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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
July 3, 2021 and January 2, 2021
(In thousands)
(Unaudited)

	July 3, 2021	January 2, 2021
Current assets:		
Cash and cash equivalents	\$ 847,160	\$ 928,432
Receivables, net	389,986	338,487
Inventories	90,479	75,956
Prepaid expenses and other	129,442	135,712
Total current assets	1,457,067	1,478,587
Property, plant and equipment, net	301,979	311,125
Goodwill	929,525	782,087
Acquired intangibles, net	264,789	210,590
Deferred taxes	729,790	732,290
Other assets	439,398	436,106
Total assets	\$ 4,122,548	\$ 3,950,785
Current liabilities:		
Accounts payable and accrued liabilities	\$ 340,607	\$ 349,951
Current portion of deferred revenue	586,109	446,857
Total current liabilities	926,716	796,808
Long-term liabilities:		
Long-term portion of deferred revenue	98,408	107,064
Long-term debt	347,186	346,793
Other long-term liabilities	233,495	207,102
Total long-term liabilities	679,089	660,959
Stockholders' equity	2,516,743	2,493,018
Total liabilities and stockholders' equity	\$ 4,122,548	\$ 3,950,785

Cadence Design Systems, Inc.
Trended Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	June 27, 2020	September 26, 2020	January 2, 2021	April 3, 2021	July 3, 2021
Current assets:					
Cash and cash equivalents	\$ 1,189,186	\$ 1,306,564	\$ 928,432	\$ 742,981	\$ 847,160
Receivables, net	312,758	300,413	338,487	388,666	389,986
Inventories	43,924	47,979	75,956	76,592	90,479
Prepaid expenses and other	93,915	81,526	135,712	141,490	129,442
Total current assets	<u>1,639,783</u>	<u>1,736,482</u>	<u>1,478,587</u>	<u>1,349,729</u>	<u>1,457,067</u>
Property, plant and equipment, net	282,738	288,163	311,125	305,089	301,979
Goodwill	778,857	780,842	782,087	912,603	929,525
Acquired intangibles, net	242,543	227,753	210,590	264,671	264,789
Deferred taxes	704,882	722,656	732,290	729,296	729,790
Other assets	350,694	384,256	436,106	437,571	439,398
Total assets	<u>\$ 3,999,497</u>	<u>\$ 4,140,152</u>	<u>\$ 3,950,785</u>	<u>\$ 3,998,959</u>	<u>\$ 4,122,548</u>
Current liabilities:					
Revolving credit facility	\$ 350,000	\$ 350,000	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	306,948	290,886	349,951	271,241	340,607
Current portion of deferred revenue	494,939	477,003	446,857	521,100	586,109
Total current liabilities	<u>1,151,887</u>	<u>1,117,889</u>	<u>796,808</u>	<u>792,341</u>	<u>926,716</u>
Long-term liabilities:					
Long-term portion of deferred revenue	87,437	84,646	107,064	92,574	98,408
Long-term debt	346,394	346,584	346,793	346,988	347,186
Other long-term liabilities	157,148	195,315	207,102	224,624	233,495
Total long-term liabilities	<u>590,979</u>	<u>626,545</u>	<u>660,959</u>	<u>664,186</u>	<u>679,089</u>
Stockholders' equity:					
Common stock and capital in excess of par value	2,143,016	2,186,850	2,217,939	2,307,965	2,354,801
Treasury stock, at cost	(1,856,333)	(1,934,107)	(2,057,829)	(2,275,998)	(2,509,668)
Retained earnings	2,014,965	2,176,595	2,350,333	2,537,502	2,693,402
Accumulated other comprehensive loss	(45,017)	(33,620)	(17,425)	(27,037)	(21,792)
Total stockholders' equity	<u>2,256,631</u>	<u>2,395,718</u>	<u>2,493,018</u>	<u>2,542,432</u>	<u>2,516,743</u>
Total liabilities and stockholders' equity	<u>\$ 3,999,497</u>	<u>\$ 4,140,152</u>	<u>\$ 3,950,785</u>	<u>\$ 3,998,959</u>	<u>\$ 4,122,548</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Six Months Ended July 3, 2021 and June 27, 2020
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 3, 2021</u>	<u>June 27, 2020</u>	<u>July 3, 2021</u>	<u>June 27, 2020</u>
Revenue:				
Product and maintenance	\$ 687,884	\$ 601,356	\$ 1,386,938	\$ 1,183,055
Services	40,401	37,062	77,375	73,320
Total revenue	<u>728,285</u>	<u>638,418</u>	<u>1,464,313</u>	<u>1,256,375</u>
Costs and expenses:				
Cost of product and maintenance	55,842	55,669	120,748	111,115
Cost of services	20,917	19,546	39,978	38,563
Marketing and sales	135,967	120,476	268,793	246,220
Research and development	285,227	250,821	556,219	492,489
General and administrative	40,333	35,641	80,285	69,233
Amortization of acquired intangibles	5,030	4,590	9,661	8,796
Restructuring and other credits	(469)	(275)	(746)	(1,342)
Total costs and expenses	<u>542,847</u>	<u>486,468</u>	<u>1,074,938</u>	<u>965,074</u>
Income from operations	185,438	151,950	389,375	291,301
Interest expense	(4,316)	(5,914)	(8,533)	(10,551)
Other income, net	2,143	4,630	4,844	96
Income before provision for income taxes	183,265	150,666	385,686	280,846
Provision for income taxes	<u>27,365</u>	<u>19,378</u>	<u>42,617</u>	<u>25,570</u>
Net income	<u>\$ 155,900</u>	<u>\$ 131,288</u>	<u>\$ 343,069</u>	<u>\$ 255,276</u>
Net income per share - basic	<u>\$ 0.57</u>	<u>\$ 0.48</u>	<u>\$ 1.25</u>	<u>\$ 0.93</u>
Net income per share - diluted	<u>\$ 0.56</u>	<u>\$ 0.47</u>	<u>\$ 1.23</u>	<u>\$ 0.91</u>
Weighted average common shares outstanding - basic	<u>273,565</u>	<u>273,432</u>	<u>273,843</u>	<u>273,488</u>
Weighted average common shares outstanding - diluted	<u>278,558</u>	<u>279,080</u>	<u>279,399</u>	<u>279,207</u>

Cadence Design Systems, Inc.
Trended Condensed Income Statements
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended				
	June 27, 2020	September 26, 2020	January 2, 2021	April 3, 2021	July 3, 2021
Revenue:					
Product and maintenance	\$ 601,356	\$ 630,329	\$ 723,233	\$ 699,054	\$ 687,884
Services	37,062	36,278	36,676	36,974	40,401
Total revenue	<u>638,418</u>	<u>666,607</u>	<u>759,909</u>	<u>736,028</u>	<u>728,285</u>
Costs and expenses:					
Cost of product and maintenance	55,669	64,800	55,111	64,906	55,842
Cost of services	19,546	17,484	18,425	19,061	20,917
Marketing and sales	120,476	123,738	146,502	132,826	135,967
Research and development	250,821	250,934	290,309	270,992	285,227
General and administrative	35,641	35,928	49,264	39,952	40,333
Amortization of acquired intangibles	4,590	4,438	4,775	4,631	5,030
Restructuring and other charges (credits)	(275)	13	10,544	(277)	(469)
Total costs and expenses	<u>486,468</u>	<u>497,335</u>	<u>574,930</u>	<u>532,091</u>	<u>542,847</u>
Income from operations	151,950	169,272	184,979	203,937	185,438
Interest expense	(5,914)	(5,325)	(4,873)	(4,217)	(4,316)
Other income, net	4,630	1,766	6,083	2,701	2,143
Income before provision for income taxes	150,666	165,713	186,189	202,421	183,265
Provision for income taxes	19,378	4,083	12,451	15,252	27,365
Net income	<u>\$ 131,288</u>	<u>\$ 161,630</u>	<u>\$ 173,738</u>	<u>\$ 187,169</u>	<u>\$ 155,900</u>
Net income per share - basic	<u>\$ 0.48</u>	<u>\$ 0.59</u>	<u>\$ 0.63</u>	<u>\$ 0.68</u>	<u>\$ 0.57</u>
Net income per share - diluted	<u>\$ 0.47</u>	<u>\$ 0.58</u>	<u>\$ 0.62</u>	<u>\$ 0.67</u>	<u>\$ 0.56</u>
Weighted average common shares outstanding - basic	<u>273,432</u>	<u>273,996</u>	<u>273,985</u>	<u>274,021</u>	<u>273,565</u>
Weighted average common shares outstanding - diluted	<u>279,080</u>	<u>280,024</u>	<u>280,173</u>	<u>280,140</u>	<u>278,558</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended July 3, 2021 and June 27, 2020
(In thousands)
(Unaudited)

	Six Months Ended	
	July 3, 2021	June 27, 2020
Cash and cash equivalents at beginning of period	\$ 928,432	\$ 705,210
Cash flows from operating activities:		
Net income	343,069	255,276
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	71,799	69,902
Amortization of debt discount and fees	687	512
Stock-based compensation	103,114	93,389
(Gain) loss on investments, net	(795)	4,036
Deferred income taxes	1,710	(1,609)
Provisions for losses on receivables	242	922
ROU asset amortization and change in operating lease liabilities	(2,483)	1,502
Other non-cash items	183	296
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(48,016)	(2,497)
Inventories	(14,527)	11,020
Prepaid expenses and other	7,690	9,910
Other assets	6,991	(17,687)
Accounts payable and accrued liabilities	(14,771)	(11,141)
Deferred revenue	127,286	148,508
Other long-term liabilities	6,639	504
Net cash provided by operating activities	<u>588,818</u>	<u>562,843</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(31,139)	(43,535)
Cash paid in business combinations, net of cash acquired	(220,660)	(195,118)
Net cash used for investing activities	<u>(251,799)</u>	<u>(238,653)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	-	350,000
Payment of debt issuance costs	(1,285)	-
Proceeds from issuance of common stock	52,252	43,667
Stock received for payment of employee taxes on vesting of restricted stock	(78,053)	(53,657)
Payments for repurchases of common stock	(392,290)	(175,036)
Net cash provided by (used for) financing activities	<u>(419,376)</u>	<u>164,974</u>
Effect of exchange rate changes on cash and cash equivalents	1,085	(5,188)
Increase (decrease) in cash and cash equivalents	<u>(81,272)</u>	<u>483,976</u>
Cash and cash equivalents at end of period	<u>\$ 847,160</u>	<u>\$ 1,189,186</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended July 3, 2021
(In thousands)
(Unaudited)

	<u>Q2 2020</u>	<u>Q3 2020</u>	<u>Q4 2020</u>	<u>Q1 2021</u>	<u>Q2 2021</u>
Cash and cash equivalents at beginning of period	\$ 946,285	\$ 1,189,186	\$ 1,306,564	\$ 928,432	\$ 742,981
Cash flows from operating activities:					
Net income	131,288	161,630	173,738	187,169	155,900
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	36,581	37,117	38,634	36,218	35,581
Amortization of debt discount and fees	258	258	283	264	423
Stock-based compensation	46,907	45,334	58,545	52,596	50,518
(Gain) loss on investments, net	821	1,082	(164)	(1,433)	638
Deferred income taxes	(5,513)	(17,357)	(7,151)	2,710	(1,000)
Provisions for losses on receivables	999	165	541	77	165
ROU asset amortization and change in operating lease liabilities	796	562	2,419	(2,136)	(347)
Other non-cash items	113	114	363	302	(119)
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(28,972)	12,442	(35,879)	(45,927)	(2,089)
Inventories	16,280	(4,644)	(32,061)	(669)	(13,858)
Prepaid expenses and other	14,874	12,859	(53,936)	(3,014)	10,704
Other assets	(9,343)	(3,600)	(50,319)	6,260	731
Accounts payable and accrued liabilities	73,698	(19,314)	48,849	(80,769)	65,998
Deferred revenue	61,594	(24,017)	(14,318)	59,166	68,120
Other long-term liabilities	4,743	3,926	5,978	(2,372)	9,011
Net cash provided by operating activities	<u>345,124</u>	<u>206,557</u>	<u>135,522</u>	<u>208,442</u>	<u>380,376</u>
Cash flows from investing activities:					
Proceeds from the sale of non-marketable investments	-	-	217	-	-
Purchases of property, plant and equipment	(21,356)	(20,210)	(31,068)	(16,968)	(14,171)
Cash paid in business combinations, net of cash acquired	(1,298)	(2,444)	-	(189,262)	(31,398)
Net cash used for investing activities	<u>(22,654)</u>	<u>(22,654)</u>	<u>(30,851)</u>	<u>(206,230)</u>	<u>(45,569)</u>
Cash flows from financing activities:					
Payment on revolving credit facility	-	-	(350,000)	-	-
Payment of debt issuance costs	-	-	-	-	(1,285)
Proceeds from issuance of common stock	10,355	27,784	3,352	46,384	5,868
Stock received for payment of employee taxes on vesting of restricted stock	(16,129)	(31,858)	(24,513)	(56,385)	(21,668)
Payments for repurchases of common stock	(75,014)	(75,011)	(130,017)	(172,267)	(220,023)
Net cash used for financing activities	<u>(80,788)</u>	<u>(79,085)</u>	<u>(501,178)</u>	<u>(182,268)</u>	<u>(237,108)</u>
Effect of exchange rate changes on cash and cash equivalents	1,219	12,560	18,375	(5,395)	6,480
Increase (decrease) in cash and cash equivalents	<u>242,901</u>	<u>117,378</u>	<u>(378,132)</u>	<u>(185,451)</u>	<u>104,179</u>
Cash and cash equivalents at end of period	<u>\$ 1,189,186</u>	<u>\$ 1,306,564</u>	<u>\$ 928,432</u>	<u>\$ 742,981</u>	<u>\$ 847,160</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2020					2021	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Americas	43%	44%	42%	41%	42%	46%	44%
China	13%	12%	17%	17%	15%	12%	14%
Other Asia	18%	19%	19%	18%	18%	18%	19%
Europe, Middle East and Africa	19%	18%	16%	17%	18%	18%	17%
Japan	7%	7%	6%	7%	7%	6%	6%
Total	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Category (% of Total Revenue)

<u>PRODUCT CATEGORY</u>	2020					2021	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Custom IC Design and Simulation	25%	24%	24%	26%	25%	23%	23%
Digital IC Design and Signoff	29%	28%	27%	31%	29%	27%	28%
Functional Verification, including Emulation and Prototyping Hardware IP	23%	24%	23%	19%	22%	26%	25%
System Design and Analysis	14%	14%	15%	13%	14%	14%	13%
	9%	10%	11%	11%	10%	10%	11%
Total	100%	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of July 26, 2021
(Unaudited)

	<u>Three Months Ending</u> <u>October 2, 2021</u> <u>Forecast</u>	<u>Year Ending</u> <u>January 1, 2022</u> <u>Forecast</u>
GAAP operating margin as a percent of total revenue	~23%	24.5% - 25.25%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	8%	7.5%
Amortization of acquired intangibles	2%	2.3%
Acquisition and integration-related costs	1%	0.7%
Restructuring and other credits	0%	0.0%
Non-qualified deferred compensation expenses	0%	0.1%
Special charges*	0%	0.9%
Non-GAAP operating margin as a percent of total revenue†	<u>~34%</u>	<u>36% - 36.75%</u>

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2021 for a further discussion of its non-GAAP measures.

*Comprised of costs related to a voluntary retirement program.

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
As of July 26, 2021
(Unaudited)

	<u>Three Months Ending</u> <u>October 2, 2021</u>	<u>Year Ending</u> <u>January 1, 2022</u>
	<u>Forecast</u>	<u>Forecast</u>
Diluted net income per share on a GAAP basis	\$0.48 to \$0.50	\$2.15 to \$2.21
Stock-based compensation expense	0.20	0.79
Amortization of acquired intangibles	0.06	0.24
Acquisition and integration-related costs	0.02	0.08
Restructuring and other credits	-	-
Non-qualified deferred compensation expenses	-	0.01
Special charges*	-	0.10
Other income or expense related to investments and non-qualified deferred compensation plan assets**	-	(0.02)
Income tax effect of non-GAAP adjustments	(0.02)	(0.21)
Diluted net income per share on a non-GAAP basis†	<u><u>\$0.74 to \$0.76</u></u>	<u><u>\$3.14 to \$3.20</u></u>

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of July 26, 2021
(Unaudited)

(\$ in millions)	<u>Three Months Ending</u> <u>October 2, 2021</u>	<u>Year Ending</u> <u>January 1, 2022</u>
	<u>Forecast</u>	<u>Forecast</u>
Net income on a GAAP basis	\$133 to \$139	\$600 to \$616
Stock-based compensation expense	57	220
Amortization of acquired intangibles	17	67
Acquisition and integration-related costs	5	22
Restructuring and other credits	-	(1)
Non-qualified deferred compensation expenses	-	4
Special charges*	-	27
Other income or expense related to investments and non-qualified deferred compensation plan assets**	-	(5)
Income tax effect of non-GAAP adjustments	(7)	(57)
Net income on a non-GAAP basis†	<u><u>\$205 to \$211</u></u>	<u><u>\$877 to \$893</u></u>

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2021 for a further discussion of its non-GAAP measures.

*Comprised of costs related to a voluntary retirement program.

** Includes, as applicable, equity in losses or income from investments, write-down of investments, gains or losses on investments and gains or losses on non-qualified deferred compensation plan assets recorded in other income or expense.

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three and Six Months Ended July 3, 2021 and June 27, 2020
(Unaudited)

(In thousands)	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Net income on a GAAP basis	\$ 155,900	\$ 131,288	\$ 343,069	\$ 255,276
Stock-based compensation expense*	50,518	46,907	103,114	93,389
Amortization of acquired intangibles**	17,262	16,074	33,661	31,140
Acquisition and integration-related costs***	5,631	5,315	11,141	9,285
Restructuring and other credits	(469)	(275)	(746)	(1,342)
Non-qualified deferred compensation expenses (credits)****	2,411	3,618	4,309	(1,178)
Special charges *****	26,832	270	26,832	394
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(1,774)	(2,797)	(5,106)	5,214
Income tax effect of non-GAAP adjustments	(18,023)	(15,786)	(46,805)	(41,269)
Net income on a non-GAAP basis +	\$ 238,288	\$ 184,614	\$ 469,469	\$ 350,909

+ The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems Inc. for its second quarter of 2021 for a further discussion of its non-GAAP measures.

† Includes, as applicable, equity in losses or income from investments, write-down of investments, gains or losses on investments and gains or losses on non-qualified deferred compensation plan assets recorded in other income or expense.

* Total stock-based compensation expense is reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Cost of product and maintenance	\$ 909	\$ 683	\$ 1,716	\$ 1,374
Cost of services	992	869	2,019	1,749
Marketing and sales	10,294	10,116	21,500	20,127
Research and development	31,286	29,690	64,144	59,036
General and administrative	7,037	5,549	13,735	11,103
Total stock-based compensation expense	\$ 50,518	\$ 46,907	\$ 103,114	\$ 93,389

** Total amortization of acquired intangibles is reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Cost of product and maintenance	\$ 12,232	\$ 11,484	\$ 24,000	\$ 22,344
Amortization of acquired intangibles	5,030	4,590	9,661	8,796
Total amortization of acquired intangibles	\$ 17,262	\$ 16,074	\$ 33,661	\$ 31,140

*** Total acquisition and integration-related costs are reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Marketing and sales	\$ 313	\$ 15	\$ 321	\$ 28
Research and development	4,975	5,179	8,710	8,584
General and administrative	343	121	2,110	673
Total acquisition and integration-related costs	\$ 5,631	\$ 5,315	\$ 11,141	\$ 9,285

**** Cadence records operating expenses (credits) related to its non-qualified deferred compensation plan assets as those assets increase or decrease in value. An offsetting gain or loss is recorded in other income or expense, such that the net impact on Cadence's net income is not significant. The operating expenses (credits) are reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Cost of product and maintenance	\$ 19	\$ 39	\$ 36	\$ (9)
Cost of services	26	57	50	(13)
Marketing and sales	403	560	734	(243)
Research and development	1,404	2,063	2,402	(545)
General and administrative	559	899	1,087	(368)
Total non-qualified deferred compensation expenses (credits)	\$ 2,411	\$ 3,618	\$ 4,309	\$ (1,178)

***** 2021 includes costs related to a voluntary retirement program. Total special charges are reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Cost of product and maintenance	\$ 522	\$ -	\$ 522	\$ -
Cost of services	2,344	-	2,344	-
Marketing and sales	6,697	-	6,697	-
Research and development	14,711	-	14,711	-
General and administrative	2,558	270	2,558	394
Total special charges	\$ 26,832	\$ 270	\$ 26,832	\$ 394

Cadence Design Systems, Inc.
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share
For the Three and Six Months Ended July 3, 2021 and June 27, 2020
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Diluted net income per share on a GAAP basis	\$ 0.56	\$ 0.47	\$ 1.23	\$ 0.91
Stock-based compensation expense	0.18	0.17	0.37	0.34
Amortization of acquired intangibles	0.06	0.06	0.12	0.11
Acquisition and integration-related costs	0.02	0.02	0.04	0.03
Restructuring and other credits	-	-	-	-
Non-qualified deferred compensation expenses (credits)	0.01	0.01	0.01	-
Special charges*	0.10	-	0.10	-
Other income or expense related to investments and non-qualified deferred compensation plan assets **	(0.01)	(0.01)	(0.02)	0.02
Income tax effect of non-GAAP adjustments	(0.06)	(0.06)	(0.17)	(0.15)
Diluted net income per share on a non-GAAP basis +	\$ 0.86	\$ 0.66	\$ 1.68	\$ 1.26
Shares used in calculation of diluted net income per share	278,558	279,080	279,399	279,207

+ **The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2021 for a further discussion of its non-GAAP measures.**

* 2021 includes costs related to a voluntary retirement program.

** Includes, as applicable, equity in losses or income from investments, write-down of investments, gains or losses on investments and gains or losses on non-qualified deferred compensation plan assets recorded in other income or expense.

Cadence Design Systems, Inc.
Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures
(Unaudited)

	Three Months Ended July 3, 2021 <u>Actual</u> (In thousands)	Three Months Ended June 27, 2020 <u>Actual</u> (In thousands)
GAAP total costs and expenses	\$ 542,847	\$ 486,468
Reconciling items to non-GAAP total costs and expenses		
Stock-based compensation expense	(50,518)	(46,907)
Amortization of acquired intangibles	(17,262)	(16,074)
Acquisition and integration-related costs	(5,631)	(5,315)
Restructuring and other credits	469	275
Non-qualified deferred compensation expenses	(2,411)	(3,618)
Special charges*	(26,832)	(270)
Non-GAAP total costs and expenses†	<u>\$ 440,662</u>	<u>\$ 414,559</u>

* Q2 2021 includes costs related to a voluntary retirement program.

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2021 for a further discussion of its non-GAAP financial measures.

Cadence Design Systems, Inc.
Reconciliation of Selected GAAP Operating Expenses to Non-GAAP Operating Expenses
(Unaudited)

(In thousands)

	For the three months ended July 3, 2021					
Operating expenses on a GAAP basis†	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration-related costs	Non-qualified deferred compensation expenses	Special charges	Operating expenses on a non-GAAP basis
Cost of product and maintenance	55,842	(909)	(12,232)	-	(19)	(522)
Cost of services	20,917	(992)	-	-	(26)	(2,344)
Marketing and sales	135,967	(10,294)	-	(313)	(403)	(6,697)
Research and development	285,227	(31,286)	-	(4,975)	(1,404)	(14,711)
General and administrative	40,333	(7,037)	-	(343)	(559)	(2,558)
Amortization of acquired intangibles	5,030	-	(5,030)	-	-	-
	<u>(50,518)</u>	<u>(17,262)</u>	<u>(5,631)</u>	<u>(2,411)</u>	<u>(26,832)</u>	
	For the six months ended July 3, 2021					
Operating expenses on a GAAP basis†	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration-related costs	Non-qualified deferred compensation expenses	Special charges	Operating expenses on a non-GAAP basis
Cost of product and maintenance	120,748	(1,716)	(24,000)	-	(36)	(522)
Cost of services	39,978	(2,019)	-	-	(50)	(2,344)
Marketing and sales	268,793	(21,500)	-	(321)	(734)	(6,697)
Research and development	556,219	(64,144)	-	(8,710)	(2,402)	(14,711)
General and administrative	80,285	(13,735)	-	(2,110)	(1,087)	(2,558)
Amortization of acquired intangibles	9,661	-	(9,661)	-	-	-
	<u>(103,114)</u>	<u>(33,661)</u>	<u>(11,141)</u>	<u>(4,309)</u>	<u>(26,832)</u>	

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2021 for a further discussion of its non-GAAP financial measures.

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended July 3, 2021
(In thousands)
(Unaudited)

	Three Months Ended July 3, 2021		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 687,884	\$ -	\$ 687,884
Services	40,401	-	40,401
Total revenue	<u>728,285</u>	<u>-</u>	<u>728,285</u>
Costs and expenses:			
Cost of product and maintenance	55,842	(13,682) (A)	42,160
Cost of services	20,917	(3,362) (A)	17,555
Marketing and sales	135,967	(17,707) (A)	118,260
Research and development	285,227	(52,376) (A)	232,851
General and administrative	40,333	(10,497) (A)	29,836
Amortization of acquired intangibles	5,030	(5,030) (A)	-
Restructuring and other credits	(469)	469	-
Total costs and expenses	<u>542,847</u>	<u>(102,185)</u>	<u>440,662</u>
Income from operations	185,438	102,185	287,623
Interest expense	(4,316)	-	(4,316)
Other income, net	2,143	(1,774) (B)	369
Income before provision for income taxes	183,265	100,411	283,676
Provision for income taxes	27,365	18,023 (C)	45,388
Net income	<u>\$ 155,900</u>	<u>\$ 82,388</u>	<u>\$ 238,288</u>

*The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2021 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended July 3, 2021, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration-related costs	Non-qualified deferred compensation expenses	Special charges (D)	Total adjustments
Cost of product and maintenance	\$ 909	\$ 12,232	\$ -	\$ 19	\$ 522	\$ 13,682
Cost of services	992	-	-	26	2,344	3,362
Marketing and sales	10,294	-	313	403	6,697	17,707
Research and development	31,286	-	4,975	1,404	14,711	52,376
General and administrative	7,037	-	343	559	2,558	10,497
Amortization of acquired intangibles	-	5,030	-	-	-	5,030
Total	<u>\$ 50,518</u>	<u>\$ 17,262</u>	<u>\$ 5,631</u>	<u>\$ 2,411</u>	<u>\$ 26,832</u>	<u>\$ 102,654</u>

(B) Other income or expense related to investments and non-qualified deferred compensation plan assets

(C) Income tax effect of non-GAAP adjustments

(D) Comprised of costs related to a voluntary retirement program

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended June 27, 2020
(In thousands)
(Unaudited)

	Three Months Ended June 27, 2020		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 601,356	\$ -	\$ 601,356
Services	37,062	-	37,062
Total revenue	<u>638,418</u>	<u>-</u>	<u>638,418</u>
Costs and expenses:			
Cost of product and maintenance	55,669	(12,206) (A)	43,463
Cost of services	19,546	(926) (A)	18,620
Marketing and sales	120,476	(10,691) (A)	109,785
Research and development	250,821	(36,932) (A)	213,889
General and administrative	35,641	(6,839) (A)	28,802
Amortization of acquired intangibles	4,590	(4,590) (A)	-
Restructuring and other credits	(275)	275	-
Total costs and expenses	<u>486,468</u>	<u>(71,909)</u>	<u>414,559</u>
Income from operations	151,950	71,909	223,859
Interest expense	(5,914)	-	(5,914)
Other income, net	4,630	(2,797) (B)	1,833
Income before provision for income taxes	150,666	69,112	219,778
Provision for income taxes	19,378	15,786 (C)	35,164
Net income	<u>\$ 131,288</u>	<u>\$ 53,326</u>	<u>\$ 184,614</u>

*The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2021 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended June 27, 2020, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration-related costs	Non-qualified deferred compensation expenses	Special charges	Total adjustments
Cost of product and maintenance	\$ 683	\$ 11,484	\$ -	\$ 39	\$ -	\$ 12,206
Cost of services	869	-	-	57	-	926
Marketing and sales	10,116	-	15	560	-	10,691
Research and development	29,690	-	5,179	2,063	-	36,932
General and administrative	5,549	-	121	899	270	6,839
Amortization of acquired intangibles	-	4,590	-	-	-	4,590
Total	<u>\$ 46,907</u>	<u>\$ 16,074</u>	<u>\$ 5,315</u>	<u>\$ 3,618</u>	<u>\$ 270</u>	<u>\$ 72,184</u>

(B) Other income or expense related to investments and non-qualified deferred compensation plan assets

(C) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Six Months Ended July 3, 2021
(In thousands)
(Unaudited)

	Six Months Ended July 3, 2021		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,386,938	\$ -	\$ 1,386,938
Services	77,375	-	77,375
Total revenue	<u>1,464,313</u>	<u>-</u>	<u>1,464,313</u>
Costs and expenses:			
Cost of product and maintenance	120,748	(26,274) (A)	94,474
Cost of services	39,978	(4,413) (A)	35,565
Marketing and sales	268,793	(29,252) (A)	239,541
Research and development	556,219	(89,967) (A)	466,252
General and administrative	80,285	(19,490) (A)	60,795
Amortization of acquired intangibles	9,661	(9,661) (A)	-
Restructuring and other credits	(746)	746	-
Total costs and expenses	<u>1,074,938</u>	<u>(178,311)</u>	<u>896,627</u>
Income from operations	389,375	178,311	567,686
Interest expense	(8,533)	-	(8,533)
Other income (expense), net	4,844	(5,106) (B)	(262)
Income before provision for income taxes	385,686	173,205	558,891
Provision for income taxes	42,617	46,805 (C)	89,422
Net income	<u>\$ 343,069</u>	<u>\$ 126,400</u>	<u>\$ 469,469</u>

*The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2021 for a further discussion of its non-GAAP measures.

Notes:

(A) For the six months ended July 3, 2021, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration- related costs	Non-qualified deferred compensation expenses	Special charges (D)	Total adjustments
Cost of product and maintenance	\$ 1,716	\$ 24,000	\$ -	\$ 36	\$ 522	\$ 26,274
Cost of services	2,019	-	-	50	2,344	4,413
Marketing and sales	21,500	-	321	734	6,697	29,252
Research and development	64,144	-	8,710	2,402	14,711	89,967
General and administrative	13,735	-	2,110	1,087	2,558	19,490
Amortization of acquired intangibles	-	9,661	-	-	-	9,661
Total	<u>\$ 103,114</u>	<u>\$ 33,661</u>	<u>\$ 11,141</u>	<u>\$ 4,309</u>	<u>\$ 26,832</u>	<u>\$ 179,057</u>

(B) Other income or expense related to investments and non-qualified deferred compensation plan assets

(C) Income tax effect of non-GAAP adjustments

(D) Comprised of costs related to a voluntary retirement program

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Six Months Ended June 27, 2020
(In thousands)
(Unaudited)

	Six Months Ended June 27, 2020		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,183,055	\$ -	\$ 1,183,055
Services	73,320	-	73,320
Total revenue	<u>1,256,375</u>	<u>-</u>	<u>1,256,375</u>
Costs and expenses:			
Cost of product and maintenance	111,115	(23,709) (A)	87,406
Cost of services	38,563	(1,736) (A)	36,827
Marketing and sales	246,220	(19,912) (A)	226,308
Research and development	492,489	(67,075) (A)	425,414
General and administrative	69,233	(11,802) (A)	57,431
Amortization of acquired intangibles	8,796	(8,796) (A)	-
Restructuring and other credits	(1,342)	1,342	-
Total costs and expenses	<u>965,074</u>	<u>(131,688)</u>	<u>833,386</u>
Income from operations	291,301	131,688	422,989
Interest expense	(10,551)	-	(10,551)
Other income, net	96	5,214 (B)	5,310
Income before provision for income taxes	280,846	136,902	417,748
Provision for income taxes	25,570	41,269 (C)	66,839
Net income	<u>\$ 255,276</u>	<u>\$ 95,633</u>	<u>\$ 350,909</u>

*The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2021 for a further discussion of its non-GAAP measures.

Notes:

(A) For the six months ended June 27, 2020, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration- related costs	Non-qualified deferred compensation credits	Special charges	Total adjustments
Cost of product and maintenance	\$ 1,374	\$ 22,344	\$ -	\$ (9)	\$ -	\$ 23,709
Cost of services	1,749	-	-	(13)	-	1,736
Marketing and sales	20,127	-	28	(243)	-	19,912
Research and development	59,036	-	8,584	(545)	-	67,075
General and administrative	11,103	-	673	(368)	394	11,802
Amortization of acquired intangibles	-	8,796	-	-	-	8,796
Total	<u>\$ 93,389</u>	<u>\$ 31,140</u>	<u>\$ 9,285</u>	<u>\$ (1,178)</u>	<u>\$ 394</u>	<u>\$ 133,030</u>

(B) Other income or expense related to investments and non-qualified deferred compensation plan assets

(C) Income tax effect of non-GAAP adjustments