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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
April 3, 2021 and January 2, 2021
(In thousands)
(Unaudited)

	April 3, 2021	January 2, 2021
Current assets:		
Cash and cash equivalents	\$ 742,981	\$ 928,432
Receivables, net	388,666	338,487
Inventories	76,592	75,956
Prepaid expenses and other	141,490	135,712
Total current assets	1,349,729	1,478,587
Property, plant and equipment, net	305,089	311,125
Goodwill	912,603	782,087
Acquired intangibles, net	264,671	210,590
Deferred taxes	729,296	732,290
Other assets	437,571	436,106
Total assets	\$ 3,998,959	\$ 3,950,785
Current liabilities:		
Accounts payable and accrued liabilities	\$ 271,241	\$ 349,951
Current portion of deferred revenue	521,100	446,857
Total current liabilities	792,341	796,808
Long-term liabilities:		
Long-term portion of deferred revenue	92,574	107,064
Long-term debt	346,988	346,793
Other long-term liabilities	224,624	207,102
Total long-term liabilities	664,186	660,959
Stockholders' equity	2,542,432	2,493,018
Total liabilities and stockholders' equity	\$ 3,998,959	\$ 3,950,785

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

	March 28, 2020	June 27, 2020	September 26, 2020	January 2, 2021	April 3, 2021
Current assets:					
Cash and cash equivalents	\$ 946,285	\$ 1,189,186	\$ 1,306,564	\$ 928,432	\$ 742,981
Receivables, net	284,093	312,758	300,413	338,487	388,666
Inventories	60,575	43,924	47,979	75,956	76,592
Prepaid expenses and other	108,554	93,915	81,526	135,712	141,490
Total current assets	<u>1,399,507</u>	<u>1,639,783</u>	<u>1,736,482</u>	<u>1,478,587</u>	<u>1,349,729</u>
Property, plant and equipment, net	281,207	282,738	288,163	311,125	305,089
Goodwill	778,992	778,857	780,842	782,087	912,603
Acquired intangibles, net	258,617	242,543	227,753	210,590	264,671
Deferred taxes	699,194	704,882	722,656	732,290	729,296
Other assets	350,456	350,694	384,256	436,106	437,571
Total assets	<u>\$ 3,767,973</u>	<u>\$ 3,999,497</u>	<u>\$ 4,140,152</u>	<u>\$ 3,950,785</u>	<u>\$ 3,998,959</u>
Current liabilities:					
Revolving credit facility	\$ 350,000	\$ 350,000	\$ 350,000	-	-
Accounts payable and accrued liabilities	236,813	306,948	290,886	349,951	271,241
Current portion of deferred revenue	425,616	494,939	477,003	446,857	521,100
Total current liabilities	<u>1,012,429</u>	<u>1,151,887</u>	<u>1,117,889</u>	<u>796,808</u>	<u>792,341</u>
Long-term liabilities:					
Long-term portion of deferred revenue	95,503	87,437	84,646	107,064	92,574
Long-term debt	346,205	346,394	346,584	346,793	346,988
Other long-term liabilities	155,842	157,148	195,315	207,102	224,624
Total long-term liabilities	<u>597,550</u>	<u>590,979</u>	<u>626,545</u>	<u>660,959</u>	<u>664,186</u>
Stockholders' equity:					
Common stock and capital in excess of par value	2,099,425	2,143,016	2,186,850	2,217,939	2,307,965
Treasury stock, at cost	(1,778,533)	(1,856,333)	(1,934,107)	(2,057,829)	(2,275,998)
Retained earnings	1,883,677	2,014,965	2,176,595	2,350,333	2,537,502
Accumulated other comprehensive loss	(46,575)	(45,017)	(33,620)	(17,425)	(27,037)
Total stockholders' equity	<u>2,157,994</u>	<u>2,256,631</u>	<u>2,395,718</u>	<u>2,493,018</u>	<u>2,542,432</u>
Total liabilities and stockholders' equity	<u>\$ 3,767,973</u>	<u>\$ 3,999,497</u>	<u>\$ 4,140,152</u>	<u>\$ 3,950,785</u>	<u>\$ 3,998,959</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three Months Ended April 3, 2021 and March 28, 2020
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>	
	<u>April 3, 2021</u>	<u>March 28, 2020</u>
Revenue:		
Product and maintenance	\$ 699,054	\$ 581,699
Services	36,974	36,258
	<u>736,028</u>	<u>617,957</u>
Costs and expenses:		
Cost of product and maintenance	64,906	55,446
Cost of services	19,061	19,017
Marketing and sales	132,826	125,744
Research and development	270,992	241,668
General and administrative	39,952	33,592
Amortization of acquired intangibles	4,631	4,206
Restructuring and other credits	(277)	(1,067)
	<u>532,091</u>	<u>478,606</u>
Income from operations	203,937	139,351
Interest expense	(4,217)	(4,637)
Other income (expense), net	2,701	(4,534)
	<u>202,421</u>	<u>130,180</u>
Provision for income taxes	15,252	6,192
	<u>187,169</u>	<u>123,988</u>
Net income	<u>\$ 187,169</u>	<u>\$ 123,988</u>
Net income per share - basic	<u>\$ 0.68</u>	<u>\$ 0.45</u>
Net income per share - diluted	<u>\$ 0.67</u>	<u>\$ 0.44</u>
Weighted average common shares outstanding - basic	<u>274,021</u>	<u>273,476</u>
Weighted average common shares outstanding - diluted	<u>280,140</u>	<u>279,265</u>

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

	Three Months Ended				
	March 28, 2020	June 27, 2020	September 26, 2020	January 2, 2021	April 3, 2021
Revenue:					
Product and maintenance	\$ 581,699	\$ 601,356	\$ 630,329	\$ 723,233	\$ 699,054
Services	36,258	37,062	36,278	36,676	36,974
Total revenue	<u>617,957</u>	<u>638,418</u>	<u>666,607</u>	<u>759,909</u>	<u>736,028</u>
Costs and expenses:					
Cost of product and maintenance	55,446	55,669	64,800	55,111	64,906
Cost of services	19,017	19,546	17,484	18,425	19,061
Marketing and sales	125,744	120,476	123,738	146,502	132,826
Research and development	241,668	250,821	250,934	290,309	270,992
General and administrative	33,592	35,641	35,928	49,264	39,952
Amortization of acquired intangibles	4,206	4,590	4,438	4,775	4,631
Restructuring and other charges (credits)	(1,067)	(275)	13	10,544	(277)
Total costs and expenses	<u>478,606</u>	<u>486,468</u>	<u>497,335</u>	<u>574,930</u>	<u>532,091</u>
Income from operations	139,351	151,950	169,272	184,979	203,937
Interest expense	(4,637)	(5,914)	(5,325)	(4,873)	(4,217)
Other income (expense), net	(4,534)	4,630	1,766	6,083	2,701
Income before provision for income taxes	130,180	150,666	165,713	186,189	202,421
Provision for income taxes	6,192	19,378	4,083	12,451	15,252
Net income	<u>\$ 123,988</u>	<u>\$ 131,288</u>	<u>\$ 161,630</u>	<u>\$ 173,738</u>	<u>\$ 187,169</u>
Net income per share - basic	<u>\$ 0.45</u>	<u>\$ 0.48</u>	<u>\$ 0.59</u>	<u>\$ 0.63</u>	<u>\$ 0.68</u>
Net income per share - diluted	<u>\$ 0.44</u>	<u>\$ 0.47</u>	<u>\$ 0.58</u>	<u>\$ 0.62</u>	<u>\$ 0.67</u>
Weighted average common shares outstanding - basic	<u>273,476</u>	<u>273,432</u>	<u>273,996</u>	<u>273,985</u>	<u>274,021</u>
Weighted average common shares outstanding - diluted	<u>279,265</u>	<u>279,080</u>	<u>280,024</u>	<u>280,173</u>	<u>280,140</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Three Months Ended April 3, 2021 and March 28, 2020
(In thousands)
(Unaudited)

	Three Months Ended	
	April 3, 2021	March 28, 2020
Cash and cash equivalents at beginning of period	\$ 928,432	\$ 705,210
Cash flows from operating activities:		
Net income	187,169	123,988
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,218	33,321
Amortization of debt discount and fees	264	254
Stock-based compensation	52,596	46,482
(Gain) loss on investments, net	(1,433)	3,215
Deferred income taxes	2,710	3,904
Provisions for losses (recoveries) on receivables	77	(77)
ROU asset amortization and change in operating lease liabilities	(2,136)	706
Other non-cash items	302	183
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(45,927)	26,475
Inventories	(669)	(5,260)
Prepaid expenses and other	(3,014)	(4,964)
Other assets	6,260	(8,344)
Accounts payable and accrued liabilities	(80,769)	(84,839)
Deferred revenue	59,166	86,914
Other long-term liabilities	(2,372)	(4,239)
Net cash provided by operating activities	<u>208,442</u>	<u>217,719</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(16,968)	(22,179)
Cash paid in business combinations, net of cash acquired	(189,262)	(193,820)
Net cash used for investing activities	<u>(206,230)</u>	<u>(215,999)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	-	350,000
Proceeds from issuance of common stock	46,384	33,312
Stock received for payment of employee taxes on vesting of restricted stock	(56,385)	(37,528)
Payments for repurchases of common stock	(172,267)	(100,022)
Net cash provided by (used for) financing activities	<u>(182,268)</u>	<u>245,762</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(5,395)</u>	<u>(6,407)</u>
Increase (decrease) in cash and cash equivalents	<u>(185,451)</u>	<u>241,075</u>
Cash and cash equivalents at end of period	<u>\$ 742,981</u>	<u>\$ 946,285</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended April 3, 2021
(In thousands)
(Unaudited)

	<u>Q1 2020</u>	<u>Q2 2020</u>	<u>Q3 2020</u>	<u>Q4 2020</u>	<u>Q1 2021</u>
Cash and cash equivalents at beginning of period	\$ 705,210	\$ 946,285	\$ 1,189,186	\$ 1,306,564	\$ 928,432
Cash flows from operating activities:					
Net income	123,988	131,288	161,630	173,738	187,169
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	33,321	36,581	37,117	38,634	36,218
Amortization of debt discount and fees	254	258	258	283	264
Stock-based compensation	46,482	46,907	45,334	58,545	52,596
(Gain) loss on investments, net	3,215	821	1,082	(164)	(1,433)
Deferred income taxes	3,904	(5,513)	(17,357)	(7,151)	2,710
Provisions for losses (recoveries) on receivables	(77)	999	165	541	77
ROU asset amortization and change in operating lease liabilities	706	796	562	2,419	(2,136)
Other non-cash items	183	113	114	363	302
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	26,475	(28,972)	12,442	(35,879)	(45,927)
Inventories	(5,260)	16,280	(4,644)	(32,061)	(669)
Prepaid expenses and other	(4,964)	14,874	12,859	(53,936)	(3,014)
Other assets	(8,344)	(9,343)	(3,600)	(50,319)	6,260
Accounts payable and accrued liabilities	(84,839)	73,698	(19,314)	48,849	(80,769)
Deferred revenue	86,914	61,594	(24,017)	(14,318)	59,166
Other long-term liabilities	(4,239)	4,743	3,926	5,978	(2,372)
Net cash provided by operating activities	<u>217,719</u>	<u>345,124</u>	<u>206,557</u>	<u>135,522</u>	<u>208,442</u>
Cash flows from investing activities:					
Proceeds from the sale of non-marketable investments	-	-	-	217	-
Purchases of property, plant and equipment	(22,179)	(21,356)	(20,210)	(31,068)	(16,968)
Cash paid in business combinations, net of cash acquired	(193,820)	(1,298)	(2,444)	-	(189,262)
Net cash used for investing activities	<u>(215,999)</u>	<u>(22,654)</u>	<u>(22,654)</u>	<u>(30,851)</u>	<u>(206,230)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	350,000	-	-	-	-
Payment on revolving credit facility	-	-	-	(350,000)	-
Proceeds from issuance of common stock	33,312	10,355	27,784	3,352	46,384
Stock received for payment of employee taxes on vesting of restricted stock	(37,528)	(16,129)	(31,858)	(24,513)	(56,385)
Payments for repurchases of common stock	(100,022)	(75,014)	(75,011)	(130,017)	(172,267)
Net cash provided by (used for) financing activities	<u>245,762</u>	<u>(80,788)</u>	<u>(79,085)</u>	<u>(501,178)</u>	<u>(182,268)</u>
Effect of exchange rate changes on cash and cash equivalents	(6,407)	1,219	12,560	18,375	(5,395)
Increase (decrease) in cash and cash equivalents	<u>241,075</u>	<u>242,901</u>	<u>117,378</u>	<u>(378,132)</u>	<u>(185,451)</u>
Cash and cash equivalents at end of period	<u>\$ 946,285</u>	<u>\$ 1,189,186</u>	<u>\$ 1,306,564</u>	<u>\$ 928,432</u>	<u>\$ 742,981</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	<u>2020</u>					<u>2021</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>	<u>Q1</u>
Americas	43%	44%	42%	41%	42%	46%
China	13%	12%	17%	17%	15%	12%
Other Asia	18%	19%	19%	18%	18%	18%
Europe, Middle East and Africa	19%	18%	16%	17%	18%	18%
Japan	7%	7%	6%	7%	7%	6%
Total	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Category (% of Total Revenue)

<u>PRODUCT CATEGORY</u>	<u>2020</u>					<u>2021</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>	<u>Q1</u>
Custom IC Design and Simulation	25%	24%	24%	26%	25%	23%
Digital IC Design and Signoff	29%	28%	27%	31%	29%	27%
Functional Verification, including Emulation and Prototyping Hardware	23%	24%	23%	19%	22%	26%
IP	14%	14%	15%	13%	14%	14%
System Design and Analysis	9%	10%	11%	11%	10%	10%
Total	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of April 26, 2021
(Unaudited)

	Three Months Ending July 3, 2021	Year Ending January 1, 2022
	Forecast	Forecast
GAAP operating margin as a percent of total revenue	~22%	23% - 24%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	7%	8%
Amortization of acquired intangibles	2%	2%
Acquisition and integration-related costs	1%	1%
Restructuring and other charges (credits)	0%	0%
Non-qualified deferred compensation expenses	0%	0%
Special charges*	4%	1%
Non-GAAP operating margin as a percent of total revenue†	~36%	35% - 36%

† **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.

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
As of April 26, 2021
(Unaudited)

	<u>Three Months Ending</u> <u>July 3, 2021</u> <u>Forecast</u>	<u>Year Ending</u> <u>January 1, 2022</u> <u>Forecast</u>
Diluted net income per share on a GAAP basis	\$0.44 to \$0.48	\$2.01 to \$2.09
Stock-based compensation expense	0.19	0.79
Amortization of acquired intangibles	0.06	0.24
Acquisition and integration-related costs	0.02	0.08
Non-qualified deferred compensation expenses	-	0.01
Special charges*	0.09	0.09
Other income or expense related to investments and non-qualified deferred compensation plan assets**	-	(0.01)
Income tax effect of non-GAAP adjustments	(0.06)	(0.22)
Diluted net income per share on a non-GAAP basis†	<u><u>\$0.74 to \$0.78</u></u>	<u><u>\$2.99 to \$3.07</u></u>

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of April 26, 2021
(Unaudited)

(\$ in millions)	<u>Three Months Ending</u> <u>July 3, 2021</u> <u>Forecast</u>	<u>Year Ending</u> <u>January 1, 2022</u> <u>Forecast</u>
Net income on a GAAP basis	\$122 to \$133	\$563 to \$586
Stock-based compensation expense	53	222
Amortization of acquired intangibles	17	67
Acquisition and integration-related costs	6	21
Non-qualified deferred compensation expenses	-	2
Special charges*	26	26
Other income or expense related to investments and non-qualified deferred compensation plan assets**	-	(3)
Income tax effect of non-GAAP adjustments	(17)	(60)
Net income on a non-GAAP basis†	<u><u>\$207 to \$218</u></u>	<u><u>\$838 to \$861</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.

* Comprised of costs related to a voluntary retirement program.

** 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 April 3, 2021 and March 28, 2020
(Unaudited)

(In thousands)	Three Months Ended	
	April 3, 2021	March 28, 2020
Net income on a GAAP basis	\$ 187,169	\$ 123,988
Stock-based compensation expense*	52,596	46,482
Amortization of acquired intangibles**	16,399	15,066
Acquisition and integration-related costs***	5,510	3,970
Restructuring and other credits	(277)	(1,067)
Non-qualified deferred compensation expenses (credits)****	1,898	(4,796)
Special charges *****	-	124
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(3,332)	8,011
Income tax effect of non-GAAP adjustments	(28,782)	(25,483)
Net income on a non-GAAP basis +	\$ 231,181	\$ 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 2021 for a further discussion of its non-GAAP measures.

† Includes, as applicable, equity in losses or income from investments, write-down of investments, gains or losses on investments and gains or losses on non-qualified deferred compensation plan assets recorded in other income or expense.

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

(In thousands)	Three Months Ended	
	April 3, 2021	March 28, 2020
Cost of product and maintenance	\$ 807	\$ 691
Cost of services	1,027	880
Marketing and sales	11,206	10,011
Research and development	32,858	29,346
General and administrative	6,698	5,554
Total stock-based compensation expense	\$ 52,596	\$ 46,482

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

(In thousands)	Three Months Ended	
	April 3, 2021	March 28, 2020
Cost of product and maintenance	\$ 11,768	\$ 10,860
Amortization of acquired intangibles	4,631	4,206
Total amortization of acquired intangibles	\$ 16,399	\$ 15,066

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

(In thousands)	Three Months Ended	
	April 3, 2021	March 28, 2020
Marketing and sales	\$ 8	\$ 13
Research and development	3,735	3,405
General and administrative	1,767	552
Total acquisition and integration-related costs	\$ 5,510	\$ 3,970

**** 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	
	April 3, 2021	March 28, 2020
Cost of product and maintenance	\$ 17	\$ (48)
Cost of services	24	(70)
Marketing and sales	331	(803)
Research and development	998	(2,608)
General and administrative	528	(1,267)
Total non-qualified deferred compensation expenses	\$ 1,898	\$ (4,796)

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

(In thousands)	Three Months Ended	
	April 3, 2021	March 28, 2020
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 April 3, 2021 and March 28, 2020
(Unaudited)

(In thousands, except per share data)	Three Months Ended	
	April 3, 2021	March 28, 2020
Diluted net income per share on a GAAP basis	\$ 0.67	\$ 0.44
Stock-based compensation expense	0.19	0.17
Amortization of acquired intangibles	0.06	0.05
Acquisition and integration-related costs	0.02	0.02
Restructuring and other credits	-	-
Non-qualified deferred compensation expenses (credits)	-	(0.02)
Special charges	-	-
Other income or expense related to investments and non-qualified deferred compensation plan assets *	(0.01)	0.03
Income tax effect of non-GAAP adjustments	(0.10)	(0.09)
Diluted net income per share on a non-GAAP basis +	\$ 0.83	\$ 0.60
Shares used in calculation of diluted net income per share	280,140	279,265

+ **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 2021 for a further discussion of its non-GAAP measures.**

* Includes, as applicable, equity in losses or income from investments, write-down of investments, gains or losses on investments and gains or losses on non-qualified deferred compensation plan assets recorded in other income or expense.

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

	Three Months Ended	Three Months Ended
	April 3, 2021	March 28, 2020
	Actual	Actual
	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 532,091	\$ 478,606
Reconciling items to non-GAAP total costs and expenses		
Stock-based compensation expense	(52,596)	(46,482)
Amortization of acquired intangibles	(16,399)	(15,066)
Acquisition and integration-related costs	(5,510)	(3,970)
Restructuring and other credits	277	1,067
Non-qualified deferred compensation (expenses) credits	(1,898)	4,796
Special charges	-	(124)
Non-GAAP total costs and expenses†	<u>\$ 455,965</u>	<u>\$ 418,827</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 2021 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 April 3, 2021					
	Operating expenses on a GAAP basis†	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration-related costs	Non-qualified deferred compensation expenses	Operating expenses on a non-GAAP basis
Cost of product and maintenance	64,906	(807)	(11,768)	-	(17)	52,314
Cost of services	19,061	(1,027)	-	-	(24)	18,010
Marketing and sales	132,826	(11,206)	-	(8)	(331)	121,281
Research and development	270,992	(32,858)	-	(3,735)	(998)	233,401
General and administrative	39,952	(6,698)	-	(1,767)	(528)	30,959
Amortization of acquired intangibles	4,631	-	(4,631)	-	-	-
		<u>(52,596)</u>	<u>(16,399)</u>	<u>(5,510)</u>	<u>(1,898)</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 2021 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 April 3, 2021
(In thousands)
(Unaudited)

	Three Months Ended April 3, 2021		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 699,054	\$ -	\$ 699,054
Services	36,974	-	36,974
Total revenue	<u>736,028</u>	<u>-</u>	<u>736,028</u>
Costs and expenses:			
Cost of product and maintenance	64,906	(12,592) (A)	52,314
Cost of services	19,061	(1,051) (A)	18,010
Marketing and sales	132,826	(11,545) (A)	121,281
Research and development	270,992	(37,591) (A)	233,401
General and administrative	39,952	(8,993) (A)	30,959
Amortization of acquired intangibles	4,631	(4,631) (A)	-
Restructuring and other credits	(277)	277	-
Total costs and expenses	<u>532,091</u>	<u>(76,126)</u>	<u>455,965</u>
Income from operations	203,937	76,126	280,063
Interest expense	(4,217)	-	(4,217)
Other income (expense), net	2,701	(3,332) (B)	(631)
Income before provision for income taxes	202,421	72,794	275,215
Provision for income taxes	15,252	28,782 (C)	44,034
Net income	<u>\$ 187,169</u>	<u>\$ 44,012</u>	<u>\$ 231,181</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 2021 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended April 3, 2021, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration-related costs	Non-qualified deferred compensation expenses	Total adjustments
Cost of product and maintenance	\$ 807	\$ 11,768	\$ -	\$ 17	\$ 12,592
Cost of services	1,027	-	-	24	1,051
Marketing and sales	11,206	-	8	331	11,545
Research and development	32,858	-	3,735	998	37,591
General and administrative	6,698	-	1,767	528	8,993
Amortization of acquired intangibles	-	4,631	-	-	4,631
Total	<u>\$ 52,596</u>	<u>\$ 16,399</u>	<u>\$ 5,510</u>	<u>\$ 1,898</u>	<u>\$ 76,403</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 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 2021 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:

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