

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

| | <u>October 2, 2021</u> | <u>January 2, 2021</u> |
|--------------------------------------------|------------------------|------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 1,013,819 | \$ 928,432 |
| Receivables, net | 327,191 | 338,487 |
| Inventories | 101,575 | 75,956 |
| Prepaid expenses and other | 100,428 | 135,712 |
| Total current assets | <u>1,543,013</u> | <u>1,478,587</u> |
| Property, plant and equipment, net | 303,313 | 311,125 |
| Goodwill | 925,949 | 782,087 |
| Acquired intangibles, net | 247,628 | 210,590 |
| Deferred taxes | 766,036 | 732,290 |
| Other assets | 427,936 | 436,106 |
| Total assets | <u>\$ 4,213,875</u> | <u>\$ 3,950,785</u> |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 363,835 | \$ 349,951 |
| Current portion of deferred revenue | 543,361 | 446,857 |
| Total current liabilities | <u>907,196</u> | <u>796,808</u> |
| Long-term liabilities: | | |
| Long-term portion of deferred revenue | 95,991 | 107,064 |
| Long-term debt | 347,385 | 346,793 |
| Other long-term liabilities | 232,041 | 207,102 |
| Total long-term liabilities | <u>675,417</u> | <u>660,959</u> |
| Stockholders' equity | <u>2,631,262</u> | <u>2,493,018</u> |
| Total liabilities and stockholders' equity | <u>\$ 4,213,875</u> | <u>\$ 3,950,785</u> |

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Nine Months Ended October 2, 2021 and September 26, 2020
(In thousands, except per share amounts)
(Unaudited)

| | <u>Three Months Ended</u> | | <u>Nine Months Ended</u> | |
|------------------------------------------------------|----------------------------|-------------------------------|----------------------------|-------------------------------|
| | <u>October 2, 2021</u> | <u>September 26, 2020</u> | <u>October 2, 2021</u> | <u>September 26, 2020</u> |
| Revenue: | | | | |
| Product and maintenance | \$ 706,160 | \$ 630,329 | \$ 2,093,098 | \$ 1,813,384 |
| Services | 44,735 | 36,278 | 122,110 | 109,598 |
| Total revenue | <u>750,895</u> | <u>666,607</u> | <u>2,215,208</u> | <u>1,922,982</u> |
| Costs and expenses: | | | | |
| Cost of product and maintenance | 54,185 | 64,800 | 174,933 | 175,915 |
| Cost of services | 22,402 | 17,484 | 62,380 | 56,047 |
| Marketing and sales | 143,401 | 123,738 | 412,194 | 369,958 |
| Research and development | 289,105 | 250,934 | 845,324 | 743,423 |
| General and administrative | 42,990 | 35,928 | 123,275 | 105,161 |
| Amortization of acquired intangibles | 5,000 | 4,438 | 14,661 | 13,234 |
| Restructuring and other charges (credits) | (222) | 13 | (968) | (1,329) |
| Total costs and expenses | <u>556,861</u> | <u>497,335</u> | <u>1,631,799</u> | <u>1,462,409</u> |
| Income from operations | 194,034 | 169,272 | 583,409 | 460,573 |
| Interest expense | (4,196) | (5,325) | (12,729) | (15,876) |
| Other income (expense), net | (1,143) | 1,766 | 3,701 | 1,862 |
| Income before provision for income taxes | 188,695 | 165,713 | 574,381 | 446,559 |
| Provision for income taxes | 12,388 | 4,083 | 55,005 | 29,653 |
| Net income | <u>\$ 176,307</u> | <u>\$ 161,630</u> | <u>\$ 519,376</u> | <u>\$ 416,906</u> |
| Net income per share - basic | <u>\$ 0.65</u> | <u>\$ 0.59</u> | <u>\$ 1.90</u> | <u>\$ 1.52</u> |
| Net income per share - diluted | <u>\$ 0.63</u> | <u>\$ 0.58</u> | <u>\$ 1.86</u> | <u>\$ 1.49</u> |
| Weighted average common shares outstanding - basic | <u>273,194</u> | <u>273,996</u> | <u>273,636</u> | <u>273,633</u> |
| Weighted average common shares outstanding - diluted | <u>278,311</u> | <u>280,024</u> | <u>279,046</u> | <u>279,455</u> |

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended October 2, 2021 and September 26, 2020
(In thousands)
(Unaudited)

| | Nine Months Ended | |
|------------------------------------------------------------------------------------|----------------------------|-------------------------------|
| | October 2, 2021 | September 26, 2020 |
| Cash and cash equivalents at beginning of period | \$ 928,432 | \$ 705,210 |
| Cash flows from operating activities: | | |
| Net income | 519,376 | 416,906 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 106,962 | 107,019 |
| Amortization of debt discount and fees | 952 | 770 |
| Stock-based compensation | 155,860 | 138,723 |
| (Gain) loss on investments, net | (330) | 5,118 |
| Deferred income taxes | (34,566) | (18,966) |
| Provisions for losses on receivables | 234 | 1,087 |
| ROU asset amortization and change in operating lease liabilities | (2,917) | 2,064 |
| Other non-cash items | 146 | 410 |
| Changes in operating assets and liabilities, net of effect of acquired businesses: | | |
| Receivables | 15,132 | 9,945 |
| Inventories | (25,608) | 6,376 |
| Prepaid expenses and other | 36,632 | 22,769 |
| Other assets | 8,127 | (21,287) |
| Accounts payable and accrued liabilities | 10,501 | (30,455) |
| Deferred revenue | 84,183 | 124,491 |
| Other long-term liabilities | 10,417 | 4,430 |
| Net cash provided by operating activities | <u>885,101</u> | <u>769,400</u> |
| Cash flows from investing activities: | | |
| Proceeds from the sale of non-marketable investments | 128 | - |
| Purchases of property, plant and equipment | (49,977) | (63,745) |
| Cash paid in business combinations, net of cash acquired | (220,026) | (197,562) |
| Net cash used for investing activities | <u>(269,875)</u> | <u>(261,307)</u> |
| Cash flows from financing activities: | | |
| Proceeds from revolving credit facility | - | 350,000 |
| Payment of debt issuance costs | (1,285) | - |
| Proceeds from issuance of common stock | 83,632 | 71,451 |
| Stock received for payment of employee taxes on vesting of restricted stock | (108,185) | (85,515) |
| Payments for repurchases of common stock | (502,301) | (250,047) |
| Net cash provided by (used for) financing activities | <u>(528,139)</u> | <u>85,889</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>(1,700)</u> | <u>7,372</u> |
| Increase in cash and cash equivalents | <u>85,387</u> | <u>601,354</u> |
| Cash and cash equivalents at end of period | <u>\$ 1,013,819</u> | <u>\$ 1,306,564</u> |

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of October 25, 2021
(Unaudited)

| | <u>Three Months Ending</u> <u>January 1, 2022</u> <u>Forecast</u> | <u>Year Ending</u> <u>January 1, 2022</u> <u>Forecast</u> |
|-------------------------------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------|
| GAAP operating margin as a percent of total revenue | ~24% | ~26% |
| Reconciling items to non-GAAP operating margin as a percent of total revenue: | | |
| Stock-based compensation expense | 8% | 7% |
| Amortization of acquired intangibles | 2% | 2% |
| Acquisition and integration-related costs | 1% | 1% |
| Restructuring and other credits | 0% | 0% |
| Non-qualified deferred compensation expenses | 0% | 0% |
| Special charges* | 0% | 1% |
| Non-GAAP operating margin as a percent of total revenue† | <u>~35%</u> | <u>~37%</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.**

* Comprised of costs related to a voluntary retirement program in the second quarter of 2021.

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
As of October 25, 2021
(Unaudited)

| | Three Months Ending January 1, 2022 Forecast | Year Ending January 1, 2022 Forecast |
|------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------|
| Diluted net income per share on a GAAP basis | \$0.49 to \$0.53 | \$2.36 to \$2.40 |
| Stock-based compensation expense | 0.21 | 0.77 |
| Amortization of acquired intangibles | 0.06 | 0.24 |
| Acquisition and integration-related costs | 0.02 | 0.08 |
| Restructuring and other credits | - | - |
| Non-qualified deferred compensation expenses | - | 0.01 |
| Special charges* | - | 0.10 |
| Other income or expense related to investments and non-qualified deferred compensation plan assets** | - | (0.02) |
| Income tax effect of non-GAAP adjustments | (0.02) | (0.30) |
| Diluted net income per share on a non-GAAP basis† | \$0.76 to \$0.80 | \$3.24 to \$3.28 |

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of October 25, 2021
(Unaudited)

| (\$ in millions) | Three Months Ending January 1, 2022 Forecast | Year Ending January 1, 2022 Forecast |
|------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------|
| Net income on a GAAP basis | \$137 to \$149 | \$657 to \$669 |
| Stock-based compensation expense | 58 | 214 |
| Amortization of acquired intangibles | 17 | 67 |
| Acquisition and integration-related costs | 6 | 22 |
| Restructuring and other credits | - | (1) |
| Non-qualified deferred compensation expenses | - | 4 |
| Special charges* | - | 27 |
| Other income or expense related to investments and non-qualified deferred compensation plan assets** | - | (4) |
| Income tax effect of non-GAAP adjustments | (7) | (84) |
| Net income on a non-GAAP basis† | \$211 to \$223 | \$902 to \$914 |

† 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.

* Comprised of costs related to a voluntary retirement program in the second quarter of 2021.

** 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.