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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
June 27, 2020 and December 28, 2019
(In thousands)
(Unaudited)

	June 27, 2020	December 28, 2019
Current assets:		
Cash and cash equivalents	\$ 1,189,186	\$ 705,210
Receivables, net	312,758	304,546
Inventories	43,924	55,802
Prepaid expenses and other	93,915	103,785
Total current assets	1,639,783	1,169,343
Property, plant and equipment, net	282,738	275,855
Goodwill	778,857	661,856
Acquired intangibles, net	242,543	172,375
Deferred taxes	704,882	732,367
Other assets	350,694	345,429
Total assets	\$ 3,999,497	\$ 3,357,225
Current liabilities:		
Revolving credit facility	\$ 350,000	\$ -
Accounts payable and accrued liabilities	306,948	316,908
Current portion of deferred revenue	494,939	355,483
Total current liabilities	1,151,887	672,391
Long-term liabilities:		
Long-term portion of deferred revenue	87,437	73,400
Long-term debt	346,394	346,019
Other long-term liabilities	157,148	162,521
Total long-term liabilities	590,979	581,940
Stockholders' equity	2,256,631	2,102,894
Total liabilities and stockholders' equity	\$ 3,999,497	\$ 3,357,225

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

	June 29, 2019	September 28, 2019	December 28, 2019	March 28, 2020	June 27, 2020
Current assets:					
Cash and cash equivalents	\$ 633,415	\$ 655,216	\$ 705,210	\$ 946,285	\$ 1,189,186
Receivables, net	237,609	274,914	304,546	284,093	312,758
Inventories	49,299	66,745	55,802	60,575	43,924
Prepaid expenses and other	58,918	53,074	103,785	108,554	93,915
Total current assets	<u>979,241</u>	<u>1,049,949</u>	<u>1,169,343</u>	<u>1,399,507</u>	<u>1,639,783</u>
Property, plant and equipment, net	257,882	259,453	275,855	281,207	282,738
Goodwill	662,713	661,678	661,856	778,992	778,857
Acquired intangibles, net	197,840	185,037	172,375	258,617	242,543
Deferred taxes	163,085	165,759	732,367	699,194	704,882
Other assets	351,564	340,322	345,429	350,456	350,694
Total assets	<u>\$ 2,612,325</u>	<u>\$ 2,662,198</u>	<u>\$ 3,357,225</u>	<u>\$ 3,767,973</u>	<u>\$ 3,999,497</u>
Current liabilities:					
Revolving credit facility	\$ -	\$ -	\$ -	\$ 350,000	\$ 350,000
Accounts payable and accrued liabilities	246,591	274,882	316,908	236,813	306,948
Current portion of deferred revenue	363,592	344,100	355,483	425,616	494,939
Total current liabilities	<u>610,183</u>	<u>618,982</u>	<u>672,391</u>	<u>1,012,429</u>	<u>1,151,887</u>
Long-term liabilities:					
Long-term portion of deferred revenue	57,280	48,036	73,400	95,503	87,437
Long-term debt	345,652	345,833	346,019	346,205	346,394
Other long-term liabilities	168,665	169,085	162,521	155,842	157,148
Total long-term liabilities	<u>571,597</u>	<u>562,954</u>	<u>581,940</u>	<u>597,550</u>	<u>590,979</u>
Stockholders' equity:					
Common stock and capital in excess of par value	1,984,464	2,007,268	2,046,237	2,099,425	2,143,016
Treasury stock, at cost	(1,526,421)	(1,589,027)	(1,668,105)	(1,778,533)	(1,856,333)
Retained earnings	1,000,499	1,102,013	1,761,688	1,883,677	2,014,965
Accumulated other comprehensive loss	(27,997)	(39,992)	(36,926)	(46,575)	(45,017)
Total stockholders' equity	<u>1,430,545</u>	<u>1,480,262</u>	<u>2,102,894</u>	<u>2,157,994</u>	<u>2,256,631</u>
Total liabilities and stockholders' equity	<u>\$ 2,612,325</u>	<u>\$ 2,662,198</u>	<u>\$ 3,357,225</u>	<u>\$ 3,767,973</u>	<u>\$ 3,999,497</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Six Months Ended June 27, 2020 and June 29, 2019
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Revenue:				
Product and maintenance	\$ 601,356	\$ 548,028	\$ 1,183,055	\$ 1,091,546
Services	37,062	32,391	73,320	65,615
Total revenue	638,418	580,419	1,256,375	1,157,161
Costs and expenses:				
Cost of product and maintenance	55,669	43,388	111,115	93,910
Cost of services	19,546	18,081	38,563	38,144
Marketing and sales	120,476	116,208	246,220	233,038
Research and development	250,821	231,814	492,489	460,024
General and administrative	35,641	34,407	69,233	64,509
Amortization of acquired intangibles	4,590	3,159	8,796	6,467
Restructuring and other credits	(275)	(313)	(1,342)	(1,002)
Total costs and expenses	486,468	446,744	965,074	895,090
Income from operations	151,950	133,675	291,301	262,071
Interest expense	(5,914)	(4,976)	(10,551)	(10,367)
Other income (expense), net	4,630	(110)	96	5,131
Income before provision for income taxes	150,666	128,589	280,846	256,835
Provision for income taxes	19,378	21,354	25,570	29,045
Net income	\$ 131,288	\$ 107,235	\$ 255,276	\$ 227,790
Net income per share - basic	\$ 0.48	\$ 0.39	\$ 0.93	\$ 0.83
Net income per share - diluted	\$ 0.47	\$ 0.38	\$ 0.91	\$ 0.81
Weighted average common shares outstanding - basic	273,432	273,159	273,488	273,155
Weighted average common shares outstanding - diluted	279,080	281,054	279,207	280,877

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

	Three Months Ended				
	June 29, 2019	September 28, 2019	December 28, 2019	March 28, 2020	June 27, 2020
Revenue:					
Product and maintenance	\$ 548,028	\$ 548,105	\$ 564,964	\$ 581,699	\$ 601,356
Services	32,391	31,498	34,591	36,258	37,062
Total revenue	<u>580,419</u>	<u>579,603</u>	<u>599,555</u>	<u>617,957</u>	<u>638,418</u>
Costs and expenses:					
Cost of product and maintenance	43,388	41,715	53,521	55,446	55,669
Cost of services	18,081	19,260	19,807	19,017	19,546
Marketing and sales	116,208	121,368	127,267	125,744	120,476
Research and development	231,814	240,542	235,372	241,668	250,821
General and administrative	34,407	33,204	42,093	33,592	35,641
Amortization of acquired intangibles	3,159	2,874	2,787	4,206	4,590
Restructuring and other charges (credits)	(313)	(186)	9,809	(1,067)	(275)
Total costs and expenses	<u>446,744</u>	<u>458,777</u>	<u>490,656</u>	<u>478,606</u>	<u>486,468</u>
Income from operations	133,675	120,826	108,899	139,351	151,950
Interest expense	(4,976)	(4,240)	(4,222)	(4,637)	(5,914)
Other income (expense), net	(110)	122	748	(4,534)	4,630
Income before provision (benefit) for income taxes	128,589	116,708	105,425	130,180	150,666
Provision (benefit) for income taxes	21,354	15,194	(554,250)	6,192	19,378
Net income	<u>\$ 107,235</u>	<u>\$ 101,514</u>	<u>\$ 659,675</u>	<u>\$ 123,988</u>	<u>\$ 131,288</u>
Net income per share - basic	<u>\$ 0.39</u>	<u>\$ 0.37</u>	<u>\$ 2.41</u>	<u>\$ 0.45</u>	<u>\$ 0.48</u>
Net income per share - diluted	<u>\$ 0.38</u>	<u>\$ 0.36</u>	<u>\$ 2.36</u>	<u>\$ 0.44</u>	<u>\$ 0.47</u>
Weighted average common shares outstanding - basic	<u>273,159</u>	<u>273,329</u>	<u>273,234</u>	<u>273,476</u>	<u>273,432</u>
Weighted average common shares outstanding - diluted	<u>281,054</u>	<u>280,666</u>	<u>279,557</u>	<u>279,265</u>	<u>279,080</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 27, 2020 and June 29, 2019
(In thousands)
(Unaudited)

	Six Months Ended	
	June 27, 2020	June 29, 2019
Cash and cash equivalents at beginning of period	\$ 705,210	\$ 533,298
Cash flows from operating activities:		
Net income	255,276	227,790
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	69,902	61,197
Amortization of debt discount and fees	512	497
Stock-based compensation	93,389	86,510
Loss on investments, net	4,036	259
Deferred income taxes	(1,609)	(8,159)
Provisions for losses (recoveries) on receivables	922	(386)
ROU asset amortization and change in operating lease liabilities	1,502	2,504
Other non-cash items	296	160
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(2,497)	63,876
Inventories	11,020	(25,689)
Prepaid expenses and other	9,910	33,055
Other assets	(17,687)	2,547
Accounts payable and accrued liabilities	(11,141)	(34,670)
Deferred revenue	148,508	19,707
Other long-term liabilities	504	2,576
Net cash provided by operating activities	<u>562,843</u>	<u>431,774</u>
Cash flows from investing activities:		
Purchases of non-marketable investments	-	(33,717)
Proceeds from the sale of non-marketable investments	-	2,952
Purchases of property, plant and equipment	(43,535)	(30,562)
Cash paid in business combinations, net of cash acquired	(195,118)	(338)
Net cash used for investing activities	<u>(238,653)</u>	<u>(61,665)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	350,000	150,000
Payment on revolving credit facility	-	(250,000)
Proceeds from issuance of common stock	43,667	32,855
Stock received for payment of employee taxes on vesting of restricted stock	(53,657)	(45,698)
Payments for repurchases of common stock	(175,036)	(156,120)
Net cash provided by (used for) financing activities	<u>164,974</u>	<u>(268,963)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(5,188)</u>	<u>(1,029)</u>
Increase in cash and cash equivalents	<u>483,976</u>	<u>100,117</u>
Cash and cash equivalents at end of period	<u>\$ 1,189,186</u>	<u>\$ 633,415</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended June 27, 2020
(In thousands)
(Unaudited)

	<u>Q2 2019</u>	<u>Q3 2019</u>	<u>Q4 2019</u>	<u>Q1 2020</u>	<u>Q2 2020</u>
Cash and cash equivalents at beginning of period	\$ 538,898	\$ 633,415	\$ 655,216	\$ 705,210	\$ 946,285
Cash flows from operating activities:					
Net income	107,235	101,514	659,675	123,988	131,288
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	31,457	30,203	31,389	33,321	36,581
Amortization of debt discount and fees	250	250	254	254	258
Stock-based compensation	44,257	48,279	46,758	46,482	46,907
Loss on investments, net	2,905	2,396	1,435	3,215	821
Deferred income taxes	(3,193)	(2,779)	(565,800)	3,904	(5,513)
Provisions for losses (recoveries) on receivables	(203)	28	990	(77)	999
ROU asset amortization and change in operating lease liabilities	1,163	1,781	(3,723)	706	796
Other non-cash items	38	37	231	183	113
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	28,195	(37,323)	(31,271)	26,475	(28,972)
Inventories	(15,071)	(18,092)	10,757	(5,260)	16,280
Prepaid expenses and other	17,437	5,648	(49,734)	(4,964)	14,874
Other assets	(2,012)	1,007	(11,565)	(8,344)	(9,343)
Accounts payable and accrued liabilities	6,591	30,669	37,916	(84,839)	73,698
Deferred revenue	24,158	(26,675)	34,466	86,914	61,594
Other long-term liabilities	3,153	1,587	(2,482)	(4,239)	4,743
Net cash provided by operating activities	<u>246,360</u>	<u>138,530</u>	<u>159,296</u>	<u>217,719</u>	<u>345,124</u>
Cash flows from investing activities:					
Purchases of non-marketable investments	(53)	-	-	-	-
Purchases of property, plant and equipment	(15,287)	(16,965)	(27,078)	(22,179)	(21,356)
Cash paid in business combinations, net of cash acquired	(338)	-	-	(193,820)	(1,298)
Net cash used for investing activities	<u>(15,678)</u>	<u>(16,965)</u>	<u>(27,078)</u>	<u>(215,999)</u>	<u>(22,654)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	100,000	-	-	350,000	-
Payment on revolving credit facility	(150,000)	-	-	-	-
Proceeds from issuance of common stock	2,997	16,272	3,715	33,312	10,355
Stock received for payment of employee taxes on vesting of restricted stock	(12,876)	(29,318)	(15,564)	(37,528)	(16,129)
Payments for repurchases of common stock	(75,006)	(75,011)	(75,017)	(100,022)	(75,014)
Net cash provided by (used for) financing activities	<u>(134,885)</u>	<u>(88,057)</u>	<u>(86,866)</u>	<u>245,762</u>	<u>(80,788)</u>
Effect of exchange rate changes on cash and cash equivalents	(1,280)	(11,707)	4,642	(6,407)	1,219
Increase in cash and cash equivalents	<u>94,517</u>	<u>21,801</u>	<u>49,994</u>	<u>241,075</u>	<u>242,901</u>
Cash and cash equivalents at end of period	<u>\$ 633,415</u>	<u>\$ 655,216</u>	<u>\$ 705,210</u>	<u>\$ 946,285</u>	<u>\$ 1,189,186</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

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

Revenue Mix by Product Category (% of Total Revenue)

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

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

	Three Months Ending September 26, 2020	Year Ending January 2, 2021
	Forecast	Forecast
GAAP operating margin as a percent of total revenue	~22%	~22%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Amortization of acquired intangibles	2%	2%
Stock-based compensation expense	7%	8%
Acquisition and integration-related costs	1%	1%
Non-GAAP operating margin as a percent of total revenue†	~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 second 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 July 20, 2020
(Unaudited)

	<u>Three Months Ending September 26, 2020</u> Forecast	<u>Year Ending January 2, 2021</u> Forecast
Diluted net income per share on a GAAP basis	\$0.49 to \$0.51	\$1.84 to \$1.90
Amortization of acquired intangibles	0.06	0.23
Stock-based compensation expense	0.16	0.70
Non-qualified deferred compensation expenses (credits)	-	-
Restructuring and other charges (credits)	-	-
Acquisition and integration-related costs	0.02	0.07
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	0.02
Income tax effect of non-GAAP adjustments	(0.14)	(0.36)
Diluted net income per share on a non-GAAP basis†	<u><u>\$0.59 to \$0.61</u></u>	<u><u>\$2.50 to \$2.56</u></u>

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

(\$ in millions)	<u>Three Months Ending September 26, 2020</u> Forecast	<u>Year Ending January 2, 2021</u> Forecast
Net income on a GAAP basis	\$138 to \$144	\$516 to \$533
Amortization of acquired intangibles	16	64
Stock-based compensation expense	45	197
Non-qualified deferred compensation expenses (credits)	-	(1)
Restructuring and other charges (credits)	-	(1)
Acquisition and integration-related costs	5	19
Other income or expense related to investments and non-qualified deferred compensation plan assets*	1	6
Income tax effect of non-GAAP adjustments	(40)	(100)
Net income on a non-GAAP basis†	<u><u>\$165 to \$171</u></u>	<u><u>\$700 to \$717</u></u>

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings release of Cadence Design Systems, Inc. for its second quarter of 2020 for a further discussion of its non-GAAP measures.

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

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three and Six Months Ended June 27, 2020 and June 29, 2019
(Unaudited)

(In thousands)	Three Months Ended		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Net income on a GAAP basis	\$ 131,288	\$ 107,235	\$ 255,276	\$ 227,790
Amortization of acquired intangibles*	16,074	14,458	31,140	27,620
Stock-based compensation expense**	46,907	44,257	93,389	86,510
Non-qualified deferred compensation expenses (credits)***	3,618	862	(1,178)	3,402
Restructuring and other credits	(275)	(313)	(1,342)	(1,002)
Acquisition and integration-related costs****	5,315	1,889	9,285	2,803
Special charges *****	270	-	394	-
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(2,797)	2,042	5,214	(3,145)
Income tax effect of non-GAAP adjustments	(15,786)	(9,331)	(41,269)	(30,638)
Net income on a non-GAAP basis +	\$ 184,614	\$ 161,099	\$ 350,909	\$ 313,340

+ 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 second 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		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Cost of product and maintenance	\$ 11,484	\$ 11,299	\$ 22,344	\$ 21,153
Amortization of acquired intangibles	4,590	3,159	8,796	6,467
Total amortization of acquired intangibles	\$ 16,074	\$ 14,458	\$ 31,140	\$ 27,620

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

(In thousands)	Three Months Ended		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Cost of product and maintenance	\$ 683	\$ 652	\$ 1,374	\$ 1,333
Cost of services	869	829	1,749	1,695
Marketing and sales	10,116	9,509	20,127	18,615
Research and development	29,690	27,659	59,036	54,557
General and administrative	5,549	5,608	11,103	10,310
Total stock-based compensation expense	\$ 46,907	\$ 44,257	\$ 93,389	\$ 86,510

*** 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		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Cost of product and maintenance	\$ 39	\$ 8	\$ (9)	\$ 31
Cost of services	57	11	(13)	43
Marketing and sales	560	96	(243)	349
Research and development	2,063	556	(545)	2,219
General and administrative	899	191	(368)	760
Total non-qualified deferred compensation expenses (credits)	\$ 3,618	\$ 862	\$ (1,178)	\$ 3,402

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

(In thousands)	Three Months Ended		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Marketing and sales	\$ 15	\$ -	\$ 28	\$ -
Research and development	5,179	1,889	8,584	2,801
General and administrative	121	-	673	2
Total acquisition and integration-related costs	\$ 5,315	\$ 1,889	\$ 9,285	\$ 2,803

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

(In thousands)	Three Months Ended		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
General and administrative	\$ 270	\$ -	\$ 394	\$ -
Total special charges	\$ 270	\$ -	\$ 394	\$ -

Cadence Design Systems, Inc.
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share
For the Three and Six Months Ended June 27, 2020 and June 29, 2019
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Diluted net income per share on a GAAP basis	\$ 0.47	\$ 0.38	\$ 0.91	\$ 0.81
Amortization of acquired intangibles	0.06	0.05	0.11	0.10
Stock-based compensation expense	0.17	0.16	0.34	0.31
Non-qualified deferred compensation expenses (credits)	0.01	-	-	0.01
Restructuring and other credits	-	-	-	-
Acquisition and integration-related costs	0.02	-	0.03	0.01
Special charges	-	-	-	-
Other income or expense related to investments and non-qualified deferred compensation plan assets *	(0.01)	0.01	0.02	(0.01)
Income tax effect of non-GAAP adjustments	(0.06)	(0.03)	(0.15)	(0.11)
Diluted net income per share on a non-GAAP basis +	\$ 0.66	\$ 0.57	\$ 1.26	\$ 1.12
Shares used in calculation of diluted net income per share - GAAP **	279,080	281,054	279,207	280,877
Shares used in calculation of diluted net income per share - non-GAAP **	279,080	281,054	279,207	280,877

+ **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 second 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.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended June 27, 2020
(In thousands)
(Unaudited)

	Three Months Ended June 27, 2020		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 601,356	\$ -	\$ 601,356
Services	37,062	-	37,062
Total revenue	<u>638,418</u>	<u>-</u>	<u>638,418</u>
Costs and expenses:			
Cost of product and maintenance	55,669	(12,206) (A)	43,463
Cost of services	19,546	(926) (A)	18,620
Marketing and sales	120,476	(10,691) (A)	109,785
Research and development	250,821	(36,932) (A)	213,889
General and administrative	35,641	(6,839) (A)	28,802
Amortization of acquired intangibles	4,590	(4,590) (A)	-
Restructuring and other credits	(275)	275	-
Total costs and expenses	<u>486,468</u>	<u>(71,909)</u>	<u>414,559</u>
Income from operations	151,950	71,909	223,859
Interest expense	(5,914)	-	(5,914)
Other income, net	4,630	(2,797) (B)	1,833
Income before provision for income taxes	150,666	69,112	219,778
Provision for income taxes	19,378	15,786 (C)	35,164
Net income	<u>\$ 131,288</u>	<u>\$ 53,326</u>	<u>\$ 184,614</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 second quarter of 2020 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended June 27, 2020, 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	Special charges	Total adjustments
Cost of product and maintenance	\$ 11,484	\$ 683	\$ 39	\$ -	\$ -	\$ 12,206
Cost of services	-	869	57	-	-	926
Marketing and sales	-	10,116	560	15	-	10,691
Research and development	-	29,690	2,063	5,179	-	36,932
General and administrative	-	5,549	899	121	270	6,839
Amortization of acquired intangibles	4,590	-	-	-	-	4,590
Total	<u>\$ 16,074</u>	<u>\$ 46,907</u>	<u>\$ 3,618</u>	<u>\$ 5,315</u>	<u>\$ 270</u>	<u>\$ 72,184</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 June 29, 2019
(In thousands)
(Unaudited)

	Three Months Ended June 29, 2019		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 548,028	\$ -	\$ 548,028
Services	32,391	-	32,391
Total revenue	580,419	-	580,419
Costs and expenses:			
Cost of product and maintenance	43,388	(11,959) (A)	31,429
Cost of services	18,081	(840) (A)	17,241
Marketing and sales	116,208	(9,605) (A)	106,603
Research and development	231,814	(30,104) (A)	201,710
General and administrative	34,407	(5,799) (A)	28,608
Amortization of acquired intangibles	3,159	(3,159) (A)	-
Restructuring and other credits	(313)	313	-
Total costs and expenses	446,744	(61,153)	385,591
Income from operations	133,675	61,153	194,828
Interest expense	(4,976)	-	(4,976)
Other income (expense), net	(110)	2,042 (B)	1,932
Income before provision for income taxes	128,589	63,195	191,784
Provision for income taxes	21,354	9,331 (C)	30,685
Net income	\$ 107,235	\$ 53,864	\$ 161,099

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

Notes:

(A) For the three months ended June 29, 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	\$ 11,299	\$ 652	\$ 8	\$ -	\$ 11,959
Cost of services	-	829	11	-	840
Marketing and sales	-	9,509	96	-	9,605
Research and development	-	27,659	556	1,889	30,104
General and administrative	-	5,608	191	-	5,799
Amortization of acquired intangibles	3,159	-	-	-	3,159
Total	\$ 14,458	\$ 44,257	\$ 862	\$ 1,889	\$ 61,466

(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 Six Months Ended June 27, 2020
(In thousands)
(Unaudited)

	Six Months Ended June 27, 2020		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,183,055	\$ -	\$ 1,183,055
Services	73,320	-	73,320
Total revenue	<u>1,256,375</u>	<u>-</u>	<u>1,256,375</u>
Costs and expenses:			
Cost of product and maintenance	111,115	(23,709) (A)	87,406
Cost of services	38,563	(1,736) (A)	36,827
Marketing and sales	246,220	(19,912) (A)	226,308
Research and development	492,489	(67,075) (A)	425,414
General and administrative	69,233	(11,802) (A)	57,431
Amortization of acquired intangibles	8,796	(8,796) (A)	-
Restructuring and other credits	(1,342)	1,342	-
Total costs and expenses	<u>965,074</u>	<u>(131,688)</u>	<u>833,386</u>
Income from operations	291,301	131,688	422,989
Interest expense	(10,551)	-	(10,551)
Other income, net	96	5,214 (B)	5,310
Income before provision for income taxes	280,846	136,902	417,748
Provision for income taxes	25,570	41,269 (C)	66,839
Net income	<u>\$ 255,276</u>	<u>\$ 95,633</u>	<u>\$ 350,909</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 second quarter of 2020 for a further discussion of its non-GAAP measures.

Notes:

(A) For the six months ended June 27, 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	\$ 22,344	\$ 1,374	\$ (9)	\$ -	\$ -	\$ 23,709
Cost of services	-	1,749	(13)	-	-	\$ 1,736
Marketing and sales	-	20,127	(243)	28	-	\$ 19,912
Research and development	-	59,036	(545)	8,584	-	\$ 67,075
General and administrative	-	11,103	(368)	673	394	\$ 11,802
Amortization of acquired intangibles	8,796	-	-	-	-	\$ 8,796
Total	<u>\$ 31,140</u>	<u>\$ 93,389</u>	<u>\$ (1,178)</u>	<u>\$ 9,285</u>	<u>\$ 394</u>	<u>\$ 133,030</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 Six Months Ended June 29, 2019
(In thousands)
(Unaudited)

	Six Months Ended June 29, 2019		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,091,546	\$ -	\$ 1,091,546
Services	65,615	-	65,615
Total revenue	<u>1,157,161</u>	<u>-</u>	<u>1,157,161</u>
Costs and expenses:			
Cost of product and maintenance	93,910	(22,517) (A)	71,393
Cost of services	38,144	(1,738) (A)	36,406
Marketing and sales	233,038	(18,964) (A)	214,074
Research and development	460,024	(59,577) (A)	400,447
General and administrative	64,509	(11,072) (A)	53,437
Amortization of acquired intangibles	6,467	(6,467) (A)	-
Restructuring and other credits	(1,002)	1,002	-
Total costs and expenses	<u>895,090</u>	<u>(119,333)</u>	<u>775,757</u>
Income from operations	262,071	119,333	381,404
Interest expense	(10,367)	-	(10,367)
Other income, net	5,131	(3,145) (B)	1,986
Income before provision for income taxes	256,835	116,188	373,023
Provision for income taxes	29,045	30,638 (C)	59,683
Net income	<u>\$ 227,790</u>	<u>\$ 85,550</u>	<u>\$ 313,340</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 second quarter of 2020 for a further discussion of its non-GAAP measures.

Notes:

(A) For the six months ended June 29, 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	\$ 21,153	\$ 1,333	\$ 31	\$ -	\$ 22,517
Cost of services	-	1,695	43	-	1,738
Marketing and sales	-	18,615	349	-	18,964
Research and development	-	54,557	2,219	2,801	59,577
General and administrative	-	10,310	760	2	11,072
Amortization of acquired intangibles	6,467	-	-	-	6,467
Total	<u>\$ 27,620</u>	<u>\$ 86,510</u>	<u>\$ 3,402</u>	<u>\$ 2,803</u>	<u>\$ 120,335</u>

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

(C) Income tax effect of non-GAAP adjustments