

**Richard Gu, vice president, investor relations**

**Forward-Looking Statements and Non-GAAP Measures**

The following discussion contains forward-looking statements, including our outlook on future business and operating results. Actual results may differ materially from expectations expressed or implied in the forward-looking statements due to risks, uncertainties and other factors, many of which are outside our control. All forward-looking statements in this discussion are made only as of July 22, 2024, are based on estimates and information available to us at that time, and we do not intend, and disclaim any obligation, to update them. For information on the factors that could cause a difference in our results, please refer to our filings with the Securities and Exchange Commission. These include our most recent reports on Form 10-K and Form 10-Q, the cautionary comments regarding forward-looking statements in the earnings release issued on July 22, 2024, as well as our future filings.

In addition, the following discussion contains non-GAAP measures, which should not be considered in isolation from, or as a substitute for, GAAP results. Reconciliations of non-GAAP measures with their most directly comparable GAAP results are available in the quarterly earnings section of the investor relations portion of our website.

A copy of the earnings release for the second quarter of fiscal 2024, related financial tables and CFO Commentary which was included in our Form 8-K filing on July 22, 2024, can also be found in the investor relations portion of our website.

**Anirudh Devgan, president and chief executive officer**

Thank you, Richard. Good afternoon everyone and thank you for joining us today.

Cadence delivered strong financial results for the second quarter of 2024, with broad-based momentum across our product portfolio. Bookings were stronger than expected leading to a healthy backlog and underscoring the robust demand for our innovative technologies. We exceeded our outlook on all key metrics and are updating our revenue guidance for the year

to over 13% year-over-year growth. John will provide more details on both our Q2 results and updated outlook for the year.

Generational trends such as hyperscale computing, 5G, and autonomous driving, all underpinned by the AI supercycle, are driving strong design activity across multiple verticals, particularly in datacenter and automotive. Along with increasing chip complexity and system companies building their own silicon, these trends are creating tremendous tailwinds for our differentiated solutions.

We are steadfastly executing to our Intelligent System Design strategy, extending our leadership in core EDA, while steadily expanding our footprint in the new System Design and Analysis area.

Customers are ramping up their R&D spend in AI driven automation. Our Cadence.AI portfolio offering unparalleled quality of results and productivity benefits, continues to gain momentum with orders more than tripling over the last year.

Our solutions are enabling the massive AI infrastructure buildout across the semi and systems space. Additionally, we continue embedding AI in our EDA, SDA, and digital biology solutions.

In Q2, our long-term development partner, NVIDIA, broadly deployed Palladium Z3 to deliver to its next generation AI product roadmap, further solidifying Cadence's leadership in the industry.

A marquee hyperscaler meaningfully expanded its partnership with Cadence in Q2, through a broad proliferation of our Cadence.AI EDA, SDA, and hardware portfolio.

The growing foundry ecosystem is driving increased design activity and creating significant opportunities for our industry leading products, and in Q2 we expanded our collaboration with several leading foundry partners.

We announced that Cadence.AI digital and analog tools were optimized for Samsung's advanced node SF2 gate-all-around process, driving enhanced quality of results and accelerating node migration.

We extended our longstanding collaboration with TSMC through very comprehensive and innovative technology advancements, ranging from 3D-IC to design IP and photonics and providing optimized digital and analog full flows for TSMC's latest N2 process technologies.

Our Integrity 3D-IC platform is the industry's leading unified design, analysis and signoff platform for multi-chiplet architectures. Integrity has been certified for all of TSMC's latest 3DFabric offerings, and now has enabled several new features like hierarchical 3D-IC design. We also announced that Integrity has been enabled for all of Samsung Foundry's multi-die integration offerings, accelerating the design and assembly of stacked chiplets. Additionally, we released a complete Intel Foundry EMIB advanced packaging reference flow, that is optimized to work seamlessly with Intel 18A technology.

We are also collaborating with multiple foundries to optimize our industry leading IP cores for AI, HPC, mobile and automotive applications for their advanced process technologies, so as to ensure seamless integration into customer designs.

We saw strong momentum in our **IP business**, with it delivering 25% year-over-year growth in Q2, as we executed to our profitable and scalable growth strategy. AI use cases, HPC and heterogenous integration were the primary drivers fueling demand for our HBM, PCIe, GDDR, 112G SerDes and UCIe products.

We expanded our system IP portfolio with the addition of the Cadence® Janus™ Network-on-Chip solution, that manages high-speed communications effectively with minimum latency, enabling customers to achieve their PPA targets faster and with lower risk.

Emulation and prototyping have become "mission critical" elements of chip design and software bring-up flows. Following the launch of our market leading Z3 and X3 platforms,

there is robust demand for these best-in-class systems, particularly by AI, hyperscale and automotive companies, and we continue to ramp up our production capacity accordingly.

Verisium, our AI driven verification platform, continued seeing rapid customer adoption, with several market shaping customers including Qualcomm successfully using Verisium SimAI for coverage maximization and achieving up to a 20x reduction in verification workload time.

Our **System Design & Analysis** business continued its strong momentum in Q2, delivering 20% year-over-year revenue growth.

As chiplet-based architectures gain traction, our industry leading Integrity 3D-IC platform had increased adoption and expansions from large deployments at 5G, hyperscale, memory and consumer customers.

Our AI-driven Allegro X design platform is being rapidly adopted and driving competitive displacements, as multiple Aerospace and Defense, hyperscale and EV customers take advantage of the platform's productivity and next generation capabilities. Allegro X's in-design analysis capabilities are also driving a pull through of our multiphysics analysis solutions.

In Q2, a leading EV auto company forged a strategic partnership with Cadence, making a significant investment across the breadth of our multiphysics portfolio.

With the close of Beta CAE in Q2, we now offer a comprehensive multiphysics platform covering electromagnetics, electrothermal, CFD and structural analysis solutions.

Our **Digital IC and Custom** businesses delivered another solid quarter. Proliferation of our digital full flow at the most advanced nodes continued, with close to forty full flow wins over the last twelve months, especially at hyperscalers. With over 400 tapeouts, customers are increasingly relying on Cadence Cerebrus, the leading AI tool in the industry, as it continues to deliver amazing PPA and productivity benefits. For example, Cadence Cerebrus has been

delivering up to a 10% PPA gain for a global marquee systems company, and is now deployed as part of the default flow for their latest designs at the most advanced nodes.

Samsung Foundry leveraged Cadence Cerebrus in both DTCO and implementation to achieve more than a 10% leakage power reduction on their SF2 Gate-All-Around platform.

Socionext utilized Certus Closure and Tempus Signoff to reduce timing closure time by 73% and doubled productivity while reducing memory costs by 90%.

Our AI-driven Virtuoso Studio is the leading automated solution for Analog and RF designs. And its new AI features allow much more efficient migration from one process node to another. Virtuoso Studio added 35 new logos in Q2, led by top hyperscalers, Aerospace and Defense and automotive customers.

In summary, I'm pleased with our Q2 results and the continuing momentum of our business. The AI-driven automation era offers massive opportunities, and the co-optimization of our comprehensive EDA and SDA portfolio with accelerated compute and AI orchestration, uniquely positions us to provide disruptive solutions to multiple markets.

Now I will turn it over to John to provide more details on the Q2 results and our updated 2024 outlook.

**John Wall, senior vice president and chief financial officer**

Thanks, Anirudh, and good afternoon, everyone.

I am pleased to report that Cadence delivered strong results for the second quarter of 2024, finishing the first half with backlog of approximately \$6 Billion.

Also, we expanded our multiphysics platform in Q2 by completing the acquisition of BETA CAE.

Here are some of the financial highlights from the second quarter, starting with the P&L:

- Total revenue was \$1.061 billion
- GAAP operating margin was 27.7% and non-GAAP operating margin was 40.1%, and
- GAAP EPS was \$0.84, with non-GAAP EPS \$1.28.

Next, turning to the balance sheet and cash flow:

- Cash balance at quarter end was \$1.059 billion, while the principal value of debt outstanding was \$1.350 billion
- Operating cash flow was \$156 million
- DSOs were 49 days, and
- We used \$125 million to repurchase Cadence shares in Q2.

Before I provide our updated outlook, I'd like to share some assumptions that are embedded in our outlook:

- Our updated outlook includes BETA CAE, and
- It contains the usual assumption that export control regulations that exist today remain substantially similar for the remainder of the year.

Our updated outlook for fiscal 2024 is:

- Revenue in the range of \$4.60 billion to \$4.66 billion
- GAAP operating margin in the range of 29.7% to 31.3%
- Non-GAAP operating margin in the range of 41.7% to 43.3%
- GAAP EPS in the range of \$3.82 to \$4.02
- Non-GAAP EPS in the range of \$5.77 to \$5.97
- Operating cash flow in the range of \$1.0 billion to \$1.2 billion, and
- We expect to use approximately 50% of our annual free cash flow to repurchase Cadence shares.

With that in mind, for Q3, we expect:

- Revenue in the range of \$1.165 billion to \$1.195 billion
- GAAP operating margin in the range of 27.7% to 29.3%
- Non-GAAP operating margin in the range of 40.7% to 42.3%
- GAAP EPS in the range of \$0.83 to \$0.93 cents, and
- Non-GAAP EPS in the range of \$1.39 to \$1.49, and

As usual, we've published a 'CFO Commentary' document on our Investor Relations website, which includes our outlook for additional items, as well as further analysis and GAAP to Non-GAAP reconciliations.

In summary, Cadence continues to lead with innovation and is on track for a strong 2024, as we execute to our Intelligent System Design strategy.

I'd like to close by thanking our customers, partners, and our employees for their continued support.

And with that, operator, we will now take questions.

## **Q&A Session**

- Anirudh Devgan, President and Chief Executive Officer
- John Wall, Senior Vice President and Chief Financial Officer

## **Prepared Closing Remarks of Anirudh Devgan, president and chief executive officer**

Thank you all for joining us this afternoon.

- It is an exciting time for Cadence with strong business momentum and growing opportunities with semiconductor and systems customers.
- With a world-class employee base, we continue delivering to our innovation roadmap and working hard to delight our customers and partners.
- On behalf of our Board of Directors, we thank our customers, partners, and investors for their continued trust and confidence in Cadence.