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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
March 31, 2024 and December 31, 2023
(In thousands)
(Unaudited)

	March 31, 2024	December 31, 2023
Current assets:		
Cash and cash equivalents	\$ 1,012,418	\$ 1,008,152
Receivables, net	389,865	489,224
Inventories	185,784	181,661
Prepaid expenses and other	341,865	297,180
Total current assets	1,929,932	1,976,217
Property, plant and equipment, net	433,016	403,213
Goodwill	1,575,107	1,535,845
Acquired intangibles, net	334,644	336,843
Deferred taxes	886,576	880,001
Other assets	562,855	537,372
Total assets	\$ 5,722,130	\$ 5,669,491
Current liabilities:		
Current portion of long-term debt	\$ 349,507	\$ 349,285
Accounts payable and accrued liabilities	456,608	576,558
Current portion of deferred revenue	659,628	665,024
Total current liabilities	1,465,743	1,590,867
Long-term liabilities:		
Long-term portion of deferred revenue	87,003	98,931
Long-term debt	299,805	299,771
Other long-term liabilities	301,983	275,651
Total long-term liabilities	688,791	674,353
Stockholders' equity	3,567,596	3,404,271
Total liabilities and stockholders' equity	\$ 5,722,130	\$ 5,669,491

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

	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024
Current assets:					
Cash and cash equivalents	\$ 916,963	\$ 873,925	\$ 961,982	\$ 1,008,152	\$ 1,012,418
Receivables, net	488,237	440,915	426,505	489,224	389,865
Inventories	127,566	139,576	163,693	181,661	185,784
Prepaid expenses and other	165,778	188,634	272,283	297,180	341,865
Total current assets	<u>1,698,544</u>	<u>1,643,050</u>	<u>1,824,463</u>	<u>1,976,217</u>	<u>1,929,932</u>
Property, plant and equipment, net	372,956	370,193	379,776	403,213	433,016
Goodwill	1,377,625	1,428,772	1,500,442	1,535,845	1,575,107
Acquired intangibles, net	341,738	340,742	347,617	336,843	334,644
Deferred taxes	864,750	872,151	874,805	880,001	886,576
Other assets	516,006	500,216	504,272	537,372	562,855
Total assets	<u>\$ 5,171,619</u>	<u>\$ 5,155,124</u>	<u>\$ 5,431,375</u>	<u>\$ 5,669,491</u>	<u>\$ 5,722,130</u>
Current liabilities:					
Revolving credit facility	\$ 30,000	\$ -	\$ -	\$ -	\$ -
Current portion of long-term debt	-	-	-	349,285	349,507
Accounts payable and accrued liabilities	430,135	510,007	598,261	576,558	456,608
Current portion of deferred revenue	721,246	686,293	665,906	665,024	659,628
Total current liabilities	<u>1,181,381</u>	<u>1,196,300</u>	<u>1,264,167</u>	<u>1,590,867</u>	<u>1,465,743</u>
Long-term liabilities:					
Long-term portion of deferred revenue	102,515	96,653	100,609	98,931	87,003
Long-term debt	648,301	648,551	648,801	299,771	299,805
Other long-term liabilities	298,546	305,165	303,904	275,651	301,983
Total long-term liabilities	<u>1,049,362</u>	<u>1,050,369</u>	<u>1,053,314</u>	<u>674,353</u>	<u>688,791</u>
Stockholders' equity:					
Common stock and capital in excess of par value	2,878,749	2,897,885	3,077,954	3,166,964	3,331,547
Treasury stock, at cost	(3,987,528)	(4,257,084)	(4,463,484)	(4,604,323)	(4,840,181)
Retained earnings	4,137,044	4,358,164	4,612,485	4,936,384	5,184,027
Accumulated other comprehensive loss	(87,389)	(90,510)	(113,061)	(94,754)	(107,797)
Total stockholders' equity	<u>2,940,876</u>	<u>2,908,455</u>	<u>3,113,894</u>	<u>3,404,271</u>	<u>3,567,596</u>
Total liabilities and stockholders' equity	<u>\$ 5,171,619</u>	<u>\$ 5,155,124</u>	<u>\$ 5,431,375</u>	<u>\$ 5,669,491</u>	<u>\$ 5,722,130</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three Months Ended March 31, 2024 and March 31, 2023
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	March 31, 2024	March 31, 2023
	<u> </u>	<u> </u>
Revenue:		
Product and maintenance	\$ 913,385	\$ 963,742
Services	95,718	57,948
	<u> </u>	<u> </u>
Total revenue	1,009,103	1,021,690
	<u> </u>	<u> </u>
Costs and expenses:		
Cost of product and maintenance	75,395	100,238
Cost of services	49,802	24,234
Marketing and sales	180,589	166,666
Research and development	378,958	350,295
General and administrative	68,716	53,527
Amortization of acquired intangibles	5,407	4,267
Restructuring	280	-
	<u> </u>	<u> </u>
Total costs and expenses	759,147	699,227
	<u> </u>	<u> </u>
Income from operations	249,956	322,463
Interest expense	(8,692)	(9,260)
Other income, net	68,779	8,284
	<u> </u>	<u> </u>
Income before provision for income taxes	310,043	321,487
Provision for income taxes	62,400	79,683
	<u> </u>	<u> </u>
Net income	\$ 247,643	\$ 241,804
	<u> </u>	<u> </u>
Net income per share - basic	\$ 0.92	\$ 0.90
	<u> </u>	<u> </u>
Net income per share - diluted	\$ 0.91	\$ 0.89
	<u> </u>	<u> </u>
Weighted average common shares outstanding - basic	269,606	269,501
	<u> </u>	<u> </u>
Weighted average common shares outstanding - diluted	273,544	273,159
	<u> </u>	<u> </u>

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

	Three Months Ended				
	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024
Revenue:					
Product and maintenance	\$ 963,742	\$ 922,790	\$ 965,840	\$ 981,987	\$ 913,385
Services	57,948	53,789	57,254	86,636	95,718
Total revenue	<u>1,021,690</u>	<u>976,579</u>	<u>1,023,094</u>	<u>1,068,623</u>	<u>1,009,103</u>
Costs and expenses:					
Cost of product and maintenance	100,238	74,218	85,813	71,491	75,395
Cost of services	24,234	22,640	23,768	32,639	49,802
Marketing and sales	166,666	167,070	176,215	180,368	180,589
Research and development	350,295	354,416	369,642	367,443	378,958
General and administrative	53,527	54,605	58,556	75,742	68,716
Amortization of acquired intangibles	4,267	4,302	4,612	4,981	5,407
Restructuring	-	-	11,582	(569)	280
Total costs and expenses	<u>699,227</u>	<u>677,251</u>	<u>730,188</u>	<u>732,095</u>	<u>759,147</u>
Income from operations	322,463	299,328	292,906	336,528	249,956
Interest expense	(9,260)	(8,877)	(9,059)	(8,989)	(8,692)
Other income, net	8,284	7,973	16,106	34,523	68,779
Income before provision for income taxes	321,487	298,424	299,953	362,062	310,043
Provision for income taxes	79,683	77,304	45,632	38,163	62,400
Net income	<u>\$ 241,804</u>	<u>\$ 221,120</u>	<u>\$ 254,321</u>	<u>\$ 323,899</u>	<u>\$ 247,643</u>
Net income per share - basic	<u>\$ 0.90</u>	<u>\$ 0.82</u>	<u>\$ 0.94</u>	<u>\$ 1.20</u>	<u>\$ 0.92</u>
Net income per share - diluted	<u>\$ 0.89</u>	<u>\$ 0.81</u>	<u>\$ 0.93</u>	<u>\$ 1.19</u>	<u>\$ 0.91</u>
Weighted average common shares outstanding - basic	<u>269,501</u>	<u>269,714</u>	<u>269,229</u>	<u>269,088</u>	<u>269,606</u>
Weighted average common shares outstanding - diluted	<u>273,159</u>	<u>272,996</u>	<u>272,427</u>	<u>272,419</u>	<u>273,544</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2024 and March 31, 2023
(In thousands)
(Unaudited)

	Three Months Ended	
	March 31, 2024	March 31, 2023
Cash and cash equivalents at beginning of period	\$ 1,008,152	\$ 882,325
Cash flows from operating activities:		
Net income	247,643	241,804
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,556	34,400
Amortization of debt discount and fees	320	311
Stock-based compensation	88,129	74,288
Gain on investments, net	(55,394)	(123)
Deferred income taxes	(1,523)	(11,640)
Provisions for losses on receivables	158	214
ROU asset amortization and change in operating lease liabilities	(917)	(1,392)
Other non-cash items	78	99
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	102,991	(8,719)
Inventories	(10,689)	399
Prepaid expenses and other	(15,073)	56,212
Other assets	(7,535)	(42,084)
Accounts payable and accrued liabilities	(117,291)	(117,915)
Deferred revenue	(23,941)	40,650
Other long-term liabilities	6,720	897
Net cash provided by operating activities	<u>253,232</u>	<u>267,401</u>
Cash flows from investing activities:		
Purchases of investments	(2,095)	(9,055)
Proceeds from the sale and maturity of investments	43,377	102
Purchases of property, plant and equipment	(49,601)	(26,719)
Cash paid in business combinations, net of cash acquired	(71,450)	-
Net cash used for investing activities	<u>(79,769)</u>	<u>(35,672)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	-	50,000
Payments on revolving credit facility	-	(120,000)
Proceeds from issuance of common stock	116,725	65,370
Stock received for payment of employee taxes on vesting of restricted stock	(151,123)	(67,712)
Payments for repurchases of common stock	(125,006)	(125,010)
Net cash used for financing activities	<u>(159,404)</u>	<u>(197,352)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(9,793)</u>	<u>261</u>
Increase in cash and cash equivalents	<u>4,266</u>	<u>34,638</u>
Cash and cash equivalents at end of period	<u>\$ 1,012,418</u>	<u>\$ 916,963</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended March 31, 2024
(In thousands)
(Unaudited)

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Cash and cash equivalents at beginning of period	\$ 882,325	\$ 916,963	\$ 873,925	\$ 961,982	\$ 1,008,152
Cash flows from operating activities:					
Net income	241,804	221,120	254,321	323,899	247,643
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	34,400	36,032	36,351	38,509	39,556
Amortization of debt discount and fees	311	315	316	320	320
Stock-based compensation	74,288	76,608	88,032	86,683	88,129
(Gain) loss on investments, net	(123)	677	(13,286)	(21,870)	(55,394)
Deferred income taxes	(11,640)	(8,531)	(3,335)	(13,006)	(1,523)
Provisions for losses on receivables	214	506	972	1,633	158
ROU asset amortization and change in operating lease liabilities	(1,392)	(2,151)	859	3,135	(917)
Other non-cash items	99	1,735	128	21	78
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(8,719)	49,927	8,816	(61,772)	102,991
Inventories	399	(17,380)	(30,312)	(18,602)	(10,689)
Prepaid expenses and other	56,212	(5,419)	(17,486)	5,708	(15,073)
Other assets	(42,084)	10,246	5,258	(19,204)	(7,535)
Accounts payable and accrued liabilities	(117,915)	80,866	80,160	(37,696)	(117,291)
Deferred revenue	40,650	(39,381)	(15,897)	(6,955)	(23,941)
Other long-term liabilities	897	8,600	1,017	(8,712)	6,720
Net cash provided by operating activities	<u>267,401</u>	<u>413,770</u>	<u>395,914</u>	<u>272,091</u>	<u>253,232</u>
Cash flows from investing activities:					
Purchases of investments	(9,055)	(20,157)	(115,938)	(31,020)	(2,095)
Proceeds from the sale and maturity of investments	102	1,403	62,669	601	43,377
Purchases of property, plant and equipment	(26,719)	(19,936)	(21,979)	(33,703)	(49,601)
Purchases of intangible assets	-	-	-	(166)	-
Cash paid in business combinations, net of cash acquired	-	(55,379)	(108,584)	(34,388)	(71,450)
Net cash used for investing activities	<u>(35,672)</u>	<u>(94,069)</u>	<u>(183,832)</u>	<u>(98,676)</u>	<u>(79,769)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	50,000	-	-	-	-
Payments on revolving credit facility	(120,000)	(30,000)	-	-	-
Proceeds from issuance of common stock	65,370	12,132	53,839	1,616	116,725
Stock received for payment of employee taxes on vesting of restricted stock	(67,712)	(11,276)	(43,194)	(14,214)	(151,123)
Payments for repurchases of common stock	(125,010)	(325,109)	(125,008)	(125,007)	(125,006)
Net cash used for financing activities	<u>(197,352)</u>	<u>(354,253)</u>	<u>(114,363)</u>	<u>(137,605)</u>	<u>(159,404)</u>
Effect of exchange rate changes on cash and cash equivalents	261	(8,486)	(9,662)	10,360	(9,793)
Increase (decrease) in cash and cash equivalents	<u>34,638</u>	<u>(43,038)</u>	<u>88,057</u>	<u>46,170</u>	<u>4,266</u>
Cash and cash equivalents at end of period	<u>\$ 916,963</u>	<u>\$ 873,925</u>	<u>\$ 961,982</u>	<u>\$ 1,008,152</u>	<u>\$ 1,012,418</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2023					2024
	Q1	Q2	Q3	Q4	Year	Q1
Americas	44%	41%	43%	44%	43%	46%
China	17%	18%	17%	15%	17%	12%
Other Asia	18%	18%	19%	19%	19%	20%
Europe, Middle East and Africa	15%	17%	15%	16%	16%	17%
Japan	6%	6%	6%	6%	5%	5%
Total	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Category (% of Total Revenue)

<u>PRODUCT CATEGORY</u>	2023					2024
	Q1	Q2	Q3	Q4	Year	Q1
Custom IC Design and Simulation	20%	22%	22%	22%	22%	22%
Digital IC Design and Signoff	25%	27%	28%	29%	27%	29%
Functional Verification, including Emulation and Prototyping Hardware	32%	27%	26%	24%	27%	25%
IP	11%	11%	11%	13%	12%	12%
System Design and Analysis	12%	13%	13%	12%	12%	12%
Total	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of April 22, 2024
(Unaudited)

	Three Months Ending June 30, 2024	Year Ending December 31, 2024
	Forecast	Forecast
GAAP operating margin as a percent of total revenue	26.5% - 27.5%	31% - 32%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	9%	8%
Amortization of acquired intangibles	2%	2%
Acquisition and integration-related costs	1%	1%
Non-qualified deferred compensation expenses	0%	0%
Non-GAAP operating margin as a percent of total revenue†	38.5% - 39.5%	42% - 43%

†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 2024 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 22, 2024
(Unaudited)

	<u>Three Months Ending</u> <u>June 30, 2024</u> <u>Forecast</u>	<u>Year Ending</u> <u>December 31, 2024</u> <u>Forecast</u>
Diluted net income per share on a GAAP basis	\$0.73 to \$0.77	\$4.04 to \$4.14
Stock-based compensation expense	0.32	1.41
Amortization of acquired intangibles	0.06	0.25
Acquisition and integration-related costs	0.06	0.20
Non-qualified deferred compensation expenses	-	0.02
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(0.22)
Income tax effect of non-GAAP adjustments	0.03	0.18
Diluted net income per share on a non-GAAP basis†	<u>\$1.20 to \$1.24</u>	<u>\$5.88 to \$5.98</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 2024 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.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of April 22, 2024
(Unaudited)

(\$ in millions)	<u>Three Months Ending</u> <u>June 30, 2024</u> <u>Forecast</u>	<u>Year Ending</u> <u>December 31, 2024</u> <u>Forecast</u>
Net income on a GAAP basis	\$200 to \$211	\$1,105 to \$1,132
Stock-based compensation expense	89	386
Amortization of acquired intangibles	17	68
Acquisition and integration-related costs	15	56
Non-qualified deferred compensation expenses	-	5
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(60)
Income tax effect of non-GAAP adjustments	8	48
Net income on a non-GAAP basis†	<u>\$329 to \$340</u>	<u>\$1,608 to \$1,635</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 2024 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 31, 2024 and March 31, 2023
(Unaudited)

(In thousands)	Three Months Ended	
	March 31, 2024	March 31, 2023
Net income on a GAAP basis	\$ 247,643	\$ 241,804
Stock-based compensation expense*	88,129	74,288
Amortization of acquired intangibles**	16,755	14,527
Acquisition and integration-related costs***	22,086	15,800
Restructuring	280	-
Non-qualified deferred compensation expenses****	4,588	3,150
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(59,986)	(3,273)
Income tax effect of non-GAAP adjustments	(613)	5,137
Net income on a non-GAAP basis +	\$ 318,882	\$ 351,433

+ **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 2024 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	
	March 31, 2024	March 31, 2023
Cost of product and maintenance	\$ 1,280	\$ 1,066
Cost of services	1,629	1,357
Marketing and sales	17,836	15,091
Research and development	53,637	44,322
General and administrative	13,747	12,452
Total stock-based compensation expense	\$ 88,129	\$ 74,288

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

(In thousands)	Three Months Ended	
	March 31, 2024	March 31, 2023
Cost of product and maintenance	\$ 11,348	\$ 10,260
Amortization of acquired intangibles	5,407	4,267
Total amortization of acquired intangibles	\$ 16,755	\$ 14,527

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

(In thousands)	Three Months Ended	
	March 31, 2024	March 31, 2023
Cost of product and maintenance	\$ 78	\$ 126
Cost of services	983	167
Marketing and sales	3,766	1,976
Research and development	6,997	9,610
General and administrative	10,262	3,921
Total acquisition and integration-related costs	\$ 22,086	\$ 15,800

**** 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 31, 2024	March 31, 2023
Cost of product and maintenance	\$ 26	\$ 27
Cost of services	38	39
Marketing and sales	905	606
Research and development	2,732	1,913
General and administrative	887	565
Total non-qualified deferred compensation expenses	\$ 4,588	\$ 3,150

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 31, 2024 and March 31, 2023
(Unaudited)

(In thousands, except per share data)	Three Months Ended	
	March 31, 2024	March 31, 2023
Diluted net income per share on a GAAP basis	\$ 0.91	\$ 0.89
Stock-based compensation expense	0.32	0.27
Amortization of acquired intangibles	0.06	0.05
Acquisition and integration-related costs	0.08	0.06
Restructuring	-	-
Non-qualified deferred compensation expenses	0.02	0.01
Other income or expense related to investments and non-qualified deferred compensation plan assets *	(0.22)	(0.01)
Income tax effect of non-GAAP adjustments	-	0.02
Diluted net income per share on a non-GAAP basis +	\$ 1.17	\$ 1.29
Shares used in calculation of diluted net income per share	273,544	273,159

+ **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 2024 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 March 31, 2024	Three Months Ended March 31, 2023
	Actual	Actual
	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 759,147	\$ 699,227
Reconciling items to non-GAAP total costs and expenses		
Stock-based compensation expense	(88,129)	(74,288)
Amortization of acquired intangibles	(16,755)	(14,527)
Acquisition and integration-related costs	(22,086)	(15,800)
Restructuring	(280)	-
Non-qualified deferred compensation expenses	(4,588)	(3,150)
Non-GAAP total costs and expenses†	<u>\$ 627,309</u>	<u>\$ 591,462</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 2024 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)

	For the three months ended March 31, 2024					
(In thousands)	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	75,395	(1,280)	(11,348)	(78)	(26)	62,663
Cost of services	49,802	(1,629)	-	(983)	(38)	47,152
Marketing and sales	180,589	(17,836)	-	(3,766)	(905)	158,082
Research and development	378,958	(53,637)	-	(6,997)	(2,732)	315,592
General and administrative	68,716	(13,747)	-	(10,262)	(887)	43,820
Amortization of acquired intangibles	5,407	-	(5,407)	-	-	-
		<u>(88,129)</u>	<u>(16,755)</u>	<u>(22,086)</u>	<u>(4,588)</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 2024 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 31, 2024
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2024		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 913,385	\$ -	\$ 913,385
Services	<u>95,718</u>	<u>-</u>	<u>95,718</u>
Total revenue	<u>1,009,103</u>	<u>-</u>	<u>1,009,103</u>
Costs and expenses:			
Cost of product and maintenance	75,395	(12,732) (A)	62,663
Cost of services	49,802	(2,650) (A)	47,152
Marketing and sales	180,589	(22,507) (A)	158,082
Research and development	378,958	(63,366) (A)	315,592
General and administrative	68,716	(24,896) (A)	43,820
Amortization of acquired intangibles	5,407	(5,407) (A)	-
Restructuring	<u>280</u>	<u>(280)</u>	<u>-</u>
Total costs and expenses	<u>759,147</u>	<u>(131,838)</u>	<u>627,309</u>
Income from operations	249,956	131,838	381,794
Interest expense	(8,692)	-	(8,692)
Other income, net	<u>68,779</u>	<u>(59,986)</u> (B)	<u>8,793</u>
Income before provision for income taxes	310,043	71,852	381,895
Provision for income taxes	<u>62,400</u>	<u>613</u> (C)	<u>63,013</u>
Net income	<u>\$ 247,643</u>	<u>\$ 71,239</u>	<u>\$ 318,882</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 2024 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended March 31, 2024, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration- related costs	Non-qualified deferred compensation expenses	Total adjustments
Cost of product and maintenance	\$ 1,280	\$ 11,348	\$ 78	\$ 26	\$ 12,732
Cost of services	1,629	-	983	38	2,650
Marketing and sales	17,836	-	3,766	905	22,507
Research and development	53,637	-	6,997	2,732	63,366
General and administrative	13,747	-	10,262	887	24,896
Amortization of acquired intangibles	-	5,407	-	-	5,407
Total	<u>\$ 88,129</u>	<u>\$ 16,755</u>	<u>\$ 22,086</u>	<u>\$ 4,588</u>	<u>\$ 131,558</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 31, 2023
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2023		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 963,742	\$ -	\$ 963,742
Services	57,948	-	57,948
Total revenue	<u>1,021,690</u>	<u>-</u>	<u>1,021,690</u>
Costs and expenses:			
Cost of product and maintenance	100,238	(11,479) (A)	88,759
Cost of services	24,234	(1,563) (A)	22,671
Marketing and sales	166,666	(17,673) (A)	148,993
Research and development	350,295	(55,845) (A)	294,450
General and administrative	53,527	(16,938) (A)	36,589
Amortization of acquired intangibles	4,267	(4,267) (A)	-
Restructuring	-	-	-
Total costs and expenses	<u>699,227</u>	<u>(107,765)</u>	<u>591,462</u>
Income from operations	322,463	107,765	430,228
Interest expense	(9,260)	-	(9,260)
Other income, net	8,284	(3,273) (B)	5,011
Income before provision for income taxes	321,487	104,492	425,979
Provision for income taxes	79,683	(5,137) (C)	74,546
Net income	<u>\$ 241,804</u>	<u>\$ 109,629</u>	<u>\$ 351,433</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 2024 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended March 31, 2023, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration- related costs	Non-qualified deferred compensation expenses	Total adjustments
Cost of product and maintenance	\$ 1,066	\$ 10,260	\$ 126	\$ 27	\$ 11,479
Cost of services	1,357	-	167	39	1,563
Marketing and sales	15,091	-	1,976	606	17,673
Research and development	44,322	-	9,610	1,913	55,845
General and administrative	12,452	-	3,921	565	16,938
Amortization of acquired intangibles	-	4,267	-	-	4,267
Total	<u>\$ 74,288</u>	<u>\$ 14,527</u>	<u>\$ 15,800</u>	<u>\$ 3,150</u>	<u>\$ 107,765</u>

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

(C) Income tax effect of non-GAAP adjustments