ASPEN TECHNOLOGY INC /DE/
Form DEFA14A
July 16, 2003

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

o Definitive Proxy Statement

o Definitive Additional Materials

ý Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

Aspen Technology, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

FILING PURSUANT TO RULE 14a-12

This filing is being made pursuant to Rule 14a-12 under the Securities Exchange Act of 1934, as amended. This filing contains statements about Aspen Technology, Inc. (Aspen), Advent International, Inc. (Advent), and the proposed sale of Aspen s Series D convertible preferred stock and warrants to Advent and holders of Aspen s Series B convertible preferred stock, and the exchange of shares of Aspen s Series B convertible preferred stock and warrants for Series D convertible preferred stock and warrants. Statements in this filing regarding these proposed transactions, the expected timetable for completing these transactions, and the benefits to be derived from the proposed transaction and any other statements about Aspen s future expectations, beliefs, goals, plans or prospects constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that are not statements of historical fact (including statements containing the words believes, plans, anticipates, expects, estimates and similar expressions) should also be considered to be forward-looking statements. There are a number of important factors that could cause events to differ materially from those indicated by such forward-looking statements, including: Aspen s ability to consummate the proposed financing transaction and the other factors described in Aspen s current report on Form 8-K filed with the SEC on July 11, 2003. Aspen expressly disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this filing.

The following is the text of the materials used by Aspen and its representatives beginning on July 16, 2003 in connection with the proposed financing transaction with Advent and the holders of Aspen s Series B convertible preferred stock.

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Aspen Technology, Inc.

Investor Briefing Regarding
Series D Financing, Other Proxy Matters
July August 2003

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[GRAPHIC]

Safe Harbor Statement

Some of the information and comments in this presentation may contain forward-looking statements that involve a number of risks and uncertainties. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include the risks set forth under the caption B. Factors that may Affect Future Results and the Trading Price of Our Common Stock in Item 5 of our current report on Form 8-K filed with the Securities and Exchange Commission on July 11, 2003.

$100MM Investment by Advent International

Comprehensive Restructuring of Balance Sheet

- Addresses majority of $146MM of near-term maturities
- Retires onerous, restrictive Series B Preferred at a discount
- Enhances working capital
- Eliminates overhang from balance sheet / stock issuance uncertainty

Addresses Customer, Investor & Partner Concerns

Enhances Operating Flexibility

Sponsorship by Value-Added Financial Partner

August 13

Special Meeting to Approve Transaction

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Recent Changes Yielding Solid Results

New Management Team

Dave McQuillin appointed as new CEO March 2002; effective October 1, 2002

Larry Evans to continue as Chairman

Wayne Sim becomes SVP Sales July 10, 2002

Manolis Kotzabasakis & Steve Pringle become SVPs of two new product business units Engineering & Manufacturing / Supply Chain

Chuck Kane assumes CFO position effective July 1, 2003

Lisa Zappala to assist during transition period

New Business Plan

Focus on product line profitability and positive cash flow generation

25% reduction in quarterly expenses since 7/1/02

Restructured company around global product line P&L s; divested non-core products; improved sales execution

On track to roll-out four key new products to drive future growth

Solid operating performance for the December 2002 and March 2003 quarters

Scheduled to announce June 2003 results August 7, 2003

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Significant Challenges Remain

- FTC inquiry of Hyprotech acquisition
- Significant leverage & near-term maturities
- Working capital constrained
- Challenging IT spending environment

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FTC Inquiry of Hyprotech Acquisition

History

May 2002: AspenTech completed the $97MM acquisition of Hyprotech Ltd.

June 2002: FTC launches investigation into Hyprotech acquisition (process ongoing)

Impact on AspenTech s Operations

Outcome:	**Dismissal**	**Non-Exclusive Licensing of Products**	**Full Divestiture**
Impact:	**No Effect**	**Varies**	**Materially Negative**

$7MM charge for investigation expenses to date / Significant management bandwidth

Uncertainty of ultimate outcome creates issues with existing & potential customers and investors

Significantly impacts our ability to raise capital

The Advent Investment is Not Contingent on Completion of the FTC Inquiry

Significant Leverage & Near-Term Maturities

Debt & Preferred Maturity Profile
Status Quo

[CHART]

Cash and projected cash flow not sufficient to meet redemptions

Potential for highly-dilutive stock issuances to satisfy redemptions (overhang)

Existing Series B Preferred and WB warrants have full ratchet anti-dilution

Leverage and maturities raise significant concerns:

Viability: Shareholders,* bondholders,* customers,(1) employees,(1) partners(1)

Dilution: Shareholders*

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* *Impacts valuation*

(1) *Impacts operations*

Debt & Preferred Maturity Profile
Status Quo

[CHART]

Debt & Preferred Maturity Profile
Pro Forma, As Adjusted(2)

[CHART]

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Dilution: Shareholders*

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* *Impacts valuation*

(1) *Impacts operations*

The Advent Investment Addresses AspenTech s Significant Near-Term

Maturities and Leaves Us with a More Flexible Capital Structure

Working Capital Constrained

Cash significantly less than comparable software companies

Limited flexibility to withstand disruptions in business (e.g., negative FTC outcome, economic downturn)

Continued reliance on sale of installment receivables exacerbates problem

Cash, net of Debt	**Cash, / CY2003 Revenues**
[CHART]	[CHART]

Working Capital Constrained

Cash significantly less than comparable software companies

Limited flexibility to withstand disruptions in business (e.g., negative FTC outcome, economic downturn)

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Cash, net of Debt Pro Forma, As Adjusted	Cash / CY2003 Revenues Pro Forma, As Adjusted
[CHART]	[CHART]

The Advent Investment Provides $15MM+ of Cash to Bolster Working Capital Position and Boosts Near-term Cash Flow

Why Now?

Stabilization of Operations

Series B Redemptions Commence August 2003

- 5.4MM shares immediately available for issuance
  - Greater than 13% of existing float / shares outstanding
  - 17.3x 2003YTD average daily trading volume
- Potential for more shares to be issued in future

FTC Issue Still Unresolved

- Negative outcome could materially impact operations
- Unclear whether Company will have ability to raise capital immediately following outcome (if negative)

5 1/4% Convertible Maturity Looming

- Potential FY 04 impact if not resolved

Alternatives Considered

Do Nothing

Deemed too risky given:

Upcoming capital redemptions

Potential impact on business if negative outcome from FTC process

Ongoing challenging IT spending environment

Standalone Recapitalization

Does not provide additional capital

Significant uncertainty in execution

Bondholders interests not aligned with shareholders

Not deemed to be better than Advent proposal

Anti-dilution provisions of Series B and WB warrants represent significant obstacle

Public Market Financing Alternatives

FTC process a serious obstacle given magnitude of risk

Market capitalization and liquidity preclude raising sufficient capital required for comprehensive restructuring

A Significant Capital Infusion From a Private Equity Investor Was Deemed the Most Effective Alternative to Address Our Issues

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Why Advent International?

Evaluated 20+ potential private equity partners

Terms & conditions of Advent s proposal deemed to be most favorable to the Company

Only finalist willing to close a financing without resolution of the FTC inquiry

Value-added long-term investor with track record of creating value for portfolio companies

$6.0 billion of cumulative capital raised

Over 100 investment professionals worldwide, headquartered in Boston, with 14 offices worldwide

Seasoned operating and financial partners

Transaction Overview

Advent invests $100MM in Series D Convertible Preferred Stock

$60MM of existing Series B Preferred Stock exchanged for $51MM (15% discount to stated value)

$30MM cash, $21MM of Series D Preferred

Series D holders to receive 7,267,286 warrants:

Advent to receive 6,006,006 warrants

Series B holders to receive 1,261,280 warrants

Existing 791,044 Series B warrants to be amended:

Existing full ratchet anti-dilution price protection amended to standard weighted average (entitled to 5.4MM warrants at $3.33 without amendment)

Exercise price amended to $4.08 (22.5% premium to the $3.33 Series D conversion price)

Sources

($ in millions)

SOURCES

New Series D Preferred (new money)	$	100.0
Series D Preferred (rollover)		21.0
Total Sources	$	121.0

Uses

($ in millions)

USES

5 1/4% Convertible Debentures	$	45.0
Series B Preferred (cash)		30.0
Series B Preferred (rollover)		21.0
Working Capital		15.0
Fees & Expenses		10.0
Total Uses	$	121.0

Capitalization

(*in millions*)

		Actual 3/31/2003		Financing Transaction Adjustments		Pro Forma, As Adjusted 3/31/2003
Cash	$	53.4	$	15.0	$	68.4
Debt:						
5 1/4% Convertible Debentures		86.3		(45.9)(1)		40.3
Capital Leases		9.0				9.0
Accenture Debt		5.3				5.3
Total Debt		**100.6**		**(45.9)**		**54.7**
New Series D Preferred(2)				86.8		86.8
Series B Preferred(3)		55.8		(55.8)		
Paid-in-Capital		59.3		29.9		89.2
Total Equity & Series D Preferred		**115.1**		**60.9**		**176.0**
Total Capitalization	**$**	**215.7**	**$**	**15.0**	**$**	**230.7**

(1) Assumes repurchase of $45.9MM of 5 1/4% Convertible Debentures at 98.

(2) Accreting to $121MM at redemption dates; 50% in Year 6 and 50% in Year 7.

(3) Accreting to $60MM at put dates.

FY2004 EPS Guidance

($ in thousands, except per share)

	Status Quo(1)	FY 2004 Pro Forma, As Adjusted	Dilution %
Revenue	$327 - $333MM	$327 - $333MM	
Net Income			
GAAP	$3 - $5MM	($2 - $4MM)	
Pro Forma(2)	$9 -$11MM	$11 - $13MM	
EPS			
GAAP	$0.06 - $0.10	($0.05) - ($0.09)	NM
Pro Forma(2)	$0.18 - $0.22	$0.14 - $0.17	(23)%

(1) Public guidance previously issued on June 2, 2003

(2) Excludes preferred accretion and dividends on preferred stock

Fully-Diluted Ownership

	% Fully-Diluted Ownership	
	Status Quo	Pro Forma, As Adjusted
Advent		36.4%
Series B Holders	11.9%	11.8%
Other Holders	88.2%	51.8%
Total Shares	**100.0%**	**100.0%**

AZPN Stock Price Performance

January 1, 2003   July 11, 2003

[CHART]

AZPN Relative Stock Price Performance: January 1, 2003 July 11, 2003

[CHART]

Other Matters on Proxy

Reverse stock split (Questions #2 & #3)

Authorize Board to effect a 1-for-2 or a 1-for-3 reverse stock split

Discretion of the Board prior to January 31, 2004

Authorized capital (Question #4)

Increase authorized common from 120MM to 210MM shares

Increase the total number of shares of capital stock from 130MM to 220MM

Subject to adjustment for reverse stock split

Reduce par value of common stock from $0.10 to $0.001 (Question #5)

Amend option plans (Questions #6 & #7)

Approve adoption of 2003 stock incentive plan

Amend our 1995 director stock option plan

Reverse Stock Split Why?

Benefits of a higher share price

Broadens potential investor universe for AspenTech shares

Higher share price reduces commission as % of total transaction value for investors

EPS measurement more relevant with fewer shares outstanding

Double-digit share price has positive signaling effect among many investors

Mechanics

Two stock split questions on the proxy

Authorize the Board to effect a 1-for-2 or a 1-for-3 reverse stock split

If shareholders approve one or both split ratios, Board will have discretion to effect the reverse stock split prior to January 31, 2004

Does NOT impact economic ownership of existing stakeholders

Proposed Changes to Option Plans

Why?

Equity incentives key component of employee compensation

Independent review by compensation consultant determined existing equity compensation below market versus comparable companies

Current management ownership 2.8% versus 4.8% for comparables

4.5% following proposed financing transaction

4.5 MM options (53.5% of total) have exercise prices greater than $10.00

Following additional grants, few shares remaining for future grants

Proposal (all share numbers are pre-split)

Authorize 3.6MM shares to be available for future grants under 2003 plan

Authorize an increase in shares reserved under 1995 director plan from 440K to 800K shares

Conclusion

The proposed Advent investment provides AspenTech with a more conservative capital structure and paves the way for future appreciation in equity value

Comprehensive Restructuring of Balance Sheet

Addresses majority of $146MM of near-term maturities

Retires onerous, restrictive Series B Preferred at a discount

Enhance working capital

Eliminates overhang from balance sheet / stock issuance uncertainty

Addresses Customer, Investor & Partner Concerns

Enhances Operating Flexibility

Sponsorship by Value-Added Financial Partner

We Recommend That You Vote in Favor of the Financing Transaction and the Other Proposals at the Special Meeting of Stockholders on August 13th

Pro Forma, As Adjusted

Pro Forma, As Adjusted, as used in this presentation, takes into account the following adjustments:

(1) Completion of the financing transaction, as contemplated in the definitive proxy statement dated July 11, 2003.

(2) Use of $45MM of proceeds to retire $46MM of 5 1/4% Convertible Debentures at 98% of face value. Under our agreement with Advent, we will be obligated to apply these proceeds to redeem 5 1/4% Convertible Debentures at or prior to maturity. We may determine not to redeem debentures prior to maturity, or we may redeem debentures at a different price.

(3) The percentages of fully-diluted ownership, pro forma, as adjusted, on page 17 are based on the fully-diluted capitalization of the Company as of June 20, 2003, which includes the following: shares of common stock outstanding, shares of common stock issuable upon conversion of preferred stock, shares of common stock issuable upon conversion of warrants, shares of common stock issuable upon exercise of outstanding options, shares of common stock available for issuance under the Company's stock option and stock purchase plans, and 759,864 shares of common stock issuable on conversion of the remaining 5 1/4% Convertible Debentures, after giving effect to the repurchase described in footnote (2) above. (The percentages of fully-diluted ownership, status quo do not give effect to the completion of the financing transaction, including the repurchase of the 5 1/4% Convertible Debentures described in footnote (2).)

Aspen Technology, Inc.

Investor Briefing Regarding
Series D Financing, Other Proxy Matters
July   August 2003

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IMPORTANT ADDITIONAL INFORMATION WILL BE FILED WITH THE SEC

Aspen has filed with the SEC and mailed to its stockholders a Proxy Statement in connection with the proposed transactions. The Proxy Statement contains important information about Aspen, Advent International, Inc., the proposed transactions and related matters. Investors and security holders are urged to read the Proxy Statement carefully.

Investors and security holders may obtain free copies of the Proxy Statement and other documents filed with the SEC by Aspen through the web site maintained by the SEC at www.sec.gov. In addition, investors and security holders may obtain free copies of the Proxy Statement by contacting Investor Relations, Aspen Technology, Inc., Ten Canal Park, Cambridge, Massachusetts 02141, telephone (617) 949-1000.

Aspen, Advent and their respective directors and executive officers, may be deemed to be participants in the solicitation of proxies in respect of the transactions contemplated by Aspen s financing transaction. Information regarding Aspen s directors and executive officers is contained in Aspen s Form 10-K for the fiscal year ended June 30, 2002 and its proxy statement dated July 11, 2003, which have been filed with the SEC. As of June 20, 2003, Aspen s directors and executive officers beneficially owned approximately 2,810,880 shares of Aspen s common stock, representing approximately 6.9% of that class. As of June 20, 2003, Advent had no beneficial ownership of Aspen common stock.