

Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
October 1, 2022 and January 1, 2022
(In thousands)
(Unaudited)

	October 1, 2022	January 1, 2022
Current assets:		
Cash and cash equivalents	\$ 1,026,051	\$ 1,088,940
Receivables, net	391,181	337,596
Inventories	114,283	115,721
Prepaid expenses and other	138,968	173,512
Total current assets	1,670,483	1,715,769
Property, plant and equipment, net	348,238	305,911
Goodwill	1,348,494	928,358
Acquired intangibles, net	353,912	233,265
Deferred taxes	783,315	763,770
Other assets	463,645	439,226
Total assets	\$ 4,968,087	\$ 4,386,299
Current liabilities:		
Revolving credit facility	\$ 150,000	\$ -
Accounts payable and accrued liabilities	454,688	417,283
Current portion of deferred revenue	652,306	553,942
Total current liabilities	1,256,994	971,225
Long-term liabilities:		
Long-term portion of deferred revenue	102,167	101,148
Long-term debt	647,799	347,588
Other long-term liabilities	252,999	225,663
Total long-term liabilities	1,002,965	674,399
Stockholders' equity	2,708,128	2,740,675
Total liabilities and stockholders' equity	\$ 4,968,087	\$ 4,386,299

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Nine Months Ended October 1, 2022 and October 2, 2021
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Revenue:				
Product and maintenance	\$ 845,788	\$ 706,160	\$ 2,494,317	\$ 2,093,098
Services	56,766	44,735	167,524	122,110
Total revenue	902,554	750,895	2,661,841	2,215,208
Costs and expenses:				
Cost of product and maintenance	62,351	54,185	203,863	174,933
Cost of services	25,249	22,402	74,245	62,380
Marketing and sales	152,925	143,401	432,407	412,194
Research and development	323,629	289,105	901,121	845,324
General and administrative	73,688	42,990	174,051	123,275
Amortization of acquired intangibles	3,946	5,000	13,543	14,661
Restructuring	14	(222)	42	(968)
Total costs and expenses	641,802	556,861	1,799,272	1,631,799
Income from operations	260,752	194,034	862,569	583,409
Interest expense	(5,463)	(4,196)	(13,852)	(12,729)
Other income (expense), net	(3,017)	(1,143)	(13,879)	3,701
Income before provision for income taxes	252,272	188,695	834,838	574,381
Provision for income taxes	65,967	12,388	226,278	55,005
Net income	\$ 186,305	\$ 176,307	\$ 608,560	\$ 519,376
Net income per share - basic	\$ 0.69	\$ 0.65	\$ 2.24	\$ 1.90
Net income per share - diluted	\$ 0.68	\$ 0.63	\$ 2.21	\$ 1.86
Weighted average common shares outstanding - basic	271,131	273,194	271,694	273,636
Weighted average common shares outstanding - diluted	274,957	278,311	275,683	279,046

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended October 1, 2022 and October 2, 2021
(In thousands)
(Unaudited)

	Nine Months Ended	
	October 1, 2022	October 2, 2021
Cash and cash equivalents at beginning of period	\$ 1,088,940	\$ 928,432
Cash flows from operating activities:		
Net income	608,560	519,376
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	98,178	106,962
Amortization of debt discount and fees	810	952
Stock-based compensation	197,190	155,860
(Gain) loss on investments, net	4,777	(330)
Deferred income taxes	(49,834)	(34,566)
Provisions for losses on receivables	471	234
ROU asset amortization and change in operating lease liabilities	(883)	(2,917)
Other non-cash items	158	146
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(57,309)	15,132
Inventories	(8,020)	(25,608)
Prepaid expenses and other	30,596	36,632
Other assets	17,644	8,127
Accounts payable and accrued liabilities	24,514	10,501
Deferred revenue	113,712	84,183
Other long-term liabilities	(2,305)	10,417
Net cash provided by operating activities	<u>978,259</u>	<u>885,101</u>
Cash flows from investing activities:		
Purchases of non-marketable investments	(1,000)	-
Proceeds from the sale of non-marketable investments	-	128
Purchases of property, plant and equipment	(86,295)	(49,977)
Purchases of intangible assets	(1,000)	-
Cash paid in business combinations, net of cash acquired	<u>(586,163)</u>	<u>(220,026)</u>
Net cash used for investing activities	<u>(674,458)</u>	<u>(269,875)</u>
Cash flows from financing activities:		
Proceeds from term loan	300,000	-
Proceeds from revolving credit facility	450,000	-
Payment on revolving credit facility	(300,000)	-
Payment of debt issuance costs	(425)	(1,285)
Proceeds from issuance of common stock	103,682	83,632
Stock received for payment of employee taxes on vesting of restricted stock	(103,093)	(108,185)
Payments for repurchases of common stock	<u>(750,062)</u>	<u>(502,301)</u>
Net cash used for financing activities	<u>(299,898)</u>	<u>(528,139)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(66,792)</u>	<u>(1,700)</u>
Increase (decrease) in cash and cash equivalents	<u>(62,889)</u>	<u>85,387</u>
Cash and cash equivalents at end of period	<u>\$ 1,026,051</u>	<u>\$ 1,013,819</u>

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of October 24, 2022
(Unaudited)

	<u>Three Months Ending</u> <u>December 31, 2022</u>	<u>Year Ending</u> <u>December 31, 2022</u>
	<u>Forecast</u>	<u>Forecast</u>
GAAP operating margin as a percent of total revenue	~24%	29.7% - 30.7%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	8%	7.7%
Amortization of acquired intangibles	2%	1.7%
Acquisition and integration-related costs	1%	0.9%
Non-qualified deferred compensation credits	0%	(0.3)%
Non-GAAP operating margin as a percent of total revenue†	<u>~35%</u>	<u>39.7% - 40.7%</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.

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
As of October 24, 2022
(Unaudited)

	<u>Three Months Ending December 31, 2022</u>	<u>Year Ending December 31, 2022</u>
	<u>Forecast</u>	<u>Forecast</u>
Diluted net income per share on a GAAP basis	\$0.50 to \$0.54	\$2.71 to \$2.75
Stock-based compensation expense	0.27	0.98
Amortization of acquired intangibles	0.05	0.22
Acquisition and integration-related costs	0.04	0.12
Non-qualified deferred compensation credits	-	(0.04)
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	0.06
Income tax effect of non-GAAP adjustments	0.03	0.15
Diluted net income per share on a non-GAAP basis†	<u><u>\$0.89 to \$0.93</u></u>	<u><u>\$4.20 to \$4.24</u></u>

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of October 24, 2022
(Unaudited)

(\$ in millions)	<u>Three Months Ending December 31, 2022</u>	<u>Year Ending December 31, 2022</u>
	<u>Forecast</u>	<u>Forecast</u>
Net income on a GAAP basis	\$137 to \$147	\$746 to \$756
Stock-based compensation expense	74	271
Amortization of acquired intangibles	15	60
Acquisition and integration-related costs	10	33
Non-qualified deferred compensation credits	-	(12)
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	17
Income tax effect of non-GAAP adjustments	9	42
Net income on a non-GAAP basis†	<u><u>\$245 to \$255</u></u>	<u><u>\$1,157 to \$1,167</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.

* 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.