

Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
June 30, 2023 and December 31, 2022
(In thousands)
(Unaudited)

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Current assets:		
Cash and cash equivalents	\$ 873,925	\$ 882,325
Receivables, net	440,915	486,710
Inventories	139,576	128,005
Prepaid expenses and other	188,634	209,727
Total current assets	<u>1,643,050</u>	<u>1,706,767</u>
Property, plant and equipment, net	370,193	371,451
Goodwill	1,428,772	1,374,268
Acquired intangibles, net	340,742	354,617
Deferred taxes	872,151	853,691
Other assets	500,216	476,277
Total assets	<u>\$ 5,155,124</u>	<u>\$ 5,137,071</u>
Current liabilities:		
Revolving credit facility	\$ -	\$ 100,000
Accounts payable and accrued liabilities	510,007	557,158
Current portion of deferred revenue	686,293	690,538
Total current liabilities	<u>1,196,300</u>	<u>1,347,696</u>
Long-term liabilities:		
Long-term portion of deferred revenue	96,653	91,524
Long-term debt	648,551	648,078
Other long-term liabilities	305,165	304,660
Total long-term liabilities	<u>1,050,369</u>	<u>1,044,262</u>
Stockholders' equity	2,908,455	2,745,113
Total liabilities and stockholders' equity	<u>\$ 5,155,124</u>	<u>\$ 5,137,071</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Six Months Ended June 30, 2023 and July 2, 2022
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2023</u>	<u>July 2, 2022</u>	<u>June 30, 2023</u>	<u>July 2, 2022</u>
Revenue:				
Product and maintenance	\$ 922,790	\$ 802,285	\$ 1,886,532	\$ 1,648,529
Services	53,789	55,236	111,737	110,758
Total revenue	<u>976,579</u>	<u>857,521</u>	<u>1,998,269</u>	<u>1,759,287</u>
Costs and expenses:				
Cost of product and maintenance	74,218	68,717	174,456	141,512
Cost of services	22,640	23,948	46,874	48,996
Marketing and sales	167,070	139,296	333,736	279,482
Research and development	354,416	286,597	704,711	577,492
General and administrative	54,605	51,426	108,132	100,363
Amortization of acquired intangibles	4,302	4,633	8,569	9,597
Restructuring	-	16	-	28
Total costs and expenses	<u>677,251</u>	<u>574,633</u>	<u>1,376,478</u>	<u>1,157,470</u>
Income from operations	299,328	282,888	621,791	601,817
Interest expense	(8,877)	(4,281)	(18,137)	(8,389)
Other income (expense), net	7,973	(5,962)	16,257	(10,862)
Income before provision for income taxes	298,424	272,645	619,911	582,566
Provision for income taxes	77,304	85,725	156,987	160,311
Net income	<u>\$ 221,120</u>	<u>\$ 186,920</u>	<u>\$ 462,924</u>	<u>\$ 422,255</u>
Net income per share - basic	<u>\$ 0.82</u>	<u>\$ 0.69</u>	<u>\$ 1.72</u>	<u>\$ 1.55</u>
Net income per share - diluted	<u>\$ 0.81</u>	<u>\$ 0.68</u>	<u>\$ 1.70</u>	<u>\$ 1.53</u>
Weighted average common shares outstanding - basic	<u>269,714</u>	<u>271,520</u>	<u>269,607</u>	<u>272,028</u>
Weighted average common shares outstanding - diluted	<u>272,996</u>	<u>275,172</u>	<u>273,078</u>	<u>276,097</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2023 and July 2, 2022
(In thousands)
(Unaudited)

	Six Months Ended	
	June 30, 2023	July 2, 2022
Cash and cash equivalents at beginning of period	\$ 882,325	\$ 1,088,940
Cash flows from operating activities:		
Net income	462,924	422,255
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	70,432	67,690
Amortization of debt discount and fees	626	539
Stock-based compensation	150,896	123,739
Loss on investments, net	554	3,124
Deferred income taxes	(20,171)	(41,597)
Provisions for losses on receivables	720	133
ROU asset amortization and change in operating lease liabilities	(3,543)	1,742
Other non-cash items	1,834	88
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	41,208	(64,036)
Inventories	(16,981)	367
Prepaid expenses and other	50,793	40,571
Other assets	(31,838)	14,476
Accounts payable and accrued liabilities	(37,049)	17,470
Deferred revenue	1,269	80,460
Other long-term liabilities	9,497	(5,872)
Net cash provided by operating activities	<u>681,171</u>	<u>661,149</u>
Cash flows from investing activities:		
Purchases of investments	(29,212)	(1,000)
Proceeds from the sale and maturity of investments	1,505	-
Purchases of property, plant and equipment	(46,655)	(42,202)
Purchases of intangible assets	-	(750)
Cash paid in business combinations, net of cash acquired	(55,379)	(25,000)
Net cash used for investing activities	<u>(129,741)</u>	<u>(68,952)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	50,000	-
Payments on revolving credit facility	(150,000)	-
Proceeds from issuance of common stock	77,502	50,224
Stock received for payment of employee taxes on vesting of restricted stock	(78,988)	(63,544)
Payments for repurchases of common stock	(450,119)	(600,049)
Net cash used for financing activities	<u>(551,605)</u>	<u>(613,369)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(8,225)</u>	<u>(38,224)</u>
Decrease in cash and cash equivalents	<u>(8,400)</u>	<u>(59,396)</u>
Cash and cash equivalents at end of period	<u>\$ 873,925</u>	<u>\$ 1,029,544</u>

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of July 24, 2023
(Unaudited)

	<u>Six Months Ending</u> <u>December 31, 2023</u> <u>Forecast</u>	<u>Year Ending</u> <u>December 31, 2023</u> <u>Forecast</u>
GAAP operating margin as a percent of total revenue	30% - 31%	30.2% - 31.2%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	8%	8%
Amortization of acquired intangibles	2%	2%
Acquisition and integration-related costs	1%	1%
Non-qualified deferred compensation expenses	0%	0%
Non-GAAP operating margin as a percent of total revenue†	<u>41% - 42%</u>	<u>41.2% - 42.2%</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.

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
As of July 24, 2023
(Unaudited)

	<u>Six Months Ending December 31, 2023</u>	<u>Year Ending December 31, 2023</u>
	<u>Forecast</u>	<u>Forecast</u>
Diluted net income per share on a GAAP basis	\$1.65 to \$1.71	\$3.35 to \$3.41
Stock-based compensation expense	0.65	1.20
Amortization of acquired intangibles	0.12	0.23
Acquisition and integration-related costs	0.06	0.17
Non-qualified deferred compensation expenses	-	0.02
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(0.02)
Income tax effect of non-GAAP adjustments	0.06	0.10
Diluted net income per share on a non-GAAP basis†	<u><u>\$2.54 to \$2.60</u></u>	<u><u>\$5.05 to \$5.11</u></u>

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of July 24, 2023
(Unaudited)

(\$ in millions)	<u>Six Months Ending December 31, 2023</u>	<u>Year Ending December 31, 2023</u>
	<u>Forecast</u>	<u>Forecast</u>
Net income on a GAAP basis	\$452 to \$468	\$915 to \$931
Stock-based compensation expense	178	329
Amortization of acquired intangibles	33	63
Acquisition and integration-related costs	17	47
Non-qualified deferred compensation expenses	-	6
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(6)
Income tax effect of non-GAAP adjustments	15	26
Net income on a non-GAAP basis†	<u><u>\$695 to \$711</u></u>	<u><u>\$1,380 to \$1,396</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.

* 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.