

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

NOTICE UNDER PARAGRAPH 2(1) OF SCHEDULE 10 TO THE ENTERPRISE ACT 2002 (THE ACT) – CONSULTATION ON PROPOSED UNDERTAKINGS IN LIEU OF REFERENCE PURSUANT TO SECTION 73 OF THE ACT.

ME/7101/24

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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**). The text of the SLC Decision is available on the CMA webpages.¹
3. On 31 December 2024, the Parties offered undertakings in lieu of reference to the CMA for the purposes of section 73(2) of the Act.
4. On 8 January 2025, the CMA gave notice to the Parties, pursuant to section 73A(2)(b) of the Act, 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 Parties' offer (the **UIL Provisional Acceptance Decision**).

THE UNDERTAKINGS OFFERED

5. As set out in the SLC Decision, the CMA 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.
6. As set out in the UIL Provisional Acceptance Decision, to address the SLC identified by the CMA the Parties have offered the following undertakings in lieu of a reference:
 - (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**)

¹ See [Synopsys / Ansys merger inquiry - GOV.UK](#).

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.² 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.

7. 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.
8. The PCA Divestment Business and the OSG Divestment Business are together referred to as the **Divestment Businesses**. The text of the undertakings is available on the CMA webpages (the **Proposed Undertakings**).³
9. 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 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.

² 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.

³ See [Synopsys / Ansys merger inquiry - GOV.UK](#).

CMA ASSESSMENT

10. The CMA currently considers that, subject to responses to the consultation required by Schedule 10 of the Act, the Proposed Undertakings will resolve the SLC identified in the SLC Decision in a clear-cut manner, ie the CMA currently does not have material doubts about the overall effectiveness of the Proposed Undertakings or concerns about their implementation.⁴
11. This is because the CMA believes that the Proposed Undertakings, or a modified version of them, would remove the overlap between the Parties in the supply of RTL power consumption analysis for digital chips, optics software and photonics software globally.
12. Furthermore, the CMA currently considers that the PCA Divestment Business and the OSG Divestment Business include all assets required to allow Keysight or an alternative suitable purchaser to operate effectively as a global supplier of RTL power consumption analysis for digital chips, optics software and photonics software respectively.
13. 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 for digital chips (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.
14. The CMA also considers that the Proposed Undertakings would be capable of ready implementation, because 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.
15. 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.
16. The Upfront Buyer Condition means that the CMA would only accept the Proposed Undertakings after the Parties have entered into an agreement with a nominated buyer that the CMA considers to be suitable. The CMA considers that an Upfront

⁴ Merger remedies guidance ([CMA87](#)), December 2018, paragraph 3.28.

Buyer Condition is necessary because the identity of the purchaser will affect the effectiveness of the Proposed Undertakings to remedy the SLC identified in the SLC Decision.

Suitability of the proposed purchaser

17. In approving a purchaser, the CMA's starting position is that it must be confident without undertaking a detailed investigation that the proposed purchaser will restore pre-merger levels of competition:
- (a) The acquisition by the proposed purchaser must remedy, mitigate or prevent the SLC concerned and any adverse effect resulting from it, achieving as comprehensive a solution as is reasonable and practicable.
 - (b) The proposed purchaser should be independent from and have no significant connection to the merger parties that may compromise the purchaser's incentives to compete with the merged entity (eg an equity interest, common significant shareholders, shared directors, reciprocal trading relationships or continuing financial assistance). It may also be appropriate to consider links between the purchaser and other market players.
 - (c) The purchaser must have sufficient capability, including access to appropriate financial resources, expertise (including managerial, operational and technical capability) and assets to enable the divested business to be an effective competitor in the market. This access should be sufficient to enable the divestiture package to continue to develop as an effective competitor.
 - (d) The CMA will wish to satisfy itself that the purchaser has an appropriate business plan and objectives for competing in the relevant market(s), and that the purchaser has the incentive and intention to maintain and operate the divested business as part of a viable and active business in competition with the merged entity and other competitors in the relevant market.
 - (e) Divestiture to the purchaser should not create a realistic prospect of further competition or regulatory concerns.⁵

Keysight

18. Keysight is a publicly-traded, S&P 500 global technology company headquartered in California, USA. Keysight supplies hardware for design, emulation and testing of electronic systems, and also design and test software solutions (including, electronic design automation (known as EDA software)).

⁵ CMA87, Chapter 5, paragraphs 5.20 — 5.27.

19. Subject to the responses to this consultation, and having regard in particular to the criteria set out in paragraph 17 above, the CMA currently considers Keysight to be a suitable purchaser of the Divestment Businesses based on its initial view that:
- (a) The acquisition by Keysight would remedy, mitigate or prevent the SLC concerned and any adverse effect resulting from it, achieving as comprehensive a solution as is reasonable and practicable. This is because the sale of the Divestment Businesses would remove the entire overlap between the Parties in relation to the SLC identified in the SLC Decision and would allow Keysight to compete effectively as a global supplier of (i) RTL power consumption analysis for digital chips; (ii) optics software; and (iii) photonics software.
 - (b) The evidence available to the CMA indicates that Keysight is independent from and does not appear to have any significant connection to Synopsys or Ansys that may compromise its incentives to compete with the Merged Entity if it were to acquire the Divestment Businesses (eg an equity or debt interest, common significant shareholders, or structural links such as shared directors). While there are a number of existing customer-supplier and other forms of commercial arrangements (such as interoperability agreements) between Keysight and the Parties, the CMA does not consider these to be so material to Keysight's business that they would compromise Keysight's incentives to compete with the Merged Entity. The CMA also notes that strategic partnerships in the form of, for example, interoperability agreements are common industry practice in the global software markets in which Keysight and the Parties operate.
 - (c) The evidence available to the CMA indicates that Keysight will have sufficient capability, including access to appropriate financial resources, expertise (including managerial, operational and technical capability) and assets needed to maintain and develop the Divestment Businesses as an effective competitor in the market.
 - (i) Although Keysight is not currently active in the global supply of RTL power consumption analysis for digital chips, Keysight is a significant global supplier of EDA software solutions, and owing to its experience in the overall EDA space, shares several large customers with each of the Divestment Businesses. Similarly, although Keysight is not currently active in the global markets for optics software or photonics software, Keysight has recently entered a neighbouring global market (for photonic chip simulation software), and is familiar to customers of the OSG Divestment Business through its broader EDA activities. Keysight has access to appropriate managerial, operational and technical expertise (including, in the form of R&D capabilities), as well as existing assets and infrastructure worldwide which are likely to enable Keysight

to operate the Divestment Businesses as an effective competitor in the relevant markets.

(ii) In relation to its financial resources, the available evidence to the CMA suggests that Keysight has a credible plan to finance the acquisition of the Divestment Businesses, and concurrently to invest in developing the competitiveness of the Divestment Businesses.

(d) The evidence available to the CMA indicates that Keysight's acquisition of the Divestment Businesses, and continued commitment to the relevant markets, is consistent with its overall strategy, and that therefore Keysight has the incentive and intention to maintain and operate the Divestment Businesses as part of a viable and active business in competition with the Merged Entity and other competitors in the relevant market.

20. The evidence available to the CMA indicates that divestiture to Keysight would not create a realistic prospect of further competition or regulatory concerns, as Keysight does not compete with either of the Divestment Businesses in the relevant markets. Keysight is not active in the field of optics software, photonics software⁶ or RTL power consumption analysis markets, as defined in the SLC Decision.⁷

21. Therefore, subject to responses to this consultation, the CMA currently considers Keysight to be a suitable purchaser of the Divestment Businesses.

PROPOSED DECISION AND NEXT STEPS

22. For the reasons set out above, the CMA currently considers that the Proposed Undertakings and the purchase of the Divestment Businesses by Keysight are, in the circumstances of this case, appropriate to remedy, mitigate or prevent the SLC identified in the SLC Decision and form as comprehensive a solution to these competition concerns as is reasonable and practicable.

23. The CMA therefore gives notice that it proposes to accept the Proposed Undertakings in lieu of a reference of the Merger for a phase 2 investigation. The text of the Proposed Undertakings is available on the CMA web pages.⁸

24. Before reaching a decision as to whether to accept the Proposed Undertakings, the CMA invites interested parties to make their views known to it. The CMA will have regard to any representations made in response to this consultation and may make modifications to the Proposed Undertakings as a result. If the CMA

⁶ As noted above, Keysight has recently entered the market for photonic chip simulation software with its tool Photonic Designer, which the CMA considered as a different market to the photonics software market in the SLC Decision.

⁷ CMA87, Chapter 5, paragraphs 5.20 — 5.27.

⁸ See [Synopsys / Ansys merger inquiry - GOV.UK](#)

considers that any representation necessitates any material change to the Proposed Undertakings, the CMA will give notice of the proposed modifications and publish a further consultation.⁹

25. Representations should be made in writing to the CMA and be addressed to:

Joanne Webb

Email: Joanne.Webb@cma.gov.uk

And

Gulalay Hammad

Email: Gulalay.Hammad@cma.gov.uk

Deadline for comments: 26 February 2025

⁹ Under paragraph 2(4) of Schedule 10 to the Act.