

# CADENCE REPORTS FIRST QUARTER 2021

CADENCE DESIGN SYSTEMS, INC.

## CFO COMMENTARY

### Key Takeaways

- Q1 exceeded our expectations for key operating metrics, resulting in a raise to our 2021 outlook.
- 2021 outlook includes recent NUMECA and Pointwise acquisitions, as we continue to invest in our expanding multiphysics platform.
- Repurchased \$172 million of Cadence stock in Q1.

### FY 2021 Outlook

- Revenue: \$2.88 - \$2.93 billion.
- GAAP operating margin: 23% - 24%.
- Non-GAAP operating margin: 35% - 36%.
- GAAP EPS: \$2.01 - \$2.09
- Non-GAAP EPS \$2.99 - \$3.07
- Operating cash flow: \$900 - \$950 million.
- Expect to use at least 50% of free cash flow for the year to repurchase Cadence shares.

### Q2 2021 Outlook

- Revenue : \$705 - \$725 million.
- GAAP operating margin: approximately 22%.
- Non-GAAP operating margin: approximately 36%.
- GAAP EPS: \$0.44 - \$0.48
- Non-GAAP EPS: \$0.74 - \$0.78

### Financial Results Webcast

Our Q1 2021 financial results webcast will begin April 26, 2021 at 2:00 p.m. (Pacific). The webcast may be accessed at [www.cadence.com/cadence/investor\\_relations](http://www.cadence.com/cadence/investor_relations). An archive of the webcast will be available on April 26, 2021 until 5:00 p.m. (Pacific) on June 18, 2021.

### Q1 2021 KEY METRICS

- Revenue \$736 million
- GAAP operating margin 28%
- Non-GAAP operating margin 38%
- GAAP EPS \$0.67
- Non-GAAP EPS \$0.83
- Operating cash flow \$208 million

**Financial Metrics**

(In Millions, except per share data)	2016	2017*	2018	2019	2020*	2021E
Revenue	\$ 1,816	\$ 1,943	\$ 2,138	\$ 2,336	\$ 2,683	\$2,880- \$2,930
Revenue growth*	7%	7%	10%	9%	15%	7% - 9%
3-year CAGR	8%	7%	8%	9%	11%	~11%
3-year CAGR without 53rd week impact		8%			11%	
<b>GAAP operating expenses</b>	<b>\$ 1,571</b>	<b>\$ 1,619</b>	<b>\$ 1,742</b>	<b>\$ 1,845</b>	<b>\$ 2,037</b>	<b>~\$2,212</b>
Non-GAAP operating expenses	\$ 1,348	\$ 1,409	\$ 1,491	\$ 1,587	\$ 1,739	~\$1,874
Non-GAAP operating expense growth		5%	6%	6%	10%	~8%
<b>GAAP operating margin</b>	<b>13%</b>	<b>17%</b>	<b>19%</b>	<b>21%</b>	<b>24%</b>	
<b>Implied GAAP operating margin**</b>						<b>~23.5%</b>
Non-GAAP operating margin	26%	28%	30%	32%	35%	
Implied Non-GAAP operating margin**						~35.5%
<b>GAAP earnings per share</b>	<b>\$ 0.70</b>	<b>\$ 0.73</b>	<b>\$ 1.23</b>	<b>\$ 3.53</b>	<b>\$ 2.11</b>	<b>\$2.01 - \$2.09</b>
Non-GAAP earning per share	\$ 1.21	\$ 1.40	\$ 1.87	\$ 2.20	\$ 2.80	\$2.99 - \$3.07
Weighted average shares diluted outstanding	291.3	280.2	281.1	280.5	279.6	279 - 281
Cash flow from operations	445	471	605	730	905	\$900 - \$950
Capital expenditures	54	58	62	75	95	~\$100

\* Fiscal 2014 and 2020 were 53-week years, compared to all other years which are 52 week years. 2020 included approximately \$45 million revenue impact for the extra week. 2014 revenue (which impacts the 3 year CAGR in 2017) included approximately \$27 million revenue impact for the extra week.

\*\* At midpoint of guidance.

**Non-GAAP Operating Margin Adjusted for Stock-Based Compensation**

	2016	2017	2018	2019	2020	2021E
Non-GAAP operating margin	26 %	28 %	30 %	32 %	35 %	35% - 36%
Stock-based compensation	(6)%	(7)%	(8)%	(8)%	(7)%	~(8)%
Net	<u>20 %</u>	<u>21 %</u>	<u>22 %</u>	<u>24 %</u>	<u>28 %</u>	<u>27% - 28%</u>

## Second Quarter 2021 Financial Outlook

	Q2 2020A	Q1 2021	Q2 2021E
Total Revenue (\$ Millions)	\$ 638	\$ 736	\$705 - \$725
Q/Q Growth		(3)%	(4)% - (1)%
Y/Y Growth		19%	11% - 14%
<b>GAAP Operating Margin</b>	<b>24%</b>	<b>28%</b>	<b>~22%</b>
Non-GAAP Operating Margin	35%	38%	~36%
<b>GAAP EPS</b>	<b>\$ 0.47</b>	<b>\$ 0.67</b>	<b>\$0.44 - \$0.48</b>
Non-GAAP EPS	\$ 0.66	\$ 0.83	\$0.74 - \$0.78
Q/Q Growth		0%	(11)% - (6)%
Y/Y Growth		38%	12% - 18%

## Fiscal Year 2021 Financial Outlook

	FY 2020*	Previous FY 2021E	Current FY 2021E
Recurring Revenue	85% - 90%	85% - 90%	85% - 90%
Total Revenue (\$ Millions)	\$ 2,683	\$2,860 - \$2,920	\$2,880 - \$2,930
Y/Y Growth*	15%	7% - 9%	7% - 9%
Revenue from Beginning Backlog	~70%	~75%	~75%
<b>GAAP Operating Margin</b>	<b>24.1%</b>	<b>24.5% - 26%</b>	<b>23% - 24%</b>
Non-GAAP Operating Margin	35.2%	34.5% - 36%	35% - 36%
<b>GAAP Other Income &amp; Expense (\$ Millions)</b>	<b>\$ (13)</b>	<b>\$(13) - \$(21)</b>	<b>\$(13) - \$(19)</b>
Non-GAAP Other Income & Expense (\$ Millions)	\$ (13)	\$(13) - \$(21)	\$(16) - \$(22)
<b>GAAP Tax Rate</b>	<b>7%</b>	<b>~14%</b>	<b>~15%</b>
Non-GAAP Tax Rate	16%	16%	16%
Weighted Average Diluted Shares Outstanding (Millions)	279.6	279 - 282	279 - 281
<b>GAAP EPS</b>	<b>\$ 2.11</b>	<b>\$2.09 - \$2.19</b>	<b>\$2.01 - \$2.09</b>
Non-GAAP EPS	\$ 2.80	\$2.95 - \$3.05	\$2.99 - \$3.07
Y/Y Growth	27%	5% - 9%	7% - 10%
Cash Flow from Operations (\$ Millions)	\$ 905	\$900 - \$950	\$900 - \$950
DSO	44	~45	~45
Capital Expenditures (\$ Millions)	\$ 95	~\$100	~\$100

\* Fiscal 2020 was a 53-week year.

## First Quarter Financial Results

### Backlog

(In Billions)	2018		2019		2020	Q1 2021		
Backlog	\$	3.0	\$	3.6	\$	3.9	\$	3.6

### Revenue

(In Millions)	Q1 2020		Q2 2020		Q3 2020		Q4 2020*		Q1 2021	
Product and Maintenance	\$	582	\$	601	\$	631	\$	723	\$	699
Services		36		37		36		37		37
Total Revenue	\$	618	\$	638	\$	667	\$	760	\$	736

\* Q4 2020 was a 14-week quarter.

### Revenue Mix by Geography

(% of Total Revenue)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Americas	43 %	44 %	42 %	41 %	46 %
China	13 %	12 %	17 %	17 %	12 %
Other Asia	18 %	19 %	19 %	18 %	18 %
Europe, Middle East and Africa	19 %	18 %	16 %	17 %	18 %
Japan	7 %	7 %	6 %	7 %	6 %
Total	100 %	100 %	100 %	100 %	100 %

### Revenue Mix by Product Category

(% of Total Revenue)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Custom IC Design and Simulation	25 %	24 %	24 %	26 %	23 %
Digital IC Design and Signoff	29 %	28 %	27 %	31 %	27 %
Functional Verification	23 %	24 %	23 %	19 %	26 %
IP	14 %	14 %	15 %	13 %	14 %
System Design and Analysis	9 %	10 %	11 %	11 %	10 %
Total	100 %	100 %	100 %	100 %	100 %

### Gross Margin

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
<b>GAAP Gross Margin</b>	<b>88.0 %</b>	<b>88.2 %</b>	<b>87.7 %</b>	<b>90.3 %</b>	<b>88.6 %</b>
Non-GAAP Gross Margin	89.9 %	90.3 %	89.6 %	92.2 %	90.4 %

### Total Costs and Expenses

(In Millions)	Q1 2020	Q2 2020	Q3 2020	Q4 2020*	Q1 2021
<b>Total GAAP Costs and Expenses</b>	<b>\$ 479</b>	<b>\$ 486</b>	<b>\$ 497</b>	<b>\$ 575</b>	<b>\$ 532</b>
Total Non-GAAP Costs and Expenses	\$ 419	\$ 415	\$ 428	\$ 478	\$ 456

\* Q4 2020 was a 14-week quarter.

## Operating Margin

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
<b>GAAP Operating Margin</b>	<b>22.6 %</b>	<b>23.8 %</b>	<b>25.4 %</b>	<b>24.3 %</b>	<b>27.7 %</b>
Non-GAAP Operating Margin	32.2 %	35.1 %	35.9 %	37.1 %	38.1 %

## Earnings Per Share

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
<b>GAAP Net Income Per Share</b>	<b>\$ 0.44</b>	<b>\$ 0.47</b>	<b>\$ 0.58</b>	<b>\$ 0.62</b>	<b>\$ 0.67</b>
Non-GAAP Net Income Per Share	\$ 0.60	\$ 0.66	\$ 0.70	\$ 0.83	\$ 0.83

## Total DSO

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
DSO	42	45	41	44	48

## Balance Sheet and Cash Review

## Free Cash Flow

<i>(In Millions)</i>	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Net Cash from Operating Activities	\$ 218	\$ 345	\$ 206	\$ 136	\$ 208
Capital Expenditures	22	22	20	31	17
Free Cash Flow	\$ 196	\$ 323	\$ 186	\$ 105	\$ 191

## Cash and Cash Equivalents

<i>(In Millions)</i>	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Cash and Cash Equivalents	\$ 946	\$ 1,189	\$ 1,307	\$ 928	\$ 743

- Approximately 40 percent of our cash and cash equivalents were in the U.S. at quarter-end.

## Stock Repurchase

<i>(In Millions, Except Share Price)</i>	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Share Repurchase	\$ 100	\$ 75	\$ 75	\$ 130	\$ 172
Number of Shares	1.488	0.920	0.717	1.123	1.323
Average Share Price	\$ 67.22	\$ 81.54	\$ 104.62	\$ 115.78	\$ 130.01

## Employees

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Headcount	8,205	8,375	8,674	8,746	8,990

## Forward Looking Statements

The statements in this CFO Commentary contain forward-looking statements which are based on current expectations and preliminary assumptions 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 highly competitive industries in which it operates; (ii) the success of Cadence's efforts to maintain and improve operational efficiency and growth; (iii) the mix of products and services sold, the timing of orders and the ability to develop, install or deliver Cadence's products or services; (iv) change in customer demands that could result in delays in purchases, development, installations or deliveries of Cadence's products or services, including those resulting from consolidation, restructurings and other operational efficiency improvements of Cadence's customers; (v) economic and industry conditions, including that of the semiconductor and electronics industries, government regulations and trade restrictions; (vi) capital expenditure requirements, legislative or regulatory requirements, changes in tax laws, interest rates, currency exchange rate fluctuations and Cadence's ability to access capital and debt markets; (vii) the acquisition of other companies or technologies or the failure to successfully integrate and operate them; (viii) events that affect cash flow, liquidity, or reserves, or settlement assumptions Cadence may take from time to time with respect to accounts receivable, taxes and tax examinations, litigation or other matters; (ix) the effects of any litigation or other proceedings to which Cadence is or may become a party; and (x) the duration, severity and effects of the COVID-19 pandemic and containment measures on Cadence, its employees, and its suppliers and customers, which may also have the effect of heightening the other risks described in this paragraph. In addition, the timing and amount of Cadence's repurchase of its common stock under the authorizations will be subject to business and market conditions, corporate and regulatory requirements, stock price, 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.

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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 Millions)</i>	Q1 2020	Q2 2020	Q3 2020	Q4 2020*	Q1 2021
<b>GAAP total costs and expenses</b>	<b>\$ 479</b>	<b>\$ 486</b>	<b>\$ 497</b>	<b>\$ 575</b>	<b>\$ 532</b>
Reconciling items to non-GAAP total costs and expenses					
Stock-based compensation expense	(47)	(47)	(45)	(59)	(53)
Amortization of acquired intangibles	(15)	(16)	(16)	(17)	(16)
Acquisition and integration-related costs	(4)	(5)	(6)	(7)	(5)
Restructuring and other (charges) credits	1	1	—	(10)	—
Non-qualified deferred compensation (expenses) credits	5	(4)	(2)	(4)	(2)
Special charges	—	—	—	—	—
Non-GAAP total costs and expenses †	<u>\$ 419</u>	<u>\$ 415</u>	<u>\$ 428</u>	<u>\$ 478</u>	<u>\$ 456</u>

\* Q4 2020 was a 14-week quarter.

† 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 Total Expenses to Non-GAAP Total Expenses

<i>(In Millions)</i>	2017	2018	2019	2020*	2021E
<b>GAAP total costs and expenses</b>	<b>\$ 1,619</b>	<b>\$ 1,742</b>	<b>\$ 1,845</b>	<b>\$ 2,037</b>	<b>\$2,212</b>
Reconciling items to non-GAAP total costs and expenses					
Stock-based compensation expense	(130)	(168)	(182)	(197)	~(222)
Amortization of acquired intangibles	(57)	(53)	(53)	(64)	~(67)
Acquisition and integration-related costs	(8)	(20)	(8)	(23)	~(21)
Restructuring and other charges	(9)	(11)	(9)	(9)	—
Non-qualified deferred compensation (expenses) credits	(6)	1	(5)	(5)	~(2)
Special charges **	—	—	(1)	—	~(26)
Non-GAAP total costs and expenses †	<u>\$ 1,409</u>	<u>\$ 1,491</u>	<u>\$ 1,587</u>	<u>\$ 1,739</u>	<u>~\$1,874</u>

\* Fiscal 2020 was a 53-week year.

\*\* 2021 includes costs related to a voluntary retirement program.

† 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 Gross Margin as a Percent of Total Revenue to Non-GAAP Gross Margin as a Percent of Total Revenue

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
<b>GAAP gross margin as a percent of total revenue</b>	<b>88%</b>	<b>88%</b>	<b>88%</b>	<b>90%</b>	<b>89%</b>
Reconciling items to non-GAAP gross margin as a percent of total revenue					
Stock-based compensation expense	0%	0%	0%	0%	0%
Amortization of acquired intangibles	2%	2%	2%	2%	1%
Non-qualified deferred compensation expenses (credits)	0%	0%	0%	0%	0%
Non-GAAP gross margin as a percent of total revenue †	<u>90%</u>	<u>90%</u>	<u>90%</u>	<u>92%</u>	<u>90%</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 a Percent of Total Revenue to Non-GAAP Operating Margin as a Percent of Total Revenue

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021E
<b>GAAP operating margin as a percent of total revenue</b>	<b>23%</b>	<b>24%</b>	<b>25%</b>	<b>24%</b>	<b>28%</b>	<b>~22%</b>
Reconciling items to non-GAAP operating margin as a percent of total revenue						
Stock-based compensation expense	7%	7%	7%	8%	7%	7%
Amortization of acquired intangibles	2%	2%	3%	2%	2%	2%
Acquisition and integration-related costs	1%	1%	1%	1%	1%	1%
Restructuring and other charges (credits)	0%	0%	0%	1%	0%	0%
Non-qualified deferred compensation expenses (credits)	(1)%	1%	0%	1%	0%	0%
Special charges *	0%	0%	0%	0%	0%	4%
Non-GAAP operating margin as a percent of total revenue †	<u>32%</u>	<u>35%</u>	<u>36%</u>	<u>37%</u>	<u>38%</u>	<u>~36%</u>

\* Q2 2021 includes costs related to a voluntary retirement program.

† **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.**

	2016	2017	2018	2019	2020	2021E
<b>GAAP operating margin as a percent of total revenue</b>	<b>13%</b>	<b>17%</b>	<b>19%</b>	<b>21%</b>	<b>24%</b>	<b>23% - 24%</b>
Reconciling items to non-GAAP operating margin as a percent of total revenue						
Stock-based compensation expense	6%	7%	8%	8%	7%	8%
Amortization of acquired intangibles	4%	3%	2%	2%	3%	2%
Acquisition and integration-related costs	1%	0%	1%	0%	1%	1%
Restructuring and other charges	2%	1%	0%	1%	0%	0%
Non-qualified deferred compensation expenses (credits)	0%	0%	0%	0%	0%	0%
Special charges *	0%	0%	0%	0%	0%	1%
Non-GAAP operating margin as a percent of total revenue †	<u>26%</u>	<u>28%</u>	<u>30%</u>	<u>32%</u>	<u>35%</u>	<u>35% - 36%</u>

\* 2021 includes costs related to a voluntary retirement program.

† **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>	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2020	Q2 2021E
<b>Diluted net income per share on a GAAP basis</b>	<b>\$ 0.44</b>	<b>\$ 0.47</b>	<b>\$ 0.58</b>	<b>\$ 0.62</b>	<b>\$ 0.67</b>	<b>\$0.44 - \$0.48</b>
Stock-based compensation expense	0.17	0.17	0.16	0.21	0.19	0.19
Amortization of acquired intangibles	0.05	0.06	0.06	0.06	0.06	0.06
Acquisition and integration-related costs	0.02	0.02	0.02	0.02	0.02	0.02
Restructuring and other charges (credits)	—	—	—	0.04	—	—
Non-qualified deferred compensation expenses (credits)	(0.02)	0.01	—	0.01	—	—
Special charges *	—	—	—	—	—	0.09
Other income or expense related to investments and non-qualified deferred compensation plan assets **	0.03	(0.01)	—	(0.02)	(0.01)	—
Income tax effect of non-GAAP adjustments	(0.09)	(0.06)	(0.12)	(0.11)	(0.10)	(0.06)
Diluted net income per share on a non-GAAP basis †	<u>\$ 0.60</u>	<u>\$ 0.66</u>	<u>\$ 0.70</u>	<u>\$ 0.83</u>	<u>\$ 0.83</u>	<u>\$0.74 - \$0.78</u>
Shares used in calculation of diluted net income per share	279,265	279,080	280,024	280,173	280,140	

† 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.

\* Q2 2021 includes costs related to a voluntary retirement program.

\*\* 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.

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

<i>(In Thousands, Except Per Share Data)</i>	2016	2017	2018	2019	2020	2021E
<b>Diluted net income per share on a GAAP basis</b>	<b>\$ 0.70</b>	<b>\$ 0.73</b>	<b>\$ 1.23</b>	<b>\$ 3.53</b>	<b>\$ 2.11</b>	<b>\$2.01 - \$2.09</b>
Stock-based compensation expense	0.37	0.46	0.60	0.65	0.71	0.79
Amortization of acquired intangibles	0.21	0.20	0.19	0.19	0.23	0.24
Acquisition and integration-related costs	0.04	0.03	0.07	0.03	0.08	0.08
Restructuring and other charges	0.14	0.03	0.04	0.03	0.03	—
Non-qualified deferred compensation expenses (credits)	0.01	0.02	(0.01)	0.02	0.02	0.01
Special charges*	—	—	—	—	—	0.09
Other income or expense related to investments and non-qualified deferred compensation plan assets**	(0.02)	(0.05)	—	(0.01)	—	(0.01)
Income tax benefit related to intercompany transfers of certain intellectual property rights	—	—	—	(2.05)	—	—
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)	(0.25)	(0.19)	(0.38)	(0.22)
Diluted net income per share on a non-GAAP basis †	<u>\$ 1.21</u>	<u>\$ 1.40</u>	<u>\$ 1.87</u>	<u>\$ 2.20</u>	<u>\$ 2.80</u>	<u>\$2.99 - \$3.07</u>
Shares used in calculation of diluted net income per share	291,256	280,221	281,144	280,515	279,641	279 - 281M

† 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.

\* 2021 includes costs related to a voluntary retirement program.

\*\* 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.

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

(In Millions)	FY 2019	FY 2020	FY 2021E
<b>GAAP total other income and expense</b>	<b>\$ (12.8)</b>	<b>\$ (12.8)</b>	<b>\$(13) - \$(19)</b>
Reconciling items to non-GAAP total income and expense			
Other income or expense related to investments and non-qualified deferred compensation plan assets*	(1.3)	(0.5)	(3)
Non-GAAP total other income and expense†	<u>\$ (14.1)</u>	<u>\$ (13.3)</u>	<u>\$(16) - \$(22)</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.