

## TABLE OF CONTENTS

|   |    |
|---|----|
| Condensed Consolidated Balance Sheets, September 26, 2020 and December 28, 2019.....  | 1  |
| Trended Condensed Consolidated Balance Sheets.....  | 2  |
| Condensed Consolidated Income Statements for the Three and Nine Months Ended September 26, 2020<br>and September 28, 2019.....  | 3  |
| Trended Condensed Income Statements.....  | 4  |
| Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 26, 2020 and<br>and September 28, 2019.....   | 5  |
| Trended Condensed Consolidated Statements of Cash Flows.....  | 6  |
| Revenue Mix by Geography.....   | 7  |
| Revenue Mix by Product Category.....  | 7  |
| Impact of Non-GAAP Adjustments on Forward Looking Operating Margin, as of October 19, 2020.....   | 8  |
| Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share, as of<br>October 19, 2020.....  | 9  |
| Impact of Non-GAAP Adjustments on Forward Looking Net Income, as of October 19, 2020.....   | 9  |
| Reconciliation of GAAP Net Income to Non-GAAP Net Income, for the Three and Nine Months Ended<br>September 26, 2020 and September 28, 2019.....                                     | 10 |
| Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share,<br>for the Three and Nine Months Ended September 26, 2020 and September 28, 2019..... | 11 |
| Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures.....   | 12 |
| Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Three Months Ended<br>September 26, 2020.....  | 13 |
| Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Three Months Ended<br>September 28, 2019.....  | 14 |
| Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Nine Months Ended<br>September 26, 2020.....   | 15 |
| Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Nine Months Ended<br>September 28, 2019.....   | 16 |

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Balance Sheets**  
**September 26, 2020 and December 28, 2019**  
(In thousands)  
(Unaudited)

|  | <b>September 26, 2020</b> | <b>December 28, 2019</b> |
|--|---------------------------|--------------------------|
| <b>Current assets:</b>                     |                           |                          |
| Cash and cash equivalents                  | \$ 1,306,564              | \$ 705,210               |
| Receivables, net                           | 300,413                   | 304,546                  |
| Inventories                                | 47,979                    | 55,802                   |
| Prepaid expenses and other                 | 81,526                    | 103,785                  |
| Total current assets                       | 1,736,482                 | 1,169,343                |
| Property, plant and equipment, net         | 288,163                   | 275,855                  |
| Goodwill                                   | 780,842                   | 661,856                  |
| Acquired intangibles, net                  | 227,753                   | 172,375                  |
| Deferred taxes                             | 722,656                   | 732,367                  |
| Other assets                               | 384,256                   | 345,429                  |
| Total assets                               | \$ 4,140,152              | \$ 3,357,225             |
| <b>Current liabilities:</b>                |                           |                          |
| Revolving credit facility                  | \$ 350,000                | \$ -                     |
| Accounts payable and accrued liabilities   | 290,886                   | 316,908                  |
| Current portion of deferred revenue        | 477,003                   | 355,483                  |
| Total current liabilities                  | 1,117,889                 | 672,391                  |
| <b>Long-term liabilities:</b>              |                           |                          |
| Long-term portion of deferred revenue      | 84,646                    | 73,400                   |
| Long-term debt                             | 346,584                   | 346,019                  |
| Other long-term liabilities                | 195,315                   | 162,521                  |
| Total long-term liabilities                | 626,545                   | 581,940                  |
| Stockholders' equity                       | 2,395,718                 | 2,102,894                |
| Total liabilities and stockholders' equity | \$ 4,140,152              | \$ 3,357,225             |

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

|   | September 28,<br>2019 | December 28,<br>2019 | March 28,<br>2020   | June 27,<br>2020    | September 26,<br>2020 |
|---|-----------------------|----------------------|---------------------|---------------------|-----------------------|
| <b>Current assets:</b>                          |                       |                      |                     |                     |                       |
| Cash and cash equivalents                       | \$ 655,216            | \$ 705,210           | \$ 946,285          | \$ 1,189,186        | \$ 1,306,564          |
| Receivables, net                                | 274,914               | 304,546              | 284,093             | 312,758             | 300,413               |
| Inventories                                     | 66,745                | 55,802               | 60,575              | 43,924              | 47,979                |
| Prepaid expenses and other                      | 53,074                | 103,785              | 108,554             | 93,915              | 81,526                |
| Total current assets                            | <u>1,049,949</u>      | <u>1,169,343</u>     | <u>1,399,507</u>    | <u>1,639,783</u>    | <u>1,736,482</u>      |
| Property, plant and equipment, net              | 259,453               | 275,855              | 281,207             | 282,738             | 288,163               |
| Goodwill  | 661,678               | 661,856              | 778,992             | 778,857             | 780,842               |
| Acquired intangibles, net                       | 185,037               | 172,375              | 258,617             | 242,543             | 227,753               |
| Deferred taxes                                  | 165,759               | 732,367              | 699,194             | 704,882             | 722,656               |
| Other assets                                    | 340,322               | 345,429              | 350,456             | 350,694             | 384,256               |
| Total assets                                    | <u>\$ 2,662,198</u>   | <u>\$ 3,357,225</u>  | <u>\$ 3,767,973</u> | <u>\$ 3,999,497</u> | <u>\$ 4,140,152</u>   |
| <b>Current liabilities:</b>                     |                       |                      |                     |                     |                       |
| Revolving credit facility                       | \$ -                  | \$ -                 | \$ 350,000          | \$ 350,000          | \$ 350,000            |
| Accounts payable and accrued liabilities        | 274,882               | 316,908              | 236,813             | 306,948             | 290,886               |
| Current portion of deferred revenue             | 344,100               | 355,483              | 425,616             | 494,939             | 477,003               |
| Total current liabilities                       | <u>618,982</u>        | <u>672,391</u>       | <u>1,012,429</u>    | <u>1,151,887</u>    | <u>1,117,889</u>      |
| <b>Long-term liabilities:</b>                   |                       |                      |                     |                     |                       |
| Long-term portion of deferred revenue           | 48,036                | 73,400               | 95,503              | 87,437              | 84,646                |
| Long-term debt                                  | 345,833               | 346,019              | 346,205             | 346,394             | 346,584               |
| Other long-term liabilities                     | 169,085               | 162,521              | 155,842             | 157,148             | 195,315               |
| Total long-term liabilities                     | <u>562,954</u>        | <u>581,940</u>       | <u>597,550</u>      | <u>590,979</u>      | <u>626,545</u>        |
| <b>Stockholders' equity:</b>                    |                       |                      |                     |                     |                       |
| Common stock and capital in excess of par value | 2,007,268             | 2,046,237            | 2,099,425           | 2,143,016           | 2,186,850             |
| Treasury stock, at cost                         | (1,589,027)           | (1,668,105)          | (1,778,533)         | (1,856,333)         | (1,934,107)           |
| Retained earnings                               | 1,102,013             | 1,761,688            | 1,883,677           | 2,014,965           | 2,176,595             |
| Accumulated other comprehensive loss            | (39,992)              | (36,926)             | (46,575)            | (45,017)            | (33,620)              |
| Total stockholders' equity                      | <u>1,480,262</u>      | <u>2,102,894</u>     | <u>2,157,994</u>    | <u>2,256,631</u>    | <u>2,395,718</u>      |
| Total liabilities and stockholders' equity      | <u>\$ 2,662,198</u>   | <u>\$ 3,357,225</u>  | <u>\$ 3,767,973</u> | <u>\$ 3,999,497</u> | <u>\$ 4,140,152</u>   |

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Income Statements**  
**For the Three and Nine Months Ended September 26, 2020 and September 28, 2019**  
(In thousands, except per share amounts)  
(Unaudited)

|  | <u>Three Months Ended</u>     |                               | <u>Nine Months Ended</u>      |                               |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  | <u>September 26,<br/>2020</u> | <u>September 28,<br/>2019</u> | <u>September 26,<br/>2020</u> | <u>September 28,<br/>2019</u> |
| Revenue:   |                               |                               |                               |                               |
| Product and maintenance                              | \$ 630,329                    | \$ 548,105                    | \$ 1,813,384                  | \$ 1,639,651                  |
| Services   | 36,278                        | 31,498                        | 109,598                       | 97,113                        |
| Total revenue  | <u>666,607</u>                | <u>579,603</u>                | <u>1,922,982</u>              | <u>1,736,764</u>              |
| Costs and expenses:                                  |                               |                               |                               |                               |
| Cost of product and maintenance                      | 64,800                        | 41,715                        | 175,915                       | 135,625                       |
| Cost of services                                     | 17,484                        | 19,260                        | 56,047                        | 57,404                        |
| Marketing and sales                                  | 123,738                       | 121,368                       | 369,958                       | 354,406                       |
| Research and development                             | 250,934                       | 240,542                       | 743,423                       | 700,566                       |
| General and administrative                           | 35,928                        | 33,204                        | 105,161                       | 97,713                        |
| Amortization of acquired intangibles                 | 4,438                         | 2,874                         | 13,234                        | 9,341                         |
| Restructuring and other charges (credits)            | 13                            | (186)                         | (1,329)                       | (1,188)                       |
| Total costs and expenses                             | <u>497,335</u>                | <u>458,777</u>                | <u>1,462,409</u>              | <u>1,353,867</u>              |
| Income from operations                               | 169,272                       | 120,826                       | 460,573                       | 382,897                       |
| Interest expense                                     | (5,325)                       | (4,240)                       | (15,876)                      | (14,607)                      |
| Other income, net                                    | 1,766                         | 122                           | 1,862                         | 5,253                         |
| Income before provision for income taxes             | 165,713                       | 116,708                       | 446,559                       | 373,543                       |
| Provision for income taxes                           | 4,083                         | 15,194                        | 29,653                        | 44,239                        |
| Net income   | <u>\$ 161,630</u>             | <u>\$ 101,514</u>             | <u>\$ 416,906</u>             | <u>\$ 329,304</u>             |
| Net income per share - basic                         | <u>\$ 0.59</u>                | <u>\$ 0.37</u>                | <u>\$ 1.52</u>                | <u>\$ 1.21</u>                |
| Net income per share - diluted                       | <u>\$ 0.58</u>                | <u>\$ 0.36</u>                | <u>\$ 1.49</u>                | <u>\$ 1.17</u>                |
| Weighted average common shares outstanding - basic   | <u>273,996</u>                | <u>273,329</u>                | <u>273,633</u>                | <u>273,224</u>                |
| Weighted average common shares outstanding - diluted | <u>280,024</u>                | <u>280,666</u>                | <u>279,455</u>                | <u>280,817</u>                |

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

|  | Three Months Ended    |                      |                   |                   |                       |
|--|-----------------------|----------------------|-------------------|-------------------|-----------------------|
|  | September 28,<br>2019 | December 28,<br>2019 | March 28,<br>2020 | June 27,<br>2020  | September 26,<br>2020 |
| Revenue:   |                       |                      |                   |                   |                       |
| Product and maintenance                              | \$ 548,105            | \$ 564,964           | \$ 581,699        | \$ 601,356        | \$ 630,329            |
| Services   | 31,498                | 34,591               | 36,258            | 37,062            | 36,278                |
| Total revenue  | <u>579,603</u>        | <u>599,555</u>       | <u>617,957</u>    | <u>638,418</u>    | <u>666,607</u>        |
| Costs and expenses:                                  |                       |                      |                   |                   |                       |
| Cost of product and maintenance                      | 41,715                | 53,521               | 55,446            | 55,669            | 64,800                |
| Cost of services                                     | 19,260                | 19,807               | 19,017            | 19,546            | 17,484                |
| Marketing and sales                                  | 121,368               | 127,267              | 125,744           | 120,476           | 123,738               |
| Research and development                             | 240,542               | 235,372              | 241,668           | 250,821           | 250,934               |
| General and administrative                           | 33,204                | 42,093               | 33,592            | 35,641            | 35,928                |
| Amortization of acquired intangibles                 | 2,874                 | 2,787                | 4,206             | 4,590             | 4,438                 |
| Restructuring and other charges (credits)            | (186)                 | 9,809                | (1,067)           | (275)             | 13                    |
| Total costs and expenses                             | <u>458,777</u>        | <u>490,656</u>       | <u>478,606</u>    | <u>486,468</u>    | <u>497,335</u>        |
| Income from operations                               | 120,826               | 108,899              | 139,351           | 151,950           | 169,272               |
| Interest expense                                     | (4,240)               | (4,222)              | (4,637)           | (5,914)           | (5,325)               |
| Other income (expense), net                          | 122                   | 748                  | (4,534)           | 4,630             | 1,766                 |
| Income before provision (benefit) for income taxes   | 116,708               | 105,425              | 130,180           | 150,666           | 165,713               |
| Provision (benefit) for income taxes                 | 15,194                | (554,250)            | 6,192             | 19,378            | 4,083                 |
| Net income   | <u>\$ 101,514</u>     | <u>\$ 659,675</u>    | <u>\$ 123,988</u> | <u>\$ 131,288</u> | <u>\$ 161,630</u>     |
| Net income per share - basic                         | <u>\$ 0.37</u>        | <u>\$ 2.41</u>       | <u>\$ 0.45</u>    | <u>\$ 0.48</u>    | <u>\$ 0.59</u>        |
| Net income per share - diluted                       | <u>\$ 0.36</u>        | <u>\$ 2.36</u>       | <u>\$ 0.44</u>    | <u>\$ 0.47</u>    | <u>\$ 0.58</u>        |
| Weighted average common shares outstanding - basic   | <u>273,329</u>        | <u>273,234</u>       | <u>273,476</u>    | <u>273,432</u>    | <u>273,996</u>        |
| Weighted average common shares outstanding - diluted | <u>280,666</u>        | <u>279,557</u>       | <u>279,265</u>    | <u>279,080</u>    | <u>280,024</u>        |

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**For the Nine Months Ended September 26, 2020 and September 28, 2019**  
**(In thousands)**  
**(Unaudited)**

|  | <b>Nine Months Ended</b>      |                               |
|--|-------------------------------|-------------------------------|
|  | <b>September 26,<br/>2020</b> | <b>September 28,<br/>2019</b> |
| Cash and cash equivalents at beginning of period                                   | \$ 705,210                    | \$ 533,298                    |
| Cash flows from operating activities:  |                               |                               |
| Net income   | 416,906                       | 329,304                       |
| Adjustments to reconcile net income to net cash provided by operating activities:  |                               |                               |
| Depreciation and amortization  | 107,019                       | 91,400                        |
| Amortization of debt discount and fees   | 770                           | 747                           |
| Stock-based compensation   | 138,723                       | 134,789                       |
| Loss on investments, net   | 5,118                         | 2,655                         |
| Deferred income taxes  | (18,966)                      | (10,938)                      |
| Provisions for losses (recoveries) on receivables                                  | 1,087                         | (358)                         |
| ROU asset amortization and change in operating lease liabilities                   | 2,064                         | 4,285                         |
| Other non-cash items   | 410                           | 197                           |
| Changes in operating assets and liabilities, net of effect of acquired businesses: |                               |                               |
| Receivables  | 9,945                         | 26,553                        |
| Inventories  | 6,376                         | (43,781)                      |
| Prepaid expenses and other   | 22,769                        | 38,703                        |
| Other assets   | (21,287)                      | 3,554                         |
| Accounts payable and accrued liabilities   | (30,455)                      | (4,001)                       |
| Deferred revenue   | 124,491                       | (6,968)                       |
| Other long-term liabilities  | 4,430                         | 4,163                         |
| Net cash provided by operating activities  | <u>769,400</u>                | <u>570,304</u>                |
| Cash flows from investing activities:  |                               |                               |
| Purchases of non-marketable investments  | -                             | (33,717)                      |
| Proceeds from the sale of non-marketable investments                               | -                             | 2,952                         |
| Purchases of property, plant and equipment   | (63,745)                      | (47,527)                      |
| Cash paid in business combinations, net of cash acquired                           | (197,562)                     | (338)                         |
| Net cash used for investing activities   | <u>(261,307)</u>              | <u>(78,630)</u>               |
| Cash flows from financing activities:  |                               |                               |
| Proceeds from revolving credit facility  | 350,000                       | 150,000                       |
| Payment on revolving credit facility   | -                             | (250,000)                     |
| Proceeds from issuance of common stock   | 71,451                        | 49,127                        |
| Stock received for payment of employee taxes on vesting of restricted stock        | (85,515)                      | (75,016)                      |
| Payments for repurchases of common stock   | (250,047)                     | (231,131)                     |
| Net cash provided by (used for) financing activities                               | <u>85,889</u>                 | <u>(357,020)</u>              |
| Effect of exchange rate changes on cash and cash equivalents                       | <u>7,372</u>                  | <u>(12,736)</u>               |
| Increase in cash and cash equivalents  | <u>601,354</u>                | <u>121,918</u>                |
| Cash and cash equivalents at end of period   | <u>\$ 1,306,564</u>           | <u>\$ 655,216</u>             |

**Cadence Design Systems, Inc.**  
**Trended Consolidated Statements of Cash Flows**  
**For the Five Quarters Ended September 26, 2020**  
(In thousands)  
(Unaudited)

|  | <u>Q3 2019</u>    | <u>Q4 2019</u>    | <u>Q1 2020</u>    | <u>Q2 2020</u>      | <u>Q3 2020</u>      |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|
| Cash and cash equivalents at beginning of period                                   | \$ 633,415        | \$ 655,216        | \$ 705,210        | \$ 946,285          | \$ 1,189,186        |
| Cash flows from operating activities:  |                   |                   |                   |                     |                     |
| Net income   | 101,514           | 659,675           | 123,988           | 131,288             | 161,630             |
| Adjustments to reconcile net income to net cash provided by operating activities:  |                   |                   |                   |                     |                     |
| Depreciation and amortization  | 30,203            | 31,389            | 33,321            | 36,581              | 37,117              |
| Amortization of debt discount and fees   | 250               | 254               | 254               | 258                 | 258                 |
| Stock-based compensation   | 48,279            | 46,758            | 46,482            | 46,907              | 45,334              |
| Loss on investments, net   | 2,396             | 1,435             | 3,215             | 821                 | 1,082               |
| Deferred income taxes  | (2,779)           | (565,800)         | 3,904             | (5,513)             | (17,357)            |
| Provisions for losses (recoveries) on receivables                                  | 28                | 990               | (77)              | 999                 | 165                 |
| ROU asset amortization and change in operating lease liabilities                   | 1,781             | (3,723)           | 706               | 796                 | 562                 |
| Other non-cash items   | 37                | 231               | 183               | 113                 | 114                 |
| Changes in operating assets and liabilities, net of effect of acquired businesses: |                   |                   |                   |                     |                     |
| Receivables  | (37,323)          | (31,271)          | 26,475            | (28,972)            | 12,442              |
| Inventories  | (18,092)          | 10,757            | (5,260)           | 16,280              | (4,644)             |
| Prepaid expenses and other   | 5,648             | (49,734)          | (4,964)           | 14,874              | 12,859              |
| Other assets   | 1,007             | (11,565)          | (8,344)           | (9,343)             | (3,600)             |
| Accounts payable and accrued liabilities   | 30,669            | 37,916            | (84,839)          | 73,698              | (19,314)            |
| Deferred revenue   | (26,675)          | 34,466            | 86,914            | 61,594              | (24,017)            |
| Other long-term liabilities  | 1,587             | (2,482)           | (4,239)           | 4,743               | 3,926               |
| Net cash provided by operating activities  | <u>138,530</u>    | <u>159,296</u>    | <u>217,719</u>    | <u>345,124</u>      | <u>206,557</u>      |
| Cash flows from investing activities:  |                   |                   |                   |                     |                     |
| Purchases of property, plant and equipment   | (16,965)          | (27,078)          | (22,179)          | (21,356)            | (20,210)            |
| Cash paid in business combinations, net of cash acquired                           | -                 | -                 | (193,820)         | (1,298)             | (2,444)             |
| Net cash used for investing activities   | <u>(16,965)</u>   | <u>(27,078)</u>   | <u>(215,999)</u>  | <u>(22,654)</u>     | <u>(22,654)</u>     |
| Cash flows from financing activities:  |                   |                   |                   |                     |                     |
| Proceeds from revolving credit facility  | -                 | -                 | 350,000           | -                   | -                   |
| Proceeds from issuance of common stock   | 16,272            | 3,715             | 33,312            | 10,355              | 27,784              |
| Stock received for payment of employee taxes on vesting of restricted stock        | (29,318)          | (15,564)          | (37,528)          | (16,129)            | (31,858)            |
| Payments for repurchases of common stock   | (75,011)          | (75,017)          | (100,022)         | (75,014)            | (75,011)            |
| Net cash provided by (used for) financing activities                               | <u>(88,057)</u>   | <u>(86,866)</u>   | <u>245,762</u>    | <u>(80,788)</u>     | <u>(79,085)</u>     |
| Effect of exchange rate changes on cash and cash equivalents                       | <u>(11,707)</u>   | <u>4,642</u>      | <u>(6,407)</u>    | <u>1,219</u>        | <u>12,560</u>       |
| Increase in cash and cash equivalents  | <u>21,801</u>     | <u>49,994</u>     | <u>241,075</u>    | <u>242,901</u>      | <u>117,378</u>      |
| Cash and cash equivalents at end of period   | <u>\$ 655,216</u> | <u>\$ 705,210</u> | <u>\$ 946,285</u> | <u>\$ 1,189,186</u> | <u>\$ 1,306,564</u> |

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

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

| <b><u>GEOGRAPHY</u></b>        | <b>2019</b> |             |             |             |             | <b>2020</b> |             |             |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                | <b>Q1</b>   | <b>Q2</b>   | <b>Q3</b>   | <b>Q4</b>   | <b>Year</b> | <b>Q1</b>   | <b>Q2</b>   | <b>Q3</b>   |
| Americas                       | 44%         | 42%         | 44%         | 46%         | <b>44%</b>  | 43%         | 44%         | 42%         |
| China                          | 10%         | 12%         | 10%         | 9%          | <b>10%</b>  | 13%         | 12%         | 17%         |
| Other Asia                     | 19%         | 19%         | 21%         | 20%         | <b>20%</b>  | 18%         | 19%         | 19%         |
| Europe, Middle East and Africa | 18%         | 20%         | 18%         | 18%         | <b>18%</b>  | 19%         | 18%         | 16%         |
| Japan                          | 9%          | 7%          | 7%          | 7%          | <b>8%</b>   | 7%          | 7%          | 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> | <b>100%</b> |

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

| <b><u>PRODUCT CATEGORY</u></b>  | <b>2019</b> |             |             |             |             | <b>2020</b> |             |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|   | <b>Q1</b>   | <b>Q2</b>   | <b>Q3</b>   | <b>Q4</b>   | <b>Year</b> | <b>Q1</b>   | <b>Q2</b>   | <b>Q3</b>   |
| Custom IC Design and Simulation                                       | 25%         | 26%         | 26%         | 25%         | <b>25%</b>  | 25%         | 24%         | 24%         |
| Digital IC Design and Signoff   | 30%         | 31%         | 30%         | 29%         | <b>30%</b>  | 29%         | 28%         | 27%         |
| Functional Verification, including Emulation and Prototyping Hardware | 24%         | 22%         | 20%         | 24%         | <b>23%</b>  | 23%         | 24%         | 23%         |
| IP  | 12%         | 11%         | 15%         | 13%         | <b>13%</b>  | 14%         | 14%         | 15%         |
| System Design and Analysis  | 9%          | 10%         | 9%          | 9%          | <b>9%</b>   | 9%          | 10%         | 11%         |
| <b>Total</b>  | <b>100%</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 October 19, 2020**  
**(Unaudited)**

|   | <b>Three Months Ending<br/>January 2, 2021</b> | <b>Year Ending<br/>January 2, 2021</b> |
|---|--|--|
|   | <b>Forecast</b>                                | <b>Forecast</b>                        |
| GAAP operating margin as a percent of total revenue                           | <b>23% - 24%</b>                               | <b>23% - 24%</b>                       |
| Reconciling items to non-GAAP operating margin as a percent of total revenue: |  |  |
| Amortization of acquired intangibles  | 2%   | 3%                                     |
| Stock-based compensation expense  | 8%   | 7%                                     |
| Acquisition and integration-related costs                                     | 1%   | 1%                                     |
| Non-GAAP operating margin as a percent of total revenue†                      | <b>34% - 35%</b>                               | <b>34% - 35%</b>                       |

†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 release of Cadence Design Systems, Inc. for its third quarter of 2020 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 October 19, 2020**  
**(Unaudited)**

|   | <u>Three Months Ending<br/>January 2, 2021</u><br><u>Forecast</u> | <u>Year Ending<br/>January 2, 2021</u><br><u>Forecast</u> |
|---|---|---|
| Diluted net income per share on a GAAP basis  | <b>\$0.48 to \$0.52</b>   | <b>\$1.97 to \$2.01</b>                                   |
| Amortization of acquired intangibles  | 0.06  | 0.23  |
| Stock-based compensation expense  | 0.21  | 0.70  |
| Non-qualified deferred compensation expenses  | -   | -   |
| Restructuring and other charges (credits)   | -   | -   |
| Acquisition and integration-related costs   | 0.02  | 0.08  |
| Other income or expense related to investments and non-qualified deferred compensation plan assets* | -   | 0.02  |
| Income tax effect of non-GAAP adjustments   | (0.05)  | (0.32)  |
| Diluted net income per share on a non-GAAP basis†   | <u><u>\$0.72 to \$0.76</u></u>                                    | <u><u>\$2.68 to \$2.72</u></u>                            |

**Cadence Design Systems, Inc.**  
**Impact of Non-GAAP Adjustments on Forward Looking Net Income**  
**As of October 19, 2020**  
**(Unaudited)**

| (\$ in millions)  | <u>Three Months Ending<br/>January 2, 2021</u><br><u>Forecast</u> | <u>Year Ending<br/>January 2, 2021</u><br><u>Forecast</u> |
|---|---|---|
| Net income on a GAAP basis  | <b>\$134 to \$146</b>   | <b>\$551 to \$563</b>                                     |
| Amortization of acquired intangibles  | 17  | 64  |
| Stock-based compensation expense  | 58  | 196   |
| Non-qualified deferred compensation expenses  | -   | 1   |
| Restructuring and other charges (credits)   | -   | (1)   |
| Acquisition and integration-related costs   | 5   | 21  |
| Other income or expense related to investments and non-qualified deferred compensation plan assets* | 1   | 5   |
| Income tax effect of non-GAAP adjustments   | (14)  | (88)  |
| Net income on a non-GAAP basis†   | <u><u>\$201 to \$213</u></u>                                      | <u><u>\$749 to \$761</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 release of Cadence Design Systems, Inc. for its third quarter of 2020 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 Nine Months Ended September 26, 2020 and September 28, 2019**  
**(Unaudited)**

| (In thousands)   | Three Months Ended    |                       | Nine Months Ended     |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September 26,<br>2020 | September 28,<br>2019 | September 26,<br>2020 | September 28,<br>2019 |
| Net income on a GAAP basis   | \$ 161,630            | \$ 101,514            | \$ 416,906            | \$ 329,304            |
| Amortization of acquired intangibles*  | 15,885                | 12,799                | 47,025                | 40,419                |
| Stock-based compensation expense**   | 45,334                | 48,279                | 138,723               | 134,789               |
| Non-qualified deferred compensation expenses***  | 1,779                 | 52                    | 601                   | 3,454                 |
| Restructuring and other charges (credits)  | 13                    | (186)                 | (1,329)               | (1,188)               |
| Acquisition and integration-related costs****  | 6,739                 | 1,838                 | 16,024                | 4,641                 |
| Special charges *****  | -                     | -                     | 394                   | -                     |
| Other income or expense related to investments and non-qualified deferred compensation plan assets † | (876)                 | 2,344                 | 4,338                 | (801)                 |
| Income tax effect of non-GAAP adjustments  | (33,451)              | (13,899)              | (74,720)              | (44,537)              |
| Net income on a non-GAAP basis +   | \$ 197,053            | \$ 152,741            | \$ 547,962            | \$ 466,081            |

+ 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 third quarter of 2020 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 amortization of acquired intangibles is reported in the Condensed Consolidated Income Statements as follows:

| (In thousands)                             | Three Months Ended    |                       | Nine Months Ended     |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September 26,<br>2020 | September 28,<br>2019 | September 26,<br>2020 | September 28,<br>2019 |
| Cost of product and maintenance            | \$ 11,447             | \$ 9,925              | \$ 33,791             | \$ 31,078             |
| Amortization of acquired intangibles       | 4,438                 | 2,874                 | 13,234                | 9,341                 |
| Total amortization of acquired intangibles | \$ 15,885             | \$ 12,799             | \$ 47,025             | \$ 40,419             |

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

| (In thousands)                         | Three Months Ended    |                       | Nine Months Ended     |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September 26,<br>2020 | September 28,<br>2019 | September 26,<br>2020 | September 28,<br>2019 |
| Cost of product and maintenance        | \$ 668                | \$ 731                | \$ 2,042              | \$ 2,064              |
| Cost of services                       | 850                   | 931                   | 2,599                 | 2,626                 |
| Marketing and sales                    | 9,699                 | 10,424                | 29,826                | 29,039                |
| Research and development               | 28,652                | 30,458                | 87,688                | 85,015                |
| General and administrative             | 5,465                 | 5,735                 | 16,568                | 16,045                |
| Total stock-based compensation expense | \$ 45,334             | \$ 48,279             | \$ 138,723            | \$ 134,789            |

\*\*\*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    |                       | Nine Months Ended     |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September 26,<br>2020 | September 28,<br>2019 | September 26,<br>2020 | September 28,<br>2019 |
| Cost of product and maintenance                    | \$ 21                 | \$ -                  | \$ 12                 | \$ 31                 |
| Cost of services                                   | 32                    | 1                     | 19                    | 44                    |
| Marketing and sales                                | 299                   | 10                    | 56                    | 359                   |
| Research and development                           | 969                   | 41                    | 424                   | 2,260                 |
| General and administrative                         | 458                   | -                     | 90                    | 760                   |
| Total non-qualified deferred compensation expenses | \$ 1,779              | \$ 52                 | \$ 601                | \$ 3,454              |

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

| (In thousands)                                  | Three Months Ended    |                       | Nine Months Ended     |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September 26,<br>2020 | September 28,<br>2019 | September 26,<br>2020 | September 28,<br>2019 |
| Marketing and sales                             | \$ 15                 | \$ -                  | \$ 43                 | \$ -                  |
| Research and development                        | 5,068                 | 1,838                 | 13,652                | 4,639                 |
| General and administrative                      | 1,656                 | -                     | 2,329                 | 2                     |
| Total acquisition and integration-related costs | \$ 6,739              | \$ 1,838              | \$ 16,024             | \$ 4,641              |

\*\*\*\*\* Total special charges are reported in the Condensed Consolidated Income Statements as follows:

| (In thousands)             | Three Months Ended    |                       | Nine Months Ended     |                       |
|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                            | September 26,<br>2020 | September 28,<br>2019 | September 26,<br>2020 | September 28,<br>2019 |
| General and administrative | \$ -                  | \$ -                  | \$ 394                | \$ -                  |
| Total special charges      | \$ -                  | \$ -                  | \$ 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 Nine Months Ended September 26, 2020 and September 28, 2019**  
**(Unaudited)**

| (In thousands, except per share data)  | Three Months Ended    |                       | Nine Months Ended     |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September 26,<br>2020 | September 28,<br>2019 | September 26,<br>2020 | September 28,<br>2019 |
| Diluted net income per share on a GAAP basis   | \$ 0.58               | \$ 0.36               | \$ 1.49               | \$ 1.17               |
| Amortization of acquired intangibles   | 0.06                  | 0.04                  | 0.17                  | 0.14                  |
| Stock-based compensation expense   | 0.16                  | 0.17                  | 0.50                  | 0.48                  |
| Non-qualified deferred compensation expenses   | -                     | -                     | -                     | 0.01                  |
| Restructuring and other charges (credits)  | -                     | -                     | -                     | -                     |
| Acquisition and integration-related costs  | 0.02                  | 0.01                  | 0.06                  | 0.02                  |
| Special charges  | -                     | -                     | -                     | -                     |
| Other income or expense related to investments and non-qualified deferred compensation plan assets * | -                     | 0.01                  | 0.01                  | -                     |
| Income tax effect of non-GAAP adjustments  | (0.12)                | (0.05)                | (0.27)                | (0.16)                |
| Diluted net income per share on a non-GAAP basis +   | \$ 0.70               | \$ 0.54               | \$ 1.96               | \$ 1.66               |
| Shares used in calculation of diluted net income per share - GAAP **                                 | 280,024               | 280,666               | 279,455               | 280,817               |
| Shares used in calculation of diluted net income per share - non-GAAP **                             | 280,024               | 280,666               | 279,455               | 280,817               |

+ **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 third quarter of 2020 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.

\*\* Shares used in the calculation of GAAP net income per share are expected to be the same as shares used in the calculation of non-GAAP net income per share, except when the company reports a GAAP net loss and non-GAAP net income, or GAAP net income and a non-GAAP net loss.

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

|  | Three Months Ended<br>September 26, 2020 | Three Months Ended<br>September 28, 2019 |
|--|--|--|
|  | Actual<br>(In thousands)                 | Actual<br>(In thousands)                 |
| GAAP total costs and expenses                          | \$ 497,335                               | \$ 458,777                               |
| Reconciling items to non-GAAP total costs and expenses |  |  |
| Amortization of acquired intangibles                   | (15,885)                                 | (12,799)                                 |
| Stock-based compensation expense                       | (45,334)                                 | (48,279)                                 |
| Non-qualified deferred compensation expenses           | (1,779)                                  | (52)                                     |
| Restructuring and other (charges) credits              | (13)                                     | 186                                      |
| Acquisition and integration-related costs              | (6,739)                                  | (1,838)                                  |
| Non-GAAP total costs and expenses†                     | <u>\$ 427,585</u>                        | <u>\$ 395,995</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 third quarter of 2020 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 September 26, 2020 |  |  |  |  |  |  |
|--------------------------------------|---|--|--|--|--|--|--|
|                                      | Operating expenses<br>on a GAAP basis†        | Amortization<br>of acquired<br>intangibles | Stock-based<br>compensation<br>expense | Non-qualified<br>deferred compensation<br>expenses | Acquisition and<br>integration-<br>related costs | Operating<br>expenses on a<br>non-GAAP basis |  |
| Cost of product and maintenance      | 64,800  | (11,447)                                   | (668)                                  | (21)   | -  | 52,664                                       |  |
| Cost of services                     | 17,484  | -  | (850)                                  | (32)   | -  | 16,602                                       |  |
| Marketing and sales                  | 123,738                                       | -  | (9,699)                                | (299)  | (15)   | 113,725                                      |  |
| Research and development             | 250,934                                       | -  | (28,652)                               | (969)  | (5,068)  | 216,245                                      |  |
| General and administrative           | 35,928  | -  | (5,465)                                | (458)  | (1,656)  | 28,349                                       |  |
| Amortization of acquired intangibles | 4,438   | (4,438)                                    | -                                      | -  | -  | -  |  |
|                                      |   | <u>(15,885)</u>                            | <u>(45,334)</u>                        | <u>(1,779)</u>                                     | <u>(6,739)</u>                                   |  |  |
|                                      | For the nine months ended September 26, 2020  |  |  |  |  |  |  |
|                                      | Operating expenses<br>on a GAAP basis†        | Amortization<br>of acquired<br>intangibles | Stock-based<br>compensation<br>expense | Non-qualified<br>deferred compensation<br>expenses | Acquisition and<br>integration-<br>related costs | Special charges                              | Operating<br>expenses on a<br>non-GAAP basis |
| Cost of product and maintenance      | 175,915                                       | (33,791)                                   | (2,042)                                | (12)   | -  | -  | 140,070                                      |
| Cost of services                     | 56,047  | -  | (2,599)                                | (19)   | -  | -  | 53,429                                       |
| Marketing and sales                  | 369,958                                       | -  | (29,826)                               | (56)   | (43)   | -  | 340,033                                      |
| Research and development             | 743,423                                       | -  | (87,688)                               | (424)  | (13,652)   | -  | 641,659                                      |
| General and administrative           | 105,161                                       | -  | (16,568)                               | (90)   | (2,329)  | (394)  | 85,780                                       |
| Amortization of acquired intangibles | 13,234  | (13,234)                                   | -                                      | -  | -  | -  | -  |
|                                      |   | <u>(47,025)</u>                            | <u>(138,723)</u>                       | <u>(601)</u>                                       | <u>(16,024)</u>                                  | <u>(394)</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 third quarter of 2020 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 September 26, 2020**  
(In thousands)  
(Unaudited)

|  | Three Months Ended<br>September 26, 2020 |                  |                   |
|--|--|------------------|-------------------|
|  | GAAP                                     | Adjustments      | Non-GAAP*         |
| Revenue:                                 |  |                  |                   |
| Product and maintenance                  | \$ 630,329                               | \$ -             | \$ 630,329        |
| Services                                 | 36,278                                   | -                | 36,278            |
| Total revenue                            | <u>666,607</u>                           | <u>-</u>         | <u>666,607</u>    |
| Costs and expenses:                      |  |                  |                   |
| Cost of product and maintenance          | 64,800                                   | (12,136) (A)     | 52,664            |
| Cost of services                         | 17,484                                   | (882) (A)        | 16,602            |
| Marketing and sales                      | 123,738                                  | (10,013) (A)     | 113,725           |
| Research and development                 | 250,934                                  | (34,689) (A)     | 216,245           |
| General and administrative               | 35,928                                   | (7,579) (A)      | 28,349            |
| Amortization of acquired intangibles     | 4,438                                    | (4,438) (A)      | -                 |
| Restructuring and other charges          | 13                                       | (13)             | -                 |
| Total costs and expenses                 | <u>497,335</u>                           | <u>(69,750)</u>  | <u>427,585</u>    |
| Income from operations                   | 169,272                                  | 69,750           | 239,022           |
| Interest expense                         | (5,325)                                  | -                | (5,325)           |
| Other income, net                        | 1,766                                    | (876) (B)        | 890               |
| Income before provision for income taxes | 165,713                                  | 68,874           | 234,587           |
| Provision for income taxes               | 4,083                                    | 33,451 (C)       | 37,534            |
| Net income                               | <u>\$ 161,630</u>                        | <u>\$ 35,423</u> | <u>\$ 197,053</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 third quarter of 2020 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended September 26, 2020, adjustments to GAAP are as follows for the line items specified:

|                                      | Amortization of<br>acquired<br>intangibles | Stock-based<br>compensation<br>expense | Non-qualified<br>deferred<br>compensation<br>expenses | Acquisition and<br>integration-<br>related costs | Total<br>adjustments |
|--------------------------------------|--|--|---|--|----------------------|
| Cost of product and maintenance      | \$ 11,447                                  | \$ 668                                 | \$ 21   | \$ -   | \$ 12,136            |
| Cost of services                     | -  | 850                                    | 32  | -  | 882                  |
| Marketing and sales                  | -  | 9,699                                  | 299   | 15   | 10,013               |
| Research and development             | -  | 28,652                                 | 969   | 5,068  | 34,689               |
| General and administrative           | -  | 5,465                                  | 458   | 1,656  | 7,579                |
| Amortization of acquired intangibles | 4,438                                      | -                                      | -   | -  | 4,438                |
| Total                                | <u>\$ 15,885</u>                           | <u>\$ 45,334</u>                       | <u>\$ 1,779</u>                                       | <u>\$ 6,739</u>                                  | <u>\$ 69,737</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 September 28, 2019**  
(In thousands)  
(Unaudited)

|  | Three Months Ended<br>September 28, 2019 |                  |                   |
|--|--|------------------|-------------------|
|  | GAAP                                     | Adjustments      | Non-GAAP*         |
| Revenue:                                 |  |                  |                   |
| Product and maintenance                  | \$ 548,105                               | \$ -             | \$ 548,105        |
| Services                                 | 31,498                                   | -                | 31,498            |
| Total revenue                            | <u>579,603</u>                           | <u>-</u>         | <u>579,603</u>    |
| Costs and expenses:                      |  |                  |                   |
| Cost of product and maintenance          | 41,715                                   | (10,656) (A)     | 31,059            |
| Cost of services                         | 19,260                                   | (932) (A)        | 18,328            |
| Marketing and sales                      | 121,368                                  | (10,434) (A)     | 110,934           |
| Research and development                 | 240,542                                  | (32,337) (A)     | 208,205           |
| General and administrative               | 33,204                                   | (5,735) (A)      | 27,469            |
| Amortization of acquired intangibles     | 2,874                                    | (2,874) (A)      | -                 |
| Restructuring and other credits          | (186)                                    | 186              | -                 |
| Total costs and expenses                 | <u>458,777</u>                           | <u>(62,782)</u>  | <u>395,995</u>    |
| Income from operations                   | 120,826                                  | 62,782           | 183,608           |
| Interest expense                         | (4,240)                                  | -                | (4,240)           |
| Other income, net                        | 122                                      | 2,344 (B)        | 2,466             |
| Income before provision for income taxes | 116,708                                  | 65,126           | 181,834           |
| Provision for income taxes               | 15,194                                   | 13,899 (C)       | 29,093            |
| Net income                               | <u>\$ 101,514</u>                        | <u>\$ 51,227</u> | <u>\$ 152,741</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 third quarter of 2020 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended September 28, 2019, adjustments to GAAP are as follows for the line items specified:

|                                      | Amortization of<br>acquired<br>intangibles | Stock-based<br>compensation<br>expense | Non-qualified<br>deferred<br>compensation<br>expenses | Acquisition and<br>integration-<br>related costs | Total<br>adjustments |
|--------------------------------------|--|--|---|--|----------------------|
| Cost of product and maintenance      | \$ 9,925                                   | \$ 731                                 | \$ -  | \$ -   | \$ 10,656            |
| Cost of services                     | -  | 931                                    | 1   | -  | 932                  |
| Marketing and sales                  | -  | 10,424                                 | 10  | -  | 10,434               |
| Research and development             | -  | 30,458                                 | 41  | 1,838  | 32,337               |
| General and administrative           | -  | 5,735                                  | -   | -  | 5,735                |
| Amortization of acquired intangibles | 2,874                                      | -                                      | -   | -  | 2,874                |
| Total                                | <u>\$ 12,799</u>                           | <u>\$ 48,279</u>                       | <u>\$ 52</u>  | <u>\$ 1,838</u>                                  | <u>\$ 62,968</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 Nine Months Ended September 26, 2020**  
(In thousands)  
(Unaudited)

|  | Nine Months Ended<br>September 26, 2020 |                   |                   |
|--|---|-------------------|-------------------|
|  | GAAP                                    | Adjustments       | Non-GAAP*         |
| Revenue:                                 |   |                   |                   |
| Product and maintenance                  | \$ 1,813,384                            | \$ -              | \$ 1,813,384      |
| Services                                 | 109,598                                 | -                 | 109,598           |
| Total revenue                            | <u>1,922,982</u>                        | <u>-</u>          | <u>1,922,982</u>  |
| Costs and expenses:                      |   |                   |                   |
| Cost of product and maintenance          | 175,915                                 | (35,845) (A)      | 140,070           |
| Cost of services                         | 56,047                                  | (2,618) (A)       | 53,429            |
| Marketing and sales                      | 369,958                                 | (29,925) (A)      | 340,033           |
| Research and development                 | 743,423                                 | (101,764) (A)     | 641,659           |
| General and administrative               | 105,161                                 | (19,381) (A)      | 85,780            |
| Amortization of acquired intangibles     | 13,234                                  | (13,234) (A)      | -                 |
| Restructuring and other credits          | (1,329)                                 | 1,329             | -                 |
| Total costs and expenses                 | <u>1,462,409</u>                        | <u>(201,438)</u>  | <u>1,260,971</u>  |
| Income from operations                   | 460,573                                 | 201,438           | 662,011           |
| Interest expense                         | (15,876)                                | -                 | (15,876)          |
| Other income, net                        | 1,862                                   | 4,338 (B)         | 6,200             |
| Income before provision for income taxes | 446,559                                 | 205,776           | 652,335           |
| Provision for income taxes               | 29,653                                  | 74,720 (C)        | 104,373           |
| Net income                               | <u>\$ 416,906</u>                       | <u>\$ 131,056</u> | <u>\$ 547,962</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 third quarter of 2020 for a further discussion of its non-GAAP measures.

Notes:

(A) For the nine months ended September 26, 2020, adjustments to GAAP are as follows for the line items specified:

|                                      | Amortization of<br>acquired<br>intangibles | Stock-based<br>compensation expense | Non-qualified<br>deferred<br>compensation<br>expenses | Acquisition and<br>integration-related<br>costs | Special<br>charges | Total<br>adjustments |
|--------------------------------------|--|-------------------------------------|---|---|--------------------|----------------------|
| Cost of product and maintenance      | \$ 33,791                                  | \$ 2,042                            | \$ 12   | \$ -  | \$ -               | \$ 35,845            |
| Cost of services                     | -  | 2,599                               | 19  | -   | -                  | \$ 2,618             |
| Marketing and sales                  | -  | 29,826                              | 56  | 43  | -                  | \$ 29,925            |
| Research and development             | -  | 87,688                              | 424   | 13,652  | -                  | \$ 101,764           |
| General and administrative           | -  | 16,568                              | 90  | 2,329   | 394                | \$ 19,381            |
| Amortization of acquired intangibles | 13,234                                     | -                                   | -   | -   | -                  | \$ 13,234            |
| Total                                | <u>\$ 47,025</u>                           | <u>\$ 138,723</u>                   | <u>\$ 601</u>   | <u>\$ 16,024</u>                                | <u>\$ 394</u>      | <u>\$ 202,767</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 Nine Months Ended September 28, 2019**  
(In thousands)  
(Unaudited)

|  | Nine Months Ended<br>September 28, 2019 |                   |                   |
|--|---|-------------------|-------------------|
|  | GAAP                                    | Adjustments       | Non-GAAP*         |
| Revenue:                                 |   |                   |                   |
| Product and maintenance                  | \$ 1,639,651                            | \$ -              | \$ 1,639,651      |
| Services                                 | 97,113                                  | -                 | 97,113            |
| Total revenue                            | <u>1,736,764</u>                        | <u>-</u>          | <u>1,736,764</u>  |
| Costs and expenses:                      |   |                   |                   |
| Cost of product and maintenance          | 135,625                                 | (33,173) (A)      | 102,452           |
| Cost of services                         | 57,404                                  | (2,670) (A)       | 54,734            |
| Marketing and sales                      | 354,406                                 | (29,398) (A)      | 325,008           |
| Research and development                 | 700,566                                 | (91,914) (A)      | 608,652           |
| General and administrative               | 97,713                                  | (16,807) (A)      | 80,906            |
| Amortization of acquired intangibles     | 9,341                                   | (9,341) (A)       | -                 |
| Restructuring and other credits          | (1,188)                                 | 1,188             | -                 |
| Total costs and expenses                 | <u>1,353,867</u>                        | <u>(182,115)</u>  | <u>1,171,752</u>  |
| Income from operations                   | 382,897                                 | 182,115           | 565,012           |
| Interest expense                         | (14,607)                                | -                 | (14,607)          |
| Other income, net                        | 5,253                                   | (801) (B)         | 4,452             |
| Income before provision for income taxes | 373,543                                 | 181,314           | 554,857           |
| Provision for income taxes               | 44,239                                  | 44,537 (C)        | 88,776            |
| Net income                               | <u>\$ 329,304</u>                       | <u>\$ 136,777</u> | <u>\$ 466,081</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 third quarter of 2020 for a further discussion of its non-GAAP measures.

Notes:

(A) For the nine months ended September 28, 2019, adjustments to GAAP are as follows for the line items specified:

|                                      | Amortization of<br>acquired<br>intangibles | Stock-based<br>compensation expense | Non-qualified<br>deferred<br>compensation<br>expenses | Acquisition and<br>integration-related<br>costs | Total<br>adjustments |
|--------------------------------------|--|-------------------------------------|---|---|----------------------|
| Cost of product and maintenance      | \$ 31,078                                  | \$ 2,064                            | \$ 31   | \$ -  | \$ 33,173            |
| Cost of services                     | -  | 2,626                               | 44  | -   | 2,670                |
| Marketing and sales                  | -  | 29,039                              | 359   | -   | 29,398               |
| Research and development             | -  | 85,015                              | 2,260   | 4,639   | 91,914               |
| General and administrative           | -  | 16,045                              | 760   | 2   | 16,807               |
| Amortization of acquired intangibles | 9,341                                      | -                                   | -   | -   | 9,341                |
| Total                                | <u>\$ 40,419</u>                           | <u>\$ 134,789</u>                   | <u>\$ 3,454</u>                                       | <u>\$ 4,641</u>                                 | <u>\$ 183,303</u>    |

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

(C) Income tax effect of non-GAAP adjustments