

Richard Gu, vice president, investor relations

Forward-Looking Statements and Non-GAAP Measures

The following discussion contains forward-looking statements, including our outlook on future business and operating results. Actual results may differ materially from expectations expressed or implied in the forward-looking statements due to risks, uncertainties and other factors, many of which are outside our control. All forward-looking statements in this discussion are made only as of April 28, 2025, are based on estimates and information available to us at that time, and we do not intend, and disclaim any obligation, to update them. For information on the factors that could cause a difference in our results, please refer to our filings with the Securities and Exchange Commission. These include our most recent reports on Form 10-K and Form 10-Q, the cautionary comments regarding forward-looking statements in the earnings release issued on April 28, 2025, as well as our future filings.

In addition, the following discussion contains non-GAAP measures, which should not be considered in isolation from, or as a substitute for, GAAP results. Reconciliations of non-GAAP measures with their most directly comparable GAAP results are available in the quarterly earnings section of the investor relations portion of our website.

A copy of the earnings release for the first quarter of fiscal 2025, related financial tables and CFO Commentary which was included in our Form 8-K filing on April 28, 2025, can also be found in the investor relations portion of our website.

Anirudh Devgan, president and chief executive officer

I'm pleased to report that Cadence delivered excellent results for the first quarter of 2025, with robust ongoing customer demand for our innovative technologies. We exceeded our guidance on all key financial metrics, achieving 23% year-over-year revenue growth and 34% increase in non-GAAP EPS. Given this outperformance and the continued strength of our business, we are raising our financial outlook for the year. John will provide more details in a moment.

Before diving in, I would like to share my perspective on the prevailing macroeconomic uncertainty. Semiconductors remain foundational to realizing transformative technologies such as hyperscale computing, 5G, and autonomous systems, all fueled by the AI megatrend. We haven't seen any shifts in customers' behavior at this time, as they continue investing in their next generation designs, recognizing that today's R&D efforts are critical to deliver their ground-breaking products of tomorrow. Additionally, our ratable software business model, strong Q1 exit backlog and a predominantly recurring revenue mix, provide resilience and excellent visibility. Customers are increasingly relying on our products as we execute our Intelligent System Design strategy and expand our differentiated end-to-end portfolio to serve a growing and diversified customer base.

As the fast-evolving AI landscape expands the market opportunities and reshapes the entire chip and system development process, our Cadence.AI portfolio delivers unparalleled PPA, productivity and time-to-market benefits. At GTC, we announced an expanded partnership with NVIDIA on their latest Grace Blackwell architecture. In addition to enabling up to an 80x acceleration of Cadence solvers, we are collaborating on developing a full-stack agentic AI solution for engineering and science, using the new Llama Nemotron Reasoning Model. We are also one of the first adopters of NVIDIA Omniverse Blueprint for AI factory digital twins, advancing data center design and operational efficiency.

In Q1, we expanded our footprint at several top tier customers and furthered our relationships with key ecosystem partners.

Last quarter we announced a collaboration with Rapidus on 2nm IP development, and this quarter we're pleased to share that Rapidus has made a wide-ranging commitment to our core EDA software portfolio across digital, custom-analog and verification solutions. In Q1, we deepened our partnership with Socionext through a broad expansion of our EDA software, particularly AI-driven digital solutions, along with our system software.

We furthered our partnership with a marquee hyperscaler through a broad proliferation of our digital and verification software, particularly our AI-driven Cadence Cerebrus and Verisium solutions.

We expanded our collaboration with Intel Foundry by officially joining the Intel Foundry Accelerator Design Services Alliance. From systems on chip to advanced IP for AI and HPC applications, Cadence's inclusion in the alliance helps Intel Foundry customers remain at the forefront of innovation.

Now let's talk about our key product highlights for Q1.

Our **IP business** grew 40% year-over-year in Q1, as we continued to benefit from the strong market opportunities offered by AI, chiplet-based architectures, and the foundry ecosystem buildout. We secured a major expansion at a global marquee systems company for our AI / HPC design IP, and deepened our partnership with a major foundry through their commitment to our memory and interface IP.

Following our pending acquisition of Secure-IC last quarter, we continued to build out our design IP portfolio and earlier this month we entered into a definitive agreement to acquire Arm's Artisan foundation IP business.

Our Tensilica DSP is the de facto choice for automotive ADAS and infotainment systems and continued being widely integrated into vision, Radar, LiDAR and audio systems for autonomous driving as well as emerging robotics use cases.

Our **Core EDA** revenue grew 16% year-over-year in Q1, with further proliferation of our digital full flow at the most advanced nodes. Cadence Cerebrus AI solution continued its strong momentum with nearly 50 new logos in Q1 and well over 1,000 tapeouts to date. Engineering Change Orders, or ECO's, are critical part of any design process. AI is particularly suitable to dramatically improve ECO's. Using the new Cadence Conformal AI ECO flows, MediaTek saw early positive results, generating 83% smaller ECO patches in nearly half the runtime. MediaTek also improved runtime and memory by 100x through its deployment of Conformal AI Low Power. Our collection of new Smart ECO technologies has sped up Renesas's automated functional ECO runtimes by more than 50%, while improving quality.

Our flagship Virtuoso platform, the industry's gold standard for advanced-node custom, analog and mixed-signal design continued to expand into new areas such as photonics and circuit and yield optimization.

Ever increasing complexities in system verification and software bring-up continued to drive secular demand for our market-leading Palladium Z3 and Protium X3 platforms. Demand for hardware was broad-based, with particular strength driven by AI / HPC and hyperscaler customers. Our hardware products continued to proliferate at existing customers, especially top hyperscalers, while gaining notable competitive wins, including at a market-shaping semiconductor company. Our verification software suite that includes Verisium, Xcelium, and Jasper, leverages big data and AI to optimize verification workloads, and saw continued expansion across Aerospace and Defense, electronics, and automotive segments.

Our **System Design and Analysis business** delivered more than 50% year-over-year revenue growth in Q1, as our AI-driven optimization solutions integrated with our physics-based simulation platforms continued to deliver superior results across multiple end-markets.

Our digital twin Reality datacenter product gained momentum, signing multiple deals with large hyperscalers and cloud service providers in Q1. Beta CAE delivered a strong quarter, and is opening up tremendous opportunities for us in the automotive vertical.

Allegro X's Omniverse integration was highlighted at GTC, with photo-realistic 3D views of a full multi-board system designed in Allegro X. Our AI-driven Substrate Router, the industry's premier solution for full package routing of complex 3D-IC designs, saw strong customer interest and engagements during the early adopter program.

In summary, I'm pleased with our Q1 results and the continued momentum of our business. The growing complexity of chip and system design, coupled with the transformative potential of AI-driven automation, creates significant opportunities for our products to enable and empower our customers.

In addition to our strong business results, I am proud of our high-performance inclusive culture and thrilled that Cadence was recently named by Fortune and Great Place to Work yet again as one of the 100 Best Companies to Work For, ranking No. 11.

Now I will turn it over to John to provide more details on the Q1 results and our updated 2025 outlook.

John Wall, senior vice president and chief financial officer

Thanks Anirudh, and good afternoon, everyone.

I am pleased to report that Cadence delivered excellent results for the first quarter of 2025, with broad-based strength across all our businesses.

Robust design activity and customer demand drove 23% year-over-year revenue growth and 42% non-GAAP operating margin for Q1, and we are tracking ahead of our original forecast for 2025. We repurchased more Cadence shares than initially planned in Q1, which reduced our share count.

Here are some of the financial highlights from the first quarter, starting with the P&L:

- Total revenue was **\$1.242 billion**
- GAAP operating margin was **29.1%** and non-GAAP operating margin was **41.7%**, and
- GAAP EPS was **\$1.00**, with non-GAAP EPS **\$1.57**.

Next, turning to the balance sheet and cash flow:

- Cash balance at quarter end was **\$2.778 billion**, while the principal value of debt outstanding was **\$2.5 billion**
- Operating cash flow was **\$487 million**
- DSOs were **44** days, and
- We used **\$350 million** to repurchase Cadence shares

Before I provide our updated outlook, I'd like to share the assumption that is embedded:

- It contains the usual assumption that export control regulations that exist today remain substantially similar for the remainder of the year.

Our updated outlook for 2025 is:

- Revenue in the range of **\$5.15 billion to \$5.23 billion**
- GAAP operating margin in the range of **30.25% to 31.25%**
- Non-GAAP operating margin in the range of **43.25% to 44.25%**
- GAAP EPS in the range of **\$4.21 to \$4.31**
- Non-GAAP EPS in the range of **\$6.73 to \$6.83**
- Operating cash flow in the range of **\$1.6 billion to \$1.7 billion** dollars, and
- We expect to use at least **50%** of our annual free cash flow to repurchase Cadence shares.

With that in mind, for Q2, we expect:

- Revenue in the range of **\$1.25 billion to \$1.27 billion** GAAP operating margin in the range of **27.5% to 28.5%**
- Non-GAAP operating margin in the range of **41.5% to 42.5%**
- GAAP EPS in the range of **\$0.89 to \$0.95**, and
- Non-GAAP EPS in the range of **\$1.55 to \$1.61**, and

As usual, we've published a 'CFO Commentary' document on our Investor Relations website, which includes our outlook for additional items, as well as further analysis and GAAP to Non-GAAP reconciliations.

In conclusion, Cadence is off to a strong start to the year. We are raising our 2025 revenue and EPS outlook.

Our technology platform is essential to customers' R&D investment, and our resilient software model positions us well in navigating today's dynamic macro environment.

I'd like to close by thanking our customers, partners, and our employees for their continued support.

And with that, operator, we will now take questions.

Q&A Session

- Anirudh Devgan, President and Chief Executive Officer
- John Wall, Senior Vice President and Chief Financial Officer

Prepared Closing Remarks of Anirudh Devgan, president and chief executive officer

Thank you all for joining us this afternoon.

- It is an exciting time for Cadence as our broad portfolio and product leadership ideally position us to maximize the growing opportunities in the semiconductor and systems industry.
- And on behalf of our employees and our Board of Directors, we thank our customers, partners, and investors for your continued trust and confidence in Cadence.