SLC Decision found that the Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in the supply of the following products globally:
 - (a) Register-transfer-level (**RTL**) power consumption analysis for digital chips;

- (b) optics software; and
 - (c) photonics software.
8. To address this SLC, the Parties have offered to give the following undertakings in lieu of a reference (the **Proposed Undertakings**):
- (a) In relation to RTL power consumption analysis, Ansys to divest by way of asset transfer the entire global business comprised of researching, developing, distributing, licensing, selling, marketing, commercialising and otherwise making available Ansys' RTL power consumption analysis (**PCA**) product known as PowerArtist (the **PCA Divestment Business**) to Keysight Technologies, Inc. (**Keysight**) or another suitable purchaser. The PCA Divestment Business will include all necessary assets associated with PowerArtist, including commercial contracts, intellectual property (**IP**), software and business records, as well as at least [X] personnel across product management, R&D and application engineering functions. On 21 December 2024, Keysight and Ansys entered into a binding agreement for the sale of the PCA Divestment Business to Keysight, subject to the CMA's approval.
 - (b) In relation to optics software and photonics software, Synopsys to divest by way of asset transfer Synopsys' Optical Solutions Group (the **OSG Divestment Business**), a standalone business unit comprising Synopsys' entire global optics and photonics device design and simulation offerings business to Keysight or another suitable purchaser. The OSG Divestment Business includes the equity interest in [X], Synopsys' optics software products (CODE V, LightTools, LucidShape, ImSym), pipeline [X] software products ([X]), photonic software product (RSoft Photonic Device Tools), all related IP and licences, as well as associated services, customer contracts, personnel and four facilities.¹ On 3 September 2024, Keysight and Synopsys entered into a binding agreement for the sale of the OSG Divestment Business to Keysight, subject to the CMA's approval.
9. Ansys and Synopsys will also offer certain transitional service arrangements to the purchaser for a limited period of time to ensure the continuity of operations.
10. The PCA Divestment Business and the OSG Divestment Business are together referred to as the **Divestment Businesses**.
11. Under the Proposed Undertakings, for each Divestment Business, the Parties have offered to enter into a purchase agreement with a buyer approved by the CMA before the CMA finally accepts the Proposed Undertakings (**Upfront Buyer**

¹ Facilities used wholly or mainly in provision of the OSG Businesses products and services namely: Pasadena, California; Ossining, New York; Hyeres, France; and Paderborn, Germany.

Condition). As noted above, Ansys and Synopsys have each entered into a purchase agreement with Keysight for the sale of the PCA Divestment Business and the OSG Divestment Business respectively, conditional on buyer approval from the CMA.

THE CMA'S PROVISIONAL VIEWS

12. The CMA considers that undertakings in lieu of a reference are appropriate when they are clear-cut and capable of ready implementation. The CMA's starting point when assessing undertakings is to seek an outcome that restores competition to the level that would have prevailed absent the merger.²
13. The CMA believes that the Proposed Undertakings, or a modified version of them, might be acceptable as a suitable remedy to the SLC identified by the CMA, given that they would remove the overlap between the Parties in the supply of RTL power consumption analysis for digital chips, optics software and photonics software globally.
14. Furthermore, the CMA currently considers that the PCA Divestment Business and the OSG Divestment Business includes all assets required to allow Keysight or an alternative suitable purchaser to operate effectively as a global supplier of RTL power consumption analysis and optics software and photonics software respectively.
15. As such, the sale of the Divestment Businesses may result in the replacement of the competitive constraint provided by Ansys in the supply of RTL power consumption analysis (through the sale of the PCA Divestment Business) and Synopsys in the supply of optics software and photonics software (through the sale of the OSG Divestment Business) that would otherwise be lost following the Merger.
16. The CMA therefore currently believes that the Proposed Undertakings are capable of amounting to a sufficiently clear-cut and effective resolution of the CMA's competition concerns.
17. The CMA also believes at this stage that the Proposed Undertakings may be capable of ready implementation. While the Divestment Businesses will need to be carved out from the wider Ansys and Synopsys businesses, the information currently available to the CMA suggests that the OSG Divestment Business already largely operates as a standalone business and that the separation of the assets constituting the PCA Divestment Business from the wider Ansys business would not give rise to material implementation risks.

² [Mergers remedies \(CMA87\)](#), December 2018, Chapter 3 (in particular paragraphs 3.27, 3.28 and 3.30).

18. The Parties have also identified a purchaser, Keysight, that they submit meets the CMA's purchaser suitability criteria, and with whom they have already signed purchase agreements in respect of the Divestment Businesses conditional on the CMA's approval. Both Divestment Businesses have also drawn interest from a variety of other potential purchasers.
19. The Upfront Buyer Condition means that the CMA will only accept the Proposed Undertakings after the Parties have entered into an agreement with a purchaser for each Divestment Business that the CMA considers to be suitable. It also means that, before acceptance, the CMA will consult publicly on the suitability of the proposed purchaser of each Divestment Business, as well as other aspects of the Proposed Undertakings. In order to consider a proposed purchaser as being suitable, the CMA will need to be satisfied that the purchaser suitability criteria in the Remedies Guidance are met.³ These criteria include the requirement that a proposed purchaser has the financial resources, expertise, incentive and intention to maintain and operate the Divestment Business as part of a viable and active business in competition with the Merged Entity in the relevant market(s) and is expected to obtain all necessary approvals and consents.
20. For the reasons set out above, the CMA currently considers that there are reasonable grounds for believing that the Proposed Undertakings, or a modified version of them, might be accepted by the CMA under section 73(2) of the Act.
21. The CMA's decision on whether ultimately to accept the Proposed Undertakings or refer the Merger for a phase 2 investigation will be informed by, among other things, third party views on whether the Proposed Undertakings are suitable to address the competition concerns identified by the CMA. In particular, before ultimately accepting the Proposed Undertakings, the CMA must be confident that the proposed purchaser is effective and credible such that the competitive constraint provided by Ansys (in the supply of RTL power consumption analysis globally) and Synopsys (in the supply of optics software and photonics software globally) that would otherwise be lost following the Merger is replaced to a sufficient extent.

CONSULTATION PROCESS

22. Full details of the undertakings offered will be published in due course when the CMA consults on the undertakings offered as required by Schedule 10 of the Act.⁴

³ [CMA87](#), Chapter 4 (in particular paragraphs 4.30 – 4.34), and Chapter 5 (in particular paragraphs 5.20 – 5.32).

⁴ [CMA87](#), paragraph 4.27–4.28.

DECISION

The CMA therefore considers that there are reasonable grounds for believing that the Proposed Undertakings offered by the Parties, or a modified version of them, might be accepted by the CMA under section 73(2) of the Act. The CMA now has until 5 March 2025 pursuant to section 73A(3) of the Act to decide whether to accept the undertakings, with the possibility to extend this timeframe pursuant to section 73A(4) of the Act to 6 May 2025 if it considers that there are special reasons for doing so. If no undertakings are accepted, the CMA will refer the Merger for a phase 2 investigation pursuant to sections 33(1) and 34ZA(2) of the Act.

Naomi Burgoyne
Senior Director, Mergers
Competition and Markets Authority
8 January 2025