

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **April 24, 2019**

**ASPEN TECHNOLOGY, INC.**

(Exact name of registrant as specified in its charter)

**001-34630**

**Delaware**  
(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

**04-2739697**  
(IRS Employer  
Identification No.)

**20 Crosby Drive, Bedford, MA**  
(Address of principal executive offices)

**01730**  
(Zip Code)

Registrant's telephone number, including area code: **(781) 221-6400**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

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.

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**Item 2.02 Events Results of Operations and Financial Condition.**

On April 24, 2019, we issued a press release announcing financial results for the third quarter of fiscal year 2019, ended March 31, 2019. The full text of the press release issued in connection with this announcement is attached as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Item 2.02, including Exhibit 99.1, shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 except as expressly set forth by specific reference in such a filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

The following exhibit relating to Item 2.02 shall be deemed to be furnished, and not filed:

| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| 99.1               | <a href="#">Press release issued by Aspen Technology, Inc. on April 24, 2019</a> |

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**ASPEN TECHNOLOGY, INC.**

Date: April 24, 2019

By: /s/ Karl E. Johnsen

\_\_\_\_\_  
Karl E. Johnsen

Senior Vice President and Chief Financial Officer



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## **Aspen Technology Announces Financial Results for the Third Quarter of Fiscal 2019**

**Bedford, Mass. - April 24, 2019** - Aspen Technology, Inc. (NASDAQ: AZPN), the asset optimization software company, today announced financial results for its third quarter of fiscal year 2019 ended March 31, 2019.

“AspenTech’s strong third quarter results were highlighted by annual spend growth of 9.7% year-over-year and positive growth contributions from each product suite and geography,” said Antonio Pietri, President and Chief Executive Officer of Aspen Technology. “Our performance benefitted from investments in our strategic growth initiatives in recent quarters, an improving macroeconomic outlook for our Engineering & Construction and upstream customers, and strong execution by the AspenTech team.”

Pietri continued, “Our APM business had a record annual spend quarter as customers increasingly recognized the value predictive and prescriptive maintenance can have in improving their asset operations. We also saw broadening adoption within the APM suite, including the first site licenses for Aspen ProMV, our multivariate analysis solution. We believe our strong APM performance is indicative of the substantial opportunity for the APM suite and our strengthening competitive position in this market.”

### **Third Quarter Fiscal 2019 and Recent Business Highlights**

- Annual spend, which the company defines as the annualized value of all term license and maintenance contracts at the end of the quarter, was approximately \$526 million at the end of the third quarter of fiscal 2019, which increased 9.7% compared to the third quarter of fiscal 2018 and 2.6% sequentially.
- AspenTech repurchased approximately 800,000 shares of its common stock for \$75 million in the third quarter of fiscal 2019.

### **Summary of Third Quarter Fiscal Year 2019 Financial Results**

AspenTech’s total revenue of \$148 million included:

- **License revenue**, which represents the portion of a term license agreement allocated to the initial license, was \$98.5 million in the third quarter of fiscal 2019, compared to \$79.1 million in the third quarter of fiscal 2018.
- **Maintenance revenue**, which represents the portion of the term license agreement related to on-going support and the right to future product enhancements, was \$41.9 million in the third quarter of fiscal 2019, compared to \$40.9 million in the third quarter of fiscal 2018.
- **Services and other revenue** was \$7.6 million in the third quarter of fiscal 2019, compared to \$7.8 million in the third quarter of fiscal 2018.

For the quarter ended March 31, 2019, AspenTech reported income from operations of \$70.8 million, compared to income from operations of \$53.6 million for the quarter ended March 31, 2018.

Net income was \$61.6 million for the quarter ended March 31, 2019, leading to net income per share of \$0.88, compared to net income per share of \$0.61 in the same period last fiscal year.

Non-GAAP income from operations, which adds back the impact of stock-based compensation expense, amortization of intangibles associated with acquisitions and acquisition related fees, was \$78.3 million for the third quarter of fiscal 2019, compared to non-GAAP income from operations of \$59.9 million in the same period last fiscal year. Non-GAAP net income was \$67.5 million, or \$0.96 per share, for the third quarter of fiscal 2019, compared to non-GAAP net income of \$49.0 million, or \$0.67 per share, in the same period last fiscal year. A reconciliation of GAAP to non-GAAP results is presented in the financial tables included in this press release.

AspenTech had cash and marketable securities of \$65.6 million and borrowings of \$220 million at March 31, 2019.

During the third quarter, the company generated \$90.0 million in cash flow from operations and \$89.1 million in free cash flow. Free cash flow is calculated as net cash provided by operating activities adjusted for the net impact of: purchases of property, equipment and leasehold improvements; capitalized computer software development costs, and other nonrecurring items, such as acquisition related payments.

### **Use of Non-GAAP Financial Measures**

This press release contains “non-GAAP financial measures” under the rules of the U.S. Securities and Exchange Commission. Non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles. This non-GAAP information supplements, and is not intended to represent a measure of performance in accordance with, disclosures required by generally accepted accounting principles, or GAAP. Non-GAAP financial measures should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP. A reconciliation of GAAP to non-GAAP results is included in the financial tables included in this press release.

Management considers both GAAP and non-GAAP financial results in managing Aspen Technology’s business. As the result of adoption of new licensing models, management believes that a number of Aspen Technology’s performance indicators based on GAAP, including revenue, gross profit, operating income and net income, should be viewed in conjunction with certain non-GAAP and other business measures in assessing Aspen Technology’s performance, growth and financial condition. Accordingly, management utilizes a number of non-GAAP and other business metrics, including the non-GAAP metrics set forth in this press release, to track Aspen Technology’s business performance. None of these non-GAAP metrics should be considered as an alternative to any measure of financial performance calculated in accordance with GAAP.

### **Conference Call and Webcast**

Aspen Technology will host a conference call and webcast today, April 24, 2019, at 4:30 p.m. (Eastern Time), to discuss the company's financial results for the third quarter fiscal year 2019 as well as the company’s business outlook. The live dial-in number is (833) 713-6081 or (702) 374-0603, conference ID code 4067052. Interested parties may also listen to a live webcast of the call by logging on to the Investor Relations section of Aspen Technology’s website, <http://ir.aspentech.com/events-and-presentations>, and clicking on the “webcast” link. A replay of the call will be archived on Aspen Technology’s website and will also be available via telephone at (855) 859-2056 or (404) 537-3406, conference ID code 4067052, through May 24, 2019.

### **About Aspen Technology**

Aspen Technology (AspenTech) is a leading software supplier for optimizing asset performance. Our products thrive in complex, industrial environments where it is critical to optimize the asset design, operation and maintenance lifecycle. AspenTech uniquely combines decades of process modeling expertise with big data machine learning. Our purpose-built software platform automates knowledge work and builds sustainable competitive advantage by delivering high returns over the entire asset lifecycle. As a result, companies in capital-intensive industries can maximize uptime and push the limits of performance, running their assets safer, greener, longer and faster. Visit [AspenTech.com](http://AspenTech.com) to find out more.

### **Forward-Looking Statements**

The third paragraph of this press release contains forward-looking statements for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results may vary significantly from Aspen Technology’s (AspenTech) expectations based on a number of risks and uncertainties, including, without limitation: AspenTech’s failure to increase usage and product adoption of aspenONE offerings or grow the aspenONE APM business, and failure to continue to provide innovative,

market-leading solutions; the demand for, or usage of, aspenONE software declines for any reason, including declines due to adverse changes in the process or other capital-intensive industries; unfavorable economic and market conditions or a lessening demand in the market for asset process optimization software; risks of foreign operations or transacting business with customers outside the United States; risks of competition and other risk factors described from time to time in AspenTech's periodic reports filed with the Securities and Exchange Commission. AspenTech cannot guarantee any future results, levels of activity, performance, or achievements. AspenTech expressly disclaims any obligation to update forward-looking statements after the date of this press release.

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**Source:** Aspen Technology, Inc.

**ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited in Thousands, Except per Share Data)

|   | Three Months Ended<br>March 31, |                  | Nine Months Ended<br>March 31, |                   |
|---|---------------------------------|------------------|--------------------------------|-------------------|
|   | 2019                            | 2018             | 2019                           | 2018              |
|   | As Adjusted                     |                  | As Adjusted                    |                   |
| <b>Revenue:</b>                             |                                 |                  |                                |                   |
| License                                     | \$ 98,493                       | \$ 79,073        | \$ 255,616                     | \$ 214,938        |
| Maintenance                                 | 41,878                          | 40,897           | 125,955                        | 121,890           |
| Services and other                          | 7,613                           | 7,788            | 21,005                         | 22,947            |
| Total revenue                               | <u>147,984</u>                  | <u>127,758</u>   | <u>402,576</u>                 | <u>359,775</u>    |
| <b>Cost of revenue:</b>                     |                                 |                  |                                |                   |
| License                                     | 1,658                           | 1,279            | 5,142                          | 3,743             |
| Maintenance                                 | 4,962                           | 4,259            | 14,241                         | 13,061            |
| Services and other                          | 7,740                           | 7,238            | 22,943                         | 20,793            |
| Total cost of revenue                       | <u>14,360</u>                   | <u>12,776</u>    | <u>42,326</u>                  | <u>37,597</u>     |
| Gross profit                                | <u>133,624</u>                  | <u>114,982</u>   | <u>360,250</u>                 | <u>322,178</u>    |
| <b>Operating expenses:</b>                  |                                 |                  |                                |                   |
| Selling and marketing                       | 27,410                          | 25,246           | 80,532                         | 72,690            |
| Research and development                    | 20,520                          | 21,584           | 61,893                         | 60,863            |
| General and administrative                  | 14,863                          | 14,533           | 46,246                         | 49,188            |
| Total operating expenses                    | <u>62,793</u>                   | <u>61,363</u>    | <u>188,671</u>                 | <u>182,741</u>    |
| Income from operations                      | 70,831                          | 53,619           | 171,579                        | 139,437           |
| Interest income                             | 6,835                           | 6,304            | 21,389                         | 18,849            |
| Interest (expense)                          | (2,350)                         | (1,485)          | (6,328)                        | (3,952)           |
| Other (expense), net                        | (34)                            | (104)            | (485)                          | (958)             |
| Income before income taxes                  | 75,282                          | 58,334           | 186,155                        | 153,376           |
| Provision for (benefit from) income taxes   | 13,695                          | 13,829           | 27,286                         | (63,681)          |
| Net income                                  | <u>\$ 61,587</u>                | <u>\$ 44,505</u> | <u>\$ 158,869</u>              | <u>\$ 217,057</u> |
| <b>Net income per common share:</b>         |                                 |                  |                                |                   |
| Basic                                       | \$ 0.89                         | \$ 0.62          | \$ 2.26                        | \$ 3.00           |
| Diluted                                     | \$ 0.88                         | \$ 0.61          | \$ 2.23                        | \$ 2.97           |
| <b>Weighted average shares outstanding:</b> |                                 |                  |                                |                   |
| Basic                                       | 69,423                          | 71,828           | 70,286                         | 72,402            |
| Diluted                                     | 70,160                          | 72,663           | 71,142                         | 73,136            |

**ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited in Thousands, Except Share and Per Share Data)

|  | <b>March 31,<br/>2019</b> | <b>June 30,<br/>2018</b> |
|--|---------------------------|--------------------------|
|  |                           | <b>As Adjusted</b>       |
| <b>ASSETS</b>  |                           |                          |
| Current assets:  |                           |                          |
| Cash and cash equivalents  | \$ 65,592                 | \$ 96,165                |
| Accounts receivable, net   | 45,293                    | 41,810                   |
| Current contract assets  | 314,745                   | 304,378                  |
| Contract costs   | 24,325                    | 20,500                   |
| Prepaid expenses and other current assets  | 11,124                    | 10,509                   |
| Prepaid income taxes   | 1,573                     | 2,601                    |
| <b>Total current assets</b>  | <b>462,652</b>            | <b>475,963</b>           |
| Property, equipment and leasehold improvements, net  | 7,589                     | 9,806                    |
| Computer software development costs, net   | 1,452                     | 646                      |
| Goodwill   | 73,534                    | 75,590                   |
| Intangible assets, net   | 31,756                    | 35,310                   |
| Non-current contract assets  | 358,709                   | 340,622                  |
| Deferred tax assets  | 1,696                     | 11,090                   |
| Other non-current assets   | 1,279                     | 1,297                    |
| <b>Total assets</b>  | <b>\$ 938,667</b>         | <b>\$ 950,324</b>        |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                           |                          |
| Current liabilities:   |                           |                          |
| Accounts payable   | \$ 4,023                  | \$ 4,230                 |
| Accrued expenses and other current liabilities   | 42,746                    | 39,515                   |
| Income taxes payable   | 35,582                    | 1,698                    |
| Borrowings under credit agreement  | 220,000                   | 170,000                  |
| Current deferred revenue   | 24,415                    | 15,150                   |
| <b>Total current liabilities</b>   | <b>326,766</b>            | <b>230,593</b>           |
| Non-current deferred revenue   | 19,312                    | 12,354                   |
| Deferred income taxes  | 154,901                   | 214,125                  |
| Other non-current liabilities  | 12,403                    | 17,068                   |
| Commitments and contingencies (Note 16)  |                           |                          |
| Series D redeemable convertible preferred stock, \$0.10 par value—   |                           |                          |
| Authorized— 3,636 shares as of March 31, 2019 and June 30, 2018  |                           |                          |
| Issued and outstanding— none as of March 31, 2019 and June 30, 2018  |                           |                          |
| Stockholders' equity:  |                           |                          |
| Common stock, \$0.10 par value— Authorized—210,000,000 shares  |                           |                          |
| Issued— 103,478,590 shares at March 31, 2019 and 103,130,300 shares at June 30, 2018                               |                           |                          |
| Outstanding— 69,108,515 shares at March 31, 2019 and 71,186,701 shares at June 30, 2018                            |                           |                          |
|  | 10,348                    | 10,313                   |
| Additional paid-in capital   | 730,830                   | 715,475                  |
| Retained earnings  | 1,224,377                 | 1,065,507                |
| Accumulated other comprehensive income   | 1,229                     | 1,388                    |
| Treasury stock, at cost—34,370,075 shares of common stock at March 31, 2019 and 31,943,599 shares at June 30, 2018 | (1,541,499)               | (1,316,499)              |
| <b>Total stockholders' equity</b>  | <b>425,285</b>            | <b>476,184</b>           |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$ 938,667</b>         | <b>\$ 950,324</b>        |



**ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited in Thousands)

|   | Three Months Ended<br>March 31, |                         | Nine Months Ended<br>March 31, |                         |
|---|---------------------------------|-------------------------|--------------------------------|-------------------------|
|   | 2019                            | 2018                    | 2019                           | 2018                    |
|   | As Adjusted                     |                         | As Adjusted                    |                         |
| <b>Cash flows from operating activities:</b>                                      |                                 |                         |                                |                         |
| Net income  | \$ 61,587                       | \$ 44,505               | \$ 158,869                     | \$ 217,057              |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |                         |                                |                         |
| Depreciation and amortization   | 2,014                           | 1,544                   | 6,063                          | 4,902                   |
| Net foreign currency (gains) losses   | (295)                           | 96                      | 23                             | 1,086                   |
| Stock-based compensation  | 6,254                           | 5,353                   | 21,454                         | 17,222                  |
| Deferred income taxes   | (2,373)                         | (32,662)                | (49,847)                       | (123,443)               |
| Provision for (recovery from) bad debts   | (353)                           | 1,401                   | 474                            | 1,373                   |
| Other non-cash operating activities   | 124                             | 107                     | 341                            | 314                     |
| <b>Changes in assets and liabilities:</b>   |                                 |                         |                                |                         |
| Accounts receivable   | 12,281                          | 1,762                   | (4,183)                        | 1,429                   |
| Contract assets   | 14,531                          | 33,160                  | (27,397)                       | (7,767)                 |
| Contract costs  | (1,279)                         | (592)                   | (3,825)                        | (651)                   |
| Prepaid expenses, prepaid income taxes, and other assets                          | (1,543)                         | 3,949                   | 201                            | 4,908                   |
| Accounts payable, accrued expenses, income taxes payable and other liabilities    | (4,738)                         | (2,656)                 | 32,980                         | (4,448)                 |
| Deferred revenue  | 3,829                           | 17,100                  | 17,983                         | 15,847                  |
| Net cash provided by operating activities   | <u>90,039</u>                   | <u>73,067</u>           | <u>153,136</u>                 | <u>127,829</u>          |
| <b>Cash flows from investing activities:</b>                                      |                                 |                         |                                |                         |
| Purchases of property, equipment and leasehold improvements                       | (26)                            | (61)                    | (206)                          | (217)                   |
| Payments for business acquisitions, net of cash                                   | —                               | (22,900)                | —                              | (33,700)                |
| Payments for capitalized computer software costs                                  | (905)                           | 57                      | (1,094)                        | (299)                   |
| Net cash used in investing activities   | <u>(931)</u>                    | <u>(22,904)</u>         | <u>(1,300)</u>                 | <u>(34,216)</u>         |
| <b>Cash flows from financing activities:</b>                                      |                                 |                         |                                |                         |
| Exercises of stock options  | 1,415                           | 3,854                   | 5,881                          | 7,402                   |
| Repurchases of common stock   | (76,759)                        | (49,328)                | (224,182)                      | (154,365)               |
| Payments of tax withholding obligations related to restricted stock               | (2,262)                         | (1,945)                 | (11,916)                       | (5,412)                 |
| Deferred business acquisition payments  | (500)                           | —                       | (1,700)                        | (2,600)                 |
| Proceeds from credit agreement  | —                               | 19,000                  | 50,000                         | 30,000                  |
| Payments of credit agreement issuance costs                                       | —                               | —                       | —                              | (351)                   |
| Net cash used in financing activities   | <u>(78,106)</u>                 | <u>(28,419)</u>         | <u>(181,917)</u>               | <u>(125,326)</u>        |
| Effect of exchange rate changes on cash and cash equivalents                      | 162                             | 628                     | (492)                          | 834                     |
| Increase (decrease) in cash and cash equivalents                                  | 11,164                          | 22,372                  | (30,573)                       | (30,879)                |
| Cash and cash equivalents, beginning of period                                    | 54,428                          | 48,703                  | 96,165                         | 101,954                 |
| <b>Cash and cash equivalents, end of period</b>                                   | <u><u>\$ 65,592</u></u>         | <u><u>\$ 71,075</u></u> | <u><u>\$ 65,592</u></u>        | <u><u>\$ 71,075</u></u> |
| Supplemental disclosure of cash flow information:                                 |                                 |                         |                                |                         |
| Income taxes paid, net  | \$ 21,296                       | \$ 8,920                | \$ 39,123                      | \$ 38,662               |
| Interest paid   | 2,187                           | 1,417                   | 5,728                          | 3,456                   |

**ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES**  
**Reconciliation of GAAP to Non-GAAP Results of Operations and Cash Flows**  
(Unaudited in Thousands, Except per Share Data)

|   | Three Months Ended<br>March 31, |           | Nine Months Ended<br>March 31, |            |
|---|---------------------------------|-----------|--------------------------------|------------|
|   | 2019                            | 2018      | 2019                           | 2018       |
|   | As Adjusted                     |           | As Adjusted                    |            |
| <b>Total expenses</b>                   |                                 |           |                                |            |
| GAAP total expenses (a)                 | \$ 77,153                       | \$ 74,139 | \$ 230,997                     | \$ 220,338 |
| Less:                                   |                                 |           |                                |            |
| Stock-based compensation (b)            | (6,254)                         | (5,353)   | (21,454)                       | (17,222)   |
| Amortization of intangibles             | (1,157)                         | (526)     | (3,380)                        | (1,578)    |
| Litigation judgment                     | —                               | —         | —                              | (1,548)    |
| Acquisition related fees                | (15)                            | (378)     | (8)                            | (706)      |
| Non-GAAP total expenses                 | \$ 69,727                       | \$ 67,882 | \$ 206,155                     | \$ 199,284 |
| <b>Income from operations</b>           |                                 |           |                                |            |
| GAAP income from operations             | \$ 70,831                       | \$ 53,619 | \$ 171,579                     | \$ 139,437 |
| Plus:                                   |                                 |           |                                |            |
| Stock-based compensation (b)            | 6,254                           | 5,353     | 21,454                         | 17,222     |
| Amortization of intangibles             | 1,157                           | 526       | 3,380                          | 1,578      |
| Litigation judgment                     | —                               | —         | —                              | 1,548      |
| Acquisition related fees                | 15                              | 378       | 8                              | 706        |
| Non-GAAP income from operations         | \$ 78,257                       | \$ 59,876 | \$ 196,421                     | \$ 160,491 |
| <b>Net income</b>                       |                                 |           |                                |            |
| GAAP net income                         | \$ 61,587                       | \$ 44,505 | \$ 158,869                     | \$ 217,057 |
| Plus:                                   |                                 |           |                                |            |
| Stock-based compensation (b)            | 6,254                           | 5,353     | 21,454                         | 17,222     |
| Amortization of intangibles             | 1,157                           | 526       | 3,380                          | 1,578      |
| Litigation judgment                     | —                               | —         | —                              | 1,548      |
| Acquisition related fees                | 15                              | 378       | 8                              | 706        |
| Less:                                   |                                 |           |                                |            |
| Income tax effect on Non-GAAP items (c) | (1,559)                         | (1,758)   | (5,217)                        | (5,916)    |
| Non-GAAP net income                     | \$ 67,454                       | \$ 49,004 | \$ 178,494                     | \$ 232,195 |
| <b>Diluted income per share</b>         |                                 |           |                                |            |
| GAAP diluted income per share           | \$ 0.88                         | \$ 0.61   | \$ 2.23                        | \$ 2.97    |
| Plus:                                   |                                 |           |                                |            |
| Stock-based compensation (b)            | 0.08                            | 0.06      | 0.30                           | 0.23       |
| Amortization of intangibles             | 0.02                            | 0.01      | 0.05                           | 0.02       |
| Litigation judgment                     | —                               | —         | —                              | 0.02       |
| Acquisition related fees                | —                               | 0.01      | —                              | 0.01       |
| Less:                                   |                                 |           |                                |            |
| Income tax effect on Non-GAAP items (c) | (0.02)                          | (0.02)    | (0.07)                         | (0.08)     |
| Non-GAAP diluted income per share       | \$ 0.96                         | \$ 0.67   | \$ 2.51                        | \$ 3.17    |

**ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES**  
**Reconciliation of GAAP to Non-GAAP Results of Operations and Cash Flows**  
(Unaudited in Thousands, Except per Share Data)

Shares used in computing Non-GAAP diluted income per share

|  |        |        |        |        |
|--|--------|--------|--------|--------|
|  | 70,160 | 72,663 | 71,142 | 73,136 |
|--|--------|--------|--------|--------|

|  | Three Months Ended<br>March 31, |           | Nine Months Ended<br>March 31, |            |
|--|---------------------------------|-----------|--------------------------------|------------|
|  | 2019                            | 2018      | 2019                           | 2018       |
|  | As Adjusted                     |           | As Adjusted                    |            |
| <b>Free Cash Flow</b>                                      |                                 |           |                                |            |
| GAAP cash flow from operating activities                   | \$ 90,039                       | \$ 73,067 | \$ 153,136                     | \$ 127,829 |
| Purchase of property, equipment and leasehold improvements | (26)                            | (61)      | (206)                          | (217)      |
| Capitalized computer software development costs            | (905)                           | 57        | (1,094)                        | (299)      |
| Non-capitalized acquired technology (d)                    | —                               | —         | —                              | 75         |
| Acquisition related fee payments                           | 16                              | 780       | 27                             | 868        |
| Litigation related payments                                | —                               | 4,286     | —                              | 4,286      |
| Free Cash Flow   | \$ 89,124                       | \$ 78,129 | \$ 151,863                     | \$ 132,542 |

(a) GAAP total expenses

|                          | Three Months Ended<br>March 31, |           | Nine Months Ended<br>March 31, |            |
|--------------------------|---------------------------------|-----------|--------------------------------|------------|
|                          | 2019                            | 2018      | 2019                           | 2018       |
|                          | As Adjusted                     |           | As Adjusted                    |            |
| Total costs of revenue   | \$ 14,360                       | \$ 12,776 | \$ 42,326                      | \$ 37,597  |
| Total operating expenses | 62,793                          | 61,363    | 188,671                        | 182,741    |
| GAAP total expenses      | \$ 77,153                       | \$ 74,139 | \$ 230,997                     | \$ 220,338 |

(b) Stock-based compensation expense was as follows:

|                                | Three Months Ended<br>March 31, |          | Nine Months Ended<br>March 31, |           |
|--------------------------------|---------------------------------|----------|--------------------------------|-----------|
|                                | 2019                            | 2018     | 2019                           | 2018      |
|                                | Cost of maintenance             | \$ 379   | \$ —                           | \$ 916    |
| Cost of services and other     | 366                             | 345      | 1,038                          | 1,119     |
| Selling and marketing          | 1,228                           | 979      | 3,687                          | 2,870     |
| Research and development       | 1,518                           | 1,892    | 5,451                          | 5,679     |
| General and administrative     | 2,763                           | 2,137    | 10,362                         | 7,554     |
| Total stock-based compensation | \$ 6,254                        | \$ 5,353 | \$ 21,454                      | \$ 17,222 |

(c) The income tax effect on non-GAAP items for the three and nine months ended March 31, 2019 is calculated utilizing the Company's statutory tax rate of 21 percent. The income tax effect on non-GAAP items for the three and nine months ended March 31, 2018 is calculated utilizing the Company's estimated federal and state tax rate.

(d) In the nine months ended March 31, 2018, the Company has excluded \$0.1 million of final payments related to non-capitalized acquired technology from prior fiscal periods from free cash flow to be consistent with the treatment of other transactions where the acquired assets were capitalized.