

CADENCE REPORTS FIRST QUARTER 2018

CADENCE DESIGN SYSTEMS, INC.

CFO COMMENTARY

April 23, 2018

Q1 2018 Key Takeaways

- Exceeded our expectations for key operating metrics including revenue, operating margin, EPS and operating cash flow.
- Raised outlook for the year on strength of Q1 business and continuing momentum.
- Now expect revenue growth of approximately 8 percent for 2018 on same accounting basis as 2017.
- Repurchased \$50 million of Cadence shares.

FY 2018 Outlook *

(ASC Topic 606 Basis)

- Revenue: \$2.055 - \$2.085 billion.
- GAAP operating margin: 15% to 16%.
- Non-GAAP operating margin: 27% to 28%.
- GAAP EPS: \$0.86 - \$0.94.
- Non-GAAP EPS \$1.57 - \$1.65.
- Operating cash flow: \$510 - \$550 million.
- Expect to repurchase \$50 million of Cadence shares per quarter in 2018.

Q2 2018 Outlook *

(ASC Topic 606 Basis)

- Revenue : \$510 - \$520 million.
- GAAP operating margin: 15% to 16%.
- Non-GAAP operating margin: 27% to 28%.
- GAAP EPS: \$0.20 - \$0.22.
- Non-GAAP EPS: \$0.39 - \$0.41.

FY 2018 Implied Outlook *

(ASC Topic 605 Basis at midpoint)

- Revenue: ~\$2.100 billion.
- GAAP operating margin: ~17.0%.
- Non-GAAP operating margin: ~28.6%.
- GAAP EPS: ~\$1.01.
- Non-GAAP EPS: ~\$1.70.
- Operating cash flow: \$510 - \$550 million.

Q1 2018 KEY METRICS

- Revenue \$517 million
- GAAP operating margin 17%
- Non-GAAP operating margin 28%
- GAAP EPS \$0.26
- Non-GAAP EPS \$0.40
- Operating cash flow \$158 million

Financial Results Webcast

Our Q1 2018 financial results webcast will begin April 23, 2018 at 2:00 p.m. (Pacific). The webcast may be accessed at cadence.com/cadence/investor_relations. An archive of the webcast will be available on April 23, 2018 until 5:00 p.m. (Pacific) on June 15, 2018.

* As required by the new standard, Cadence will report revenue under both methods for the 2018 transition year.

Second Quarter 2018 Financial Outlook (ASC 606 Basis)

	ASC 606 Q1 2018A	ASC 606 Q2 2018E
Total Revenue (\$ Million)	\$517.3	\$510 - \$520
GAAP Operating Margin	17%	15% to 16%
Non-GAAP Operating Margin	28%	27% to 28%
GAAP EPS	\$0.26	\$0.20 - \$0.22
Non-GAAP EPS	\$0.40	\$0.39 - \$0.41

Fiscal Year 2018 Financial Outlook (ASC 606 Basis)

	Previous ASC 606 FY 2018E	Current ASC 606 FY 2018E
Revenue Recognized Over Time	~90%	~90%
Total Revenue (\$ Billion)	\$2.015 - \$2.055	\$2.055 - \$2.085
Revenue from Beginning Backlog	~70%	70% - 75%
GAAP Operating Margin	~15%	15% - 16%
Non-GAAP Operating Margin	~27%	27% - 28%
GAAP Other Income & Expense (\$ Million)	(\$30) - (\$20)	(\$31) - (\$23)
Non-GAAP Other Income & Expense (\$ Million)	(\$30) - (\$20)	(\$32) - (\$24)
GAAP Tax Rate	12% - 13%	14% - 15%
Non-GAAP Tax Rate	16%	16%
Weighted Average Diluted Shares Outstanding (Million)	280 - 286	280 - 284
GAAP EPS	\$0.80 - \$0.90	\$0.86 - \$0.94
Non-GAAP EPS	\$1.50 - \$1.60	\$1.57 - \$1.65
Cash Flow from Operations (\$ Million)	\$480 - \$530	\$510 - \$550
DSO	~40	~40
Capital Expenditures (\$ Million)	~\$60	~\$60

Fiscal Year 2018 Financial Outlook (ASC 605 Basis)

	ASC 605 FY 2017A	Previous ASC 605 FY 2018E	Current ASC 605 FY 2018E
Revenue Recognized Over Time	~90%	~90%	~90%
Total Revenue (\$ Billion)	\$1.943	\$2.055 - \$2.095	~\$2.100
Y/Y Growth	7%	6% - 8%	8%
Revenue from Beginning Backlog	~70%	~70%	70% - 75%
GAAP Operating Margin	16.7%	~16.5%	~17.0%
Non-GAAP Operating Margin	27.5%	~28.4%	~28.6%
GAAP Other Income & Expense (\$ Million)	\$(8.9)	(\$30) - (\$20)	(\$31) - (\$23)
Non-GAAP Other Income & Expense (\$ Million)	\$(24.6)	(\$30) - (\$20)	(\$32) - (\$24)
GAAP Tax Rate	35%	12% - 13%	13% - 14%
Non-GAAP Tax Rate	23%	16%	16%
Weighted Average Diluted Shares Outstanding (Million)	280.2	280 - 286	280 - 284
GAAP EPS	\$0.73	\$0.93 - \$1.03	~\$1.01
Y/Y Growth	4%	27% - 41%	38%
Non-GAAP EPS	\$1.40	\$1.62 - \$1.72	~\$1.70
Y/Y Growth	16%	16% - 23%	21%
Cash Flow from Operations (\$ Million)	\$470.7	\$480 - \$530	\$510 - \$550
DSO	36	~35	~35
Capital Expenditures (\$ Million)	\$57.9	~\$60	~\$60

Fiscal Year 2018 Financial Outlook (ASC 606 compared to ASC 605)

	ASC 606 FY 2018E	Adjustments	ASC 605 FY 2018E
Revenue @ Midpoint	\$2.070 billion	\$30.0 million	\$2.100 billion
Non-GAAP Operating Margin @ Midpoint	27.5%	1.1%	28.6%
Non-GAAP EPS @ Mid-point	\$1.61	\$0.09	\$1.70

First Quarter Financial Results

Revenue

(In Thousands)	ASC 606 Q1 2018
Product and Maintenance	\$480,609
Services	36,704
Total Revenue	\$517,313

(In Thousands)	ASC 605 Q1 2017	ASC 605 Q2 2017	ASC 605 Q3 2017	ASC 605 Q4 2017	ASC 605 Q1 2018
Product and Maintenance	\$451,407	\$443,847	\$451,229	\$467,504	\$486,789
Services	25,504	35,154	34,169	34,218	38,668
Total Revenue	\$476,911	\$479,001	\$485,398	\$501,722	\$525,457
Y/Y Growth	6%	6%	9%	7%	10%

Revenue Mix by Geography

(% of Total Revenue)	ASC 606 Q1 2018
Americas	45%
Asia	27%
Europe, Middle East and Africa	20%
Japan	8%
Total	100%

(% of Total Revenue)	ASC 605 Q1 2017	ASC 605 Q2 2017	ASC 605 Q3 2017	ASC 605 Q4 2017	ASC 605 Q1 2018
Americas	45%	45%	45%	44%	45%
Asia	26%	28%	27%	28%	26%
Europe, Middle East and Africa	20%	19%	19%	20%	21%
Japan	9%	8%	9%	8%	8%
Total	100%	100%	100%	100%	100%

Revenue Mix by Product Group

<i>(% of Total Revenue)</i>	ASC 606 Q1 2018
Functional Verification	26%
Digital IC Design and Signoff	30%
Custom IC Design	26%
System Interconnect and Analysis	9%
IP	9%
Total	100%

<i>(% of Total Revenue)</i>	ASC 605 Q1 2017	ASC 605 Q2 2017	ASC 605 Q3 2017	ASC 605 Q4 2017	ASC 605 Q1 2018
Functional Verification	23%	23%	21%	23%	26%
Digital IC Design and Signoff	29%	30%	30%	29%	29%
Custom IC Design	26%	26%	28%	26%	26%
System Interconnect and Analysis	10%	10%	10%	10%	9%
IP	12%	11%	11%	12%	10%
Total	100%	100%	100%	100%	100%

Total Costs and Expenses

<i>(In Thousands)</i>	ASC 606 Q1 2018
Total GAAP Costs and Expenses	\$431,480
Total Non-GAAP Costs and Expenses	\$373,753

<i>(In Thousands)</i>	ASC 605 Q1 2017	ASC 605 Q2 2017	ASC 605 Q3 2017	ASC 605 Q4 2017	ASC 605 Q1 2018
Total GAAP Costs and Expenses	\$397,309	\$396,311	\$405,013	\$420,444	\$428,419
Y/Y Growth	2%	3%	7%	1%	8%
Total Non-GAAP Costs and Expenses	\$354,601	\$350,647	\$351,787	\$351,503	\$370,692
Y/Y Growth	6%	4%	6%	2%	5%

Operating Margin

	ASC 606 Q1 2018
GAAP Operating Margin	16.6%
Non-GAAP Operating Margin	27.8%

	ASC 605 Q1 2017	ASC 605 Q2 2017	ASC 605 Q3 2017	ASC 605 Q4 2017	ASC 605 Q1 2018
GAAP Operating Margin	16.7%	17.3%	16.6%	16.2%	18.5%
Non-GAAP Operating Margin	25.6%	26.8%	27.5%	29.9%	29.5%

Earnings (Loss) Per Share

	ASC 606 Q1 2018
GAAP Net Income Per Share	\$0.26
Non-GAAP Net Income Per Share	\$0.40

	ASC 605 Q1 2017	ASC 605 Q2 2017	ASC 605 Q3 2017	ASC 605 Q4 2017	ASC 605 Q1 2018
GAAP Net Income (Loss) Per Share	\$0.25	\$0.25	\$0.29	\$(0.05)	\$0.30
Y/Y Growth	47%	47%	26%	(136)%	20%
Non-GAAP Net Income Per Share	\$0.32	\$0.34	\$0.35	\$0.39	\$0.44
Y/Y Growth	14%	17%	17%	15%	38%

Total DSO

	ASC 606 Q1 2018
DSO	41

	ASC 605 Q1 2017	ASC 605 Q2 2017	ASC 605 Q3 2017	ASC 605 Q4 2017	ASC 605 Q1 2018
DSO	37	31	34	36	38

Balance Sheet and Cash Review

Cash Flow from Operating Activities

<i>(In Thousands)</i>	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Net Cash from Operating Activities	\$92,430	\$162,140	\$89,314	\$126,856	\$157,647

Capital Expenditures

<i>(In Thousands)</i>	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Capital Expenditures	\$14,843	\$12,645	\$12,188	\$18,225	\$13,128

Cash and Short-Term Investments

<i>(In Thousands)</i>	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Cash and Short-Term Investments	\$547,607	\$659,227	\$682,419	\$692,542	\$752,434

- Approximately 30 percent of our cash and short-term investments were in the U.S. at quarter-end.

Stock Repurchase

<i>(In Thousands, Except Share Price)</i>	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Share Repurchase	—	—	\$50,013	\$50,012	\$50,013
Number of Shares	—	—	1,331	1,164	1,289
Average Share Price	—	—	\$37.58	\$42.97	\$38.80

Employees

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Headcount	7,101	7,190	7,233	7,214	7,229

Forward Looking Statements

The statements in this CFO Commentary contain forward-looking statements based on current expectations or beliefs and preliminary assumptions about future events that are subject to factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and other factors, many of which are outside Cadence's control, including, among others: (i) Cadence's ability to compete successfully in the electronic design automation product and the commercial electronic design and methodology services industries; (ii) the success of Cadence's efforts to improve operational efficiency and growth; (iii) the mix of products and services sold and the timing of significant orders for Cadence's products; (iv) change in customer demands, including those resulting from consolidation among Cadence's customers and the possibility that the restructurings and other efforts to improve operational efficiency of Cadence's customers could result in delays in purchases of Cadence's products and services; (v) economic and industry conditions in regions in which Cadence does business; (vi) fluctuations in rates of exchange between the U.S. dollar and the currencies of other countries in which Cadence does business; (vii) capital expenditure requirements, legislative or regulatory requirements, changes in tax laws, interest rates and Cadence's ability to access capital and debt markets; (viii) the acquisition of other companies or technologies or the failure to successfully integrate and operate these companies or technologies Cadence acquires, including the potential inability to retain customers, key employees or vendors; (ix) the effects of Cadence's efforts to improve operational efficiency in its business, including strategic, customer and supplier relationships, and its ability to retain key employees; (x) events that affect cash flow, liquidity, reserves or settlement assumptions Cadence may take from time to time with respect to accounts receivable, taxes and tax examinations, litigation or other matters; and (xi) the effects of any litigation or other proceedings to which Cadence is or may become a party. In addition, the actual timing and amount of Cadence's repurchase of its common stock under the existing authorization will be subject to business and market conditions, corporate and regulatory requirements, acquisition opportunities and other factors.

For a detailed discussion of these and other cautionary statements related to Cadence's business, please refer to Cadence's filings with the U.S. Securities and Exchange Commission, which include Cadence's most recent reports on Form 10-K and Form 10-Q, including Cadence's future filings.

GAAP to Non-GAAP Reconciliation

Non-GAAP financial measures should not be considered as a substitute for or superior to measures of financial performance prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of non-GAAP financial measures contained within this CFO Commentary with their most directly comparable GAAP financial results. Investors are also encouraged to look at the GAAP results as the best measure of financial performance. See our earnings press release issued today for further discussion of our non-GAAP financial measures, as well as the reconciliation provided in the Appendix to this CFO Commentary.

Cadence's management uses non-GAAP net income because it excludes items that are generally not directly related to the performance of the company's core business operations and therefore provides supplemental information to Cadence's management and investors regarding the performance of the business operations, facilitates comparisons to the historical operating results and allows the review of Cadence's business from the same perspective as Cadence's management, including forecasting and budgeting.

Cadence's non-GAAP net income for the fourth quarter of 2017 excludes the effect of the transition tax expense and income tax expense related to the reduction in value of the deferred tax assets caused by the U.S. corporate tax rate reduction. Cadence management believes it is useful to exclude these tax expenses since it does not expect these tax expenses to be recorded frequently.

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APPENDIX I

Reconciliation of GAAP to Non-GAAP Financial Measures (Unaudited)

Reconciliation of GAAP Total Expenses to Non-GAAP Total Expenses

<i>(In Thousands)</i>	ASC 606 Q1 2018
GAAP total costs and expenses	\$431,480
Reconciling items to non-GAAP total costs and expenses	
Amortization of acquired intangibles	(13,907)
Stock-based compensation expense	(37,901)
Non-qualified deferred compensation expenses	(127)
Restructuring and other credits	1,991
Acquisition and integration-related costs	(7,783)
Non-GAAP total costs and expenses†	<u>\$373,753</u>

<i>(In Thousands)</i>	ASC 605 Q1 2017	ASC 605 Q2 2017	ASC 605 Q3 2017	ASC 605 Q4 2017	ASC 605 Q1 2018
GAAP total costs and expenses	\$397,309	\$396,311	\$405,013	\$420,444	\$428,419
Reconciling items to non-GAAP total costs and expenses					
Amortization of acquired intangibles	(14,434)	(14,704)	(13,618)	(13,741)	(13,907)
Stock-based compensation expense	(27,436)	(30,482)	(36,090)	(36,015)	(37,901)
Non-qualified deferred compensation expenses	(1,269)	(756)	(2,825)	(1,295)	(127)
Restructuring and other (charges) credits	1,788	929	55	(12,178)	1,991
Acquisition and integration-related costs	(1,357)	(651)	(748)	(5,712)	(7,783)
Non-GAAP total costs and expenses†	<u>\$354,601</u>	<u>\$350,647</u>	<u>\$351,787</u>	<u>\$351,503</u>	<u>\$370,692</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.

Reconciliation of GAAP Operating Margin as Percent of Total Revenue to Non-GAAP Operating Margin as Percent of Total Revenue

	ASC 606 Q1 2018	ASC 606 Q2 2018E
GAAP operating margin as percent of total revenue	17%	15% - 16%
Reconciling items to non-GAAP operating margin as a percent of total revenue		
Amortization of acquired intangibles	3%	3%
Stock-based compensation expense	7%	8%
Non-qualified deferred compensation expenses	0%	0%
Restructuring and other charges (credits)	0%	0%
Acquisition and integration-related costs	1%	1%
Non-GAAP operating margin as percent of total revenue†	<u>28%</u>	<u>27% - 28%</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.

	ASC 605 Q1 2017	ASC 605 Q2 2017	ASC 605 Q3 2017	ASC 605 Q4 2017	ASC 605 Q1 2018
GAAP operating margin as percent of total revenue	17%	17%	17%	16%	18%
Reconciling items to non-GAAP operating margin as a percent of total revenue					
Amortization of acquired intangibles	3%	3%	3%	3%	3%
Stock-based compensation expense	6%	7%	7%	7%	7%
Non-qualified deferred compensation expenses	0%	0%	1%	0%	0%
Restructuring and other charges (credits)	0%	0%	0%	3%	0%
Acquisition and integration-related costs	0%	0%	0%	1%	1%
Non-GAAP operating margin as percent of total revenue†	<u>26%</u>	<u>27%</u>	<u>28%</u>	<u>30%</u>	<u>29%</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.

Reconciliation of GAAP Operating Margin as Percent of Total Revenue to Non-GAAP Operating Margin as Percent of Total Revenue

	ASC 605 2016	ASC 605 2017	ASC 605 2018E	ASC 606 2018E
GAAP operating margin as percent of total revenue	13%	17%	~17.0%	15% - 16%
Reconciling items to non-GAAP operating margin as a percent of total revenue				
Amortization of acquired intangibles	4%	3%	2.6%	3%
Stock-based compensation expense	6%	7%	7.9%	8%
Non-qualified deferred compensation expenses	0%	0%	0.0%	0%
Restructuring and other charges (credits)	2%	1%	-0.1%	0%
Acquisition and integration-related costs	1%	0%	1.2%	1%
Non-GAAP operating margin as percent of total revenue†	<u>26%</u>	<u>28%</u>	<u>~28.6%</u>	<u>27% - 28%</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.

Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share

<i>(In Thousands, Except Per Share Data)</i>	ASC 606 Q1 2018	ASC 606 Q2 2018E
Diluted net income per share on a GAAP basis	\$0.26	\$0.20 - \$0.22
Amortization of acquired intangibles	0.05	0.05
Stock-based compensation expense	0.13	0.14
Non-qualified deferred compensation expenses	—	—
Restructuring and other charges (credits)	(0.01)	—
Acquisition and integration-related costs	0.03	0.02
Other income or expense related to investments and non-qualified deferred compensation plan assets *	—	—
Income tax effect of non-GAAP adjustments	(0.06)	(0.02)
Diluted net income per share on a non-GAAP basis †	<u>\$0.40</u>	<u>\$0.39 - \$0.41</u>
Shares used in calculation of diluted net income per share - GAAP **	281,651	
Shares used in calculation of diluted net income per share - non-GAAP **	281,651	

† **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.**

* 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.

** Shares used in the calculation of GAAP net income per share are expected to be the same as shares used in the calculation of non-GAAP net income per share, except when the company reports a GAAP net loss and non-GAAP net income, or GAAP net income and a non-GAAP net loss.

Reconciliation of GAAP Diluted Net Income (Loss) Per Share to Non-GAAP Diluted Net Income Per Share

<i>(In Thousands, Except Per Share Data)</i>	ASC 605 Q1 2017	ASC 605 Q2 2017	ASC 605 Q3 2017	ASC 605 Q4 2017	ASC 605 Q1 2018
Diluted net income (loss) per share on a GAAP basis	\$0.25	\$0.25	\$0.29	\$(0.05)	\$0.30
Amortization of acquired intangibles	0.05	0.05	0.05	0.05	0.05
Stock-based compensation expense	0.10	0.11	0.13	0.13	0.13
Non-qualified deferred compensation expenses	—	—	0.01	—	—
Restructuring and other charges (credits)	(0.01)	—	—	0.04	(0.01)
Acquisition and integration-related costs	—	—	—	0.02	0.03
Other income or expense related to investments and non-qualified deferred compensation plan assets *	—	—	(0.04)	(0.01)	—
Income tax related to transition tax	—	—	—	0.24	—
Income tax related to tax rate change	—	—	—	0.09	—
Income tax effect of non-GAAP adjustments	(0.07)	(0.07)	(0.09)	(0.12)	(0.06)
Diluted net income per share on a non-GAAP basis †	<u>\$0.32</u>	<u>\$0.34</u>	<u>\$0.35</u>	<u>\$0.39</u>	<u>\$0.44</u>
Shares used in calculation of diluted net income (loss) per share - GAAP **	277,736	279,526	281,400	273,157	281,651
Shares used in calculation of diluted net income per share - non-GAAP **	277,736	279,526	281,400	282,206	281,651

† 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.

* 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.

** Shares used in the calculation of GAAP net income (loss) per share are expected to be the same as shares used in the calculation of non-GAAP net income per share, except when the company reports a GAAP net loss and non-GAAP net income, or GAAP net income and a non-GAAP net loss.

Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share

<i>(In Thousands, Except Per Share Data)</i>	ASC 605 2016	ASC 605 2017	ASC 605 2018E	ASC 606 2018E
Diluted net income per share on a GAAP basis	\$0.70	\$0.73	~\$1.01	\$0.86 - \$0.94
Amortization of acquired intangibles	0.21	0.20	0.19	0.19
Stock-based compensation expense	0.37	0.46	0.59	0.59
Non-qualified deferred compensation expenses	0.01	0.02	—	—
Restructuring and other charges (credits)	0.14	0.03	(0.01)	(0.01)
Acquisition and integration-related costs	0.04	0.03	0.09	0.09
Other income or expense related to investments and non-qualified deferred compensation plan assets *	(0.02)	(0.05)	—	—
Income tax related to transition tax	—	0.24	—	—
Income tax related to tax rate change	—	0.09	—	—
Income tax effect of non-GAAP adjustments	(0.24)	(0.35)	(0.17)	(0.15)
Diluted net income per share on a non-GAAP basis †	<u>\$1.21</u>	<u>\$1.40</u>	<u>~\$1.70</u>	<u>\$1.57 - \$1.65</u>
Shares used in calculation of diluted net income per share - GAAP **	291,256	280,221	280 - 284M	280 - 284M
Shares used in calculation of diluted net income per share - non-GAAP **	291,256	280,221	280 - 284M	280 - 284M

† **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.**

* 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.

** Shares used in the calculation of GAAP net income per share are expected to be the same as shares used in the calculation of non-GAAP net income per share, except when the company reports a GAAP net loss and non-GAAP net income, or GAAP net income and a non-GAAP net loss.

Reconciliation of GAAP Total Other Income and Expense to Non-GAAP Total Other Income and Expense

(In Millions)	FY 2017A	Previous FY 2018E	Current FY 2018E
GAAP total other income and expense	\$(8.9)	\$(30) - \$(20)	\$(31) - \$(23)
Reconciling items to non-GAAP total income and expense			
Other income or expense related to investments and non-qualified deferred compensation plan assets*	(15.7)	—	(1)
Non-GAAP total other income and expense†	<u>\$(24.6)</u>	<u>\$(30) - \$(20)</u>	<u>\$(32) - \$(24)</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.

* 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.

APPENDIX II

The following table summarizes the effects of adopting Topic 606 on Cadence's condensed consolidated balance sheet as of March 31, 2018:

(In Millions)	As reported under Topic 606	Adjustments	Balances under Prior GAAP
Receivables	\$ 225,822	\$ (18,538)	\$ 207,284
Prepaid expenses and other	61,597	(5,255)	56,342
Long-term receivables	9,380	569	9,949
Other assets	226,998	(11,947)	215,051
Accounts payable and accrued liabilities	210,784	(40,357)	170,427
Current portion of deferred revenue	310,639	78,462	389,101
Long-term portion of deferred revenue	56,276	4,275	60,551
Retained earnings	499,817	(79,876)	419,941
Accumulated other comprehensive income	5,940	2,325	8,265

The following table summarizes the effects of adopting Topic 606 on Cadence's condensed consolidated income statement for the three months ended March 31, 2018:

(In Millions)	As reported under Topic 606	Adjustments	Balances under Prior GAAP
Product and maintenance revenue	\$ 480,609	\$ 6,180	\$ 486,789
Services revenue	36,704	1,964	38,668
Cost of product and maintenance	41,730	(251)	41,479
Marketing and sales expense	109,148	(2,810)	106,338
Provision for income taxes	5,284	557	5,841
Net income	72,885	10,648	83,533
Net income per share - basic	0.27	0.04	0.31
Net income per share - diluted	0.26	0.04	0.30