

Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
December 31, 2022 and January 1, 2022
(In thousands)
(Unaudited)

	December 31, 2022	January 1, 2022
Current assets:		
Cash and cash equivalents	\$ 882,325	\$ 1,088,940
Receivables, net	486,710	337,596
Inventories	128,005	115,721
Prepaid expenses and other	209,727	173,512
Total current assets	1,706,767	1,715,769
Property, plant and equipment, net	371,451	305,911
Goodwill	1,374,268	928,358
Acquired intangibles, net	354,617	233,265
Deferred taxes	853,691	763,770
Other assets	476,277	439,226
Total assets	\$ 5,137,071	\$ 4,386,299
Current liabilities:		
Revolving credit facility	\$ 100,000	\$ -
Accounts payable and accrued liabilities	557,158	417,283
Current portion of deferred revenue	690,538	553,942
Total current liabilities	1,347,696	971,225
Long-term liabilities:		
Long-term portion of deferred revenue	91,524	101,148
Long-term debt	648,078	347,588
Other long-term liabilities	304,660	225,663
Total long-term liabilities	1,044,262	674,399
Stockholders' equity	2,745,113	2,740,675
Total liabilities and stockholders' equity	\$ 5,137,071	\$ 4,386,299

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three Months and Years Ended December 31, 2022 and January 1, 2022
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Years Ended</u>	
	<u>December 31, 2022</u>	<u>January 1, 2022</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Revenue:				
Product and maintenance	\$ 845,880	\$ 719,849	\$ 3,340,197	\$ 2,812,947
Services	53,997	53,187	221,521	175,297
Total revenue	<u>899,877</u>	<u>773,036</u>	<u>3,561,718</u>	<u>2,988,244</u>
Costs and expenses:				
Cost of product and maintenance	69,702	47,714	273,565	222,647
Cost of services	23,813	21,979	98,058	84,359
Marketing and sales	171,817	148,068	604,224	560,262
Research and development	350,423	288,953	1,251,544	1,134,277
General and administrative	68,065	65,743	242,116	189,018
Amortization of acquired intangibles	4,927	4,979	18,470	19,640
Restructuring	13	(80)	55	(1,048)
Total costs and expenses	<u>688,760</u>	<u>577,356</u>	<u>2,488,032</u>	<u>2,209,155</u>
Income from operations	211,117	195,680	1,073,686	779,089
Interest expense	(9,082)	(4,251)	(22,934)	(16,980)
Other income (expense), net	8,490	2,625	(5,389)	6,326
Income before provision (benefit) for income taxes	210,525	194,054	1,045,363	768,435
Provision (benefit) for income taxes	<u>(29,867)</u>	<u>17,475</u>	<u>196,411</u>	<u>72,480</u>
Net income	<u>\$ 240,392</u>	<u>\$ 176,579</u>	<u>\$ 848,952</u>	<u>\$ 695,955</u>
Net income per share - basic	<u>\$ 0.89</u>	<u>\$ 0.65</u>	<u>\$ 3.13</u>	<u>\$ 2.54</u>
Net income per share - diluted	<u>\$ 0.88</u>	<u>\$ 0.63</u>	<u>\$ 3.09</u>	<u>\$ 2.50</u>
Weighted average common shares outstanding - basic	<u>269,709</u>	<u>273,066</u>	<u>271,198</u>	<u>273,504</u>
Weighted average common shares outstanding - diluted	<u>272,997</u>	<u>278,253</u>	<u>275,011</u>	<u>278,858</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and January 1, 2022
(In thousands)
(Unaudited)

	Years Ended	
	December 31, 2022	January 1, 2022
Cash and cash equivalents at beginning of year	\$ 1,088,940	\$ 928,432
Cash flows from operating activities:		
Net income	848,952	695,955
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	132,088	142,308
Amortization of debt discount and fees	1,134	1,219
Stock-based compensation	270,439	210,090
(Gain) loss on investments, net	5,425	(580)
Deferred income taxes	(107,606)	(43,178)
Provisions for losses on receivables	204	525
ROU asset amortization and change in operating lease liabilities	3,342	(11,606)
Other non-cash items	371	427
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(138,471)	2,014
Inventories	(23,073)	(39,027)
Prepaid expenses and other	(38,927)	(34,342)
Other assets	(933)	(7,133)
Accounts payable and accrued liabilities	113,945	67,356
Deferred revenue	131,462	100,731
Other long-term liabilities	43,542	16,199
Net cash provided by operating activities	<u>1,241,894</u>	<u>1,100,958</u>
Cash flows from investing activities:		
Purchases of non-marketable investments	(1,000)	-
Proceeds from the sale of non-marketable investments	366	128
Purchases of property, plant and equipment	(123,215)	(65,298)
Purchases of intangible assets	(1,000)	(1,583)
Cash paid in business combinations, net of cash acquired	(613,785)	(226,201)
Net cash used for investing activities	<u>(738,634)</u>	<u>(292,954)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	585,000	-
Payments on revolving credit facility	(485,000)	-
Proceeds from term loan	300,000	-
Payment of debt issuance costs	(425)	(1,285)
Proceeds from issuance of common stock	105,331	87,772
Stock received for payment of employee taxes on vesting of restricted stock	(111,864)	(117,982)
Payments for repurchases of common stock	(1,050,091)	(612,297)
Net cash used for financing activities	<u>(657,049)</u>	<u>(643,792)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(52,826)</u>	<u>(3,704)</u>
Increase (decrease) in cash and cash equivalents	<u>(206,615)</u>	<u>160,508</u>
Cash and cash equivalents at end of year	<u>\$ 882,325</u>	<u>\$ 1,088,940</u>

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of February 13, 2023
(Unaudited)

	<u>Three Months Ending</u> <u>March 31, 2023</u>	<u>Year Ending</u> <u>December 31, 2023</u>
	<u>Forecast</u>	<u>Forecast</u>
GAAP operating margin as a percent of total revenue	31% - 32%	30.5% - 32.0%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	8%	8%
Amortization of acquired intangibles	1%	1%
Acquisition and integration-related costs	1%	1%
Non-GAAP operating margin as a percent of total revenue†	<u>41% - 42%</u>	<u>40.5% - 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 February 13, 2023
(Unaudited)

	Three Months Ending March 31, 2023 Forecast	Year Ending December 31, 2023 Forecast
Diluted net income per share on a GAAP basis	\$0.84 to \$0.88	\$3.24 to \$3.34
Stock-based compensation expense	0.28	1.21
Amortization of acquired intangibles	0.05	0.21
Acquisition and integration-related costs	0.05	0.15
Income tax effect of non-GAAP adjustments	0.01	0.09
Diluted net income per share on a non-GAAP basis†	<u>\$1.23 to \$1.27</u>	<u>\$4.90 to \$5.00</u>

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of February 13, 2023
(Unaudited)

(\$ in millions)	Three Months Ending March 31, 2023 Forecast	Year Ending December 31, 2023 Forecast
Net income on a GAAP basis	\$230 to \$241	\$886 to \$913
Stock-based compensation expense	77	330
Amortization of acquired intangibles	15	58
Acquisition and integration-related costs	13	40
Income tax effect of non-GAAP adjustments	1	24
Net income on a non-GAAP basis†	<u>\$336 to \$347</u>	<u>\$1,338 to \$1,365</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.