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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current assets:		
Cash and cash equivalents	\$ 1,008,152	\$ 882,325
Receivables, net	489,224	486,710
Inventories	181,661	128,005
Prepaid expenses and other	297,180	209,727
Total current assets	<u>1,976,217</u>	<u>1,706,767</u>
Property, plant and equipment, net	403,213	371,451
Goodwill	1,535,845	1,374,268
Acquired intangibles, net	336,843	354,617
Deferred taxes	880,001	853,691
Other assets	537,372	476,277
Total assets	<u>\$ 5,669,491</u>	<u>\$ 5,137,071</u>
Current liabilities:		
Revolving credit facility	\$ -	\$ 100,000
Current portion of long-term debt	349,285	-
Accounts payable and accrued liabilities	576,558	557,158
Current portion of deferred revenue	665,024	690,538
Total current liabilities	<u>1,590,867</u>	<u>1,347,696</u>
Long-term liabilities:		
Long-term portion of deferred revenue	98,931	91,524
Long-term debt	299,771	648,078
Other long-term liabilities	275,651	304,660
Total long-term liabilities	<u>674,353</u>	<u>1,044,262</u>
Stockholders' equity	3,404,271	2,745,113
Total liabilities and stockholders' equity	<u>\$ 5,669,491</u>	<u>\$ 5,137,071</u>

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

	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
<b>Current assets:</b>					
Cash and cash equivalents	\$ 882,325	\$ 916,963	\$ 873,925	\$ 961,982	\$ 1,008,152
Receivables, net	486,710	488,237	440,915	426,505	489,224
Inventories	128,005	127,566	139,576	163,693	181,661
Prepaid expenses and other	209,727	165,778	188,634	272,283	297,180
Total current assets	<u>1,706,767</u>	<u>1,698,544</u>	<u>1,643,050</u>	<u>1,824,463</u>	<u>1,976,217</u>
Property, plant and equipment, net	371,451	372,956	370,193	379,776	403,213
Goodwill	1,374,268	1,377,625	1,428,772	1,500,442	1,535,845
Acquired intangibles, net	354,617	341,738	340,742	347,617	336,843
Deferred taxes	853,691	864,750	872,151	874,805	880,001
Other assets	476,277	516,006	500,216	504,272	537,372
Total assets	<u>\$ 5,137,071</u>	<u>\$ 5,171,619</u>	<u>\$ 5,155,124</u>	<u>\$ 5,431,375</u>	<u>\$ 5,669,491</u>
<b>Current liabilities:</b>					
Revolving credit facility	\$ 100,000	\$ 30,000	\$ -	\$ -	\$ -
Current portion of long-term debt	-	-	-	-	349,285
Accounts payable and accrued liabilities	557,158	430,135	510,007	598,261	576,558
Current portion of deferred revenue	690,538	721,246	686,293	665,906	665,024
Total current liabilities	<u>1,347,696</u>	<u>1,181,381</u>	<u>1,196,300</u>	<u>1,264,167</u>	<u>1,590,867</u>
<b>Long-term liabilities:</b>					
Long-term portion of deferred revenue	91,524	102,515	96,653	100,609	98,931
Long-term debt	648,078	648,301	648,551	648,801	299,771
Other long-term liabilities	304,660	298,546	305,165	303,904	275,651
Total long-term liabilities	<u>1,044,262</u>	<u>1,049,362</u>	<u>1,050,369</u>	<u>1,053,314</u>	<u>674,353</u>
<b>Stockholders' equity:</b>					
Common stock and capital in excess of par value	2,765,673	2,878,749	2,897,885	3,077,954	3,166,964
Treasury stock, at cost	(3,824,163)	(3,987,528)	(4,257,084)	(4,463,484)	(4,604,323)
Retained earnings	3,895,240	4,137,044	4,358,164	4,612,485	4,936,384
Accumulated other comprehensive loss	(91,637)	(87,389)	(90,510)	(113,061)	(94,754)
Total stockholders' equity	<u>2,745,113</u>	<u>2,940,876</u>	<u>2,908,455</u>	<u>3,113,894</u>	<u>3,404,271</u>
Total liabilities and stockholders' equity	<u>\$ 5,137,071</u>	<u>\$ 5,171,619</u>	<u>\$ 5,155,124</u>	<u>\$ 5,431,375</u>	<u>\$ 5,669,491</u>

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Income Statements**  
**For the Three Months and Years Ended December 31, 2023 and December 31, 2022**  
**(In thousands, except per share amounts)**  
**(Unaudited)**

	<b>Three Months Ended</b>		<b>Years Ended</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Revenue:				
Product and maintenance	\$ 981,987	\$ 845,880	\$ 3,834,359	\$ 3,340,197
Services	86,636	53,997	255,627	221,521
Total revenue	<u>1,068,623</u>	<u>899,877</u>	<u>4,089,986</u>	<u>3,561,718</u>
Costs and expenses:				
Cost of product and maintenance	71,491	69,702	331,760	273,565
Cost of services	32,639	23,813	103,281	98,058
Marketing and sales	180,368	171,817	690,319	604,224
Research and development	367,443	350,423	1,441,796	1,251,544
General and administrative	75,742	68,065	242,430	242,116
Amortization of acquired intangibles	4,981	4,927	18,162	18,470
Restructuring	(569)	13	11,013	55
Total costs and expenses	<u>732,095</u>	<u>688,760</u>	<u>2,838,761</u>	<u>2,488,032</u>
Income from operations	336,528	211,117	1,251,225	1,073,686
Interest expense	(8,989)	(9,082)	(36,185)	(22,934)
Other income (expense), net	34,523	8,490	66,886	(5,389)
Income before provision (benefit) for income taxes	362,062	210,525	1,281,926	1,045,363
Provision (benefit) for income taxes	38,163	(29,867)	240,782	196,411
Net income	<u>\$ 323,899</u>	<u>\$ 240,392</u>	<u>\$ 1,041,144</u>	<u>\$ 848,952</u>
Net income per share - basic	<u>\$ 1.20</u>	<u>\$ 0.89</u>	<u>\$ 3.86</u>	<u>\$ 3.13</u>
Net income per share - diluted	<u>\$ 1.19</u>	<u>\$ 0.88</u>	<u>\$ 3.82</u>	<u>\$ 3.09</u>
Weighted average common shares outstanding - basic	<u>269,088</u>	<u>269,709</u>	<u>269,381</u>	<u>271,198</u>
Weighted average common shares outstanding - diluted	<u>272,419</u>	<u>272,997</u>	<u>272,748</u>	<u>275,011</u>

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

	<b>Three Months Ended</b>				
	<b>December 31, 2022</b>	<b>March 31, 2023</b>	<b>June 30, 2023</b>	<b>September 30, 2023</b>	<b>December 31, 2023</b>
Revenue:					
Product and maintenance	\$ 845,880	\$ 963,742	\$ 922,790	\$ 965,840	\$ 981,987
Services	53,997	57,948	53,789	57,254	86,636
Total revenue	<u>899,877</u>	<u>1,021,690</u>	<u>976,579</u>	<u>1,023,094</u>	<u>1,068,623</u>
Costs and expenses:					
Cost of product and maintenance	69,702	100,238	74,218	85,813	71,491
Cost of services	23,813	24,234	22,640	23,768	32,639
Marketing and sales	171,817	166,666	167,070	176,215	180,368
Research and development	350,423	350,295	354,416	369,642	367,443
General and administrative	68,065	53,527	54,605	58,556	75,742
Amortization of acquired intangibles	4,927	4,267	4,302	4,612	4,981
Restructuring	13	-	-	11,582	(569)
Total costs and expenses	<u>688,760</u>	<u>699,227</u>	<u>677,251</u>	<u>730,188</u>	<u>732,095</u>
Income from operations	211,117	322,463	299,328	292,906	336,528
Interest expense	(9,082)	(9,260)	(8,877)	(9,059)	(8,989)
Other income, net	8,490	8,284	7,973	16,106	34,523
Income before provision (benefit) for income taxes	210,525	321,487	298,424	299,953	362,062
Provision (benefit) for income taxes	(29,867)	79,683	77,304	45,632	38,163
Net income	<u>\$ 240,392</u>	<u>\$ 241,804</u>	<u>\$ 221,120</u>	<u>\$ 254,321</u>	<u>\$ 323,899</u>
Net income per share - basic	<u>\$ 0.89</u>	<u>\$ 0.90</u>	<u>\$ 0.82</u>	<u>\$ 0.94</u>	<u>\$ 1.20</u>
Net income per share - diluted	<u>\$ 0.88</u>	<u>\$ 0.89</u>	<u>\$ 0.81</u>	<u>\$ 0.93</u>	<u>\$ 1.19</u>
Weighted average common shares outstanding - basic	<u>269,709</u>	<u>269,501</u>	<u>269,714</u>	<u>269,229</u>	<u>269,088</u>
Weighted average common shares outstanding - diluted	<u>272,997</u>	<u>273,159</u>	<u>272,996</u>	<u>272,427</u>	<u>272,419</u>

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2023 and December 31, 2022**  
(In thousands)  
(Unaudited)

	<b>Years Ended</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash and cash equivalents at beginning of year	\$ 882,325	\$ 1,088,940
Cash flows from operating activities:		
Net income	1,041,144	848,952
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	145,292	132,088
Amortization of debt discount and fees	1,262	1,134
Stock-based compensation	325,611	270,439
(Gain) loss on investments, net	(34,602)	5,425
Deferred income taxes	(36,512)	(107,606)
Provisions for losses on receivables	3,325	204
ROU asset amortization and change in operating lease liabilities	451	3,342
Other non-cash items	1,983	371
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(11,748)	(138,471)
Inventories	(65,895)	(23,073)
Prepaid expenses and other	39,015	(38,927)
Other assets	(45,784)	(933)
Accounts payable and accrued liabilities	5,415	113,945
Deferred revenue	(21,583)	131,462
Other long-term liabilities	1,802	43,542
Net cash provided by operating activities	<u>1,349,176</u>	<u>1,241,894</u>
Cash flows from investing activities:		
Purchases of investments	(176,170)	(1,000)
Proceeds from the sale and maturity of investments	64,775	366
Purchases of property, plant and equipment	(102,337)	(123,215)
Purchases of intangible assets	(166)	(1,000)
Cash paid in business combinations, net of cash acquired	(198,351)	(613,785)
Net cash used for investing activities	<u>(412,249)</u>	<u>(738,634)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	50,000	585,000
Payments on revolving credit facility	(150,000)	(485,000)
Proceeds from term loan	-	300,000
Payment of debt issuance costs	-	(425)
Proceeds from issuance of common stock	132,957	105,331
Stock received for payment of employee taxes on vesting of restricted stock	(136,396)	(111,864)
Payments for repurchases of common stock	(700,134)	(1,050,091)
Net cash used for financing activities	<u>(803,573)</u>	<u>(657,049)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(7,527)</u>	<u>(52,826)</u>
Increase (decrease) in cash and cash equivalents	<u>125,827</u>	<u>(206,615)</u>
Cash and cash equivalents at end of year	<u>\$ 1,008,152</u>	<u>\$ 882,325</u>

**Cadence Design Systems, Inc.**  
**Trended Condensed Consolidated Statements of Cash Flows**  
**For the Five Quarters Ended December 31, 2023**  
(In thousands)  
(Unaudited)

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Cash and cash equivalents at beginning of period	\$ 1,026,051	\$ 882,325	\$ 916,963	\$ 873,925	\$ 961,982
Cash flows from operating activities:					
Net income	240,392	241,804	221,120	254,321	323,899
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	33,910	34,400	36,032	36,351	38,509
Amortization of debt discount and fees	324	311	315	316	320
Stock-based compensation	73,249	74,288	76,608	88,032	86,683
(Gain) loss on investments, net	648	(123)	677	(13,286)	(21,870)
Deferred income taxes	(57,772)	(11,640)	(8,531)	(3,335)	(13,006)
Provisions for losses (recoveries) on receivables	(267)	214	506	972	1,633
ROU asset amortization and change in operating lease liabilities	4,225	(1,392)	(2,151)	859	3,135
Other non-cash items	213	99	1,735	128	21
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(81,162)	(8,719)	49,927	8,816	(61,772)
Inventories	(15,053)	399	(17,380)	(30,312)	(18,602)
Prepaid expenses and other	(69,523)	56,212	(5,419)	(17,486)	5,708
Other assets	(18,577)	(42,084)	10,246	5,258	(19,204)
Accounts payable and accrued liabilities	89,431	(117,915)	80,866	80,160	(37,696)
Deferred revenue	17,750	40,650	(39,381)	(15,897)	(6,955)
Other long-term liabilities	45,847	897	8,600	1,017	(8,712)
Net cash provided by operating activities	<u>263,635</u>	<u>267,401</u>	<u>413,770</u>	<u>395,914</u>	<u>272,091</u>
Cash flows from investing activities:					
Purchases of investments	-	(9,055)	(20,157)	(115,938)	(31,020)
Proceeds from the sale and maturity of investments	366	102	1,403	62,669	601
Purchases of property, plant and equipment	(36,920)	(26,719)	(19,936)	(21,979)	(33,703)
Purchases of intangible assets	-	-	-	-	(166)
Cash paid in business combinations, net of cash acquired	(27,622)	-	(55,379)	(108,584)	(34,388)
Net cash used for investing activities	<u>(64,176)</u>	<u>(35,672)</u>	<u>(94,069)</u>	<u>(183,832)</u>	<u>(98,676)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	135,000	50,000	-	-	-
Payments on revolving credit facility	(185,000)	(120,000)	(30,000)	-	-
Proceeds from issuance of common stock	1,649	65,370	12,132	53,839	1,616
Stock received for payment of employee taxes on vesting of restricted stock	(8,771)	(67,712)	(11,276)	(43,194)	(14,214)
Payments for repurchases of common stock	(300,029)	(125,010)	(325,109)	(125,008)	(125,007)
Net cash used for financing activities	<u>(357,151)</u>	<u>(197,352)</u>	<u>(354,253)</u>	<u>(114,363)</u>	<u>(137,605)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>13,966</u>	<u>261</u>	<u>(8,486)</u>	<u>(9,662)</u>	<u>10,360</u>
Increase (decrease) in cash and cash equivalents	<u>(143,726)</u>	<u>34,638</u>	<u>(43,038)</u>	<u>88,057</u>	<u>46,170</u>
Cash and cash equivalents at end of period	<u>\$ 882,325</u>	<u>\$ 916,963</u>	<u>\$ 873,925</u>	<u>\$ 961,982</u>	<u>\$ 1,008,152</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	Q4	Year
Americas	47%	45%	45%	46%	<b>46%</b>	44%	41%	43%	44%	<b>43%</b>
China	16%	13%	17%	13%	<b>15%</b>	17%	18%	17%	15%	<b>17%</b>
Other Asia	18%	18%	17%	18%	<b>18%</b>	18%	18%	19%	19%	<b>19%</b>
Europe, Middle East and Africa	14%	18%	16%	17%	<b>16%</b>	15%	17%	15%	16%	<b>16%</b>
Japan	5%	6%	5%	6%	<b>5%</b>	6%	6%	6%	6%	<b>5%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Revenue Mix by Product Category (% of Total Revenue)**

<u>PRODUCT CATEGORY</u>	2022					2023				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Custom IC Design and Simulation	22%	23%	22%	22%	<b>22%</b>	20%	22%	22%	22%	<b>22%</b>
Digital IC Design and Signoff	27%	27%	29%	28%	<b>28%</b>	25%	27%	28%	29%	<b>27%</b>
Functional Verification, including Emulation and Prototyping Hardware	28%	24%	25%	25%	<b>26%</b>	32%	27%	26%	24%	<b>27%</b>
IP	13%	14%	12%	12%	<b>12%</b>	11%	11%	11%	13%	<b>12%</b>
System Design and Analysis	10%	12%	12%	13%	<b>12%</b>	12%	13%	13%	12%	<b>12%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



**Cadence Design Systems, Inc.**  
**Impact of Non-GAAP Adjustments on Forward Looking Operating Margin**  
**As of February 12, 2024**  
**(Unaudited)**

	<b>Three Months Ending March 31, 2024</b>	<b>Year Ending December 31, 2024</b>
	<b>Forecast</b>	<b>Forecast</b>
GAAP operating margin as a percent of total revenue	<b>24.5% - 25.5%</b>	<b>32% - 33%</b>
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	9%	8%
Amortization of acquired intangibles	2%	1%
Acquisition and integration-related costs	1%	1%
Non-GAAP operating margin as a percent of total revenue†	<b>36.5% - 37.5%</b>	<b>42% - 43%</b>

†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 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 February 12, 2024**  
**(Unaudited)**

	<b>Three Months Ending March 31, 2024 Forecast</b>	<b>Year Ending December 31, 2024 Forecast</b>
Diluted net income per share on a GAAP basis	<b>\$0.74 to \$0.78</b>	<b>\$4.08 to \$4.18</b>
Stock-based compensation expense	0.32	1.36
Amortization of acquired intangibles	0.06	0.24
Acquisition and integration-related costs	0.04	0.14
Income tax effect of non-GAAP adjustments	(0.06)	0.05
Diluted net income per share on a non-GAAP basis†	<u><u>\$1.10 to \$1.14</u></u>	<u><u>\$5.87 to \$5.97</u></u>

**Cadence Design Systems, Inc.**  
**Impact of Non-GAAP Adjustments on Forward Looking Net Income**  
**As of February 12, 2024**  
**(Unaudited)**

<b>(\$ in millions)</b>	<b>Three Months Ending March 31, 2024 Forecast</b>	<b>Year Ending December 31, 2024 Forecast</b>
Net income on a GAAP basis	<b>\$202 to \$213</b>	<b>\$1,111 to \$1,138</b>
Stock-based compensation expense	88	370
Amortization of acquired intangibles	16	66
Acquisition and integration-related costs	12	39
Income tax effect of non-GAAP adjustments	(16)	13
Net income on a non-GAAP basis†	<u><u>\$302 to \$313</u></u>	<u><u>\$1,599 to \$1,626</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 fourth quarter and fiscal year 2023 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 December 31, 2023 and December 31, 2022**  
**(Unaudited)**

<b>(In thousands)</b>	<b>Three Months Ended</b>		<b>Years Ended</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Net income on a GAAP basis	\$ 323,899	\$ 240,392	\$ 1,041,144	\$ 848,952
Stock-based compensation expense*	86,683	73,249	325,611	270,439
Amortization of acquired intangibles**	16,920	15,369	61,970	59,818
Acquisition and integration-related costs***	12,583	17,510	56,542	41,103
Restructuring	(569)	13	11,013	55
Non-qualified deferred compensation expenses (credits)****	6,295	3,233	10,851	(8,744)
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(27,966)	(2,584)	(45,502)	14,171
Income tax effect of non-GAAP adjustments	(41,638)	(85,397)	(57,139)	(52,475)
Net income on a non-GAAP basis +	\$ 376,207	\$ 261,785	\$ 1,404,490	\$ 1,173,319

+ **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 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:

<b>(In thousands)</b>	<b>Three Months Ended</b>		<b>Years Ended</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cost of product and maintenance	\$ 1,208	\$ 1,067	\$ 4,500	\$ 3,818
Cost of services	1,538	1,357	5,728	4,851
Marketing and sales	17,485	15,121	66,304	54,771
Research and development	52,567	43,421	194,709	158,937
General and administrative	13,885	12,283	54,370	48,062
Total stock-based compensation expense	\$ 86,683	\$ 73,249	\$ 325,611	\$ 270,439

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

<b>(In thousands)</b>	<b>Three Months Ended</b>		<b>Years Ended</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cost of product and maintenance	\$ 11,939	\$ 10,442	\$ 43,808	\$ 41,348
Amortization of acquired intangibles	4,981	4,927	18,162	18,470
Total amortization of acquired intangibles	\$ 16,920	\$ 15,369	\$ 61,970	\$ 59,818

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

<b>(In thousands)</b>	<b>Three Months Ended</b>		<b>Years Ended</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cost of product and maintenance	\$ 79	\$ 136	\$ 445	\$ 171
Cost of services	394	650	882	740
Marketing and sales	923	2,085	5,461	3,521
Research and development	7,613	12,110	33,340	22,006
General and administrative	3,574	2,529	16,414	14,665
Total acquisition and integration-related costs	\$ 12,583	\$ 17,510	\$ 56,542	\$ 41,103

\*\*\*\* 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:

<b>(In thousands)</b>	<b>Three Months Ended</b>		<b>Years Ended</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cost of product and maintenance	\$ 51	\$ 30	\$ 77	\$ (74)
Cost of services	74	43	112	(107)
Marketing and sales	1,182	558	2,060	(1,726)
Research and development	3,861	1,652	6,559	(5,232)
General and administrative	1,127	950	2,043	(1,605)
Total non-qualified deferred compensation expenses (credits)	\$ 6,295	\$ 3,233	\$ 10,851	\$ (8,744)

**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 December 31, 2023 and December 31, 2022**  
**(Unaudited)**

(In thousands, except per share data)	Three Months Ended		Years Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Diluted net income per share on a GAAP basis	\$ 1.19	\$ 0.88	\$ 3.82	\$ 3.09
Stock-based compensation expense	0.32	0.27	1.19	0.98
Amortization of acquired intangibles	0.06	0.06	0.23	0.22
Acquisition and integration-related costs	0.04	0.06	0.21	0.15
Restructuring	-	-	0.04	-
Non-qualified deferred compensation expenses (credits)	0.02	0.01	0.04	(0.03)
Other income or expense related to investments and non-qualified deferred compensation plan assets *	(0.10)	(0.01)	(0.17)	0.05
Income tax effect of non-GAAP adjustments	(0.15)	(0.31)	(0.21)	(0.19)
Diluted net income per share on a non-GAAP basis +	\$ 1.38	\$ 0.96	\$ 5.15	\$ 4.27
Shares used in calculation of diluted net income per share	272,419	272,997	272,748	275,011

+ **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 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>December 31, 2023</u>	<u>Three Months Ended</u> <u>December 31, 2022</u>
	<u>Actual</u>	<u>Actual</u>
	<u>(In thousands)</u>	<u>(In thousands)</u>
GAAP total costs and expenses	\$ 732,095	\$ 688,760
Reconciling items to non-GAAP total costs and expenses		
Stock-based compensation expense	(86,683)	(73,249)
Amortization of acquired intangibles	(16,920)	(15,369)
Acquisition and integration-related costs	(12,583)	(17,510)
Restructuring	569	(13)
Non-qualified deferred compensation expenses	(6,295)	(3,233)
Non-GAAP total costs and expenses†	<u>\$ 610,183</u>	<u>\$ 579,386</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 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 December 31, 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	71,491	(1,208)	(11,939)	(79)	(51)	58,214
Cost of services	32,639	(1,538)	-	(394)	(74)	30,633
Marketing and sales	180,368	(17,485)	-	(923)	(1,182)	160,778
Research and development	367,443	(52,567)	-	(7,613)	(3,861)	303,402
General and administrative	75,742	(13,885)	-	(3,574)	(1,127)	57,156
Amortization of acquired intangibles	4,981	-	(4,981)	-	-	-
		<u>(86,683)</u>	<u>(16,920)</u>	<u>(12,583)</u>	<u>(6,295)</u>	
	<u>For the year ended December 31, 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	331,760	(4,500)	(43,808)	(445)	(77)	282,930
Cost of services	103,281	(5,728)	-	(882)	(112)	96,559
Marketing and sales	690,319	(66,304)	-	(5,461)	(2,060)	616,494
Research and development	1,441,796	(194,709)	-	(33,340)	(6,559)	1,207,188
General and administrative	242,430	(54,370)	-	(16,414)	(2,043)	169,603
Amortization of acquired intangibles	18,162	-	(18,162)	-	-	-
		<u>(325,611)</u>	<u>(61,970)</u>	<u>(56,542)</u>	<u>(10,851)</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 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 December 31, 2023**  
(In thousands)  
(Unaudited)

	Three Months Ended December 31, 2023		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 981,987	\$ -	\$ 981,987
Services	<u>86,636</u>	<u>-</u>	<u>86,636</u>
Total revenue	<u>1,068,623</u>	<u>-</u>	<u>1,068,623</u>
Costs and expenses:			
Cost of product and maintenance	71,491	(13,277) (A)	58,214
Cost of services	32,639	(2,006) (A)	30,633
Marketing and sales	180,368	(19,590) (A)	160,778
Research and development	367,443	(64,041) (A)	303,402
General and administrative	75,742	(18,586) (A)	57,156
Amortization of acquired intangibles	4,981	(4,981) (A)	-
Restructuring	<u>(569)</u>	<u>569</u>	<u>-</u>
Total costs and expenses	<u>732,095</u>	<u>(121,912)</u>	<u>610,183</u>
Income from operations	336,528	121,912	458,440
Interest expense	(8,989)	-	(8,989)
Other income, net	<u>34,523</u>	<u>(27,966) (B)</u>	<u>6,557</u>
Income before provision for income taxes	362,062	93,946	456,008
Provision for income taxes	<u>38,163</u>	<u>41,638 (C)</u>	<u>79,801</u>
Net income	<u>\$ 323,899</u>	<u>\$ 52,308</u>	<u>\$ 376,207</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 2023 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended December 31, 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	\$ 1,208	\$ 11,939	\$ 79	\$ 51	\$ 13,277
Cost of services	1,538	-	394	74	2,006
Marketing and sales	17,485	-	923	1,182	19,590
Research and development	52,567	-	7,613	3,861	64,041
General and administrative	13,885	-	3,574	1,127	18,586
Amortization of acquired intangibles	-	4,981	-	-	4,981
Total	<u>\$ 86,683</u>	<u>\$ 16,920</u>	<u>\$ 12,583</u>	<u>\$ 6,295</u>	<u>\$ 122,481</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 31, 2022**  
(In thousands)  
(Unaudited)

	Three Months Ended December 31, 2022		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 845,880	\$ -	\$ 845,880
Services	53,997	-	53,997
Total revenue	<u>899,877</u>	<u>-</u>	<u>899,877</u>
Costs and expenses:			
Cost of product and maintenance	69,702	(11,675) (A)	58,027
Cost of services	23,813	(2,050) (A)	21,763
Marketing and sales	171,817	(17,764) (A)	154,053
Research and development	350,423	(57,183) (A)	293,240
General and administrative	68,065	(15,762) (A)	52,303
Amortization of acquired intangibles	4,927	(4,927) (A)	-
Restructuring	13	(13)	-
Total costs and expenses	<u>688,760</u>	<u>(109,374)</u>	<u>579,386</u>
Income from operations	211,117	109,374	320,491
Interest expense	(9,082)	-	(9,082)
Other income, net	8,490	(2,584) (B)	5,906
Income before provision (benefit) for income taxes	210,525	106,790	317,315
Provision (benefit) for income taxes	(29,867)	85,397 (C)	55,530
Net income	<u>\$ 240,392</u>	<u>\$ 21,393</u>	<u>\$ 261,785</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 2023 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended December 31, 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 expenses	Total adjustments
Cost of product and maintenance	\$ 1,067	\$ 10,442	\$ 136	\$ 30	\$ 11,675
Cost of services	1,357	-	650	43	2,050
Marketing and sales	15,121	-	2,085	558	17,764
Research and development	43,421	-	12,110	1,652	57,183
General and administrative	12,283	-	2,529	950	15,762
Amortization of acquired intangibles	-	4,927	-	-	4,927
Total	<u>\$ 73,249</u>	<u>\$ 15,369</u>	<u>\$ 17,510</u>	<u>\$ 3,233</u>	<u>\$ 109,361</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 31, 2023**  
(In thousands)  
(Unaudited)

	Year Ended December 31, 2023		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 3,834,359	\$ -	\$ 3,834,359
Services	255,627	-	255,627
Total revenue	<u>4,089,986</u>	<u>-</u>	<u>4,089,986</u>
Costs and expenses:			
Cost of product and maintenance	331,760	(48,830) (A)	282,930
Cost of services	103,281	(6,722) (A)	96,559
Marketing and sales	690,319	(73,825) (A)	616,494
Research and development	1,441,796	(234,608) (A)	1,207,188
General and administrative	242,430	(72,827) (A)	169,603
Amortization of acquired intangibles	18,162	(18,162) (A)	-
Restructuring	11,013	(11,013)	-
Total costs and expenses	<u>2,838,761</u>	<u>(465,987)</u>	<u>2,372,774</u>
Income from operations	1,251,225	465,987	1,717,212
Interest expense	(36,185)	-	(36,185)
Other income, net	66,886	(45,502) (B)	21,384
Income before provision for income taxes	1,281,926	420,485	1,702,411
Provision for income taxes	240,782	57,139 (C)	297,921
Net income	<u>\$ 1,041,144</u>	<u>\$ 363,346</u>	<u>\$ 1,404,490</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 2023 for a further discussion of its non-GAAP measures.

Notes:

(A) For the year ended December 31, 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	\$ 4,500	\$ 43,808	\$ 445	\$ 77	\$ 48,830
Cost of services	5,728	-	882	112	6,722
Marketing and sales	66,304	-	5,461	2,060	73,825
Research and development	194,709	-	33,340	6,559	234,608
General and administrative	54,370	-	16,414	2,043	72,827
Amortization of acquired intangibles	-	18,162	-	-	18,162
Total	<u>\$ 325,611</u>	<u>\$ 61,970</u>	<u>\$ 56,542</u>	<u>\$ 10,851</u>	<u>\$ 454,974</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 31, 2022**  
(In thousands)  
(Unaudited)

	Year Ended December 31, 2022		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 3,340,197	\$ -	\$ 3,340,197
Services	221,521	-	221,521
<b>Total revenue</b>	<b>3,561,718</b>	<b>-</b>	<b>3,561,718</b>
Costs and expenses:			
Cost of product and maintenance	273,565	(45,263) (A)	228,302
Cost of services	98,058	(5,484) (A)	92,574
Marketing and sales	604,224	(56,566) (A)	547,658
Research and development	1,251,544	(175,711) (A)	1,075,833
General and administrative	242,116	(61,122) (A)	180,994
Amortization of acquired intangibles	18,470	(18,470) (A)	-
Restructuring	55	(55)	-
<b>Total costs and expenses</b>	<b>2,488,032</b>	<b>(362,671)</b>	<b>2,125,361</b>
<b>Income from operations</b>	<b>1,073,686</b>	<b>362,671</b>	<b>1,436,357</b>
Interest expense	(22,934)	-	(22,934)
Other income (expense), net	(5,389)	14,171 (B)	8,782
<b>Income before provision for income taxes</b>	<b>1,045,363</b>	<b>376,842</b>	<b>1,422,205</b>
Provision for income taxes	196,411	52,475 (C)	248,886
<b>Net income</b>	<b>\$ 848,952</b>	<b>\$ 324,367</b>	<b>\$ 1,173,319</b>

\*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 2023 for a further discussion of its non-GAAP measures.

Notes:

(A) For the year ended December 31, 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	\$ 3,818	\$ 41,348	\$ 171	\$ (74)	\$ 45,263
Cost of services	4,851	-	740	(107)	5,484
Marketing and sales	54,771	-	3,521	(1,726)	56,566
Research and development	158,937	-	22,006	(5,232)	175,711
General and administrative	48,062	-	14,665	(1,605)	61,122
Amortization of acquired intangibles	-	18,470	-	-	18,470
<b>Total</b>	<b>\$ 270,439</b>	<b>\$ 59,818</b>	<b>\$ 41,103</b>	<b>\$ (8,744)</b>	<b>\$ 362,616</b>

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

(C) Income tax effect of non-GAAP adjustments