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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
July 2, 2022 and January 1, 2022
(In thousands)
(Unaudited)

	July 2, 2022	January 1, 2022
Current assets:		
Cash and cash equivalents	\$ 1,029,544	\$ 1,088,940
Receivables, net	391,738	337,596
Inventories	106,372	115,721
Prepaid expenses and other	129,966	173,512
Total current assets	1,657,620	1,715,769
Property, plant and equipment, net	316,741	305,911
Goodwill	924,460	928,358
Acquired intangibles, net	215,781	233,265
Deferred taxes	802,886	763,770
Other assets	443,786	439,226
Total assets	\$ 4,361,274	\$ 4,386,299
Current liabilities:		
Accounts payable and accrued liabilities	\$ 437,195	\$ 417,283
Current portion of deferred revenue	605,296	553,942
Total current liabilities	1,042,491	971,225
Long-term liabilities:		
Long-term portion of deferred revenue	114,573	101,148
Long-term debt	347,999	347,588
Other long-term liabilities	230,982	225,663
Total long-term liabilities	693,554	674,399
Stockholders' equity	2,625,229	2,740,675
Total liabilities and stockholders' equity	\$ 4,361,274	\$ 4,386,299

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

	July 3, 2021	October 2, 2021	January 1, 2022	April 2, 2022	July 2, 2022
Current assets:					
Cash and cash equivalents	\$ 847,160	\$ 1,013,819	\$ 1,088,940	\$ 1,134,752	\$ 1,029,544
Receivables, net	389,986	327,191	337,596	361,789	391,738
Inventories	90,479	101,575	115,721	110,213	106,372
Prepaid expenses and other	129,442	100,428	173,512	128,143	129,966
Total current assets	1,457,067	1,543,013	1,715,769	1,734,897	1,657,620
Property, plant and equipment, net	301,979	303,313	305,911	310,690	316,741
Goodwill	929,525	925,949	928,358	923,719	924,460
Acquired intangibles, net	264,789	247,628	233,265	219,110	215,781
Deferred taxes	729,790	766,036	763,770	787,111	802,886
Other assets	439,398	427,936	439,226	419,540	443,786
Total assets	\$ 4,122,548	\$ 4,213,875	\$ 4,386,299	\$ 4,395,067	\$ 4,361,274
Current liabilities:					
Accounts payable and accrued liabilities	\$ 340,607	\$ 363,835	\$ 417,283	\$ 360,547	\$ 437,195
Current portion of deferred revenue	586,109	543,361	553,942	600,279	605,296
Total current liabilities	926,716	907,196	971,225	960,826	1,042,491
Long-term liabilities:					
Long-term portion of deferred revenue	98,408	95,991	101,148	106,838	114,573
Long-term debt	347,186	347,385	347,588	347,792	347,999
Other long-term liabilities	233,495	232,041	225,663	219,428	230,982
Total long-term liabilities	679,089	675,417	674,399	674,058	693,554
Stockholders' equity:					
Common stock and capital in excess of par value	2,354,801	2,411,791	2,467,701	2,552,207	2,590,893
Treasury stock, at cost	(2,509,668)	(2,622,675)	(2,740,003)	(3,025,728)	(3,352,827)
Retained earnings	2,693,402	2,869,709	3,046,288	3,281,623	3,468,543
Accumulated other comprehensive loss	(21,792)	(27,563)	(33,311)	(47,919)	(81,380)
Total stockholders' equity	2,516,743	2,631,262	2,740,675	2,760,183	2,625,229
Total liabilities and stockholders' equity	\$ 4,122,548	\$ 4,213,875	\$ 4,386,299	\$ 4,395,067	\$ 4,361,274

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Six Months Ended July 2, 2022 and July 3, 2021
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 2, 2022</u>	<u>July 3, 2021</u>	<u>July 2, 2022</u>	<u>July 3, 2021</u>
Revenue:				
Product and maintenance	\$ 802,285	\$ 687,884	\$ 1,648,529	\$ 1,386,938
Services	55,236	40,401	110,758	77,375
Total revenue	<u>857,521</u>	<u>728,285</u>	<u>1,759,287</u>	<u>1,464,313</u>
Costs and expenses:				
Cost of product and maintenance	68,717	55,842	141,512	120,748
Cost of services	23,948	20,917	48,996	39,978
Marketing and sales	139,296	135,967	279,482	268,793
Research and development	286,597	285,227	577,492	556,219
General and administrative	51,426	40,333	100,363	80,285
Amortization of acquired intangibles	4,633	5,030	9,597	9,661
Restructuring	16	(469)	28	(746)
Total costs and expenses	<u>574,633</u>	<u>542,847</u>	<u>1,157,470</u>	<u>1,074,938</u>
Income from operations	282,888	185,438	601,817	389,375
Interest expense	(4,281)	(4,316)	(8,389)	(8,533)
Other income (expense), net	(5,962)	2,143	(10,862)	4,844
Income before provision for income taxes	272,645	183,265	582,566	385,686
Provision for income taxes	85,725	27,365	160,311	42,617
Net income	<u>\$ 186,920</u>	<u>\$ 155,900</u>	<u>\$ 422,255</u>	<u>\$ 343,069</u>
Net income per share - basic	<u>\$ 0.69</u>	<u>\$ 0.57</u>	<u>\$ 1.55</u>	<u>\$ 1.25</u>
Net income per share - diluted	<u>\$ 0.68</u>	<u>\$ 0.56</u>	<u>\$ 1.53</u>	<u>\$ 1.23</u>
Weighted average common shares outstanding - basic	<u>271,520</u>	<u>273,565</u>	<u>272,028</u>	<u>273,843</u>
Weighted average common shares outstanding - diluted	<u>275,172</u>	<u>278,558</u>	<u>276,097</u>	<u>279,399</u>

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

	Three Months Ended				
	July 3, 2021	October 2, 2021	January 1, 2022	April 2, 2022	July 2, 2022
Revenue:					
Product and maintenance	\$ 687,884	\$ 706,160	\$ 719,849	\$ 846,244	\$ 802,285
Services	40,401	44,735	53,187	55,522	55,236
Total revenue	<u>728,285</u>	<u>750,895</u>	<u>773,036</u>	<u>901,766</u>	<u>857,521</u>
Costs and expenses:					
Cost of product and maintenance	55,842	54,185	47,714	72,795	68,717
Cost of services	20,917	22,402	21,979	25,048	23,948
Marketing and sales	135,967	143,401	148,068	140,186	139,296
Research and development	285,227	289,105	288,953	290,895	286,597
General and administrative	40,333	42,990	65,743	48,937	51,426
Amortization of acquired intangibles	5,030	5,000	4,979	4,964	4,633
Restructuring	(469)	(222)	(80)	12	16
Total costs and expenses	<u>542,847</u>	<u>556,861</u>	<u>577,356</u>	<u>582,837</u>	<u>574,633</u>
Income from operations	185,438	194,034	195,680	318,929	282,888
Interest expense	(4,316)	(4,196)	(4,251)	(4,108)	(4,281)
Other income (expense), net	2,143	(1,143)	2,625	(4,900)	(5,962)
Income before provision for income taxes	183,265	188,695	194,054	309,921	272,645
Provision for income taxes	27,365	12,388	17,475	74,586	85,725
Net income	<u>\$ 155,900</u>	<u>\$ 176,307</u>	<u>\$ 176,579</u>	<u>\$ 235,335</u>	<u>\$ 186,920</u>
Net income per share - basic	<u>\$ 0.57</u>	<u>\$ 0.65</u>	<u>\$ 0.65</u>	<u>\$ 0.86</u>	<u>\$ 0.69</u>
Net income per share - diluted	<u>\$ 0.56</u>	<u>\$ 0.63</u>	<u>\$ 0.63</u>	<u>\$ 0.85</u>	<u>\$ 0.68</u>
Weighted average common shares outstanding - basic	<u>273,565</u>	<u>273,194</u>	<u>273,066</u>	<u>272,431</u>	<u>271,520</u>
Weighted average common shares outstanding - diluted	<u>278,558</u>	<u>278,311</u>	<u>278,253</u>	<u>276,918</u>	<u>275,172</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended July 2, 2022 and July 3, 2021
(In thousands)
(Unaudited)

	Six Months Ended	
	July 2, 2022	July 3, 2021
Cash and cash equivalents at beginning of period	\$ 1,088,940	\$ 928,432
Cash flows from operating activities:		
Net income	422,255	343,069
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	67,690	71,799
Amortization of debt discount and fees	539	687
Stock-based compensation	123,739	103,114
(Gain) loss on investments, net	3,124	(795)
Deferred income taxes	(41,597)	1,710
Provisions for losses on receivables	133	242
ROU asset amortization and change in operating lease liabilities	1,742	(2,483)
Other non-cash items	88	183
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(64,036)	(48,016)
Inventories	367	(14,527)
Prepaid expenses and other	40,571	7,690
Other assets	14,476	6,991
Accounts payable and accrued liabilities	17,470	(14,771)
Deferred revenue	80,460	127,286
Other long-term liabilities	(5,872)	6,639
Net cash provided by operating activities	<u>661,149</u>	<u>588,818</u>
Cash flows from investing activities:		
Purchases of non-marketable investments	(1,000)	-
Purchases of property, plant and equipment	(42,202)	(31,139)
Purchases of intangible assets	(750)	-
Cash paid in business combinations, net of cash acquired	(25,000)	(220,660)
Net cash used for investing activities	<u>(68,952)</u>	<u>(251,799)</u>
Cash flows from financing activities:		
Payment of debt issuance costs	-	(1,285)
Proceeds from issuance of common stock	50,224	52,252
Stock received for payment of employee taxes on vesting of restricted stock	(63,544)	(78,053)
Payments for repurchases of common stock	(600,049)	(392,290)
Net cash used for financing activities	<u>(613,369)</u>	<u>(419,376)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(38,224)</u>	<u>1,085</u>
Decrease in cash and cash equivalents	<u>(59,396)</u>	<u>(81,272)</u>
Cash and cash equivalents at end of period	<u>\$ 1,029,544</u>	<u>\$ 847,160</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended July 2, 2022
(In thousands)
(Unaudited)

	<u>Q2 2021</u>	<u>Q3 2021</u>	<u>Q4 2021</u>	<u>Q1 2022</u>	<u>Q2 2022</u>
Cash and cash equivalents at beginning of period	\$ 742,981	\$ 847,160	\$ 1,013,819	\$ 1,088,940	\$ 1,134,752
Cash flows from operating activities:					
Net income	155,900	176,307	176,579	235,335	186,920
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	35,581	35,163	35,346	34,825	32,865
Amortization of debt discount and fees	423	265	267	268	271
Stock-based compensation	50,518	52,746	54,230	59,469	64,270
(Gain) loss on investments, net	638	465	(250)	2,038	1,086
Deferred income taxes	(1,000)	(36,276)	(8,612)	(24,920)	(16,677)
Provisions for losses (recoveries) on receivables	165	(8)	291	(344)	477
ROU asset amortization and change in operating lease liabilities	(347)	(434)	(8,689)	926	816
Other non-cash items	(119)	(37)	281	88	-
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(2,089)	63,148	(13,118)	(28,426)	(35,610)
Inventories	(13,858)	(11,081)	(13,419)	4,580	(4,213)
Prepaid expenses and other	10,704	28,942	(70,974)	44,419	(3,848)
Other assets	731	1,136	(15,260)	11,588	2,888
Accounts payable and accrued liabilities	65,998	25,272	56,855	(58,203)	75,673
Deferred revenue	68,120	(43,103)	16,548	56,225	24,235
Other long-term liabilities	9,011	3,778	5,782	(1,260)	(4,612)
Net cash provided by operating activities	<u>380,376</u>	<u>296,283</u>	<u>215,857</u>	<u>336,608</u>	<u>324,541</u>
Cash flows from investing activities:					
Purchases of non-marketable investments	-	-	-	(1,000)	-
Proceeds from the sale of non-marketable investments	-	128	-	-	-
Purchases of property, plant and equipment	(14,171)	(18,838)	(15,321)	(18,130)	(24,072)
Purchases of intangible assets	-	-	(1,583)	(750)	-
Cash paid in business combinations, net of cash acquired	(31,398)	634	(6,175)	-	(25,000)
Net cash used for investing activities	<u>(45,569)</u>	<u>(18,076)</u>	<u>(23,079)</u>	<u>(19,880)</u>	<u>(49,072)</u>
Cash flows from financing activities:					
Payment of debt issuance costs	(1,285)	-	-	-	-
Proceeds from issuance of common stock	5,868	31,380	4,140	45,673	4,551
Stock received for payment of employee taxes on vesting of restricted stock	(21,668)	(30,132)	(9,797)	(56,343)	(7,201)
Payments for repurchases of common stock	(220,023)	(110,011)	(109,996)	(250,016)	(350,033)
Net cash used for financing activities	<u>(237,108)</u>	<u>(108,763)</u>	<u>(115,653)</u>	<u>(260,686)</u>	<u>(352,683)</u>
Effect of exchange rate changes on cash and cash equivalents	6,480	(2,785)	(2,004)	(10,230)	(27,994)
Increase (decrease) in cash and cash equivalents	<u>104,179</u>	<u>166,659</u>	<u>75,121</u>	<u>45,812</u>	<u>(105,208)</u>
Cash and cash equivalents at end of period	<u>\$ 847,160</u>	<u>\$ 1,013,819</u>	<u>\$ 1,088,940</u>	<u>\$ 1,134,752</u>	<u>\$ 1,029,544</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2021					2022	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Americas	46%	44%	46%	43%	45%	47%	45%
China	12%	14%	13%	12%	13%	16%	13%
Other Asia	18%	19%	18%	21%	19%	18%	18%
Europe, Middle East and Africa	18%	17%	17%	18%	17%	14%	18%
Japan	6%	6%	6%	6%	6%	5%	6%
Total	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Category (% of Total Revenue)

<u>PRODUCT CATEGORY</u>	2021					2022	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Custom IC Design and Simulation	23%	23%	23%	24%	23%	22%	23%
Digital IC Design and Signoff	27%	28%	29%	29%	29%	27%	27%
Functional Verification, including Emulation and Prototyping Hardware	26%	25%	23%	21%	24%	28%	24%
IP	14%	13%	14%	14%	13%	13%	14%
System Design and Analysis	10%	11%	11%	12%	11%	10%	12%
Total	100%	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of July 25, 2022
(Unaudited)

	<u>Three Months Ending</u> <u>October 1, 2022</u> <u>Forecast</u>	<u>Year Ending</u> <u>December 31, 2022</u> <u>Forecast</u>
GAAP operating margin as a percent of total revenue	26% - 27%	29.25% - 30.25%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	8%	7.7%
Amortization of acquired intangibles	2%	1.8%
Acquisition and integration-related costs	1%	0.8%
Non-qualified deferred compensation credits	0%	(0.3)%
Non-GAAP operating margin as a percent of total revenue†	<u>37% - 38%</u>	<u>39.25% - 40.25%</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.

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
As of July 25, 2022
(Unaudited)

	Three Months Ending October 1, 2022 Forecast	Year Ending December 31, 2022 Forecast
Diluted net income per share on a GAAP basis	\$0.58 to \$0.62	\$2.59 to \$2.65
Stock-based compensation expense	0.26	0.98
Amortization of acquired intangibles	0.06	0.24
Acquisition and integration-related costs	0.02	0.10
Non-qualified deferred compensation credits	-	(0.03)
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	0.04
Income tax effect of non-GAAP adjustments	0.02	0.14
Diluted net income per share on a non-GAAP basis†	\$0.94 to \$0.98	\$4.06 to \$4.12

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of July 25, 2022
(Unaudited)

(\$ in millions)	Three Months Ending October 1, 2022 Forecast	Year Ending December 31, 2022 Forecast
Net income on a GAAP basis	\$160 to \$170	\$716 to \$732
Stock-based compensation expense	73	270
Amortization of acquired intangibles	16	65
Acquisition and integration-related costs	6	28
Non-qualified deferred compensation credits	-	(9)
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	12
Income tax effect of non-GAAP adjustments	5	39
Net income on a non-GAAP basis†	\$260 to \$270	\$1,121 to \$1,137

†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.

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three and Six Months Ended July 2, 2022 and July 3, 2021
(Unaudited)

(In thousands)	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Net income on a GAAP basis	\$ 186,920	\$ 155,900	\$ 422,255	\$ 343,069
Stock-based compensation expense*	64,270	50,518	123,739	103,114
Amortization of acquired intangibles**	14,701	17,262	31,636	33,661
Acquisition and integration-related costs***	8,278	5,631	12,175	11,141
Restructuring	16	(469)	28	(746)
Non-qualified deferred compensation expenses (credits)****	(6,524)	2,411	(9,092)	4,309
Special charges *****	-	26,832	-	26,832
Other income or expense related to investments and non-qualified deferred compensation plan assets †	7,610	(1,774)	12,216	(5,106)
Income tax effect of non-GAAP adjustments	22,551	(18,023)	28,489	(46,805)
Net income on a non-GAAP basis +	\$ 297,822	\$ 238,288	\$ 621,446	\$ 469,469

+ 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 second quarter of 2022 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:

(In thousands)	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Cost of product and maintenance	\$ 875	\$ 909	\$ 1,705	\$ 1,716
Cost of services	1,113	992	2,163	2,019
Marketing and sales	12,902	10,294	24,659	21,500
Research and development	37,067	31,286	72,189	64,144
General and administrative	12,313	7,037	23,023	13,735
Total stock-based compensation expense	\$ 64,270	\$ 50,518	\$ 123,739	\$ 103,114

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

(In thousands)	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Cost of product and maintenance	\$ 10,068	\$ 12,232	\$ 22,039	\$ 24,000
Amortization of acquired intangibles	4,633	5,030	9,597	9,661
Total amortization of acquired intangibles	\$ 14,701	\$ 17,262	\$ 31,636	\$ 33,661

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

(In thousands)	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Marketing and sales	\$ 150	\$ 313	\$ 502	\$ 321
Research and development	1,762	4,975	5,167	8,710
General and administrative	6,366	343	6,506	2,110
Total acquisition and integration-related costs	\$ 8,278	\$ 5,631	\$ 12,175	\$ 11,141

**** 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:

(In thousands)	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Cost of product and maintenance	\$ (50)	\$ 19	\$ (75)	\$ 36
Cost of services	(73)	26	(108)	50
Marketing and sales	(1,377)	403	(1,799)	734
Research and development	(3,649)	1,404	(5,301)	2,402
General and administrative	(1,375)	559	(1,809)	1,087
Total non-qualified deferred compensation expenses (credits)	\$ (6,524)	\$ 2,411	\$ (9,092)	\$ 4,309

***** Total special charges are reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Cost of product and maintenance	\$ -	\$ 522	\$ -	\$ 522
Cost of services	-	2,344	-	2,344
Marketing and sales	-	6,697	-	6,697
Research and development	-	14,711	-	14,711
General and administrative	-	2,558	-	2,558
Total special charges	\$ -	\$ 26,832	\$ -	\$ 26,832

Cadence Design Systems, Inc.
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share
For the Three and Six Months Ended July 2, 2022 and July 3, 2021
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Diluted net income per share on a GAAP basis	\$ 0.68	\$ 0.56	\$ 1.53	\$ 1.23
Stock-based compensation expense	0.23	0.18	0.45	0.37
Amortization of acquired intangibles	0.05	0.06	0.12	0.12
Acquisition and integration-related costs	0.03	0.02	0.04	0.04
Restructuring	-	-	-	-
Non-qualified deferred compensation expenses (credits)	(0.02)	0.01	(0.03)	0.01
Special charges*	-	0.10	-	0.10
Other income or expense related to investments and non-qualified deferred compensation plan assets**	0.03	(0.01)	0.04	(0.02)
Income tax effect of non-GAAP adjustments	0.08	(0.06)	0.10	(0.17)
Diluted net income per share on a non-GAAP basis +	\$ 1.08	\$ 0.86	\$ 2.25	\$ 1.68
Shares used in calculation of diluted net income per share	275,172	278,558	276,097	279,399

+ **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 second quarter of 2022 for a further discussion of its non-GAAP measures.**

* 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.

Cadence Design Systems, Inc.
Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures
(Unaudited)

	<u>Three Months Ended</u> <u>July 2, 2022</u> <u>Actual</u> <u>(In thousands)</u>	<u>Three Months Ended</u> <u>July 3, 2021</u> <u>Actual</u> <u>(In thousands)</u>
GAAP total costs and expenses	\$ 574,633	\$ 542,847
Reconciling items to non-GAAP total costs and expenses		
Stock-based compensation expense	(64,270)	(50,518)
Amortization of acquired intangibles	(14,701)	(17,262)
Acquisition and integration-related costs	(8,278)	(5,631)
Restructuring	(16)	469
Non-qualified deferred compensation (expenses) credits	6,524	(2,411)
Special charges*	-	(26,832)
Non-GAAP total costs and expenses†	<u>\$ 493,892</u>	<u>\$ 440,662</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. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2022 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 July 2, 2022</u>					
(In thousands)	<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>credits</u>	<u>Operating</u> <u>expenses on a</u> <u>non-GAAP basis</u>
Cost of product and maintenance	68,717	(875)	(10,068)	-	50	57,824
Cost of services	23,948	(1,113)	-	-	73	22,908
Marketing and sales	139,296	(12,902)	-	(150)	1,377	127,621
Research and development	286,597	(37,067)	-	(1,762)	3,649	251,417
General and administrative	51,426	(12,313)	-	(6,366)	1,375	34,122
Amortization of acquired intangibles	4,633	-	(4,633)	-	-	-
		<u>(64,270)</u>	<u>(14,701)</u>	<u>(8,278)</u>	<u>6,524</u>	
	<u>For the six months ended July 2, 2022</u>					
(In thousands)	<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>credits</u>	<u>Operating</u> <u>expenses on a</u> <u>non-GAAP basis</u>
Cost of product and maintenance	141,512	(1,705)	(22,039)	-	75	117,843
Cost of services	48,996	(2,163)	-	-	108	46,941
Marketing and sales	279,482	(24,659)	-	(502)	1,799	256,120
Research and development	577,492	(72,189)	-	(5,167)	5,301	505,437
General and administrative	100,363	(23,023)	-	(6,506)	1,809	72,643
Amortization of acquired intangibles	9,597	-	(9,597)	-	-	-
		<u>(123,739)</u>	<u>(31,636)</u>	<u>(12,175)</u>	<u>9,092</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 second quarter of 2022 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 July 2, 2022
(In thousands)
(Unaudited)

	Three Months Ended July 2, 2022		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 802,285	\$ -	\$ 802,285
Services	<u>55,236</u>	<u>-</u>	<u>55,236</u>
Total revenue	<u>857,521</u>	<u>-</u>	<u>857,521</u>
Costs and expenses:			
Cost of product and maintenance	68,717	(10,893) (A)	57,824
Cost of services	23,948	(1,040) (A)	22,908
Marketing and sales	139,296	(11,675) (A)	127,621
Research and development	286,597	(35,180) (A)	251,417
General and administrative	51,426	(17,304) (A)	34,122
Amortization of acquired intangibles	4,633	(4,633) (A)	-
Restructuring	<u>16</u>	<u>(16)</u>	<u>-</u>
Total costs and expenses	<u>574,633</u>	<u>(80,741)</u>	<u>493,892</u>
Income from operations	282,888	80,741	363,629
Interest expense	(4,281)	-	(4,281)
Other income (expense), net	<u>(5,962)</u>	<u>7,610</u> (B)	<u>1,648</u>
Income before provision for income taxes	272,645	88,351	360,996
Provision for income taxes	<u>85,725</u>	<u>(22,551)</u> (C)	<u>63,174</u>
Net income	<u>\$ 186,920</u>	<u>\$ 110,902</u>	<u>\$ 297,822</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 second quarter of 2022 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended July 2, 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	\$ 875	\$ 10,068	\$ -	\$ (50)	\$ 10,893
Cost of services	1,113	-	-	(73)	1,040
Marketing and sales	12,902	-	150	(1,377)	11,675
Research and development	37,067	-	1,762	(3,649)	35,180
General and administrative	12,313	-	6,366	(1,375)	17,304
Amortization of acquired intangibles	-	4,633	-	-	4,633
Total	<u>\$ 64,270</u>	<u>\$ 14,701</u>	<u>\$ 8,278</u>	<u>\$ (6,524)</u>	<u>\$ 80,725</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 July 3, 2021
(In thousands)
(Unaudited)

	Three Months Ended July 3, 2021		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 687,884	\$ -	\$ 687,884
Services	40,401	-	40,401
Total revenue	<u>728,285</u>	<u>-</u>	<u>728,285</u>
Costs and expenses:			
Cost of product and maintenance	55,842	(13,682) (A)	42,160
Cost of services	20,917	(3,362) (A)	17,555
Marketing and sales	135,967	(17,707) (A)	118,260
Research and development	285,227	(52,376) (A)	232,851
General and administrative	40,333	(10,497) (A)	29,836
Amortization of acquired intangibles	5,030	(5,030) (A)	-
Restructuring	(469)	469	-
Total costs and expenses	<u>542,847</u>	<u>(102,185)</u>	<u>440,662</u>
Income from operations	185,438	102,185	287,623
Interest expense	(4,316)	-	(4,316)
Other income, net	2,143	(1,774) (B)	369
Income before provision for income taxes	183,265	100,411	283,676
Provision for income taxes	27,365	18,023 (C)	45,388
Net income	<u>\$ 155,900</u>	<u>\$ 82,388</u>	<u>\$ 238,288</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 second quarter of 2022 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended July 3, 2021, 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	Special charges (D)	Total adjustments
Cost of product and maintenance	\$ 909	\$ 12,232	\$ -	\$ 19	\$ 522	\$ 13,682
Cost of services	992	-	-	26	2,344	3,362
Marketing and sales	10,294	-	313	403	6,697	17,707
Research and development	31,286	-	4,975	1,404	14,711	52,376
General and administrative	7,037	-	343	559	2,558	10,497
Amortization of acquired intangibles	-	5,030	-	-	-	5,030
Total	<u>\$ 50,518</u>	<u>\$ 17,262</u>	<u>\$ 5,631</u>	<u>\$ 2,411</u>	<u>\$ 26,832</u>	<u>\$ 102,654</u>

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

(C) Income tax effect of non-GAAP adjustments

(D) Comprised of costs related to a voluntary retirement program

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Six Months Ended July 2, 2022
(In thousands)
(Unaudited)

	Six Months Ended July 2, 2022		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,648,529	\$ -	\$ 1,648,529
Services	110,758	-	110,758
Total revenue	1,759,287	-	1,759,287
Costs and expenses:			
Cost of product and maintenance	141,512	(23,669) (A)	117,843
Cost of services	48,996	(2,055) (A)	46,941
Marketing and sales	279,482	(23,362) (A)	256,120
Research and development	577,492	(72,055) (A)	505,437
General and administrative	100,363	(27,720) (A)	72,643
Amortization of acquired intangibles	9,597	(9,597) (A)	-
Restructuring	28	(28)	-
Total costs and expenses	1,157,470	(158,486)	998,984
Income from operations	601,817	158,486	760,303
Interest expense	(8,389)	-	(8,389)
Other income (expense), net	(10,862)	12,216 (B)	1,354
Income before provision for income taxes	582,566	170,702	753,268
Provision for income taxes	160,311	(28,489) (C)	131,822
Net income	\$ 422,255	\$ 199,191	\$ 621,446

*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 second quarter of 2022 for a further discussion of its non-GAAP measures.

Notes:

(A) For the six months ended July 2, 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	\$ 1,705	\$ 22,039	\$ -	\$ (75)	\$ 23,669
Cost of services	2,163	-	-	(108)	2,055
Marketing and sales	24,659	-	502	(1,799)	23,362
Research and development	72,189	-	5,167	(5,301)	72,055
General and administrative	23,023	-	6,506	(1,809)	27,720
Amortization of acquired intangibles	-	9,597	-	-	9,597
Total	\$ 123,739	\$ 31,636	\$ 12,175	\$ (9,092)	\$ 158,458

(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 Six Months Ended July 3, 2021
(In thousands)
(Unaudited)

	Six Months Ended July 3, 2021		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,386,938	\$ -	\$ 1,386,938
Services	77,375	-	77,375
Total revenue	<u>1,464,313</u>	<u>-</u>	<u>1,464,313</u>
Costs and expenses:			
Cost of product and maintenance	120,748	(26,274) (A)	94,474
Cost of services	39,978	(4,413) (A)	35,565
Marketing and sales	268,793	(29,252) (A)	239,541
Research and development	556,219	(89,967) (A)	466,252
General and administrative	80,285	(19,490) (A)	60,795
Amortization of acquired intangibles	9,661	(9,661) (A)	-
Restructuring	(746)	746	-
Total costs and expenses	<u>1,074,938</u>	<u>(178,311)</u>	<u>896,627</u>
Income from operations	389,375	178,311	567,686
Interest expense	(8,533)	-	(8,533)
Other income (expense), net	4,844	(5,106) (B)	(262)
Income before provision for income taxes	385,686	173,205	558,891
Provision for income taxes	42,617	46,805 (C)	89,422
Net income	<u>\$ 343,069</u>	<u>\$ 126,400</u>	<u>\$ 469,469</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 second quarter of 2022 for a further discussion of its non-GAAP measures.

Notes:

(A) For the six months ended July 3, 2021, 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	Special charges (D)	Total adjustments
Cost of product and maintenance	\$ 1,716	\$ 24,000	\$ -	\$ 36	\$ 522	\$ 26,274
Cost of services	2,019	-	-	50	2,344	4,413
Marketing and sales	21,500	-	321	734	6,697	29,252
Research and development	64,144	-	8,710	2,402	14,711	89,967
General and administrative	13,735	-	2,110	1,087	2,558	19,490
Amortization of acquired intangibles	-	9,661	-	-	-	9,661
Total	<u>\$ 103,114</u>	<u>\$ 33,661</u>	<u>\$ 11,141</u>	<u>\$ 4,309</u>	<u>\$ 26,832</u>	<u>\$ 179,057</u>

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

(C) Income tax effect of non-GAAP adjustments

(D) Comprised of costs related to a voluntary retirement program in the second quarter of 2021