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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
January 2, 2021 and December 28, 2019
(In thousands)
(Unaudited)

	<u>January 2, 2021</u>	<u>December 28, 2019</u>
Current assets:		
Cash and cash equivalents	\$ 928,432	\$ 705,210
Receivables, net	338,487	304,546
Inventories	75,956	55,802
Prepaid expenses and other	135,712	103,785
Total current assets	<u>1,478,587</u>	<u>1,169,343</u>
Property, plant and equipment, net	311,125	275,855
Goodwill	782,087	661,856
Acquired intangibles, net	210,590	172,375
Deferred taxes	732,290	732,367
Other assets	436,106	345,429
Total assets	<u>\$ 3,950,785</u>	<u>\$ 3,357,225</u>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 349,951	\$ 316,908
Current portion of deferred revenue	446,857	355,483
Total current liabilities	<u>796,808</u>	<u>672,391</u>
Long-term liabilities:		
Long-term portion of deferred revenue	107,064	73,400
Long-term debt	346,793	346,019
Other long-term liabilities	207,102	162,521
Total long-term liabilities	<u>660,959</u>	<u>581,940</u>
Stockholders' equity	2,493,018	2,102,894
Total liabilities and stockholders' equity	<u>\$ 3,950,785</u>	<u>\$ 3,357,225</u>

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

	December 28, 2019	March 28, 2020	June 27, 2020	September 26, 2020	January 2, 2021
Current assets:					
Cash and cash equivalents	\$ 705,210	\$ 946,285	\$ 1,189,186	\$ 1,306,564	\$ 928,432
Receivables, net	304,546	284,093	312,758	300,413	338,487
Inventories	55,802	60,575	43,924	47,979	75,956
Prepaid expenses and other	103,785	108,554	93,915	81,526	135,712
Total current assets	<u>1,169,343</u>	<u>1,399,507</u>	<u>1,639,783</u>	<u>1,736,482</u>	<u>1,478,587</u>
Property, plant and equipment, net	275,855	281,207	282,738	288,163	311,125
Goodwill	661,856	778,992	778,857	780,842	782,087
Acquired intangibles, net	172,375	258,617	242,543	227,753	210,590
Deferred taxes	732,367	699,194	704,882	722,656	732,290
Other assets	345,429	350,456	350,694	384,256	436,106
Total assets	<u>\$ 3,357,225</u>	<u>\$ 3,767,973</u>	<u>\$ 3,999,497</u>	<u>\$ 4,140,152</u>	<u>\$ 3,950,785</u>
Current liabilities:					
Revolving credit facility	\$ -	\$ 350,000	\$ 350,000	\$ 350,000	\$ -
Accounts payable and accrued liabilities	316,908	236,813	306,948	290,886	349,951
Current portion of deferred revenue	355,483	425,616	494,939	477,003	446,857
Total current liabilities	<u>672,391</u>	<u>1,012,429</u>	<u>1,151,887</u>	<u>1,117,889</u>	<u>796,808</u>
Long-term liabilities:					
Long-term portion of deferred revenue	73,400	95,503	87,437	84,646	107,064
Long-term debt	346,019	346,205	346,394	346,584	346,793
Other long-term liabilities	162,521	155,842	157,148	195,315	207,102
Total long-term liabilities	<u>581,940</u>	<u>597,550</u>	<u>590,979</u>	<u>626,545</u>	<u>660,959</u>
Stockholders' equity:					
Common stock and capital in excess of par value	2,046,237	2,099,425	2,143,016	2,186,850	2,217,939
Treasury stock, at cost	(1,668,105)	(1,778,533)	(1,856,333)	(1,934,107)	(2,057,829)
Retained earnings	1,761,688	1,883,677	2,014,965	2,176,595	2,350,333
Accumulated other comprehensive loss	(36,926)	(46,575)	(45,017)	(33,620)	(17,425)
Total stockholders' equity	<u>2,102,894</u>	<u>2,157,994</u>	<u>2,256,631</u>	<u>2,395,718</u>	<u>2,493,018</u>
Total liabilities and stockholders' equity	<u>\$ 3,357,225</u>	<u>\$ 3,767,973</u>	<u>\$ 3,999,497</u>	<u>\$ 4,140,152</u>	<u>\$ 3,950,785</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three Months and Years Ended January 2, 2021 and December 28, 2019
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Years Ended</u>	
	<u>January 2, 2021</u>	<u>December 28, 2019</u>	<u>January 2, 2021</u>	<u>December 28, 2019</u>
Revenue:				
Product and maintenance	\$ 723,233	\$ 564,964	\$ 2,536,617	\$ 2,204,615
Services	36,676	34,591	146,274	131,704
Total revenue	<u>759,909</u>	<u>599,555</u>	<u>2,682,891</u>	<u>2,336,319</u>
Costs and expenses:				
Cost of product and maintenance	55,111	53,521	231,026	189,146
Cost of services	18,425	19,807	74,472	77,211
Marketing and sales	146,502	127,267	516,460	481,673
Research and development	290,309	235,372	1,033,732	935,938
General and administrative	49,264	42,093	154,425	139,806
Amortization of acquired intangibles	4,775	2,787	18,009	12,128
Restructuring and other charges	10,544	9,809	9,215	8,621
Total costs and expenses	<u>574,930</u>	<u>490,656</u>	<u>2,037,339</u>	<u>1,844,523</u>
Income from operations	184,979	108,899	645,552	491,796
Interest expense	(4,873)	(4,222)	(20,749)	(18,829)
Other income, net	6,083	748	7,945	6,001
Income before provision (benefit) for income taxes	186,189	105,425	632,748	478,968
Provision (benefit) for income taxes	12,451	(554,250)	42,104	(510,011)
Net income	<u>\$ 173,738</u>	<u>\$ 659,675</u>	<u>\$ 590,644</u>	<u>\$ 988,979</u>
Net income per share - basic	<u>\$ 0.63</u>	<u>\$ 2.41</u>	<u>\$ 2.16</u>	<u>\$ 3.62</u>
Net income per share - diluted	<u>\$ 0.62</u>	<u>\$ 2.36</u>	<u>\$ 2.11</u>	<u>\$ 3.53</u>
Weighted average common shares outstanding - basic	<u>273,985</u>	<u>273,234</u>	<u>273,728</u>	<u>273,239</u>
Weighted average common shares outstanding - diluted	<u>280,173</u>	<u>279,557</u>	<u>279,641</u>	<u>280,515</u>

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

	Three Months Ended				
	December 28, 2019	March 28, 2020	June 27, 2020	September 26, 2020	January 2, 2021
Revenue:					
Product and maintenance	\$ 564,964	\$ 581,699	\$ 601,356	\$ 630,329	\$ 723,233
Services	34,591	36,258	37,062	36,278	36,676
Total revenue	<u>599,555</u>	<u>617,957</u>	<u>638,418</u>	<u>666,607</u>	<u>759,909</u>
Costs and expenses:					
Cost of product and maintenance	53,521	55,446	55,669	64,800	55,111
Cost of services	19,807	19,017	19,546	17,484	18,425
Marketing and sales	127,267	125,744	120,476	123,738	146,502
Research and development	235,372	241,668	250,821	250,934	290,309
General and administrative	42,093	33,592	35,641	35,928	49,264
Amortization of acquired intangibles	2,787	4,206	4,590	4,438	4,775
Restructuring and other charges (credits)	9,809	(1,067)	(275)	13	10,544
Total costs and expenses	<u>490,656</u>	<u>478,606</u>	<u>486,468</u>	<u>497,335</u>	<u>574,930</u>
Income from operations	108,899	139,351	151,950	169,272	184,979
Interest expense	(4,222)	(4,637)	(5,914)	(5,325)	(4,873)
Other income (expense), net	748	(4,534)	4,630	1,766	6,083
Income before provision (benefit) for income taxes	105,425	130,180	150,666	165,713	186,189
Provision (benefit) for income taxes	(554,250)	6,192	19,378	4,083	12,451
Net income	<u>\$ 659,675</u>	<u>\$ 123,988</u>	<u>\$ 131,288</u>	<u>\$ 161,630</u>	<u>\$ 173,738</u>
Net income per share - basic	<u>\$ 2.41</u>	<u>\$ 0.45</u>	<u>\$ 0.48</u>	<u>\$ 0.59</u>	<u>\$ 0.63</u>
Net income per share - diluted	<u>\$ 2.36</u>	<u>\$ 0.44</u>	<u>\$ 0.47</u>	<u>\$ 0.58</u>	<u>\$ 0.62</u>
Weighted average common shares outstanding - basic	<u>273,234</u>	<u>273,476</u>	<u>273,432</u>	<u>273,996</u>	<u>273,985</u>
Weighted average common shares outstanding - diluted	<u>279,557</u>	<u>279,265</u>	<u>279,080</u>	<u>280,024</u>	<u>280,173</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Years Ended January 2, 2021 and December 28, 2019
(In thousands)
(Unaudited)

	Years Ended	
	January 2, 2021	December, 28 2019
Cash and cash equivalents at beginning of year	\$ 705,210	\$ 533,298
Cash flows from operating activities:		
Net income	590,644	988,979
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	145,653	122,789
Amortization of debt discount and fees	1,053	1,001
Stock-based compensation	197,268	181,547
Loss on investments, net	4,954	4,090
Deferred income taxes	(26,117)	(576,738)
Provisions for losses on receivables	1,628	632
ROU asset amortization and change in operating lease liabilities	4,483	562
Other non-cash items	773	428
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(25,934)	(4,718)
Inventories	(25,685)	(33,024)
Prepaid expenses and other	(31,167)	(11,031)
Other assets	(71,606)	(8,011)
Accounts payable and accrued liabilities	18,394	33,915
Deferred revenue	110,173	27,498
Other long-term liabilities	10,408	1,681
Net cash provided by operating activities	<u>904,922</u>	<u>729,600</u>
Cash flows from investing activities:		
Purchases of non-marketable investments	-	(33,717)
Proceeds from the sale of non-marketable investments	217	2,952
Purchases of property, plant and equipment	(94,813)	(74,605)
Cash paid in business combinations, net of cash acquired	(197,562)	(338)
Net cash used for investing activities	<u>(292,158)</u>	<u>(105,708)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	350,000	150,000
Payment on revolving credit facility	(350,000)	(250,000)
Proceeds from issuance of common stock	74,803	52,842
Stock received for payment of employee taxes on vesting of restricted stock	(110,028)	(90,580)
Payments for repurchases of common stock	(380,064)	(306,148)
Net cash used for financing activities	<u>(415,289)</u>	<u>(443,886)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>25,747</u>	<u>(8,094)</u>
Increase in cash and cash equivalents	<u>223,222</u>	<u>171,912</u>
Cash and cash equivalents at end of year	<u>\$ 928,432</u>	<u>\$ 705,210</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended January 2, 2021
(In thousands)
(Unaudited)

	<u>Q4 2019</u>	<u>Q1 2020</u>	<u>Q2 2020</u>	<u>Q3 2020</u>	<u>Q4 2020</u>
Cash and cash equivalents at beginning of period	\$ 655,216	\$ 705,210	\$ 946,285	\$ 1,189,186	\$ 1,306,564
Cash flows from operating activities:					
Net income	659,675	123,988	131,288	161,630	173,738
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	31,389	33,321	36,581	37,117	38,634
Amortization of debt discount and fees	254	254	258	258	283
Stock-based compensation	46,758	46,482	46,907	45,334	58,545
(Gain) loss on investments, net	1,435	3,215	821	1,082	(164)
Deferred income taxes	(565,800)	3,904	(5,513)	(17,357)	(7,151)
Provisions for losses (recoveries) on receivables	990	(77)	999	165	541
ROU asset amortization and change in operating lease liabilities	(3,723)	706	796	562	2,419
Other non-cash items	231	183	113	114	363
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(31,271)	26,475	(28,972)	12,442	(35,879)
Inventories	10,757	(5,260)	16,280	(4,644)	(32,061)
Prepaid expenses and other	(49,734)	(4,964)	14,874	12,859	(53,936)
Other assets	(11,565)	(8,344)	(9,343)	(3,600)	(50,319)
Accounts payable and accrued liabilities	37,916	(84,839)	73,698	(19,314)	48,849
Deferred revenue	34,466	86,914	61,594	(24,017)	(14,318)
Other long-term liabilities	(2,482)	(4,239)	4,743	3,926	5,978
Net cash provided by operating activities	<u>159,296</u>	<u>217,719</u>	<u>345,124</u>	<u>206,557</u>	<u>135,522</u>
Cash flows from investing activities:					
Proceeds from the sale of non-marketable investments	-	-	-	-	217
Purchases of property, plant and equipment	(27,078)	(22,179)	(21,356)	(20,210)	(31,068)
Cash paid in business combinations, net of cash acquired	-	(193,820)	(1,298)	(2,444)	-
Net cash used for investing activities	<u>(27,078)</u>	<u>(215,999)</u>	<u>(22,654)</u>	<u>(22,654)</u>	<u>(30,851)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	-	350,000	-	-	-
Payment on revolving credit facility	-	-	-	-	(350,000)
Proceeds from issuance of common stock	3,715	33,312	10,355	27,784	3,352
Stock received for payment of employee taxes on vesting of restricted stock	(15,564)	(37,528)	(16,129)	(31,858)	(24,513)
Payments for repurchases of common stock	(75,017)	(100,022)	(75,014)	(75,011)	(130,017)
Net cash provided by (used for) financing activities	<u>(86,866)</u>	<u>245,762</u>	<u>(80,788)</u>	<u>(79,085)</u>	<u>(501,178)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>4,642</u>	<u>(6,407)</u>	<u>1,219</u>	<u>12,560</u>	<u>18,375</u>
Increase (decrease) in cash and cash equivalents	<u>49,994</u>	<u>241,075</u>	<u>242,901</u>	<u>117,378</u>	<u>(378,132)</u>
Cash and cash equivalents at end of period	<u>\$ 705,210</u>	<u>\$ 946,285</u>	<u>\$ 1,189,186</u>	<u>\$ 1,306,564</u>	<u>\$ 928,432</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	Q3	Q4	Year
Americas	44%	42%	44%	46%	44%	43%	44%	42%	41%	42%
China	10%	12%	10%	9%	10%	13%	12%	17%	17%	15%
Other Asia	19%	19%	21%	20%	20%	18%	19%	19%	18%	18%
Europe, Middle East and Africa	18%	20%	18%	18%	18%	19%	18%	16%	17%	18%
Japan	9%	7%	7%	7%	8%	7%	7%	6%	7%	7%
Total	100%	100%	100%	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	Q3	Q4	Year
Custom IC Design and Simulation	25%	26%	26%	25%	25%	25%	24%	24%	26%	25%
Digital IC Design and Signoff	30%	31%	30%	29%	30%	29%	28%	27%	31%	29%
Functional Verification, including Emulation and Prototyping Hardware	24%	22%	20%	24%	23%	23%	24%	23%	19%	22%
IP	12%	11%	15%	13%	13%	14%	14%	15%	13%	14%
System Design and Analysis	9%	10%	9%	9%	9%	9%	10%	11%	11%	10%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of February 22, 2021
(Unaudited)

	Three Months Ending April 3, 2021	Year Ending January 1, 2022
	Forecast	Forecast
GAAP operating margin as a percent of total revenue	~25%	24.5% - 26%
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	0%	0%
Non-GAAP operating margin as a percent of total revenue†	~35%	34.5% - 36%

†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 fourth quarter and fiscal year 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 February 22, 2021
(Unaudited)

	Three Months Ending April 3, 2021 Forecast	Year Ending January 1, 2022 Forecast
Diluted net income per share on a GAAP basis	\$0.55 to \$0.59	\$2.09 to \$2.19
Stock-based compensation expense	0.20	0.80
Amortization of acquired intangibles	0.06	0.26
Acquisition and integration-related costs	0.01	0.03
Income tax effect of non-GAAP adjustments	(0.10)	(0.23)
Diluted net income per share on a non-GAAP basis†	<u><u>\$0.72 to \$0.76</u></u>	<u><u>\$2.95 to \$3.05</u></u>

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of February 22, 2021
(Unaudited)

(\$ in millions)	Three Months Ending April 3, 2021 Forecast	Year Ending January 1, 2022 Forecast
Net income on a GAAP basis	\$154 to \$166	\$586 to \$614
Stock-based compensation expense	55	225
Amortization of acquired intangibles	17	72
Acquisition and integration-related costs	3	8
Income tax effect of non-GAAP adjustments	(27)	(64)
Net income on a non-GAAP basis†	<u><u>\$202 to \$214</u></u>	<u><u>\$827 to \$855</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 fourth quarter and fiscal year 2020 for a further discussion of its non-GAAP measures.

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three Months and Years Ended January 2, 2021 and December 28, 2019
(Unaudited)

(In thousands)	Three Months Ended		Years Ended	
	January 2, 2021	December 28, 2019	January 2, 2021	December 28, 2019
Net income on a GAAP basis	\$ 173,738	\$ 659,675	\$ 590,644	\$ 988,979
Amortization of acquired intangibles*	17,168	12,660	64,193	53,079
Stock-based compensation expense**	58,545	46,758	197,268	181,547
Non-qualified deferred compensation expenses***	4,280	1,948	4,881	5,402
Restructuring and other charges	10,544	9,809	9,215	8,621
Acquisition and integration-related costs****	6,556	3,466	22,580	8,107
Special charges *****	-	875	394	875
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(4,860)	(513)	(522)	(1,314)
Income tax benefit related to intercompany transfers of certain intellectual property rights	-	(575,618)	-	(575,618)
Income tax effect of non-GAAP adjustments	(32,097)	(7,500)	(106,817)	(52,037)
Net income on a non-GAAP basis †	\$ 233,874	\$ 151,560	\$ 781,836	\$ 617,641

† 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 fourth quarter and fiscal year 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		Years Ended	
	January 2, 2021	December 28, 2019	January 2, 2021	December 28, 2019
Cost of product and maintenance	\$ 12,393	\$ 9,873	\$ 46,184	\$ 40,951
Amortization of acquired intangibles	4,775	2,787	18,009	12,128
Total amortization of acquired intangibles	\$ 17,168	\$ 12,660	\$ 64,193	\$ 53,079

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

(In thousands)	Three Months Ended		Years Ended	
	January 2, 2021	December 28, 2019	January 2, 2021	December 28, 2019
Cost of product and maintenance	\$ 880	\$ 695	\$ 2,922	\$ 2,759
Cost of services	1,121	884	3,720	3,510
Marketing and sales	12,270	10,049	42,096	39,088
Research and development	37,311	29,641	124,999	114,656
General and administrative	6,963	5,489	23,531	21,534
Total stock-based compensation expense	\$ 58,545	\$ 46,758	\$ 197,268	\$ 181,547

***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		Years Ended	
	January 2, 2021	December 28, 2019	January 2, 2021	December 28, 2019
Cost of product and maintenance	\$ 49	\$ 22	\$ 61	\$ 53
Cost of services	72	32	91	76
Marketing and sales	730	248	786	607
Research and development	2,405	1,123	2,829	3,383
General and administrative	1,024	523	1,114	1,283
Total non-qualified deferred compensation expenses	\$ 4,280	\$ 1,948	\$ 4,881	\$ 5,402

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

(In thousands)	Three Months Ended		Years Ended	
	January 2, 2021	December 28, 2019	January 2, 2021	December 28, 2019
Marketing and sales	\$ 15	\$ -	\$ 58	\$ -
Research and development	5,011	1,155	18,663	5,794
General and administrative	1,530	2,311	3,859	2,313
Total acquisition and integration-related costs	\$ 6,556	\$ 3,466	\$ 22,580	\$ 8,107

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

(In thousands)	Three Months Ended		Years Ended	
	January 2, 2021	December 28, 2019	January 2, 2021	December 28, 2019
General and administrative	\$ -	\$ 875	\$ 394	\$ 875
Total special charges	\$ -	\$ 875	\$ 394	\$ 875

Cadence Design Systems, Inc.
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share
For the Three Months and Years Ended January 2, 2021 and December 28, 2019
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Years Ended	
	January 2, 2021	December 28, 2019	January 2, 2021	December 28, 2019
Diluted net income per share on a GAAP basis	\$ 0.62	\$ 2.36	\$ 2.11	\$ 3.53
Amortization of acquired intangibles	0.06	0.05	0.23	0.19
Stock-based compensation expense	0.21	0.17	0.71	0.65
Non-qualified deferred compensation expenses	0.01	0.01	0.02	0.02
Restructuring and other charges	0.04	0.03	0.03	0.03
Acquisition and integration-related costs	0.02	0.01	0.08	0.03
Special charges	-	-	-	-
Other income or expense related to investments and non-qualified deferred compensation plan assets *	(0.02)	-	-	(0.01)
Income tax benefit related to intercompany transfers of certain intellectual property rights	-	(2.06)	-	(2.05)
Income tax effect of non-GAAP adjustments	(0.11)	(0.03)	(0.38)	(0.19)
Diluted net income per share on a non-GAAP basis +	\$ 0.83	\$ 0.54	\$ 2.80	\$ 2.20
Shares used in calculation of diluted net income per share	280,173	279,557	279,641	280,515

+ **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 fourth quarter and fiscal year 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 Financial Measures to Non-GAAP Financial Measures
(Unaudited)

	<u>Three Months Ended</u> <u>January 2, 2021</u> <u>Actual</u> <u>(In thousands)</u>	<u>Three Months Ended</u> <u>December 28, 2019</u> <u>Actual</u> <u>(In thousands)</u>
GAAP total costs and expenses	\$ 574,930	\$ 490,656
Reconciling items to non-GAAP total costs and expenses		
Stock-based compensation expense	(58,545)	(46,758)
Amortization of acquired intangibles	(17,168)	(12,660)
Acquisition and integration-related costs	(6,556)	(3,466)
Restructuring and other charges	(10,544)	(9,809)
Non-qualified deferred compensation expenses	(4,280)	(1,948)
Special charges	-	(875)
Non-GAAP total costs and expenses†	<u>\$ 477,837</u>	<u>\$ 415,140</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 fourth quarter and fiscal year 2020 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)

(In thousands)

	<u>For the three months ended January 2, 2021</u>					
<u>Operating expenses on a GAAP basis†</u>	<u>Stock-based compensation expense</u>	<u>Amortization of acquired intangibles</u>	<u>Acquisition and integration-related costs</u>	<u>Non-qualified deferred compensation expenses</u>	<u>Operating expenses on a non-GAAP basis</u>	
Cost of product and maintenance	55,111	(880)	(12,393)	-	(49)	41,789
Cost of services	18,425	(1,121)	-	-	(72)	17,232
Marketing and sales	146,502	(12,270)	-	(15)	(730)	133,487
Research and development	290,309	(37,311)	-	(5,011)	(2,405)	245,582
General and administrative	49,264	(6,963)	-	(1,530)	(1,024)	39,747
Amortization of acquired intangibles	4,775	-	(4,775)	-	-	-
	<u>(58,545)</u>	<u>(17,168)</u>	<u>(6,556)</u>	<u>(4,280)</u>		
	<u>For the year ended January 2, 2021</u>					
<u>Operating expenses on a GAAP basis†</u>	<u>Stock-based compensation expense</u>	<u>Amortization of acquired intangibles</u>	<u>Acquisition and integration-related costs</u>	<u>Non-qualified deferred compensation expenses</u>	<u>Special charges</u>	<u>Operating expenses on a non-GAAP basis</u>
Cost of product and maintenance	231,026	(2,922)	(46,184)	-	(61)	181,859
Cost of services	74,472	(3,720)	-	-	(91)	70,661
Marketing and sales	516,460	(42,096)	-	(58)	(786)	473,520
Research and development	1,033,732	(124,999)	-	(18,663)	(2,829)	887,241
General and administrative	154,425	(23,531)	-	(3,859)	(1,114)	(394)
Amortization of acquired intangibles	18,009	-	(18,009)	-	-	-
	<u>(197,268)</u>	<u>(64,193)</u>	<u>(22,580)</u>	<u>(4,881)</u>	<u>(394)</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 fourth quarter and fiscal year 2020 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 January 2, 2021
(In thousands)
(Unaudited)

	Three Months Ended January 2, 2021		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 723,233	\$ -	\$ 723,233
Services	<u>36,676</u>	<u>-</u>	<u>36,676</u>
Total revenue	<u>759,909</u>	<u>-</u>	<u>759,909</u>
Costs and expenses:			
Cost of product and maintenance	55,111	(13,322) (A)	41,789
Cost of services	18,425	(1,193) (A)	17,232
Marketing and sales	146,502	(13,015) (A)	133,487
Research and development	290,309	(44,727) (A)	245,582
General and administrative	49,264	(9,517) (A)	39,747
Amortization of acquired intangibles	4,775	(4,775) (A)	-
Restructuring and other charges	<u>10,544</u>	<u>(10,544)</u>	<u>-</u>
Total costs and expenses	<u>574,930</u>	<u>(97,093)</u>	<u>477,837</u>
Income from operations	184,979	97,093	282,072
Interest expense	(4,873)	-	(4,873)
Other income, net	<u>6,083</u>	<u>(4,860) (B)</u>	<u>1,223</u>
Income before provision for income taxes	186,189	92,233	278,422
Provision for income taxes	<u>12,451</u>	<u>32,097 (C)</u>	<u>44,548</u>
Net income	<u>\$ 173,738</u>	<u>\$ 60,136</u>	<u>\$ 233,874</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 fourth quarter and fiscal year 2020 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended January 2, 2021, 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	\$ 12,393	\$ 880	\$ 49	\$ -	\$ 13,322
Cost of services	-	1,121	72	-	1,193
Marketing and sales	-	12,270	730	15	13,015
Research and development	-	37,311	2,405	5,011	44,727
General and administrative	-	6,963	1,024	1,530	9,517
Amortization of acquired intangibles	4,775	-	-	-	4,775
Total	<u>\$ 17,168</u>	<u>\$ 58,545</u>	<u>\$ 4,280</u>	<u>\$ 6,556</u>	<u>\$ 86,549</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 December 28, 2019
(In thousands)
(Unaudited)

	Three Months Ended December 28, 2019		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 564,964	\$ -	\$ 564,964
Services	34,591	-	34,591
Total revenue	599,555	-	599,555
Costs and expenses:			
Cost of product and maintenance	53,521	(10,590) (A)	42,931
Cost of services	19,807	(916) (A)	18,891
Marketing and sales	127,267	(10,297) (A)	116,970
Research and development	235,372	(31,919) (A)	203,453
General and administrative	42,093	(9,198) (A)	32,895
Amortization of acquired intangibles	2,787	(2,787) (A)	-
Restructuring and other charges	9,809	(9,809)	-
Total costs and expenses	490,656	(75,516)	415,140
Income from operations	108,899	75,516	184,415
Interest expense	(4,222)	-	(4,222)
Other income, net	748	(513) (B)	235
Income before provision (benefit) for income taxes	105,425	75,003	180,428
Provision (benefit) for income taxes	(554,250)	583,118 (C)	28,868
Net income	\$ 659,675	\$ (508,115)	\$ 151,560

*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 fourth quarter and fiscal year 2020 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended December 28, 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	Special charges	Total adjustments
Cost of product and maintenance	\$ 9,873	\$ 695	\$ 22	\$ -	\$ -	\$ 10,590
Cost of services	-	884	32	-	-	916
Marketing and sales	-	10,049	248	-	-	10,297
Research and development	-	29,641	1,123	1,155	-	31,919
General and administrative	-	5,489	523	2,311	875	9,198
Amortization of acquired intangibles	2,787	-	-	-	-	2,787
Total	\$ 12,660	\$ 46,758	\$ 1,948	\$ 3,466	\$ 875	\$ 65,707

(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 Year Ended January 2, 2021
(In thousands)
(Unaudited)

	Year Ended January 2, 2021		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance Services	\$ 2,536,617	\$ -	\$ 2,536,617
	146,274	-	146,274
Total revenue	<u>2,682,891</u>	<u>-</u>	<u>2,682,891</u>
Costs and expenses:			
Cost of product and maintenance	231,026	(49,167) (A)	181,859
Cost of services	74,472	(3,811) (A)	70,661
Marketing and sales	516,460	(42,940) (A)	473,520
Research and development	1,033,732	(146,491) (A)	887,241
General and administrative	154,425	(28,898) (A)	125,527
Amortization of acquired intangibles	18,009	(18,009) (A)	-
Restructuring and other charges	9,215	(9,215)	-
Total costs and expenses	<u>2,037,339</u>	<u>(298,531)</u>	<u>1,738,808</u>
Income from operations	645,552	298,531	944,083
Interest expense	(20,749)	-	(20,749)
Other income, net	7,945	(522) (B)	7,423
Income before provision for income taxes	632,748	298,009	930,757
Provision for income taxes	42,104	106,817 (C)	148,921
Net income	<u>\$ 590,644</u>	<u>\$ 191,192</u>	<u>\$ 781,836</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 fourth quarter and fiscal year 2020 for a further discussion of its non-GAAP measures.

Notes:

(A) For the year ended January 2, 2021, 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	\$ 46,184	\$ 2,922	\$ 61	\$ -	\$ -	\$ 49,167
Cost of services	-	3,720	91	-	-	3,811
Marketing and sales	-	42,096	786	58	-	42,940
Research and development	-	124,999	2,829	18,663	-	146,491
General and administrative	-	23,531	1,114	3,859	394	28,898
Amortization of acquired intangibles	18,009	-	-	-	-	18,009
Total	<u>\$ 64,193</u>	<u>\$ 197,268</u>	<u>\$ 4,881</u>	<u>\$ 22,580</u>	<u>\$ 394</u>	<u>\$ 289,316</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 Year Ended December 28, 2019
(In thousands)
(Unaudited)

	Year Ended December 28, 2019		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 2,204,615	\$ -	\$ 2,204,615
Services	131,704	-	131,704
Total revenue	2,336,319	-	2,336,319
Costs and expenses:			
Cost of product and maintenance	189,146	(43,763) (A)	145,383
Cost of services	77,211	(3,586) (A)	73,625
Marketing and sales	481,673	(39,695) (A)	441,978
Research and development	935,938	(123,833) (A)	812,105
General and administrative	139,806	(26,005) (A)	113,801
Amortization of acquired intangibles	12,128	(12,128) (A)	-
Restructuring and other charges	8,621	(8,621)	-
Total costs and expenses	1,844,523	(257,631)	1,586,892
Income from operations	491,796	257,631	749,427
Interest expense	(18,829)	-	(18,829)
Other income, net	6,001	(1,314) (B)	4,687
Income before provision (benefit) for income taxes	478,968	256,317	735,285
Provision (benefit) for income taxes	(510,011)	627,655 (C)	117,644
Net income	\$ 988,979	\$ (371,338)	\$ 617,641

*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 fourth quarter and fiscal year 2020 for a further discussion of its non-GAAP measures.

Notes:

(A) For the year ended December 28, 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	Special charges	Total adjustments
Cost of product and maintenance	\$ 40,951	\$ 2,759	\$ 53	\$ -	\$ -	\$ 43,763
Cost of services	-	3,510	76	-	-	3,586
Marketing and sales	-	39,088	607	-	-	39,695
Research and development	-	114,656	3,383	5,794	-	123,833
General and administrative	-	21,534	1,283	2,313	875	26,005
Amortization of acquired intangibles	12,128	-	-	-	-	12,128
Total	\$ 53,079	\$ 181,547	\$ 5,402	\$ 8,107	\$ 875	\$ 249,010

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

(C) Income tax effect of non-GAAP adjustments