



## Denali Acquisition Announcement Q&A May 13, 2010

The matters covered in this Q&A contain forward-looking statements based on current expectations or beliefs, as well as a number of preliminary assumptions about future events that are subject to factors and uncertainties that could cause actual results to differ materially from those discussed, as they relate to Cadence and Denali, the management of either company, or the proposed transaction. For information on the factors that could cause a difference in our results, please refer to our Form 10-K for the period ended January 2, 2010, our Form 10-Q for the period ended April 3, 2010, the company's future filings with the Securities and Exchange Commission, and the cautionary statements regarding forward-looking statements in the Cadence press release issued May 13, 2010.

### Business/Strategic Questions

#### 1. Who is Denali and what do they do?

Denali is a world-leading provider of intellectual property (IP), electronic design automation (EDA) tools, software, and design platforms for system-on-chip (SoC) design and verification. Developers use Denali's EDA tools, IP products, and services to simplify design, reduce risk, and accelerate time-to-market for their complex SoC designs. Denali delivers cutting edge IP solutions for deploying PCI Express, USB, NAND Flash, and DDR SDRAM subsystems in electronic designs. Founded in 1995, Denali is headquartered in Sunnyvale, California and serves the global electronics industry with direct sales and support offices in North America, Europe, Japan, and Asia. For more information about Denali, please visit their website at [www.denali.com/en](http://www.denali.com/en).

#### 2. Why did Cadence agree to acquire Denali?

The acquisition of Denali accelerates our EDA360 vision, announced on April 27, 2010. The combination of Denali and Cadence technologies will enable efficient and cost effective system component modeling and IP integration, expanding Cadence's System Realization and SoC Realization solutions.

EDA360 centers on three components: (1) System Realization - the development of a complete hardware/software platform with all of the capabilities needed to begin applications development and deployment; (2) SoC Realization - the development of a single system on chip (SoC), including silicon IP and "bare-metal" software; and (3) Silicon Realization - everything required to get a design into silicon, including the creation and integration of large digital, analog, and mixed-signal IP blocks.

The merger will accelerate the delivery of the solutions outlined in this vision:

- Denali's memory models provide system component modeling and verification capabilities required in System Realization.
- Denali's Design IP products enhance the Cadence Open Integration Platform required in SoC Realization.
- Denali's ease-of-use and well-established support of third-party simulators by its Verification IP (VIP), coupled with the focus on metric-driven and compliance management of Cadence's VIP,

make this combination highly complementary for SoC Realization and enable Cadence to expand its third-party simulation support.

### **3. How will Denali products/technologies fit into the existing Cadence solution portfolio?**

Denali is a world-leading provider of intellectual property (IP) and electronic design automation (EDA) tools. The combination of Denali and Cadence technologies enables efficient and cost effective system component modeling and IP integration, and expands Cadence's System Realization and SoC Realization solutions. Denali's products/technologies are highly complementary to those of Cadence and will enable customers to achieve better results with improved productivity and profitability.

### **4. Does this mean that Cadence is actively building up an IP portfolio?**

Like our customers, Cadence takes an open, standards-based view to the availability of IP with a strategy based on complementing the existing ecosystem. Cadence seeks to provide IP through partners, joint development or internal development as part of the [Open Integration Platform](#) announced on May 5, 2010. The acquisition of Denali extends this approach as part of the EDA360 vision.

### **5. Is Cadence continuing to look for acquisitions in the IP space?**

Cadence is always open to opportunities to extend its capabilities to benefit its customers. With that said, Cadence is a disciplined bidder and would only pursue an acquisition if it makes sense for Cadence and our shareholders. Beyond that we will not comment on specific plans for acquisitions.

### **6. How will this acquisition benefit customers?**

Memory models, design IP, and verification IP are components of Cadence's System Realization and SoC Realization solutions. The acquisition of Denali will expand customers' ability to model and validate their systems, as well as accelerate IP integration. These enhanced capabilities will enable better productivity and higher profitability for their product development.

### **7. How do you expect customers to react?**

Cadence has no doubt that customers will enthusiastically support this combination. In fact, some customers have suggested it in the past. The combination of Denali and Cadence will accelerate the rate of customers' innovation in System Realization and SoC Realization execution, enabling product development with better productivity and higher profitability.

### **8. What new customers does Denali bring to Cadence?**

Consistent with the EDA360 vision, Denali strategically complements Cadence offerings to deliver a solution to creators and integrators of systems, SoCs and IP. In particular, Denali delivers the industry's most widely-used solutions for deploying PCI Express, USB, NAND Flash and DDR SDRAM subsystems in electronic designs.

### **9. Why is this deal in the best interest of Cadence's shareholders?**

Not only will Denali's strengths in Memory Models, Design IP and Verification IP accelerate the execution of Cadence's recently announced EDA360 strategy, creating new opportunities for the company; these strengths also increase our opportunity to influence decision-making much earlier in the design process than we traditionally engage with our customers. We are confident that

shareholders will recognize the many benefits inherent in this transaction.

## Transaction Questions

### **10. How much will Cadence pay for Denali?**

As disclosed in our press release, the purchase price for the transaction will be approximately \$315 million. Denali is expected to have approximately \$45 million in cash at closing, for a net cost of the transaction of approximately \$270 million. The final purchase price will be determined based on certain cash adjustments at the time of closing.

### **11. Is there an earn-out associated with this transaction?**

No.

### **12. What are Denali's current revenues?**

Denali unaudited revenue for the trailing 12 months ended March 31, 2010 was approximately \$43 million. The company is profitable with an unaudited operating margin over 30% for 2009.

### **13. How did you arrive at the valuation?**

We believe this transaction is the right valuation, considering Denali's strengths in Memory Models, Design IP, and Verification IP, which accelerate the execution of Cadence's recently announced EDA360 vision. Equally important, we would like to emphasize that we are a disciplined buyer and would only pursue an acquisition if it makes sense for Cadence and our shareholders.

### **14. How many employees does Denali have?**

Denali has approximately 130 employees.

### **15. How does Cadence intend to finance this transaction?**

Cadence will fund the transaction with available cash.

### **16. How will this transaction affect Cadence's 2010 business outlook as announced in the first quarter?**

Unaudited financials suggest the transaction will be slightly dilutive in the second half of 2010 and accretive to Cadence's fiscal year 2011 earnings per share.

We'll discuss our fiscal year 2010 outlook when we release second quarter 2010 earnings.

### **17. When will the transaction be accretive?**

We expect the transaction to be accretive to Cadence's fiscal year 2011 earnings per share.

### **18. Are there overlaps with your current portfolio?**

The combination is highly complementary and will enable us to accelerate the delivery of our solutions outlined in our EDA360 vision:

- Denali’s memory models provide system component modeling and verification capabilities required in System Realization.
- Denali’s Design IP products enhance the Cadence Open Integration Platform required in SoC Realization.
- Denali’s ease-of-use and well-established support of third-party simulators by its Verification IP (VIP), coupled with the focus on metric-driven and compliance management of Cadence’s VIP, make this combination highly complementary for SoC Realization and enable Cadence to expand its third-party simulation support.

**19. When do you expect the transaction to close?**

We expect the transaction to close in the second quarter of 2010, after receipt of required customary regulatory approvals and satisfaction of other customary closing conditions.

**20. What are your plans for consolidating the two companies?**

Cadence will work closely with Denali’s leaders to develop an integration plan that fully leverages the best of both companies to drive execution of the industry transformation outlined in the EDA360 vision.

**21. What will happen to Denali’s offices in Sunnyvale or its other locations?**

Cadence will work closely with Denali’s leaders to develop an integration plan that fully leverages the best of both companies. Cadence has offices in many of the same locations as Denali, including Silicon Valley, Austin, Texas, and Bangalore, India.

Product/Technology Questions

**22. How does the Denali’s Memory Models, Design IP, and Verification IP fit with Cadence products?**

The combination of Denali’s and Cadence’s products will help customers address growing integration and verification challenges more effectively.

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**23. Denali offers third-party vendor support for its products—will Cadence continue this practice?**

Yes. Providing open, standards-based and integration-optimized offerings is a key attribute of the recently communicated Cadence EDA360 vision. More details will be provided at a later date.

**24. What is Cadence’s strategy for verification IP?**

Denali’s and Cadence’s verification IP offerings are highly complementary. Denali provides ease-of-use, while Cadence provides metric-driven verification and compliance management capabilities. The combination of Denali and Cadence will help customers address integration and verification challenges more effectively. More details will be provided at a later date.

**25. What is the timeline for introducing products based on Denali technology?**

As we just announced the transaction today, it is premature to discuss product roadmaps at this time. Rest assured, we are excited to begin working with Denali to define a roadmap as soon as the transaction closes and we will communicate that once those decisions have been made post-close.

**26. Will certain Denali or Cadence products be discontinued as a result of the acquisition?**

Cadence is committed to ensuring customer success and support of Denali's and Cadence's product capabilities, and will provide more details on offering expansions to ensure that customers' needs are properly addressed.