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

	September 30, 2023	December 31, 2022
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	1,824,463	1,706,767
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	\$ 5,431,375	\$ 5,137,071
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	1,264,167	1,347,696
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	1,053,314	1,044,262
Stockholders' equity	3,113,894	2,745,113
Total liabilities and stockholders' equity	\$ 5,431,375	\$ 5,137,071

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

	October 1, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023
Current assets:					
Cash and cash equivalents	\$ 1,026,051	\$ 882,325	\$ 916,963	\$ 873,925	\$ 961,982
Receivables, net	391,181	486,710	488,237	440,915	426,505
Inventories	114,283	128,005	127,566	139,576	163,693
Prepaid expenses and other	138,968	209,727	165,778	188,634	272,283
Total current assets	<u>1,670,483</u>	<u>1,706,767</u>	<u>1,698,544</u>	<u>1,643,050</u>	<u>1,824,463</u>
Property, plant and equipment, net	348,238	371,451	372,956	370,193	379,776
Goodwill	1,348,494	1,374,268	1,377,625	1,428,772	1,500,442
Acquired intangibles, net	353,912	354,617	341,738	340,742	347,617
Deferred taxes	783,315	853,691	864,750	872,151	874,805
Other assets	463,645	476,277	516,006	500,216	504,272
Total assets	<u>\$ 4,968,087</u>	<u>\$ 5,137,071</u>	<u>\$ 5,171,619</u>	<u>\$ 5,155,124</u>	<u>\$ 5,431,375</u>
Current liabilities:					
Revolving credit facility	\$ 150,000	\$ 100,000	\$ 30,000	\$ -	\$ -
Accounts payable and accrued liabilities	454,688	557,158	430,135	510,007	598,261
Current portion of deferred revenue	652,306	690,538	721,246	686,293	665,906
Total current liabilities	<u>1,256,994</u>	<u>1,347,696</u>	<u>1,181,381</u>	<u>1,196,300</u>	<u>1,264,167</u>
Long-term liabilities:					
Long-term portion of deferred revenue	102,167	91,524	102,515	96,653	100,609
Long-term debt	647,799	648,078	648,301	648,551	648,801
Other long-term liabilities	252,999	304,660	298,546	305,165	303,904
Total long-term liabilities	<u>1,002,965</u>	<u>1,044,262</u>	<u>1,049,362</u>	<u>1,050,369</u>	<u>1,053,314</u>
Stockholders' equity:					
Common stock and capital in excess of par value	2,697,632	2,765,673	2,878,749	2,897,885	3,077,954
Treasury stock, at cost	(3,522,219)	(3,824,163)	(3,987,528)	(4,257,084)	(4,463,484)
Retained earnings	3,654,848	3,895,240	4,137,044	4,358,164	4,612,485
Accumulated other comprehensive loss	(122,133)	(91,637)	(87,389)	(90,510)	(113,061)
Total stockholders' equity	<u>2,708,128</u>	<u>2,745,113</u>	<u>2,940,876</u>	<u>2,908,455</u>	<u>3,113,894</u>
Total liabilities and stockholders' equity	<u>\$ 4,968,087</u>	<u>\$ 5,137,071</u>	<u>\$ 5,171,619</u>	<u>\$ 5,155,124</u>	<u>\$ 5,431,375</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,</u> <u>2023</u>	<u>October 1,</u> <u>2022</u>	<u>September 30,</u> <u>2023</u>	<u>October 1,</u> <u>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.
Trended Condensed Income Statements
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended				
	October 1, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023
Revenue:					
Product and maintenance	\$ 845,788	\$ 845,880	\$ 963,742	\$ 922,790	\$ 965,840
Services	56,766	53,997	57,948	53,789	57,254
Total revenue	<u>902,554</u>	<u>899,877</u>	<u>1,021,690</u>	<u>976,579</u>	<u>1,023,094</u>
Costs and expenses:					
Cost of product and maintenance	62,351	69,702	100,238	74,218	85,813
Cost of services	25,249	23,813	24,234	22,640	23,768
Marketing and sales	152,925	171,817	166,666	167,070	176,215
Research and development	323,629	350,423	350,295	354,416	369,642
General and administrative	73,688	68,065	53,527	54,605	58,556
Amortization of acquired intangibles	3,946	4,927	4,267	4,302	4,612
Restructuring	14	13	-	-	11,582
Total costs and expenses	<u>641,802</u>	<u>688,760</u>	<u>699,227</u>	<u>677,251</u>	<u>730,188</u>
Income from operations	260,752	211,117	322,463	299,328	292,906
Interest expense	(5,463)	(9,082)	(9,260)	(8,877)	(9,059)
Other income (expense), net	<u>(3,017)</u>	<u>8,490</u>	<u>8,284</u>	<u>7,973</u>	<u>16,106</u>
Income before provision (benefit) for income taxes	252,272	210,525	321,487	298,424	299,953
Provision (benefit) for income taxes	<u>65,967</u>	<u>(29,867)</u>	<u>79,683</u>	<u>77,304</u>	<u>45,632</u>
Net income	<u>\$ 186,305</u>	<u>\$ 240,392</u>	<u>\$ 241,804</u>	<u>\$ 221,120</u>	<u>\$ 254,321</u>
Net income per share - basic	<u>\$ 0.69</u>	<u>\$ 0.89</u>	<u>\$ 0.90</u>	<u>\$ 0.82</u>	<u>\$ 0.94</u>
Net income per share - diluted	<u>\$ 0.68</u>	<u>\$ 0.88</u>	<u>\$ 0.89</u>	<u>\$ 0.81</u>	<u>\$ 0.93</u>
Weighted average common shares outstanding - basic	<u>271,131</u>	<u>269,709</u>	<u>269,501</u>	<u>269,714</u>	<u>269,229</u>
Weighted average common shares outstanding - diluted	<u>274,957</u>	<u>272,997</u>	<u>273,159</u>	<u>272,996</u>	<u>272,427</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.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended September 30, 2023
(In thousands)
(Unaudited)

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Cash and cash equivalents at beginning of period	\$ 1,029,544	\$ 1,026,051	\$ 882,325	\$ 916,963	\$ 873,925
Cash flows from operating activities:					
Net income	186,305	240,392	241,804	221,120	254,321
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	30,488	33,910	34,400	36,032	36,351
Amortization of debt discount and fees	271	324	311	315	316
Stock-based compensation	73,451	73,249	74,288	76,608	88,032
(Gain) loss on investments, net	1,653	648	(123)	677	(13,286)
Deferred income taxes	(8,237)	(57,772)	(11,640)	(8,531)	(3,335)
Provisions for losses (recoveries) on receivables	338	(267)	214	506	972
ROU asset amortization and change in operating lease liabilities	(2,625)	4,225	(1,392)	(2,151)	859
Other non-cash items	70	213	99	1,735	128
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	6,727	(81,162)	(8,719)	49,927	8,816
Inventories	(8,387)	(15,053)	399	(17,380)	(30,312)
Prepaid expenses and other	(9,975)	(69,523)	56,212	(5,419)	(17,486)
Other assets	3,168	(18,577)	(42,084)	10,246	5,258
Accounts payable and accrued liabilities	7,044	89,431	(117,915)	80,866	80,160
Deferred revenue	33,252	17,750	40,650	(39,381)	(15,897)
Other long-term liabilities	3,567	45,847	897	8,600	1,017
Net cash provided by operating activities	<u>317,110</u>	<u>263,635</u>	<u>267,401</u>	<u>413,770</u>	<u>395,914</u>
Cash flows from investing activities:					
Purchases of investments	-	-	(9,055)	(20,157)	(115,938)
Proceeds from the sale and maturity of investments	-	366	102	1,403	62,669
Purchases of property, plant and equipment	(44,093)	(36,920)	(26,719)	(19,936)	(21,979)
Purchases of intangible assets	(250)	-	-	-	-
Cash paid in business combinations, net of cash acquired	(561,163)	(27,622)	-	(55,379)	(108,584)
Net cash used for investing activities	<u>(605,506)</u>	<u>(64,176)</u>	<u>(35,672)</u>	<u>(94,069)</u>	<u>(183,832)</u>
Cash flows from financing activities:					
Proceeds from term loan	300,000	-	-	-	-
Proceeds from revolving credit facility	450,000	135,000	50,000	-	-
Payments on revolving credit facility	(300,000)	(185,000)	(120,000)	(30,000)	-
Payment of debt issuance costs	(425)	-	-	-	-
Proceeds from issuance of common stock	53,458	1,649	65,370	12,132	53,839
Stock received for payment of employee taxes on vesting of restricted stock	(39,549)	(8,771)	(67,712)	(11,276)	(43,194)
Payments for repurchases of common stock	(150,013)	(300,029)	(125,010)	(325,109)	(125,008)
Net cash provided by (used for) financing activities	<u>313,471</u>	<u>(357,151)</u>	<u>(197,352)</u>	<u>(354,253)</u>	<u>(114,363)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(28,568)</u>	<u>13,966</u>	<u>261</u>	<u>(8,486)</u>	<u>(9,662)</u>
Increase (decrease) in cash and cash equivalents	<u>(3,493)</u>	<u>(143,726)</u>	<u>34,638</u>	<u>(43,038)</u>	<u>88,057</u>
Cash and cash equivalents at end of period	<u>\$ 1,026,051</u>	<u>\$ 882,325</u>	<u>\$ 916,963</u>	<u>\$ 873,925</u>	<u>\$ 961,982</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2022					2023		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Americas	47%	45%	45%	46%	46%	44%	41%	43%
China	16%	13%	17%	13%	15%	17%	18%	17%
Other Asia	18%	18%	17%	18%	18%	18%	18%	19%
Europe, Middle East and Africa	14%	18%	16%	17%	16%	15%	17%	15%
Japan	5%	6%	5%	6%	5%	6%	6%	6%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Category (% of Total Revenue)

<u>PRODUCT CATEGORY</u>	2022					2023		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Custom IC Design and Simulation	22%	23%	22%	22%	22%	20%	22%	22%
Digital IC Design and Signoff	27%	27%	29%	28%	28%	25%	27%	28%
Functional Verification, including Emulation and Prototyping Hardware	28%	24%	25%	25%	26%	32%	27%	26%
IP	13%	14%	12%	12%	12%	11%	11%	11%
System Design and Analysis	10%	12%	12%	13%	12%	12%	13%	13%
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 23, 2023
(Unaudited)

	Three Months Ending December 31, 2023	Year Ending December 31, 2023
	Forecast	Forecast
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†	~42%	41.5% - 42.0%

†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 2023 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 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. See the earnings press release of Cadence Design Systems, Inc. for its third quarter of 2023 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 September 30, 2023 and October 1, 2022
(Unaudited)

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net income on a GAAP basis	\$ 254,321	\$ 186,305	\$ 717,245	\$ 608,560
Stock-based compensation expense*	88,032	73,451	238,928	197,190
Amortization of acquired intangibles**	15,603	12,813	45,050	44,449
Acquisition and integration-related costs***	14,213	11,418	43,959	23,593
Restructuring	11,582	14	11,582	42
Non-qualified deferred compensation expenses (credits)****	(1,749)	(2,885)	4,556	(11,977)
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(11,755)	4,539	(17,536)	16,755
Income tax effect of non-GAAP adjustments	(27,147)	4,433	(15,501)	32,922
Net income on a non-GAAP basis +	\$ 343,100	\$ 290,088	\$ 1,028,283	\$ 911,534

+ **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 2023 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	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Cost of product and maintenance	\$ 1,191	\$ 1,046	\$ 3,292	\$ 2,751
Cost of services	1,516	1,331	4,190	3,494
Marketing and sales	18,042	14,991	48,819	39,650
Research and development	53,013	43,327	142,142	115,516
General and administrative	14,270	12,756	40,485	35,779
Total stock-based compensation expense	\$ 88,032	\$ 73,451	\$ 238,928	\$ 197,190

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Cost of product and maintenance	\$ 10,991	\$ 8,867	\$ 31,869	\$ 30,906
Amortization of acquired intangibles	4,612	3,946	13,181	13,543
Total amortization of acquired intangibles	\$ 15,603	\$ 12,813	\$ 45,050	\$ 44,449

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Cost of product and maintenance	\$ 112	\$ 35	\$ 366	\$ 35
Cost of services	152	90	488	90
Marketing and sales	1,195	934	4,538	1,436
Research and development	8,160	4,729	25,727	9,896
General and administrative	4,594	5,630	12,840	12,136
Total acquisition and integration-related costs	\$ 14,213	\$ 11,418	\$ 43,959	\$ 23,593

**** 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	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Cost of product and maintenance	\$ (19)	\$ (29)	\$ 26	\$ (104)
Cost of services	(27)	(42)	38	(150)
Marketing and sales	(341)	(485)	878	(2,284)
Research and development	(1,092)	(1,583)	2,698	(6,884)
General and administrative	(270)	(746)	916	(2,555)
Total non-qualified deferred compensation expenses (credits)	\$ (1,749)	\$ (2,885)	\$ 4,556	\$ (11,977)

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 September 30, 2023 and October 1, 2022
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Diluted net income per share on a GAAP basis	\$ 0.93	\$ 0.68	\$ 2.63	\$ 2.21
Stock-based compensation expense	0.32	0.27	0.88	0.71
Amortization of acquired intangibles	0.06	0.05	0.16	0.16
Acquisition and integration-related costs	0.05	0.04	0.16	0.09
Restructuring	0.04	-	0.04	-
Non-qualified deferred compensation expenses (credits)	-	(0.01)	0.02	(0.04)
Other income or expense related to investments and non-qualified deferred compensation plan assets *	(0.04)	0.02	(0.06)	0.06
Income tax effect of non-GAAP adjustments	(0.10)	0.01	(0.06)	0.12
Diluted net income per share on a non-GAAP basis +	\$ 1.26	\$ 1.06	\$ 3.77	\$ 3.31
Shares used in calculation of diluted net income per share	272,427	274,957	272,859	275,683

+ **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 2023 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>September 30, 2023</u>	<u>Three Months Ended</u> <u>October 1, 2022</u>
	<u>Actual</u>	<u>Actual</u>
	<u>(In thousands)</u>	<u>(In thousands)</u>
GAAP total costs and expenses	\$ 730,188	\$ 641,802
Reconciling items to non-GAAP total costs and expenses		
Stock-based compensation expense	(88,032)	(73,451)
Amortization of acquired intangibles	(15,603)	(12,813)
Acquisition and integration-related costs	(14,213)	(11,418)
Restructuring	(11,582)	(14)
Non-qualified deferred compensation credits	1,749	2,885
Non-GAAP total costs and expenses†	<u>\$ 602,507</u>	<u>\$ 546,991</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 2023 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 September 30, 2023</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	85,813	(1,191)	(10,991)	(112)	19	73,538
Cost of services	23,768	(1,516)	-	(152)	27	22,127
Marketing and sales	176,215	(18,042)	-	(1,195)	341	157,319
Research and development	369,642	(53,013)	-	(8,160)	1,092	309,561
General and administrative	58,556	(14,270)	-	(4,594)	270	39,962
Amortization of acquired intangibles	4,612	-	(4,612)	-	-	-
		<u>(88,032)</u>	<u>(15,603)</u>	<u>(14,213)</u>	<u>1,749</u>	
	<u>For the nine months ended September 30, 2023</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>expenses</u>	<u>Operating</u> <u>expenses on a</u> <u>non-GAAP basis</u>
Cost of product and maintenance	260,269	(3,292)	(31,869)	(366)	(26)	224,716
Cost of services	70,642	(4,190)	-	(488)	(38)	65,926
Marketing and sales	509,951	(48,819)	-	(4,538)	(878)	455,716
Research and development	1,074,353	(142,142)	-	(25,727)	(2,698)	903,786
General and administrative	166,688	(40,485)	-	(12,840)	(916)	112,447
Amortization of acquired intangibles	13,181	-	(13,181)	-	-	-
		<u>(238,928)</u>	<u>(45,050)</u>	<u>(43,959)</u>	<u>(4,556)</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 2023 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 September 30, 2023
(In thousands)
(Unaudited)

	Three Months Ended September 30, 2023		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 965,840	\$ -	\$ 965,840
Services	57,254	-	57,254
Total revenue	<u>1,023,094</u>	<u>-</u>	<u>1,023,094</u>
Costs and expenses:			
Cost of product and maintenance	85,813	(12,275) (A)	73,538
Cost of services	23,768	(1,641) (A)	22,127
Marketing and sales	176,215	(18,896) (A)	157,319
Research and development	369,642	(60,081) (A)	309,561
General and administrative	58,556	(18,594) (A)	39,962
Amortization of acquired intangibles	4,612	(4,612) (A)	-
Restructuring	11,582	(11,582)	-
Total costs and expenses	<u>730,188</u>	<u>(127,681)</u>	<u>602,507</u>
Income from operations	292,906	127,681	420,587
Interest expense	(9,059)	-	(9,059)
Other income, net	16,106	(11,755) (B)	4,351
Income before provision for income taxes	299,953	115,926	415,879
Provision for income taxes	45,632	27,147 (C)	72,779
Net income	<u>\$ 254,321</u>	<u>\$ 88,779</u>	<u>\$ 343,100</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 2023 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended September 30, 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 credits	Total adjustments
Cost of product and maintenance	\$ 1,191	\$ 10,991	\$ 112	\$ (19)	\$ 12,275
Cost of services	1,516	-	152	(27)	1,641
Marketing and sales	18,042	-	1,195	(341)	18,896
Research and development	53,013	-	8,160	(1,092)	60,081
General and administrative	14,270	-	4,594	(270)	18,594
Amortization of acquired intangibles	-	4,612	-	-	4,612
Total	<u>\$ 88,032</u>	<u>\$ 15,603</u>	<u>\$ 14,213</u>	<u>\$ (1,749)</u>	<u>\$ 116,099</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 1, 2022
(In thousands)
(Unaudited)

	Three Months Ended October 1, 2022		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 845,788	\$ -	\$ 845,788
Services	<u>56,766</u>	<u>-</u>	<u>56,766</u>
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	<u>14</u>	<u>(14)</u>	<u>-</u>
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 2023 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 Nine Months Ended September 30, 2023
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2023		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 2,852,372	\$ -	\$ 2,852,372
Services	168,991	-	168,991
Total revenue	<u>3,021,363</u>	<u>-</u>	<u>3,021,363</u>
Costs and expenses:			
Cost of product and maintenance	260,269	(35,553) (A)	224,716
Cost of services	70,642	(4,716) (A)	65,926
Marketing and sales	509,951	(54,235) (A)	455,716
Research and development	1,074,353	(170,567) (A)	903,786
General and administrative	166,688	(54,241) (A)	112,447
Amortization of acquired intangibles	13,181	(13,181) (A)	-
Restructuring	11,582	(11,582)	-
Total costs and expenses	<u>2,106,666</u>	<u>(344,075)</u>	<u>1,762,591</u>
Income from operations	914,697	344,075	1,258,772
Interest expense	(27,196)	-	(27,196)
Other income, net	<u>32,363</u>	<u>(17,536) (B)</u>	<u>14,827</u>
Income before provision for income taxes	919,864	326,539	1,246,403
Provision for income taxes	<u>202,619</u>	<u>15,501 (C)</u>	<u>218,120</u>
Net income	<u>\$ 717,245</u>	<u>\$ 311,038</u>	<u>\$ 1,028,283</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 2023 for a further discussion of its non-GAAP measures.

Notes:

(A) For the nine months ended September 30, 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	\$ 3,292	\$ 31,869	\$ 366	\$ 26	\$ 35,553
Cost of services	4,190	-	488	38	4,716
Marketing and sales	48,819	-	4,538	878	54,235
Research and development	142,142	-	25,727	2,698	170,567
General and administrative	40,485	-	12,840	916	54,241
Amortization of acquired intangibles	-	13,181	-	-	13,181
Total	<u>\$ 238,928</u>	<u>\$ 45,050</u>	<u>\$ 43,959</u>	<u>\$ 4,556</u>	<u>\$ 332,493</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 2023 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