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**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.**  
**Trended Condensed Consolidated Balance Sheets**  
(In thousands)  
(Unaudited)

	July 2, 2022	October 1, 2022	December 31, 2022	March 31, 2023	June 30, 2023
<b>Current assets:</b>					
Cash and cash equivalents	\$ 1,029,544	\$ 1,026,051	\$ 882,325	\$ 916,963	\$ 873,925
Receivables, net	391,738	391,181	486,710	488,237	440,915
Inventories	106,372	114,283	128,005	127,566	139,576
Prepaid expenses and other	129,966	138,968	209,727	165,778	188,634
Total current assets	<u>1,657,620</u>	<u>1,670,483</u>	<u>1,706,767</u>	<u>1,698,544</u>	<u>1,643,050</u>
Property, plant and equipment, net	316,741	348,238	371,451	372,956	370,193
Goodwill	924,460	1,348,494	1,374,268	1,377,625	1,428,772
Acquired intangibles, net	215,781	353,912	354,617	341,738	340,742
Deferred taxes	802,886	783,315	853,691	864,750	872,151
Other assets	443,786	463,645	476,277	516,006	500,216
Total assets	<u>\$ 4,361,274</u>	<u>\$ 4,968,087</u>	<u>\$ 5,137,071</u>	<u>\$ 5,171,619</u>	<u>\$ 5,155,124</u>
<b>Current liabilities:</b>					
Revolving credit facility	\$ -	\$ 150,000	\$ 100,000	\$ 30,000	\$ -
Accounts payable and accrued liabilities	437,195	454,688	557,158	430,135	510,007
Current portion of deferred revenue	605,296	652,306	690,538	721,246	686,293
Total current liabilities	<u>1,042,491</u>	<u>1,256,994</u>	<u>1,347,696</u>	<u>1,181,381</u>	<u>1,196,300</u>
<b>Long-term liabilities:</b>					
Long-term portion of deferred revenue	114,573	102,167	91,524	102,515	96,653
Long-term debt	347,999	647,799	648,078	648,301	648,551
Other long-term liabilities	230,982	252,999	304,660	298,546	305,165
Total long-term liabilities	<u>693,554</u>	<u>1,002,965</u>	<u>1,044,262</u>	<u>1,049,362</u>	<u>1,050,369</u>
<b>Stockholders' equity:</b>					
Common stock and capital in excess of par value	2,590,893	2,697,632	2,765,673	2,878,749	2,897,885
Treasury stock, at cost	(3,352,827)	(3,522,219)	(3,824,163)	(3,987,528)	(4,257,084)
Retained earnings	3,468,543	3,654,848	3,895,240	4,137,044	4,358,164
Accumulated other comprehensive loss	(81,380)	(122,133)	(91,637)	(87,389)	(90,510)
Total stockholders' equity	<u>2,625,229</u>	<u>2,708,128</u>	<u>2,745,113</u>	<u>2,940,876</u>	<u>2,908,455</u>
Total liabilities and stockholders' equity	<u>\$ 4,361,274</u>	<u>\$ 4,968,087</u>	<u>\$ 5,137,071</u>	<u>\$ 5,171,619</u>	<u>\$ 5,155,124</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.**  
**Trended Condensed Income Statements**  
(In thousands, except per share amounts)  
(Unaudited)

	Three Months Ended				
	July 2, 2022	October 1, 2022	December 31, 2022	March 31, 2023	June 30, 2023
Revenue:					
Product and maintenance	\$ 802,285	\$ 845,788	\$ 845,880	\$ 963,742	\$ 922,790
Services	55,236	56,766	53,997	57,948	53,789
Total revenue	<u>857,521</u>	<u>902,554</u>	<u>899,877</u>	<u>1,021,690</u>	<u>976,579</u>
Costs and expenses:					
Cost of product and maintenance	68,717	62,351	69,702	100,238	74,218
Cost of services	23,948	25,249	23,813	24,234	22,640
Marketing and sales	139,296	152,925	171,817	166,666	167,070
Research and development	286,597	323,629	350,423	350,295	354,416
General and administrative	51,426	73,688	68,065	53,527	54,605
Amortization of acquired intangibles	4,633	3,946	4,927	4,267	4,302
Restructuring	16	14	13	-	-
Total costs and expenses	<u>574,633</u>	<u>641,802</u>	<u>688,760</u>	<u>699,227</u>	<u>677,251</u>
Income from operations	282,888	260,752	211,117	322,463	299,328
Interest expense	(4,281)	(5,463)	(9,082)	(9,260)	(8,877)
Other income (expense), net	<u>(5,962)</u>	<u>(3,017)</u>	<u>8,490</u>	<u>8,284</u>	<u>7,973</u>
Income before provision (benefit) for income taxes	272,645	252,272	210,525	321,487	298,424
Provision (benefit) for income taxes	<u>85,725</u>	<u>65,967</u>	<u>(29,867)</u>	<u>79,683</u>	<u>77,304</u>
Net income	<u>\$ 186,920</u>	<u>\$ 186,305</u>	<u>\$ 240,392</u>	<u>\$ 241,804</u>	<u>\$ 221,120</u>
Net income per share - basic	<u>\$ 0.69</u>	<u>\$ 0.69</u>	<u>\$ 0.89</u>	<u>\$ 0.90</u>	<u>\$ 0.82</u>
Net income per share - diluted	<u>\$ 0.68</u>	<u>\$ 0.68</u>	<u>\$ 0.88</u>	<u>\$ 0.89</u>	<u>\$ 0.81</u>
Weighted average common shares outstanding - basic	<u>271,520</u>	<u>271,131</u>	<u>269,709</u>	<u>269,501</u>	<u>269,714</u>
Weighted average common shares outstanding - diluted	<u>275,172</u>	<u>274,957</u>	<u>272,997</u>	<u>273,159</u>	<u>272,996</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)

	<b>Six Months Ended</b>	
	<b>June 30, 2023</b>	<b>July 2, 2022</b>
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.**  
**Trended Condensed Consolidated Statements of Cash Flows**  
**For the Five Quarters Ended June 30, 2023**  
(In thousands)  
(Unaudited)

	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Cash and cash equivalents at beginning of period	\$ 1,134,752	\$ 1,029,544	\$ 1,026,051	\$ 882,325	\$ 916,963
Cash flows from operating activities:					
Net income	186,920	186,305	240,392	241,804	221,120
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	32,865	30,488	33,910	34,400	36,032
Amortization of debt discount and fees	271	271	324	311	315
Stock-based compensation	64,270	73,451	73,249	74,288	76,608
(Gain) loss on investments, net	1,086	1,653	648	(123)	677
Deferred income taxes	(16,677)	(8,237)	(57,772)	(11,640)	(8,531)
Provisions for losses (recoveries) on receivables	477	338	(267)	214	506
ROU asset amortization and change in operating lease liabilities	816	(2,625)	4,225	(1,392)	(2,151)
Other non-cash items	-	70	213	99	1,735
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(35,610)	6,727	(81,162)	(8,719)	49,927
Inventories	(4,213)	(8,387)	(15,053)	399	(17,380)
Prepaid expenses and other	(3,848)	(9,975)	(69,523)	56,212	(5,419)
Other assets	2,888	3,168	(18,577)	(42,084)	10,246
Accounts payable and accrued liabilities	75,673	7,044	89,431	(117,915)	80,866
Deferred revenue	24,235	33,252	17,750	40,650	(39,381)
Other long-term liabilities	(4,612)	3,567	45,847	897	8,600
Net cash provided by operating activities	<u>324,541</u>	<u>317,110</u>	<u>263,635</u>	<u>267,401</u>	<u>413,770</u>
Cash flows from investing activities:					
Purchases of investments	-	-	-	(9,055)	(20,157)
Proceeds from the sale and maturity of investments	-	-	366	102	1,403
Purchases of property, plant and equipment	(24,072)	(44,093)	(36,920)	(26,719)	(19,936)
Purchases of intangible assets	-	(250)	-	-	-
Cash paid in business combinations, net of cash acquired	(25,000)	(561,163)	(27,622)	-	(55,379)
Net cash used for investing activities	<u>(49,072)</u>	<u>(605,506)</u>	<u>(64,176)</u>	<u>(35,672)</u>	<u>(94,069)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	-	450,000	135,000	50,000	-
Payments on revolving credit facility	-	(300,000)	(185,000)	(120,000)	(30,000)
Proceeds from term loan	-	300,000	-	-	-
Payment of debt issuance costs	-	(425)	-	-	-
Proceeds from issuance of common stock	4,551	53,458	1,649	65,370	12,132
Stock received for payment of employee taxes on vesting of restricted stock	(7,201)	(39,549)	(8,771)	(67,712)	(11,276)
Payments for repurchases of common stock	(350,033)	(150,013)	(300,029)	(125,010)	(325,109)
Net cash provided by (used for) financing activities	<u>(352,683)</u>	<u>313,471</u>	<u>(357,151)</u>	<u>(197,352)</u>	<u>(354,253)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(27,994)</u>	<u>(28,568)</u>	<u>13,966</u>	<u>261</u>	<u>(8,486)</u>
Increase (decrease) in cash and cash equivalents	<u>(105,208)</u>	<u>(3,493)</u>	<u>(143,726)</u>	<u>34,638</u>	<u>(43,038)</u>
Cash and cash equivalents at end of period	<u>\$ 1,029,544</u>	<u>\$ 1,026,051</u>	<u>\$ 882,325</u>	<u>\$ 916,963</u>	<u>\$ 873,925</u>

**Cadence Design Systems, Inc.**  
**(Unaudited)**

**Revenue Mix by Geography (% of Total Revenue)**

<u>GEOGRAPHY</u>	2022					2023	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Americas	47%	45%	45%	46%	<b>46%</b>	44%	41%
China	16%	13%	17%	13%	<b>15%</b>	17%	18%
Other Asia	18%	18%	17%	18%	<b>18%</b>	18%	18%
Europe, Middle East and Africa	14%	18%	16%	17%	<b>16%</b>	15%	17%
Japan	5%	6%	5%	6%	<b>5%</b>	6%	6%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Revenue Mix by Product Category (% of Total Revenue)**

<u>PRODUCT CATEGORY</u>	2022					2023	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Custom IC Design and Simulation	22%	23%	22%	22%	<b>22%</b>	20%	22%
Digital IC Design and Signoff	27%	27%	29%	28%	<b>28%</b>	25%	27%
Functional Verification, including Emulation and Prototyping Hardware	28%	24%	25%	25%	<b>26%</b>	32%	27%
IP	13%	14%	12%	12%	<b>12%</b>	11%	11%
System Design and Analysis	10%	12%	12%	13%	<b>12%</b>	12%	13%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



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

	<u>Three Months Ending</u> <u>September 30, 2023</u> <u>Forecast</u>	<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	~29%	30% - 31%	30.2% - 31.2%
Reconciling items to non-GAAP operating margin as a percent of total revenue:			
Stock-based compensation expense	9%	8%	8%
Amortization of acquired intangibles	1%	2%	2%
Acquisition and integration-related costs	1%	1%	1%
Non-qualified deferred compensation expenses	0%	0%	0%
Non-GAAP operating margin as a percent of total revenue†	<u>~40%</u>	<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. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2023 for a further discussion of its non-GAAP measures.

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

	<u>Three Months Ending September 30, 2023</u> Forecast	<u>Six Months Ending December 31, 2023</u> Forecast	<u>Year Ending December 31, 2023</u> Forecast
Diluted net income per share on a GAAP basis	<b>\$0.76 to \$0.80</b>	<b>\$1.65 to \$1.71</b>	<b>\$3.35 to \$3.41</b>
Stock-based compensation expense	0.32	0.65	1.20
Amortization of acquired intangibles	0.06	0.12	0.23
Acquisition and integration-related costs	0.04	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	0.00	0.06	0.10
Diluted net income per share on a non-GAAP basis†	<u><u>\$1.18 to \$1.22</u></u>	<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>Three Months Ending September 30, 2023</u> Forecast	<u>Six Months Ending December 31, 2023</u> Forecast	<u>Year Ending December 31, 2023</u> Forecast
Net income on a GAAP basis	<b>\$208 to \$219</b>	<b>\$452 to \$468</b>	<b>\$915 to \$931</b>
Stock-based compensation expense	88	178	329
Amortization of acquired intangibles	16	33	63
Acquisition and integration-related costs	10	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	0	15	26
Net income on a non-GAAP basis†	<u><u>\$322 to \$333</u></u>	<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. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2023 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.

**Cadence Design Systems, Inc.**  
**Reconciliation of GAAP Net Income to Non-GAAP Net Income**  
**For the Three and Six Months Ended June 30, 2023 and July 2, 2022**  
**(Unaudited)**

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2023	July 2, 2022	June 30, 2023	July 2, 2022
Net income on a GAAP basis	\$ 221,120	\$ 186,920	\$ 462,924	\$ 422,255
Stock-based compensation expense*	76,608	64,270	150,896	123,739
Amortization of acquired intangibles**	14,920	14,701	29,447	31,636
Acquisition and integration-related costs***	13,946	8,278	29,746	12,175
Restructuring	-	16	-	28
Non-qualified deferred compensation expenses (credits)****	3,155	(6,524)	6,305	(9,092)
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(2,508)	7,610	(5,781)	12,216
Income tax effect of non-GAAP adjustments	6,509	22,551	11,646	28,489
Net income on a non-GAAP basis +	\$ 333,750	\$ 297,822	\$ 685,183	\$ 621,446

+ **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 2023 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	
	June 30, 2023	July 2, 2022	June 30, 2023	July 2, 2022
Cost of product and maintenance	\$ 1,035	\$ 875	\$ 2,101	\$ 1,705
Cost of services	1,317	1,113	2,674	2,163
Marketing and sales	15,686	12,902	30,777	24,659
Research and development	44,807	37,067	89,129	72,189
General and administrative	13,763	12,313	26,215	23,023
Total stock-based compensation expense	\$ 76,608	\$ 64,270	\$ 150,896	\$ 123,739

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

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2023	July 2, 2022	June 30, 2023	July 2, 2022
Cost of product and maintenance	\$ 10,618	\$ 10,068	\$ 20,878	\$ 22,039
Amortization of acquired intangibles	4,302	4,633	8,569	9,597
Total amortization of acquired intangibles	\$ 14,920	\$ 14,701	\$ 29,447	\$ 31,636

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

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2023	July 2, 2022	June 30, 2023	July 2, 2022
Cost of product and maintenance	\$ 128	\$ -	\$ 254	\$ -
Cost of services	169	-	336	-
Marketing and sales	1,367	150	3,343	502
Research and development	7,957	1,762	17,567	5,167
General and administrative	4,325	6,366	8,246	6,506
Total acquisition and integration-related costs	\$ 13,946	\$ 8,278	\$ 29,746	\$ 12,175

\*\*\*\* 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	
	June 30, 2023	July 2, 2022	June 30, 2023	July 2, 2022
Cost of product and maintenance	\$ 18	\$ (50)	\$ 45	\$ (75)
Cost of services	26	(73)	65	(108)
Marketing and sales	613	(1,377)	1,219	(1,799)
Research and development	1,877	(3,649)	3,790	(5,301)
General and administrative	621	(1,375)	1,186	(1,809)
Total non-qualified deferred compensation expenses (credits)	\$ 3,155	\$ (6,524)	\$ 6,305	\$ (9,092)

**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 June 30, 2023 and July 2, 2022**  
**(Unaudited)**

(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	June 30, 2023	July 2, 2022	June 30, 2023	July 2, 2022
Diluted net income per share on a GAAP basis	\$ 0.81	\$ 0.68	\$ 1.70	\$ 1.53
Stock-based compensation expense	0.28	0.23	0.55	0.45
Amortization of acquired intangibles	0.06	0.05	0.11	0.12
Acquisition and integration-related costs	0.05	0.03	0.11	0.04
Restructuring	-	-	-	-
Non-qualified deferred compensation expenses (credits)	0.01	(0.02)	0.02	(0.03)
Other income or expense related to investments and non-qualified deferred compensation plan assets *	(0.01)	0.03	(0.02)	0.04
Income tax effect of non-GAAP adjustments	0.02	0.08	0.04	0.10
Diluted net income per share on a non-GAAP basis +	\$ 1.22	\$ 1.08	\$ 2.51	\$ 2.25
Shares used in calculation of diluted net income per share	272,996	275,172	273,078	276,097

+ **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 2023 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.

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

	<u>Three Months Ended</u> <u>June 30, 2023</u>	<u>Three Months Ended</u> <u>July 2, 2022</u>
	<u>Actual</u>	<u>Actual</u>
	<u>(In thousands)</u>	<u>(In thousands)</u>
GAAP total costs and expenses	\$ 677,251	\$ 574,633
Reconciling items to non-GAAP total costs and expenses		
Stock-based compensation expense	(76,608)	(64,270)
Amortization of acquired intangibles	(14,920)	(14,701)
Acquisition and integration-related costs	(13,946)	(8,278)
Restructuring	-	(16)
Non-qualified deferred compensation (expenses) credits	(3,155)	6,524
Non-GAAP total costs and expenses†	<u>\$ 568,622</u>	<u>\$ 493,892</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 2023 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)

	<u>For the three months ended June 30, 2023</u>					
<u>(In thousands)</u>	<u>Operating expenses</u> <u>on a GAAP basis†</u>	<u>Stock-based</u> <u>compensation</u> <u>expense</u>	<u>Amortization</u> <u>of acquired</u> <u>intangibles</u>	<u>Acquisition and</u> <u>integration-</u> <u>related costs</u>	<u>Non-qualified</u> <u>deferred compensation</u> <u>expenses</u>	<u>Operating</u> <u>expenses on a</u> <u>non-GAAP basis</u>
Cost of product and maintenance	74,218	(1,035)	(10,618)	(128)	(18)	62,419
Cost of services	22,640	(1,317)	-	(169)	(26)	21,128
Marketing and sales	167,070	(15,686)	-	(1,367)	(613)	149,404
Research and development	354,416	(44,807)	-	(7,957)	(1,877)	299,775
General and administrative	54,605	(13,763)	-	(4,325)	(621)	35,896
Amortization of acquired intangibles	4,302	-	(4,302)	-	-	-
		<u>(76,608)</u>	<u>(14,920)</u>	<u>(13,946)</u>	<u>(3,155)</u>	
	<u>For the six months ended June 30, 2023</u>					
<u>(In thousands)</u>	<u>Operating expenses</u> <u>on a GAAP basis†</u>	<u>Stock-based</u> <u>compensation</u> <u>expense</u>	<u>Amortization</u> <u>of acquired</u> <u>intangibles</u>	<u>Acquisition and</u> <u>integration-</u> <u>related costs</u>	<u>Non-qualified</u> <u>deferred compensation</u> <u>expenses</u>	<u>Operating</u> <u>expenses on a</u> <u>non-GAAP basis</u>
Cost of product and maintenance	174,456	(2,101)	(20,878)	(254)	(45)	151,178
Cost of services	46,874	(2,674)	-	(336)	(65)	43,799
Marketing and sales	333,736	(30,777)	-	(3,343)	(1,219)	298,397
Research and development	704,711	(89,129)	-	(17,567)	(3,790)	594,225
General and administrative	108,132	(26,215)	-	(8,246)	(1,186)	72,485
Amortization of acquired intangibles	8,569	-	(8,569)	-	-	-
		<u>(150,896)</u>	<u>(29,447)</u>	<u>(29,746)</u>	<u>(6,305)</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 2023 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 June 30, 2023**  
(In thousands)  
(Unaudited)

	Three Months Ended June 30, 2023		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 922,790	\$ -	\$ 922,790
Services	53,789	-	53,789
Total revenue	<u>976,579</u>	<u>-</u>	<u>976,579</u>
Costs and expenses:			
Cost of product and maintenance	74,218	(11,799) (A)	62,419
Cost of services	22,640	(1,512) (A)	21,128
Marketing and sales	167,070	(17,666) (A)	149,404
Research and development	354,416	(54,641) (A)	299,775
General and administrative	54,605	(18,709) (A)	35,896
Amortization of acquired intangibles	4,302	(4,302) (A)	-
Total costs and expenses	<u>677,251</u>	<u>(108,629)</u>	<u>568,622</u>
Income from operations	299,328	108,629	407,957
Interest expense	(8,877)	-	(8,877)
Other income, net	7,973	(2,508) (B)	5,465
Income before provision for income taxes	298,424	106,121	404,545
Provision for income taxes	77,304	(6,509) (C)	70,795
Net income	<u>\$ 221,120</u>	<u>\$ 112,630</u>	<u>\$ 333,750</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 2023 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended June 30, 2023, 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	Total adjustments
Cost of product and maintenance	\$ 1,035	\$ 10,618	\$ 128	\$ 18	\$ 11,799
Cost of services	1,317	-	169	26	1,512
Marketing and sales	15,686	-	1,367	613	17,666
Research and development	44,807	-	7,957	1,877	54,641
General and administrative	13,763	-	4,325	621	18,709
Amortization of acquired intangibles	-	4,302	-	-	4,302
Total	<u>\$ 76,608</u>	<u>\$ 14,920</u>	<u>\$ 13,946</u>	<u>\$ 3,155</u>	<u>\$ 108,629</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 Three Months Ended July 2, 2022**  
(In thousands)  
(Unaudited)

	Three Months Ended July 2, 2022		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 802,285	\$ -	\$ 802,285
Services	<u>55,236</u>	<u>-</u>	<u>55,236</u>
Total revenue	<u>857,521</u>	<u>-</u>	<u>857,521</u>
Costs and expenses:			
Cost of product and maintenance	68,717	(10,893) (A)	57,824
Cost of services	23,948	(1,040) (A)	22,908
Marketing and sales	139,296	(11,675) (A)	127,621
Research and development	286,597	(35,180) (A)	251,417
General and administrative	51,426	(17,304) (A)	34,122
Amortization of acquired intangibles	4,633	(4,633) (A)	-
Restructuring	<u>16</u>	<u>(16)</u>	<u>-</u>
Total costs and expenses	<u>574,633</u>	<u>(80,741)</u>	<u>493,892</u>
Income from operations	282,888	80,741	363,629
Interest expense	(4,281)	-	(4,281)
Other income (expense), net	<u>(5,962)</u>	<u>7,610</u> (B)	<u>1,648</u>
Income before provision for income taxes	272,645	88,351	360,996
Provision for income taxes	<u>85,725</u>	<u>(22,551)</u> (C)	<u>63,174</u>
Net income	<u>\$ 186,920</u>	<u>\$ 110,902</u>	<u>\$ 297,822</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 2023 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended July 2, 2022, 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	Total adjustments
Cost of product and maintenance	\$ 875	\$ 10,068	\$ -	\$ (50)	\$ 10,893
Cost of services	1,113	-	-	(73)	1,040
Marketing and sales	12,902	-	150	(1,377)	11,675
Research and development	37,067	-	1,762	(3,649)	35,180
General and administrative	12,313	-	6,366	(1,375)	17,304
Amortization of acquired intangibles	-	4,633	-	-	4,633
Total	<u>\$ 64,270</u>	<u>\$ 14,701</u>	<u>\$ 8,278</u>	<u>\$ (6,524)</u>	<u>\$ 80,725</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 June 30, 2023**  
(In thousands)  
(Unaudited)

	Six Months Ended June 30, 2023		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,886,532	\$ -	\$ 1,886,532
Services	111,737	-	111,737
	<b>1,998,269</b>	-	1,998,269
Costs and expenses:			
Cost of product and maintenance	174,456	(23,278) (A)	151,178
Cost of services	46,874	(3,075) (A)	43,799
Marketing and sales	333,736	(35,339) (A)	298,397
Research and development	704,711	(110,486) (A)	594,225
General and administrative	108,132	(35,647) (A)	72,485
Amortization of acquired intangibles	8,569	(8,569) (A)	-
	<b>1,376,478</b>	(216,394)	1,160,084
Total costs and expenses			
Income from operations	621,791	216,394	838,185
Interest expense	(18,137)	-	(18,137)
Other income, net	16,257	(5,781) (B)	10,476
	<b>619,911</b>	210,613	830,524
Income before provision for income taxes			
Provision for income taxes	156,987	(11,646) (C)	145,341
	<b>462,924</b>	222,259	685,183
Net income	<b>\$ 462,924</b>	\$ 222,259	\$ 685,183

\*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 2023 for a further discussion of its non-GAAP measures.

Notes:

(A) For the six months ended June 30, 2023, 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	Total adjustments
Cost of product and maintenance	\$ 2,101	\$ 20,878	\$ 254	\$ 45	\$ 23,278
Cost of services	2,674	-	336	65	3,075
Marketing and sales	30,777	-	3,343	1,219	35,339
Research and development	89,129	-	17,567	3,790	110,486
General and administrative	26,215	-	8,246	1,186	35,647
Amortization of acquired intangibles	-	8,569	-	-	8,569
Total	<b>\$ 150,896</b>	<b>\$ 29,447</b>	<b>\$ 29,746</b>	<b>\$ 6,305</b>	<b>\$ 216,394</b>

(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 2, 2022**  
(In thousands)  
(Unaudited)

	Six Months Ended July 2, 2022		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,648,529	\$ -	\$ 1,648,529
Services	110,758	-	110,758
Total revenue	<u>1,759,287</u>	<u>-</u>	<u>1,759,287</u>
Costs and expenses:			
Cost of product and maintenance	141,512	(23,669) (A)	117,843
Cost of services	48,996	(2,055) (A)	46,941
Marketing and sales	279,482	(23,362) (A)	256,120
Research and development	577,492	(72,055) (A)	505,437
General and administrative	100,363	(27,720) (A)	72,643
Amortization of acquired intangibles	9,597	(9,597) (A)	-
Restructuring	28	(28)	-
Total costs and expenses	<u>1,157,470</u>	<u>(158,486)</u>	<u>998,984</u>
Income from operations	601,817	158,486	760,303
Interest expense	(8,389)	-	(8,389)
Other income (expense), net	<u>(10,862)</u>	<u>12,216</u> (B)	<u>1,354</u>
Income before provision for income taxes	582,566	170,702	753,268
Provision for income taxes	<u>160,311</u>	<u>(28,489)</u> (C)	<u>131,822</u>
Net income	<u>\$ 422,255</u>	<u>\$ 199,191</u>	<u>\$ 621,446</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 2023 for a further discussion of its non-GAAP measures.

Notes:

(A) For the six months ended July 2, 2022, 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	Total adjustments
Cost of product and maintenance	\$ 1,705	\$ 22,039	\$ -	\$ (75)	\$ 23,669
Cost of services	2,163	-	-	(108)	2,055
Marketing and sales	24,659	-	502	(1,799)	23,362
Research and development	72,189	-	5,167	(5,301)	72,055
General and administrative	23,023	-	6,506	(1,809)	27,720
Amortization of acquired intangibles	-	9,597	-	-	9,597
Total	<u>\$ 123,739</u>	<u>\$ 31,636</u>	<u>\$ 12,175</u>	<u>\$ (9,092)</u>	<u>\$ 158,458</u>

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

(C) Income tax effect of non-GAAP adjustments