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

	March 28, 2020	December 28, 2019
Current assets:		
Cash and cash equivalents	\$ 946,285	\$ 705,210
Receivables, net	284,093	304,546
Inventories	60,575	55,802
Prepaid expenses and other	108,554	103,785
Total current assets	1,399,507	1,169,343
Property, plant and equipment, net	281,207	275,855
Goodwill	778,992	661,856
Acquired intangibles, net	258,617	172,375
Deferred taxes	699,194	732,367
Other assets	350,456	345,429
Total assets	\$ 3,767,973	\$ 3,357,225
Current liabilities:		
Revolving credit facility	\$ 350,000	\$ -
Accounts payable and accrued liabilities	236,813	316,908
Current portion of deferred revenue	425,616	355,483
Total current liabilities	1,012,429	672,391
Long-term liabilities:		
Long-term portion of deferred revenue	95,503	73,400
Long-term debt	346,205	346,019
Other long-term liabilities	155,842	162,521
Total long-term liabilities	597,550	581,940
Stockholders' equity	2,157,994	2,102,894
Total liabilities and stockholders' equity	\$ 3,767,973	\$ 3,357,225

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

	March 30, 2019	June 29, 2019	September 28, 2019	December 28, 2019	March 28, 2020
Current assets:					
Cash and cash equivalents	\$ 538,898	\$ 633,415	\$ 655,216	\$ 705,210	\$ 946,285
Receivables, net	264,767	237,609	274,914	304,546	284,093
Inventories	37,480	49,299	66,745	55,802	60,575
Prepaid expenses and other	76,802	58,918	53,074	103,785	108,554
Total current assets	<u>917,947</u>	<u>979,241</u>	<u>1,049,949</u>	<u>1,169,343</u>	<u>1,399,507</u>
Property, plant and equipment, net	253,392	257,882	259,453	275,855	281,207
Goodwill	662,871	662,713	661,678	661,856	778,992
Acquired intangibles, net	212,298	197,840	185,037	172,375	258,617
Deferred taxes	159,735	163,085	165,759	732,367	699,194
Other assets	340,068	351,564	340,322	345,429	350,456
Total assets	<u>\$ 2,546,311</u>	<u>\$ 2,612,325</u>	<u>\$ 2,662,198</u>	<u>\$ 3,357,225</u>	<u>\$ 3,767,973</u>
Current liabilities:					
Revolving credit facility	\$ 50,000	\$ -	\$ -	\$ -	\$ 350,000
Accounts payable and accrued liabilities	235,688	246,591	274,882	316,908	236,813
Current portion of deferred revenue	345,751	363,592	344,100	355,483	425,616
Total current liabilities	<u>631,439</u>	<u>610,183</u>	<u>618,982</u>	<u>672,391</u>	<u>1,012,429</u>
Long-term liabilities:					
Long-term portion of deferred revenue	51,312	57,280	48,036	73,400	95,503
Long-term debt	345,470	345,652	345,833	346,019	346,205
Other long-term liabilities	152,253	168,665	169,085	162,521	155,842
Total long-term liabilities	<u>549,035</u>	<u>571,597</u>	<u>562,954</u>	<u>581,940</u>	<u>597,550</u>
Stockholders' equity:					
Common stock and capital in excess of par value	1,944,895	1,984,464	2,007,268	2,046,237	2,099,425
Treasury stock, at cost	(1,446,247)	(1,526,421)	(1,589,027)	(1,668,105)	(1,778,533)
Retained earnings	893,264	1,000,499	1,102,013	1,761,688	1,883,677
Accumulated other comprehensive loss	(26,075)	(27,997)	(39,992)	(36,926)	(46,575)
Total stockholders' equity	<u>1,365,837</u>	<u>1,430,545</u>	<u>1,480,262</u>	<u>2,102,894</u>	<u>2,157,994</u>
Total liabilities and stockholders' equity	<u>\$ 2,546,311</u>	<u>\$ 2,612,325</u>	<u>\$ 2,662,198</u>	<u>\$ 3,357,225</u>	<u>\$ 3,767,973</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three Months Ended March 28, 2020 and March 30, 2019
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	March 28,	March 30,
	2020	2019
Revenue:		
Product and maintenance	\$ 581,699	\$ 543,518
Services	36,258	33,224
	<u>617,957</u>	<u>576,742</u>
Costs and expenses:		
Cost of product and maintenance	55,446	50,522
Cost of services	19,017	20,063
Marketing and sales	125,744	116,830
Research and development	241,668	228,210
General and administrative	33,592	30,102
Amortization of acquired intangibles	4,206	3,308
Restructuring and other credits	(1,067)	(689)
	<u>478,606</u>	<u>448,346</u>
Total costs and expenses		
	<u>139,351</u>	<u>128,396</u>
Income from operations		
Interest expense	(4,637)	(5,391)
Other income (expense), net	(4,534)	5,241
	<u>130,180</u>	<u>128,246</u>
Income before provision for income taxes		
Provision for income taxes	6,192	7,691
	<u>123,988</u>	<u>120,555</u>
Net income		
Net income per share - basic	<u>\$ 0.45</u>	<u>\$ 0.44</u>
Net income per share - diluted	<u>\$ 0.44</u>	<u>\$ 0.43</u>
Weighted average common shares outstanding - basic	<u>273,476</u>	<u>273,066</u>
Weighted average common shares outstanding - diluted	<u>279,265</u>	<u>280,615</u>

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

	Three Months Ended				
	March 30, 2019	June 29, 2019	September 28, 2019	December 28, 2019	March 28, 2020
Revenue:					
Product and maintenance	\$ 543,518	\$ 548,028	\$ 548,105	\$ 564,964	\$ 581,699
Services	33,224	32,391	31,498	34,591	36,258
Total revenue	<u>576,742</u>	<u>580,419</u>	<u>579,603</u>	<u>599,555</u>	<u>617,957</u>
Costs and expenses:					
Cost of product and maintenance	50,522	43,388	41,715	53,521	55,446
Cost of services	20,063	18,081	19,260	19,807	19,017
Marketing and sales	116,830	116,208	121,368	127,267	125,744
Research and development	228,210	231,814	240,542	235,372	241,668
General and administrative	30,102	34,407	33,204	42,093	33,592
Amortization of acquired intangibles	3,308	3,159	2,874	2,787	4,206
Restructuring and other charges (credits)	(689)	(313)	(186)	9,809	(1,067)
Total costs and expenses	<u>448,346</u>	<u>446,744</u>	<u>458,777</u>	<u>490,656</u>	<u>478,606</u>
Income from operations	128,396	133,675	120,826	108,899	139,351
Interest expense	(5,391)	(4,976)	(4,240)	(4,222)	(4,637)
Other income (expense), net	5,241	(110)	122	748	(4,534)
Income before provision (benefit) for income taxes	128,246	128,589	116,708	105,425	130,180
Provision (benefit) for income taxes	7,691	21,354	15,194	(554,250)	6,192
Net income	<u>\$ 120,555</u>	<u>\$ 107,235</u>	<u>\$ 101,514</u>	<u>\$ 659,675</u>	<u>\$ 123,988</u>
Net income per share - basic	<u>\$ 0.44</u>	<u>\$ 0.39</u>	<u>\$ 0.37</u>	<u>\$ 2.41</u>	<u>\$ 0.45</u>
Net income per share - diluted	<u>\$ 0.43</u>	<u>\$ 0.38</u>	<u>\$ 0.36</u>	<u>\$ 2.36</u>	<u>\$ 0.44</u>
Weighted average common shares outstanding - basic	<u>273,066</u>	<u>273,159</u>	<u>273,329</u>	<u>273,234</u>	<u>273,476</u>
Weighted average common shares outstanding - diluted	<u>280,615</u>	<u>281,054</u>	<u>280,666</u>	<u>279,557</u>	<u>279,265</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 28, 2020 and March 30, 2019
(In thousands)
(Unaudited)

	Three Months Ended	
	March 28, 2020	March 30, 2019
Cash and cash equivalents at beginning of period	\$ 705,210	\$ 533,298
Cash flows from operating activities:		
Net income	123,988	120,555
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,321	29,740
Amortization of debt discount and fees	254	247
Stock-based compensation	46,482	42,253
(Gain) loss on investments, net	3,215	(2,646)
Deferred income taxes	3,904	(4,966)
Recoveries on receivables	(77)	(183)
ROU asset amortization and change in operating lease liabilities	706	1,341
Other non-cash items	183	122
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	26,475	35,681
Inventories	(5,260)	(10,618)
Prepaid expenses and other	(4,964)	15,618
Other assets	(8,344)	4,559
Accounts payable and accrued liabilities	(84,839)	(41,261)
Deferred revenue	86,914	(4,451)
Other long-term liabilities	(4,239)	(577)
Net cash provided by operating activities	<u>217,719</u>	<u>185,414</u>
Cash flows from investing activities:		
Purchases of non-marketable investments	-	(33,664)
Proceeds from the sale of non-marketable investments	-	2,952
Purchases of property, plant and equipment	(22,179)	(15,275)
Cash paid in business combinations, net of cash acquired	(193,820)	-
Net cash used for investing activities	<u>(215,999)</u>	<u>(45,987)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	350,000	50,000
Payment on revolving credit facility	-	(100,000)
Proceeds from issuance of common stock	33,312	29,858
Stock received for payment of employee taxes on vesting of restricted stock	(37,528)	(32,822)
Payments for repurchases of common stock	(100,022)	(81,114)
Net cash provided by (used for) financing activities	<u>245,762</u>	<u>(134,078)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(6,407)</u>	<u>251</u>
Increase in cash and cash equivalents	<u>241,075</u>	<u>5,600</u>
Cash and cash equivalents at end of period	<u>\$ 946,285</u>	<u>\$ 538,898</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended March 28, 2020
(In thousands)
(Unaudited)

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Cash and cash equivalents at beginning of period	\$ 533,298	\$ 538,898	\$ 633,415	\$ 655,216	\$ 705,210
Cash flows from operating activities:					
Net income	120,555	107,235	101,514	659,675	123,988
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	29,740	31,457	30,203	31,389	33,321
Amortization of debt discount and fees	247	250	250	254	254
Stock-based compensation	42,253	44,257	48,279	46,758	46,482
(Gain) loss on investments, net	(2,646)	2,905	2,396	1,435	3,215
Deferred income taxes	(4,966)	(3,193)	(2,779)	(565,800)	3,904
Provisions for losses (recoveries) on receivables	(183)	(203)	28	990	(77)
ROU asset amortization and change in operating lease liabilities	1,341	1,163	1,781	(3,723)	706
Other non-cash items	122	38	37	231	183
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	35,681	28,195	(37,323)	(31,271)	26,475
Inventories	(10,618)	(15,071)	(18,092)	10,757	(5,260)
Prepaid expenses and other	15,618	17,437	5,648	(49,734)	(4,964)
Other assets	4,559	(2,012)	1,007	(11,565)	(8,344)
Accounts payable and accrued liabilities	(41,261)	6,591	30,669	37,916	(84,839)
Deferred revenue	(4,451)	24,158	(26,675)	34,466	86,914
Other long-term liabilities	(577)	3,153	1,587	(2,482)	(4,239)
Net cash provided by operating activities	<u>185,414</u>	<u>246,360</u>	<u>138,530</u>	<u>159,296</u>	<u>217,719</u>
Cash flows from investing activities:					
Purchases of non-marketable investments	(33,664)	(53)	-	-	-
Proceeds from the sale of non-marketable investments	2,952	-	-	-	-
Purchases of property, plant and equipment	(15,275)	(15,287)	(16,965)	(27,078)	(22,179)
Cash paid in business combinations, net of cash acquired	-	(338)	-	-	(193,820)
Net cash used for investing activities	<u>(45,987)</u>	<u>(15,678)</u>	<u>(16,965)</u>	<u>(27,078)</u>	<u>(215,999)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	50,000	100,000	-	-	350,000
Payment on revolving credit facility	(100,000)	(150,000)	-	-	-
Proceeds from issuance of common stock	29,858	2,997	16,272	3,715	33,312
Stock received for payment of employee taxes on vesting of restricted stock	(32,822)	(12,876)	(29,318)	(15,564)	(37,528)
Payments for repurchases of common stock	(81,114)	(75,006)	(75,011)	(75,017)	(100,022)
Net cash provided by (used for) financing activities	<u>(134,078)</u>	<u>(134,885)</u>	<u>(88,057)</u>	<u>(86,866)</u>	<u>245,762</u>
Effect of exchange rate changes on cash and cash equivalents	251	(1,280)	(11,707)	4,642	(6,407)
Increase in cash and cash equivalents	<u>5,600</u>	<u>94,517</u>	<u>21,801</u>	<u>49,994</u>	<u>241,075</u>
Cash and cash equivalents at end of period	<u>\$ 538,898</u>	<u>\$ 633,415</u>	<u>\$ 655,216</u>	<u>\$ 705,210</u>	<u>\$ 946,285</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

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

Revenue Mix by Product Group (% of Total Revenue)

<u>PRODUCT GROUP</u>	2019					2020
	Q1	Q2	Q3	Q4	Year	Q1
Functional Verification	24%	22%	20%	24%	23%	23%
Digital IC Design and Signoff	30%	31%	30%	29%	30%	29%
Custom IC Design and Simulation	25%	26%	26%	25%	25%	25%
System Interconnect and Analysis	9%	10%	9%	9%	9%	9%
IP	12%	11%	15%	13%	13%	14%
Total	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of April 20, 2020
(Unaudited)

	Three Months Ending	Year Ending
	June 27, 2020	January 2, 2021
	Forecast	Forecast
GAAP operating margin as a percent of total revenue	~18%	21% - 22%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Amortization of acquired intangibles	3%	2%
Stock-based compensation expense	8%	8%
Acquisition and integration-related costs	1%	1%
Non-GAAP operating margin as a percent of total revenue†	~30%	32% - 33%

†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 first 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 April 20, 2020
(Unaudited)

	Three Months Ending June 27, 2020	Year Ending January 2, 2021
	Forecast	Forecast
Diluted net income per share on a GAAP basis	\$0.28 to \$0.32	\$1.58 to \$1.68
Amortization of acquired intangibles	0.06	0.23
Stock-based compensation expense	0.17	0.71
Non-qualified deferred compensation expenses (credits)	-	(0.02)
Restructuring and other charges (credits)	-	-
Acquisition and integration-related costs	0.02	0.06
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	0.03
Income tax effect of non-GAAP adjustments	(0.03)	(0.19)
Diluted net income per share on a non-GAAP basis†	\$0.50 to \$0.54	\$2.40 to \$2.50

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of April 20, 2020
(Unaudited)

(\$ in millions)	Three Months Ending June 27, 2020	Year Ending January 2, 2021
	Forecast	Forecast
Net income on a GAAP basis	\$79 to \$89	\$441 to \$469
Amortization of acquired intangibles	16	64
Stock-based compensation expense	48	200
Non-qualified deferred compensation expenses (credits)	-	(5)
Restructuring and other charges (credits)	-	(1)
Acquisition and integration-related costs	4	16
Other income or expense related to investments and non-qualified deferred compensation plan assets*	1	10
Income tax effect of non-GAAP adjustments	(9)	(53)
Net income on a non-GAAP basis†	\$139 to \$149	\$672 to \$700

†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 first 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 Months Ended March 28, 2020 and March 30, 2019
(Unaudited)

(In thousands)	Three Months Ended	
	March 28, 2020	March 30, 2019
Net income on a GAAP basis	\$ 123,988	\$ 120,555
Amortization of acquired intangibles*	15,066	13,162
Stock-based compensation expense**	46,482	42,253
Non-qualified deferred compensation expenses (credits)***	(4,796)	2,540
Restructuring and other credits	(1,067)	(689)
Acquisition and integration-related costs****	3,970	914
Special charges *****	124	-
Other income or expense related to investments and non-qualified deferred compensation plan assets †	8,011	(5,187)
Income tax effect of non-GAAP adjustments	(25,483)	(21,307)
Net income on a non-GAAP basis †	\$ 166,295	\$ 152,241

+ 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 first 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	
	March 28, 2020	March 30, 2019
Cost of product and maintenance	\$ 10,860	\$ 9,854
Amortization of acquired intangibles	4,206	3,308
Total amortization of acquired intangibles	\$ 15,066	\$ 13,162

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

(In thousands)	Three Months Ended	
	March 28, 2020	March 30, 2019
Cost of product and maintenance	\$ 691	\$ 681
Cost of services	880	866
Marketing and sales	10,011	9,106
Research and development	29,346	26,898
General and administrative	5,554	4,702
Total stock-based compensation expense	\$ 46,482	\$ 42,253

*** 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	
	March 28, 2020	March 30, 2019
Cost of product and maintenance	\$ (48)	\$ 23
Cost of services	(70)	32
Marketing and sales	(803)	253
Research and development	(2,608)	1,663
General and administrative	(1,267)	569
Total non-qualified deferred compensation expenses (credits)	\$ (4,796)	\$ 2,540

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

(In thousands)	Three Months Ended	
	March 28, 2020	March 30, 2019
Marketing and sales	\$ 13	\$ -
Research and development	3,405	912
General and administrative	552	2
Total acquisition and integration-related costs	\$ 3,970	\$ 914

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

(In thousands)	Three Months Ended	
	March 28, 2020	March 30, 2019
General and administrative	\$ 124	\$ -
Total special charges	\$ 124	\$ -

Cadence Design Systems, Inc.
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share
For the Three Months Ended March 28, 2020 and March 30, 2019
(Unaudited)

(In thousands, except per share data)	Three Months Ended	
	March 28, 2020	March 30, 2019
Diluted net income per share on a GAAP basis	\$ 0.44	\$ 0.43
Amortization of acquired intangibles	0.05	0.05
Stock-based compensation expense	0.17	0.15
Non-qualified deferred compensation expenses (credits)	(0.02)	0.01
Restructuring and other credits	-	-
Acquisition and integration-related costs	0.02	-
Special charges	-	-
Other income or expense related to investments and non-qualified deferred compensation plan assets *	0.03	(0.02)
Income tax effect of non-GAAP adjustments	(0.09)	(0.08)
Diluted net income per share on a non-GAAP basis +	\$ 0.60	\$ 0.54
Shares used in calculation of diluted net income per share - GAAP **	279,265	280,615
Shares used in calculation of diluted net income per share - non-GAAP **	279,265	280,615

+ **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 first 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 March 28, 2020	Three Months Ended March 30, 2019
	Actual (In thousands)	Actual (In thousands)
GAAP total costs and expenses	\$ 478,606	\$ 448,346
Reconciling items to non-GAAP total costs and expenses		
Amortization of acquired intangibles	(15,066)	(13,162)
Stock-based compensation expense	(46,482)	(42,253)
Non-qualified deferred compensation (expenses) credits	4,796	(2,540)
Restructuring and other credits	1,067	689
Acquisition and integration-related costs	(3,970)	(914)
Special charges	(124)	-
Non-GAAP total costs and expenses†	<u>\$ 418,827</u>	<u>\$ 390,166</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 first 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 March 28, 2020						Operating expenses on a non-GAAP basis
	Operating expenses on a GAAP basis†	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation credits	Acquisition and integration-related costs	Special charges	
Cost of product and maintenance	55,446	(10,860)	(691)	48	-	-	43,943
Cost of services	19,017	-	(880)	70	-	-	18,207
Marketing and sales	125,744	-	(10,011)	803	(13)	-	116,523
Research and development	241,668	-	(29,346)	2,608	(3,405)	-	211,525
General and administrative	33,592	-	(5,554)	1,267	(552)	(124)	28,629
Amortization of acquired intangibles	4,206	(4,206)	-	-	-	-	-
		<u>(15,066)</u>	<u>(46,482)</u>	<u>4,796</u>	<u>(3,970)</u>	<u>(124)</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 first 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 March 28, 2020
(In thousands)
(Unaudited)

	Three Months Ended March 28, 2020		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 581,699	\$ -	\$ 581,699
Services	36,258	-	36,258
Total revenue	617,957	-	617,957
Costs and expenses:			
Cost of product and maintenance	55,446	(11,503) (A)	43,943
Cost of services	19,017	(810) (A)	18,207
Marketing and sales	125,744	(9,221) (A)	116,523
Research and development	241,668	(30,143) (A)	211,525
General and administrative	33,592	(4,963) (A)	28,629
Amortization of acquired intangibles	4,206	(4,206) (A)	-
Restructuring and other credits	(1,067)	1,067	-
Total costs and expenses	478,606	(59,779)	418,827
Income from operations	139,351	59,779	199,130
Interest expense	(4,637)	-	(4,637)
Other income (expense), net	(4,534)	8,011 (B)	3,477
Income before provision for income taxes	130,180	67,790	197,970
Provision for income taxes	6,192	25,483 (C)	31,675
Net income	\$ 123,988	\$ 42,307	\$ 166,295

*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 first quarter of 2020 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended March 28, 2020, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation credits	Acquisition and integration- related costs	Special charges	Total adjustments
Cost of product and maintenance	\$ 10,860	\$ 691	\$ (48)	\$ -	\$ -	\$ 11,503
Cost of services	-	880	(70)	-	-	810
Marketing and sales	-	10,011	(803)	13	-	9,221
Research and development	-	29,346	(2,608)	3,405	-	30,143
General and administrative	-	5,554	(1,267)	552	124	4,963
Amortization of acquired intangibles	4,206	-	-	-	-	4,206
Total	\$ 15,066	\$ 46,482	\$ (4,796)	\$ 3,970	\$ 124	\$ 60,846

(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 March 30, 2019
(In thousands)
(Unaudited)

	Three Months Ended March 30, 2019		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 543,518	\$ -	\$ 543,518
Services	33,224	-	33,224
Total revenue	576,742	-	576,742
Costs and expenses:			
Cost of product and maintenance	50,522	(10,558) (A)	39,964
Cost of services	20,063	(898) (A)	19,165
Marketing and sales	116,830	(9,359) (A)	107,471
Research and development	228,210	(29,473) (A)	198,737
General and administrative	30,102	(5,273) (A)	24,829
Amortization of acquired intangibles	3,308	(3,308) (A)	-
Restructuring and other credits	(689)	689	-
Total costs and expenses	448,346	(58,180)	390,166
Income from operations	128,396	58,180	186,576
Interest expense	(5,391)	-	(5,391)
Other income, net	5,241	(5,187) (B)	54
Income before provision for income taxes	128,246	52,993	181,239
Provision for income taxes	7,691	21,307 (C)	28,998
Net income	\$ 120,555	\$ 31,686	\$ 152,241

*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 first quarter of 2020 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended March 30, 2019, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration- related costs	Total adjustments
Cost of product and maintenance	\$ 9,854	\$ 681	\$ 23	\$ -	\$ 10,558
Cost of services	-	866	32	-	898
Marketing and sales	-	9,106	253	-	9,359
Research and development	-	26,898	1,663	912	29,473
General and administrative	-	4,702	569	2	5,273
Amortization of acquired intangibles	3,308	-	-	-	3,308
Total	\$ 13,162	\$ 42,253	\$ 2,540	\$ 914	\$ 58,869

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

(C) Income tax effect of non-GAAP adjustments