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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.
Trended Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	October 2, 2021	January 1, 2022	April 2, 2022	July 2, 2022	October 1, 2022
Current assets:					
Cash and cash equivalents	\$ 1,013,819	\$ 1,088,940	\$ 1,134,752	\$ 1,029,544	\$ 1,026,051
Receivables, net	327,191	337,596	361,789	391,738	391,181
Inventories	101,575	115,721	110,213	106,372	114,283
Prepaid expenses and other	100,428	173,512	128,143	129,966	138,968
Total current assets	<u>1,543,013</u>	<u>1,715,769</u>	<u>1,734,897</u>	<u>1,657,620</u>	<u>1,670,483</u>
Property, plant and equipment, net	303,313	305,911	310,690	316,741	348,238
Goodwill	925,949	928,358	923,719	924,460	1,348,494
Acquired intangibles, net	247,628	233,265	219,110	215,781	353,912
Deferred taxes	766,036	763,770	787,111	802,886	783,315
Other assets	427,936	439,226	419,540	443,786	463,645
Total assets	<u>\$ 4,213,875</u>	<u>\$ 4,386,299</u>	<u>\$ 4,395,067</u>	<u>\$ 4,361,274</u>	<u>\$ 4,968,087</u>
Current liabilities:					
Revolving credit facility	\$ -	\$ -	\$ -	\$ -	\$ 150,000
Accounts payable and accrued liabilities	363,835	417,283	360,547	437,195	454,688
Current portion of deferred revenue	543,361	553,942	600,279	605,296	652,306
Total current liabilities	<u>907,196</u>	<u>971,225</u>	<u>960,826</u>	<u>1,042,491</u>	<u>1,256,994</u>
Long-term liabilities:					
Long-term portion of deferred revenue	95,991	101,148	106,838	114,573	102,167
Long-term debt	347,385	347,588	347,792	347,999	647,799
Other long-term liabilities	232,041	225,663	219,428	230,982	252,999
Total long-term liabilities	<u>675,417</u>	<u>674,399</u>	<u>674,058</u>	<u>693,554</u>	<u>1,002,965</u>
Stockholders' equity:					
Common stock and capital in excess of par value	2,411,791	2,467,701	2,552,207	2,590,893	2,697,632
Treasury stock, at cost	(2,622,675)	(2,740,003)	(3,025,728)	(3,352,827)	(3,522,219)
Retained earnings	2,869,709	3,046,288	3,281,623	3,468,543	3,654,848
Accumulated other comprehensive loss	(27,563)	(33,311)	(47,919)	(81,380)	(122,133)
Total stockholders' equity	<u>2,631,262</u>	<u>2,740,675</u>	<u>2,760,183</u>	<u>2,625,229</u>	<u>2,708,128</u>
Total liabilities and stockholders' equity	<u>\$ 4,213,875</u>	<u>\$ 4,386,299</u>	<u>\$ 4,395,067</u>	<u>\$ 4,361,274</u>	<u>\$ 4,968,087</u>

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.
Trended Condensed Income Statements
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended				
	October 2, 2021	January 1, 2022	April 2, 2022	July 2, 2022	October 1, 2022
Revenue:					
Product and maintenance	\$ 706,160	\$ 719,849	\$ 846,244	\$ 802,285	\$ 845,788
Services	44,735	53,187	55,522	55,236	56,766
Total revenue	<u>750,895</u>	<u>773,036</u>	<u>901,766</u>	<u>857,521</u>	<u>902,554</u>
Costs and expenses:					
Cost of product and maintenance	54,185	47,714	72,795	68,717	62,351
Cost of services	22,402	21,979	25,048	23,948	25,249
Marketing and sales	143,401	148,068	140,186	139,296	152,925
Research and development	289,105	288,953	290,895	286,597	323,629
General and administrative	42,990	65,743	48,937	51,426	73,688
Amortization of acquired intangibles	5,000	4,979	4,964	4,633	3,946
Restructuring	(222)	(80)	12	16	14
Total costs and expenses	<u>556,861</u>	<u>577,356</u>	<u>582,837</u>	<u>574,633</u>	<u>641,802</u>
Income from operations	194,034	195,680	318,929	282,888	260,752
Interest expense	(4,196)	(4,251)	(4,108)	(4,281)	(5,463)
Other income (expense), net	(1,143)	2,625	(4,900)	(5,962)	(3,017)
Income before provision for income taxes	188,695	194,054	309,921	272,645	252,272
Provision for income taxes	12,388	17,475	74,586	85,725	65,967
Net income	<u>\$ 176,307</u>	<u>\$ 176,579</u>	<u>\$ 235,335</u>	<u>\$ 186,920</u>	<u>\$ 186,305</u>
Net income per share - basic	<u>\$ 0.65</u>	<u>\$ 0.65</u>	<u>\$ 0.86</u>	<u>\$ 0.69</u>	<u>\$ 0.69</u>
Net income per share - diluted	<u>\$ 0.63</u>	<u>\$ 0.63</u>	<u>\$ 0.85</u>	<u>\$ 0.68</u>	<u>\$ 0.68</u>
Weighted average common shares outstanding - basic	<u>273,194</u>	<u>273,066</u>	<u>272,431</u>	<u>271,520</u>	<u>271,131</u>
Weighted average common shares outstanding - diluted	<u>278,311</u>	<u>278,253</u>	<u>276,918</u>	<u>275,172</u>	<u>274,957</u>

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.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended October 1, 2022
(In thousands)
(Unaudited)

	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Cash and cash equivalents at beginning of period	\$ 847,160	\$ 1,013,819	\$ 1,088,940	\$ 1,134,752	\$ 1,029,544
Cash flows from operating activities:					
Net income	176,307	176,579	235,335	186,920	186,305
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	35,163	35,346	34,825	32,865	30,488
Amortization of debt discount and fees	265	267	268	271	271
Stock-based compensation	52,746	54,230	59,469	64,270	73,451
(Gain) loss on investments, net	465	(250)	2,038	1,086	1,653
Deferred income taxes	(36,276)	(8,612)	(24,920)	(16,677)	(8,237)
Provisions for losses (recoveries) on receivables	(8)	291	(344)	477	338
ROU asset amortization and change in operating lease liabilities	(434)	(8,689)	926	816	(2,625)
Other non-cash items	(37)	281	88	-	70
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	63,148	(13,118)	(28,426)	(35,610)	6,727
Inventories	(11,081)	(13,419)	4,580	(4,213)	(8,387)
Prepaid expenses and other	28,942	(70,974)	44,419	(3,848)	(9,975)
Other assets	1,136	(15,260)	11,588	2,888	3,168
Accounts payable and accrued liabilities	25,272	56,855	(58,203)	75,673	7,044
Deferred revenue	(43,103)	16,548	56,225	24,235	33,252
Other long-term liabilities	3,778	5,782	(1,260)	(4,612)	3,567
Net cash provided by operating activities	<u>296,283</u>	<u>215,857</u>	<u>336,608</u>	<u>324,541</u>	<u>317,110</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	(18,838)	(15,321)	(18,130)	(24,072)	(44,093)
Purchases of intangible assets	-	(1,583)	(750)	-	(250)
Cash paid in business combinations, net of cash acquired	634	(6,175)	-	(25,000)	(561,163)
Net cash used for investing activities	<u>(18,076)</u>	<u>(23,079)</u>	<u>(19,880)</u>	<u>(49,072)</u>	<u>(605,506)</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)
Proceeds from issuance of common stock	31,380	4,140	45,673	4,551	53,458
Stock received for payment of employee taxes on vesting of restricted stock	(30,132)	(9,797)	(56,343)	(7,201)	(39,549)
Payments for repurchases of common stock	(110,011)	(109,996)	(250,016)	(350,033)	(150,013)
Net cash provided by (used for) financing activities	<u>(108,763)</u>	<u>(115,653)</u>	<u>(260,686)</u>	<u>(352,683)</u>	<u>313,471</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(2,785)</u>	<u>(2,004)</u>	<u>(10,230)</u>	<u>(27,994)</u>	<u>(28,568)</u>
Increase (decrease) in cash and cash equivalents	<u>166,659</u>	<u>75,121</u>	<u>45,812</u>	<u>(105,208)</u>	<u>(3,493)</u>
Cash and cash equivalents at end of period	<u>\$ 1,013,819</u>	<u>\$ 1,088,940</u>	<u>\$ 1,134,752</u>	<u>\$ 1,029,544</u>	<u>\$ 1,026,051</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2021					2022		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Americas	46%	44%	46%	43%	45%	47%	45%	45%
China	12%	14%	13%	12%	13%	16%	13%	17%
Other Asia	18%	19%	18%	21%	19%	18%	18%	17%
Europe, Middle East and Africa	18%	17%	17%	18%	17%	14%	18%	16%
Japan	6%	6%	6%	6%	6%	5%	6%	5%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Category (% of Total Revenue)

<u>PRODUCT CATEGORY</u>	2021					2022		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Custom IC Design and Simulation	23%	23%	23%	24%	23%	22%	23%	22%
Digital IC Design and Signoff	27%	28%	29%	29%	29%	27%	27%	29%
Functional Verification, including Emulation and Prototyping Hardware	26%	25%	23%	21%	24%	28%	24%	25%
IP	14%	13%	14%	14%	13%	13%	14%	12%
System Design and Analysis	10%	11%	11%	12%	11%	10%	12%	12%
Total	100%	100%	100%	100%	100%	100%	100%	100%

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>Forecast</u>	<u>Year Ending</u> <u>December 31, 2022</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. See the earnings release of Cadence Design Systems, Inc. for its third quarter of 2022 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 October 24, 2022
(Unaudited)

	Three Months Ending December 31, 2022 Forecast	Year Ending December 31, 2022 Forecast
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†	\$0.89 to \$0.93	\$4.20 to \$4.24

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

(\$ in millions)	Three Months Ending December 31, 2022 Forecast	Year Ending December 31, 2022 Forecast
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†	\$245 to \$255	\$1,157 to \$1,167

†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 third quarter of 2022 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 Nine Months Ended October 1, 2022 and October 2, 2021
(Unaudited)

(In thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Net income on a GAAP basis	\$ 186,305	\$ 176,307	\$ 608,560	\$ 519,376
Stock-based compensation expense*	73,451	52,746	197,190	155,860
Amortization of acquired intangibles**	12,813	16,774	44,449	50,435
Acquisition and integration-related costs***	11,418	5,326	23,593	16,467
Restructuring	14	(222)	42	(968)
Non-qualified deferred compensation expenses (credits)****	(2,885)	(351)	(11,977)	3,958
Special charges *****	-	-	-	26,832
Other income or expense related to investments and non-qualified deferred compensation plan assets †	4,539	815	16,755	(4,291)
Income tax effect of non-GAAP adjustments	4,433	(29,817)	32,922	(76,622)
Net income on a non-GAAP basis +	\$ 290,088	\$ 221,578	\$ 911,534	\$ 691,047

+ 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 third quarter of 2022 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		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Cost of product and maintenance	\$ 1,046	\$ 885	\$ 2,751	\$ 2,601
Cost of services	1,331	1,158	3,494	3,177
Marketing and sales	14,991	10,784	39,650	32,284
Research and development	43,327	32,957	115,516	97,101
General and administrative	12,756	6,962	35,779	20,697
Total stock-based compensation expense	\$ 73,451	\$ 52,746	\$ 197,190	\$ 155,860

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Cost of product and maintenance	\$ 8,867	\$ 11,774	\$ 30,906	\$ 35,774
Amortization of acquired intangibles	3,946	5,000	13,543	14,661
Total amortization of acquired intangibles	\$ 12,813	\$ 16,774	\$ 44,449	\$ 50,435

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Cost of product and maintenance	\$ 35	\$ -	\$ 35	\$ -
Cost of services	90	-	90	-
Marketing and sales	934	355	1,436	676
Research and development	4,729	4,747	9,896	13,457
General and administrative	5,630	224	12,136	2,334
Total acquisition and integration-related costs	\$ 11,418	\$ 5,326	\$ 23,593	\$ 16,467

**** 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		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Cost of product and maintenance	\$ (29)	\$ (4)	\$ (104)	\$ 32
Cost of services	(42)	(6)	(150)	44
Marketing and sales	(485)	(60)	(2,284)	674
Research and development	(1,583)	(176)	(6,884)	2,226
General and administrative	(746)	(105)	(2,555)	982
Total non-qualified deferred compensation expenses (credits)	\$ (2,885)	\$ (351)	\$ (11,977)	\$ 3,958

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Cost of product and maintenance	\$ -	\$ -	\$ -	\$ 522
Cost of services	-	-	-	2,344
Marketing and sales	-	-	-	6,697
Research and development	-	-	-	14,711
General and administrative	-	-	-	2,558
Total special charges	\$ -	\$ -	\$ -	\$ 26,832

Cadence Design Systems, Inc.
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share
For the Three and Nine Months Ended October 1, 2022 and October 2, 2021
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Diluted net income per share on a GAAP basis	\$ 0.68	\$ 0.63	\$ 2.21	\$ 1.86
Stock-based compensation expense	0.27	0.19	0.71	0.56
Amortization of acquired intangibles	0.05	0.06	0.16	0.18
Acquisition and integration-related costs	0.04	0.02	0.09	0.06
Restructuring	-	-	-	-
Non-qualified deferred compensation expenses (credits)	(0.01)	-	(0.04)	0.01
Special charges	-	-	-	0.10
Other income or expense related to investments and non-qualified deferred compensation plan assets *	0.02	-	0.06	(0.02)
Income tax effect of non-GAAP adjustments	0.01	(0.10)	0.12	(0.27)
Diluted net income per share on a non-GAAP basis +	\$ 1.06	\$ 0.80	\$ 3.31	\$ 2.48
Shares used in calculation of diluted net income per share	274,957	278,311	275,683	279,046

+ **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 third quarter of 2022 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)

	<u>Three Months Ended</u> <u>October 1, 2022</u>	<u>Three Months Ended</u> <u>October 2, 2021</u>
	<u>Actual</u>	<u>Actual</u>
	<u>(In thousands)</u>	<u>(In thousands)</u>
GAAP total costs and expenses	\$ 641,802	\$ 556,861
Reconciling items to non-GAAP total costs and expenses		
Stock-based compensation expense	(73,451)	(52,746)
Amortization of acquired intangibles	(12,813)	(16,774)
Acquisition and integration-related costs	(11,418)	(5,326)
Restructuring	(14)	222
Non-qualified deferred compensation credits	2,885	351
Non-GAAP total costs and expenses†	<u>\$ 546,991</u>	<u>\$ 482,588</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 third quarter of 2022 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)

	<u>For the three months ended October 1, 2022</u>					
<u>(In thousands)</u>	<u>Operating expenses</u> <u>on a GAAP basis†</u>	<u>Stock-based</u> <u>compensation</u> <u>expense</u>	<u>Amortization</u> <u>of acquired</u> <u>intangibles</u>	<u>Acquisition and</u> <u>integration-</u> <u>related costs</u>	<u>Non-qualified</u> <u>deferred compensation</u> <u>credits</u>	<u>Operating</u> <u>expenses on a</u> <u>non-GAAP basis</u>
Cost of product and maintenance	62,351	(1,046)	(8,867)	(35)	29	52,432
Cost of services	25,249	(1,331)	-	(90)	42	23,870
Marketing and sales	152,925	(14,991)	-	(934)	485	137,485
Research and development	323,629	(43,327)	-	(4,729)	1,583	277,156
General and administrative	73,688	(12,756)	-	(5,630)	746	56,048
Amortization of acquired intangibles	3,946	-	(3,946)	-	-	-
		<u>(73,451)</u>	<u>(12,813)</u>	<u>(11,418)</u>	<u>2,885</u>	
	<u>For the nine months ended October 1, 2022</u>					
<u>(In thousands)</u>	<u>Operating expenses</u> <u>on a GAAP basis†</u>	<u>Stock-based</u> <u>compensation</u> <u>expense</u>	<u>Amortization</u> <u>of acquired</u> <u>intangibles</u>	<u>Acquisition and</u> <u>integration-</u> <u>related costs</u>	<u>Non-qualified</u> <u>deferred compensation</u> <u>credits</u>	<u>Operating</u> <u>expenses on a</u> <u>non-GAAP basis</u>
Cost of product and maintenance	203,863	(2,751)	(30,906)	(35)	104	170,275
Cost of services	74,245	(3,494)	-	(90)	150	70,811
Marketing and sales	432,407	(39,650)	-	(1,436)	2,284	393,605
Research and development	901,121	(115,516)	-	(9,896)	6,884	782,593
General and administrative	174,051	(35,779)	-	(12,136)	2,555	128,691
Amortization of acquired intangibles	13,543	-	(13,543)	-	-	-
		<u>(197,190)</u>	<u>(44,449)</u>	<u>(23,593)</u>	<u>11,977</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 third quarter of 2022 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 October 1, 2022
(In thousands)
(Unaudited)

	Three Months Ended October 1, 2022		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 845,788	\$ -	\$ 845,788
Services	56,766	-	56,766
Total revenue	<u>902,554</u>	<u>-</u>	<u>902,554</u>
Costs and expenses:			
Cost of product and maintenance	62,351	(9,919) (A)	52,432
Cost of services	25,249	(1,379) (A)	23,870
Marketing and sales	152,925	(15,440) (A)	137,485
Research and development	323,629	(46,473) (A)	277,156
General and administrative	73,688	(17,640) (A)	56,048
Amortization of acquired intangibles	3,946	(3,946) (A)	-
Restructuring	14	(14)	-
Total costs and expenses	<u>641,802</u>	<u>(94,811)</u>	<u>546,991</u>
Income from operations	260,752	94,811	355,563
Interest expense	(5,463)	-	(5,463)
Other income (expense), net	<u>(3,017)</u>	<u>4,539</u> (B)	<u>1,522</u>
Income before provision for income taxes	252,272	99,350	351,622
Provision for income taxes	<u>65,967</u>	<u>(4,433)</u> (C)	<u>61,534</u>
Net income	<u>\$ 186,305</u>	<u>\$ 103,783</u>	<u>\$ 290,088</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 third quarter of 2022 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended October 1, 2022, 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	Total adjustments
Cost of product and maintenance	\$ 1,046	\$ 8,867	\$ 35	\$ (29)	\$ 9,919
Cost of services	1,331	-	90	(42)	1,379
Marketing and sales	14,991	-	934	(485)	15,440
Research and development	43,327	-	4,729	(1,583)	46,473
General and administrative	12,756	-	5,630	(746)	17,640
Amortization of acquired intangibles	-	3,946	-	-	3,946
Total	<u>\$ 73,451</u>	<u>\$ 12,813</u>	<u>\$ 11,418</u>	<u>\$ (2,885)</u>	<u>\$ 94,797</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 October 2, 2021
(In thousands)
(Unaudited)

	Three Months Ended October 2, 2021		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 706,160	\$ -	\$ 706,160
Services	44,735	-	44,735
Total revenue	<u>750,895</u>	<u>-</u>	<u>750,895</u>
Costs and expenses:			
Cost of product and maintenance	54,185	(12,655) (A)	41,530
Cost of services	22,402	(1,152) (A)	21,250
Marketing and sales	143,401	(11,079) (A)	132,322
Research and development	289,105	(37,528) (A)	251,577
General and administrative	42,990	(7,081) (A)	35,909
Amortization of acquired intangibles	5,000	(5,000) (A)	-
Restructuring	(222)	222	-
Total costs and expenses	<u>556,861</u>	<u>(74,273)</u>	<u>482,588</u>
Income from operations	194,034	74,273	268,307
Interest expense	(4,196)	-	(4,196)
Other expense, net	(1,143)	815 (B)	(328)
Income before provision for income taxes	188,695	75,088	263,783
Provision for income taxes	12,388	29,817 (C)	42,205
Net income	<u>\$ 176,307</u>	<u>\$ 45,271</u>	<u>\$ 221,578</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 third quarter of 2022 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended October 2, 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 credits	Total adjustments
Cost of product and maintenance	\$ 885	\$ 11,774	\$ -	\$ (4)	\$ 12,655
Cost of services	1,158	-	-	(6)	1,152
Marketing and sales	10,784	-	355	(60)	11,079
Research and development	32,957	-	4,747	(176)	37,528
General and administrative	6,962	-	224	(105)	7,081
Amortization of acquired intangibles	-	5,000	-	-	5,000
Total	<u>\$ 52,746</u>	<u>\$ 16,774</u>	<u>\$ 5,326</u>	<u>\$ (351)</u>	<u>\$ 74,495</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 Nine Months Ended October 1, 2022
(In thousands)
(Unaudited)

	Nine Months Ended October 1, 2022		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 2,494,317	\$ -	\$ 2,494,317
Services	167,524	-	167,524
Total revenue	<u>2,661,841</u>	<u>-</u>	<u>2,661,841</u>
Costs and expenses:			
Cost of product and maintenance	203,863	(33,588) (A)	170,275
Cost of services	74,245	(3,434) (A)	70,811
Marketing and sales	432,407	(38,802) (A)	393,605
Research and development	901,121	(118,528) (A)	782,593
General and administrative	174,051	(45,360) (A)	128,691
Amortization of acquired intangibles	13,543	(13,543) (A)	-
Restructuring	42	(42)	-
Total costs and expenses	<u>1,799,272</u>	<u>(253,297)</u>	<u>1,545,975</u>
Income from operations	862,569	253,297	1,115,866
Interest expense	(13,852)	-	(13,852)
Other income (expense), net	<u>(13,879)</u>	<u>16,755</u> (B)	<u>2,876</u>
Income before provision for income taxes	834,838	270,052	1,104,890
Provision for income taxes	<u>226,278</u>	<u>(32,922)</u> (C)	<u>193,356</u>
Net income	<u>\$ 608,560</u>	<u>\$ 302,974</u>	<u>\$ 911,534</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 third quarter of 2022 for a further discussion of its non-GAAP measures.

Notes:

(A) For the nine months ended October 1, 2022, 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	Total adjustments
Cost of product and maintenance	\$ 2,751	\$ 30,906	\$ 35	\$ (104)	\$ 33,588
Cost of services	3,494	-	90	(150)	3,434
Marketing and sales	39,650	-	1,436	(2,284)	38,802
Research and development	115,516	-	9,896	(6,884)	118,528
General and administrative	35,779	-	12,136	(2,555)	45,360
Amortization of acquired intangibles	-	13,543	-	-	13,543
Total	<u>\$ 197,190</u>	<u>\$ 44,449</u>	<u>\$ 23,593</u>	<u>\$ (11,977)</u>	<u>\$ 253,255</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 Nine Months Ended October 2, 2021
(In thousands)
(Unaudited)

	Nine Months Ended October 2, 2021		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 2,093,098	\$ -	\$ 2,093,098
Services	122,110	-	122,110
Total revenue	<u>2,215,208</u>	<u>-</u>	<u>2,215,208</u>
Costs and expenses:			
Cost of product and maintenance	174,933	(38,929) (A)	136,004
Cost of services	62,380	(5,565) (A)	56,815
Marketing and sales	412,194	(40,331) (A)	371,863
Research and development	845,324	(127,495) (A)	717,829
General and administrative	123,275	(26,571) (A)	96,704
Amortization of acquired intangibles	14,661	(14,661) (A)	-
Restructuring	(968)	968	-
Total costs and expenses	<u>1,631,799</u>	<u>(252,584)</u>	<u>1,379,215</u>
Income from operations	583,409	252,584	835,993
Interest expense	(12,729)	-	(12,729)
Other income (expense), net	3,701	(4,291) (B)	(590)
Income before provision for income taxes	574,381	248,293	822,674
Provision for income taxes	55,005	76,622 (C)	131,627
Net income	<u>\$ 519,376</u>	<u>\$ 171,671</u>	<u>\$ 691,047</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 third quarter of 2022 for a further discussion of its non-GAAP measures.

Notes:

(A) For the nine months ended October 2, 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	Special charges (D)	Total adjustments
Cost of product and maintenance	\$ 2,601	\$ 35,774	\$ -	\$ 32	\$ 522	\$ 38,929
Cost of services	3,177	-	-	44	2,344	5,565
Marketing and sales	32,284	-	676	674	6,697	40,331
Research and development	97,101	-	13,457	2,226	14,711	127,495
General and administrative	20,697	-	2,334	982	2,558	26,571
Amortization of acquired intangibles	-	14,661	-	-	-	14,661
Total	<u>\$ 155,860</u>	<u>\$ 50,435</u>	<u>\$ 16,467</u>	<u>\$ 3,958</u>	<u>\$ 26,832</u>	<u>\$ 253,552</u>

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

(C) Income tax effect of non-GAAP adjustments

(D) Comprised of costs related to a voluntary retirement program in the second quarter of 2021