

Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
September 30, 2023 and December 31, 2022
(In thousands)
(Unaudited)

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Current assets:		
Cash and cash equivalents	\$ 961,982	\$ 882,325
Receivables, net	426,505	486,710
Inventories	163,693	128,005
Prepaid expenses and other	272,283	209,727
Total current assets	<u>1,824,463</u>	<u>1,706,767</u>
Property, plant and equipment, net	379,776	371,451
Goodwill	1,500,442	1,374,268
Acquired intangibles, net	347,617	354,617
Deferred taxes	874,805	853,691
Other assets	504,272	476,277
Total assets	<u>\$ 5,431,375</u>	<u>\$ 5,137,071</u>
Current liabilities:		
Revolving credit facility	\$ -	\$ 100,000
Accounts payable and accrued liabilities	598,261	557,158
Current portion of deferred revenue	665,906	690,538
Total current liabilities	<u>1,264,167</u>	<u>1,347,696</u>
Long-term liabilities:		
Long-term portion of deferred revenue	100,609	91,524
Long-term debt	648,801	648,078
Other long-term liabilities	303,904	304,660
Total long-term liabilities	<u>1,053,314</u>	<u>1,044,262</u>
Stockholders' equity	3,113,894	2,745,113
Total liabilities and stockholders' equity	<u>\$ 5,431,375</u>	<u>\$ 5,137,071</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Nine Months Ended September 30, 2023 and October 1, 2022
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30, 2023</u>	<u>October 1, 2022</u>	<u>September 30, 2023</u>	<u>October 1, 2022</u>
Revenue:				
Product and maintenance	\$ 965,840	\$ 845,788	\$ 2,852,372	\$ 2,494,317
Services	57,254	56,766	168,991	167,524
Total revenue	<u>1,023,094</u>	<u>902,554</u>	<u>3,021,363</u>	<u>2,661,841</u>
Costs and expenses:				
Cost of product and maintenance	85,813	62,351	260,269	203,863
Cost of services	23,768	25,249	70,642	74,245
Marketing and sales	176,215	152,925	509,951	432,407
Research and development	369,642	323,629	1,074,353	901,121
General and administrative	58,556	73,688	166,688	174,051
Amortization of acquired intangibles	4,612	3,946	13,181	13,543
Restructuring	11,582	14	11,582	42
Total costs and expenses	<u>730,188</u>	<u>641,802</u>	<u>2,106,666</u>	<u>1,799,272</u>
Income from operations	292,906	260,752	914,697	862,569
Interest expense	(9,059)	(5,463)	(27,196)	(13,852)
Other income (expense), net	16,106	(3,017)	32,363	(13,879)
Income before provision for income taxes	299,953	252,272	919,864	834,838
Provision for income taxes	45,632	65,967	202,619	226,278
Net income	<u>\$ 254,321</u>	<u>\$ 186,305</u>	<u>\$ 717,245</u>	<u>\$ 608,560</u>
Net income per share - basic	<u>\$ 0.94</u>	<u>\$ 0.69</u>	<u>\$ 2.66</u>	<u>\$ 2.24</u>
Net income per share - diluted	<u>\$ 0.93</u>	<u>\$ 0.68</u>	<u>\$ 2.63</u>	<u>\$ 2.21</u>
Weighted average common shares outstanding - basic	<u>269,229</u>	<u>271,131</u>	<u>269,480</u>	<u>271,694</u>
Weighted average common shares outstanding - diluted	<u>272,427</u>	<u>274,957</u>	<u>272,859</u>	<u>275,683</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2023 and October 1, 2022
(In thousands)
(Unaudited)

	Nine Months Ended	
	September 30, 2023	October 1, 2022
Cash and cash equivalents at beginning of period	\$ 882,325	\$ 1,088,940
Cash flows from operating activities:		
Net income	717,245	608,560
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	106,783	98,178
Amortization of debt discount and fees	942	810
Stock-based compensation	238,928	197,190
(Gain) loss on investments, net	(12,732)	4,777
Deferred income taxes	(23,506)	(49,834)
Provisions for losses on receivables	1,692	471
ROU asset amortization and change in operating lease liabilities	(2,684)	(883)
Other non-cash items	1,962	158
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	50,024	(57,309)
Inventories	(47,293)	(8,020)
Prepaid expenses and other	33,307	30,596
Other assets	(26,580)	17,644
Accounts payable and accrued liabilities	43,111	24,514
Deferred revenue	(14,628)	113,712
Other long-term liabilities	10,514	(2,305)
Net cash provided by operating activities	<u>1,077,085</u>	<u>978,259</u>
Cash flows from investing activities:		
Purchases of investments	(145,150)	(1,000)
Proceeds from the sale and maturity of investments	64,174	-
Purchases of property, plant and equipment	(68,634)	(86,295)
Purchases of intangible assets	-	(1,000)
Cash paid in business combinations, net of cash acquired	(163,963)	(586,163)
Net cash used for investing activities	<u>(313,573)</u>	<u>(674,458)</u>
Cash flows from financing activities:		
Proceeds from term loan	-	300,000
Proceeds from revolving credit facility	50,000	450,000
Payments on revolving credit facility	(150,000)	(300,000)
Payment of debt issuance costs	-	(425)
Proceeds from issuance of common stock	131,341	103,682
Stock received for payment of employee taxes on vesting of restricted stock	(122,182)	(103,093)
Payments for repurchases of common stock	(575,127)	(750,062)
Net cash used for financing activities	<u>(665,968)</u>	<u>(299,898)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(17,887)</u>	<u>(66,792)</u>
Increase (decrease) in cash and cash equivalents	<u>79,657</u>	<u>(62,889)</u>
Cash and cash equivalents at end of period	<u>\$ 961,982</u>	<u>\$ 1,026,051</u>

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of October 23, 2023
(Unaudited)

	<u>Three Months Ending</u> <u>December 31, 2023</u> <u>Forecast</u>	<u>Year Ending</u> <u>December 31, 2023</u> <u>Forecast</u>
GAAP operating margin as a percent of total revenue	~31%	30.5% - 31.0%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	8%	8%
Amortization of acquired intangibles	2%	2%
Acquisition and integration-related costs	1%	1%
Restructuring	0%	0%
Non-qualified deferred compensation expenses	0%	0%
Non-GAAP operating margin as a percent of total revenue†	<u>~42%</u>	<u>41.5% - 42.0%</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 23, 2023
(Unaudited)

	<u>Three Months Ending December 31, 2023</u> Forecast	<u>Year Ending December 31, 2023</u> Forecast
Diluted net income per share on a GAAP basis	\$0.85 to \$0.91	\$3.48 to \$3.54
Stock-based compensation expense	0.32	1.20
Amortization of acquired intangibles	0.06	0.22
Acquisition and integration-related costs	0.04	0.20
Restructuring	-	0.04
Non-qualified deferred compensation expenses	-	0.02
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	(0.03)
Diluted net income per share on a non-GAAP basis†	<u><u>\$1.30 to \$1.36</u></u>	<u><u>\$5.07 to \$5.13</u></u>

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of October 23, 2023
(Unaudited)

(\$ in millions)	<u>Three Months Ending December 31, 2023</u> Forecast	<u>Year Ending December 31, 2023</u> Forecast
Net income on a GAAP basis	\$232 to \$248	\$949 to \$965
Stock-based compensation expense	88	327
Amortization of acquired intangibles	16	61
Acquisition and integration-related costs	10	54
Restructuring	-	12
Non-qualified deferred compensation expenses	-	5
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(18)
Income tax effect of non-GAAP adjustments	9	(7)
Net income on a non-GAAP basis†	<u><u>\$355 to \$371</u></u>	<u><u>\$1,383 to \$1,399</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.