

## TABLE OF CONTENTS

Condensed Consolidated Balance Sheets, September 26, 2020 and December 28, 2019.....	1
Trended Condensed Consolidated Balance Sheets.....	2
Condensed Consolidated Income Statements for the Three and Nine Months Ended September 26, 2020 and September 28, 2019.....	3
Trended Condensed Income Statements.....	4
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 26, 2020 and and September 28, 2019.....	5
Trended Condensed Consolidated Statements of Cash Flows.....	6
Revenue Mix by Geography.....	7
Revenue Mix by Product Category.....	7
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin, as of October 19, 2020.....	8
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share, as of October 19, 2020.....	9
Impact of Non-GAAP Adjustments on Forward Looking Net Income, as of October 19, 2020.....	9
Reconciliation of GAAP Net Income to Non-GAAP Net Income, for the Three and Nine Months Ended September 26, 2020 and September 28, 2019.....	10
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share, for the Three and Nine Months Ended September 26, 2020 and September 28, 2019.....	11
Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures.....	12
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Three Months Ended September 26, 2020.....	13
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Three Months Ended September 28, 2019.....	14
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Nine Months Ended September 26, 2020.....	15
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Nine Months Ended September 28, 2019.....	16

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Balance Sheets**  
**September 26, 2020 and December 28, 2019**  
(In thousands)  
(Unaudited)

	<b>September 26, 2020</b>	<b>December 28, 2019</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,306,564	\$ 705,210
Receivables, net	300,413	304,546
Inventories	47,979	55,802
Prepaid expenses and other	81,526	103,785
Total current assets	1,736,482	1,169,343
Property, plant and equipment, net	288,163	275,855
Goodwill	780,842	661,856
Acquired intangibles, net	227,753	172,375
Deferred taxes	722,656	732,367
Other assets	384,256	345,429
Total assets	\$ 4,140,152	\$ 3,357,225
<b>Current liabilities:</b>		
Revolving credit facility	\$ 350,000	\$ -
Accounts payable and accrued liabilities	290,886	316,908
Current portion of deferred revenue	477,003	355,483
Total current liabilities	1,117,889	672,391
<b>Long-term liabilities:</b>		
Long-term portion of deferred revenue	84,646	73,400
Long-term debt	346,584	346,019
Other long-term liabilities	195,315	162,521
Total long-term liabilities	626,545	581,940
Stockholders' equity	2,395,718	2,102,894
Total liabilities and stockholders' equity	\$ 4,140,152	\$ 3,357,225

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

	September 28, 2019	December 28, 2019	March 28, 2020	June 27, 2020	September 26, 2020
<b>Current assets:</b>					
Cash and cash equivalents	\$ 655,216	\$ 705,210	\$ 946,285	\$ 1,189,186	\$ 1,306,564
Receivables, net	274,914	304,546	284,093	312,758	300,413
Inventories	66,745	55,802	60,575	43,924	47,979
Prepaid expenses and other	53,074	103,785	108,554	93,915	81,526
Total current assets	<u>1,049,949</u>	<u>1,169,343</u>	<u>1,399,507</u>	<u>1,639,783</u>	<u>1,736,482</u>
Property, plant and equipment, net	259,453	275,855	281,207	282,738	288,163
Goodwill	661,678	661,856	778,992	778,857	780,842
Acquired intangibles, net	185,037	172,375	258,617	242,543	227,753
Deferred taxes	165,759	732,367	699,194	704,882	722,656
Other assets	340,322	345,429	350,456	350,694	384,256
Total assets	<u>\$ 2,662,198</u>	<u>\$ 3,357,225</u>	<u>\$ 3,767,973</u>	<u>\$ 3,999,497</u>	<u>\$ 4,140,152</u>
<b>Current liabilities:</b>					
Revolving credit facility	\$ -	\$ -	\$ 350,000	\$ 350,000	\$ 350,000
Accounts payable and accrued liabilities	274,882	316,908	236,813	306,948	290,886
Current portion of deferred revenue	344,100	355,483	425,616	494,939	477,003
Total current liabilities	<u>618,982</u>	<u>672,391</u>	<u>1,012,429</u>	<u>1,151,887</u>	<u>1,117,889</u>
<b>Long-term liabilities:</b>					
Long-term portion of deferred revenue	48,036	73,400	95,503	87,437	84,646
Long-term debt	345,833	346,019	346,205	346,394	346,584
Other long-term liabilities	169,085	162,521	155,842	157,148	195,315
Total long-term liabilities	<u>562,954</u>	<u>581,940</u>	<u>597,550</u>	<u>590,979</u>	<u>626,545</u>
<b>Stockholders' equity:</b>					
Common stock and capital in excess of par value	2,007,268	2,046,237	2,099,425	2,143,016	2,186,850
Treasury stock, at cost	(1,589,027)	(1,668,105)	(1,778,533)	(1,856,333)	(1,934,107)
Retained earnings	1,102,013	1,761,688	1,883,677	2,014,965	2,176,595
Accumulated other comprehensive loss	(39,992)	(36,926)	(46,575)	(45,017)	(33,620)
Total stockholders' equity	<u>1,480,262</u>	<u>2,102,894</u>	<u>2,157,994</u>	<u>2,256,631</u>	<u>2,395,718</u>
Total liabilities and stockholders' equity	<u>\$ 2,662,198</u>	<u>\$ 3,357,225</u>	<u>\$ 3,767,973</u>	<u>\$ 3,999,497</u>	<u>\$ 4,140,152</u>

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Income Statements**  
**For the Three and Nine Months Ended September 26, 2020 and September 28, 2019**  
(In thousands, except per share amounts)  
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 26, 2020</u>	<u>September 28, 2019</u>	<u>September 26, 2020</u>	<u>September 28, 2019</u>
Revenue:				
Product and maintenance	\$ 630,329	\$ 548,105	\$ 1,813,384	\$ 1,639,651
Services	36,278	31,498	109,598	97,113
Total revenue	<u>666,607</u>	<u>579,603</u>	<u>1,922,982</u>	<u>1,736,764</u>
Costs and expenses:				
Cost of product and maintenance	64,800	41,715	175,915	135,625
Cost of services	17,484	19,260	56,047	57,404
Marketing and sales	123,738	121,368	369,958	354,406
Research and development	250,934	240,542	743,423	700,566
General and administrative	35,928	33,204	105,161	97,713
Amortization of acquired intangibles	4,438	2,874	13,234	9,341
Restructuring and other charges (credits)	13	(186)	(1,329)	(1,188)
Total costs and expenses	<u>497,335</u>	<u>458,777</u>	<u>1,462,409</u>	<u>1,353,867</u>
Income from operations	169,272	120,826	460,573	382,897
Interest expense	(5,325)	(4,240)	(15,876)	(14,607)
Other income, net	1,766	122	1,862	5,253
Income before provision for income taxes	165,713	116,708	446,559	373,543
Provision for income taxes	4,083	15,194	29,653	44,239
Net income	<u>\$ 161,630</u>	<u>\$ 101,514</u>	<u>\$ 416,906</u>	<u>\$ 329,304</u>
Net income per share - basic	<u>\$ 0.59</u>	<u>\$ 0.37</u>	<u>\$ 1.52</u>	<u>\$ 1.21</u>
Net income per share - diluted	<u>\$ 0.58</u>	<u>\$ 0.36</u>	<u>\$ 1.49</u>	<u>\$ 1.17</u>
Weighted average common shares outstanding - basic	<u>273,996</u>	<u>273,329</u>	<u>273,633</u>	<u>273,224</u>
Weighted average common shares outstanding - diluted	<u>280,024</u>	<u>280,666</u>	<u>279,455</u>	<u>280,817</u>

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

	Three Months Ended				
	September 28, 2019	December 28, 2019	March 28, 2020	June 27, 2020	September 26, 2020
Revenue:					
Product and maintenance	\$ 548,105	\$ 564,964	\$ 581,699	\$ 601,356	\$ 630,329
Services	31,498	34,591	36,258	37,062	36,278
Total revenue	<u>579,603</u>	<u>599,555</u>	<u>617,957</u>	<u>638,418</u>	<u>666,607</u>
Costs and expenses:					
Cost of product and maintenance	41,715	53,521	55,446	55,669	64,800
Cost of services	19,260	19,807	19,017	19,546	17,484
Marketing and sales	121,368	127,267	125,744	120,476	123,738
Research and development	240,542	235,372	241,668	250,821	250,934
General and administrative	33,204	42,093	33,592	35,641	35,928
Amortization of acquired intangibles	2,874	2,787	4,206	4,590	4,438
Restructuring and other charges (credits)	(186)	9,809	(1,067)	(275)	13
Total costs and expenses	<u>458,777</u>	<u>490,656</u>	<u>478,606</u>	<u>486,468</u>	<u>497,335</u>
Income from operations	120,826	108,899	139,351	151,950	169,272
Interest expense	(4,240)	(4,222)	(4,637)	(5,914)	(5,325)
Other income (expense), net	122	748	(4,534)	4,630	1,766
Income before provision (benefit) for income taxes	116,708	105,425	130,180	150,666	165,713
Provision (benefit) for income taxes	15,194	(554,250)	6,192	19,378	4,083
Net income	<u>\$ 101,514</u>	<u>\$ 659,675</u>	<u>\$ 123,988</u>	<u>\$ 131,288</u>	<u>\$ 161,630</u>
Net income per share - basic	<u>\$ 0.37</u>	<u>\$ 2.41</u>	<u>\$ 0.45</u>	<u>\$ 0.48</u>	<u>\$ 0.59</u>
Net income per share - diluted	<u>\$ 0.36</u>	<u>\$ 2.36</u>	<u>\$ 0.44</u>	<u>\$ 0.47</u>	<u>\$ 0.58</u>
Weighted average common shares outstanding - basic	<u>273,329</u>	<u>273,234</u>	<u>273,476</u>	<u>273,432</u>	<u>273,996</u>
Weighted average common shares outstanding - diluted	<u>280,666</u>	<u>279,557</u>	<u>279,265</u>	<u>279,080</u>	<u>280,024</u>

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**For the Nine Months Ended September 26, 2020 and September 28, 2019**  
**(In thousands)**  
**(Unaudited)**

	<b>Nine Months Ended</b>	
	<b>September 26, 2020</b>	<b>September 28, 2019</b>
Cash and cash equivalents at beginning of period	\$ 705,210	\$ 533,298
Cash flows from operating activities:		
Net income	416,906	329,304
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	107,019	91,400
Amortization of debt discount and fees	770	747
Stock-based compensation	138,723	134,789
Loss on investments, net	5,118	2,655
Deferred income taxes	(18,966)	(10,938)
Provisions for losses (recoveries) on receivables	1,087	(358)
ROU asset amortization and change in operating lease liabilities	2,064	4,285
Other non-cash items	410	197
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	9,945	26,553
Inventories	6,376	(43,781)
Prepaid expenses and other	22,769	38,703
Other assets	(21,287)	3,554
Accounts payable and accrued liabilities	(30,455)	(4,001)
Deferred revenue	124,491	(6,968)
Other long-term liabilities	4,430	4,163
Net cash provided by operating activities	<u>769,400</u>	<u>570,304</u>
Cash flows from investing activities:		
Purchases of non-marketable investments	-	(33,717)
Proceeds from the sale of non-marketable investments	-	2,952
Purchases of property, plant and equipment	(63,745)	(47,527)
Cash paid in business combinations, net of cash acquired	(197,562)	(338)
Net cash used for investing activities	<u>(261,307)</u>	<u>(78,630)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	350,000	150,000
Payment on revolving credit facility	-	(250,000)
Proceeds from issuance of common stock	71,451	49,127
Stock received for payment of employee taxes on vesting of restricted stock	(85,515)	(75,016)
Payments for repurchases of common stock	(250,047)	(231,131)
Net cash provided by (used for) financing activities	<u>85,889</u>	<u>(357,020)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>7,372</u>	<u>(12,736)</u>
Increase in cash and cash equivalents	<u>601,354</u>	<u>121,918</u>
Cash and cash equivalents at end of period	<u>\$ 1,306,564</u>	<u>\$ 655,216</u>

**Cadence Design Systems, Inc.**  
**Trended Consolidated Statements of Cash Flows**  
**For the Five Quarters Ended September 26, 2020**  
(In thousands)  
(Unaudited)

	<u>Q3 2019</u>	<u>Q4 2019</u>	<u>Q1 2020</u>	<u>Q2 2020</u>	<u>Q3 2020</u>
Cash and cash equivalents at beginning of period	\$ 633,415	\$ 655,216	\$ 705,210	\$ 946,285	\$ 1,189,186
Cash flows from operating activities:					
Net income	101,514	659,675	123,988	131,288	161,630
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	30,203	31,389	33,321	36,581	37,117
Amortization of debt discount and fees	250	254	254	258	258
Stock-based compensation	48,279	46,758	46,482	46,907	45,334
Loss on investments, net	2,396	1,435	3,215	821	1,082
Deferred income taxes	(2,779)	(565,800)	3,904	(5,513)	(17,357)
Provisions for losses (recoveries) on receivables	28	990	(77)	999	165
ROU asset amortization and change in operating lease liabilities	1,781	(3,723)	706	796	562
Other non-cash items	37	231	183	113	114
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(37,323)	(31,271)	26,475	(28,972)	12,442
Inventories	(18,092)	10,757	(5,260)	16,280	(4,644)
Prepaid expenses and other	5,648	(49,734)	(4,964)	14,874	12,859
Other assets	1,007	(11,565)	(8,344)	(9,343)	(3,600)
Accounts payable and accrued liabilities	30,669	37,916	(84,839)	73,698	(19,314)
Deferred revenue	(26,675)	34,466	86,914	61,594	(24,017)
Other long-term liabilities	1,587	(2,482)	(4,239)	4,743	3,926
Net cash provided by operating activities	<u>138,530</u>	<u>159,296</u>	<u>217,719</u>	<u>345,124</u>	<u>206,557</u>
Cash flows from investing activities:					
Purchases of property, plant and equipment	(16,965)	(27,078)	(22,179)	(21,356)	(20,210)
Cash paid in business combinations, net of cash acquired	-	-	(193,820)	(1,298)	(2,444)
Net cash used for investing activities	<u>(16,965)</u>	<u>(27,078)</u>	<u>(215,999)</u>	<u>(22,654)</u>	<u>(22,654)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	-	-	350,000	-	-
Proceeds from issuance of common stock	16,272	3,715	33,312	10,355	27,784
Stock received for payment of employee taxes on vesting of restricted stock	(29,318)	(15,564)	(37,528)	(16,129)	(31,858)
Payments for repurchases of common stock	(75,011)	(75,017)	(100,022)	(75,014)	(75,011)
Net cash provided by (used for) financing activities	<u>(88,057)</u>	<u>(86,866)</u>	<u>245,762</u>	<u>(80,788)</u>	<u>(79,085)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(11,707)</u>	<u>4,642</u>	<u>(6,407)</u>	<u>1,219</u>	<u>12,560</u>
Increase in cash and cash equivalents	<u>21,801</u>	<u>49,994</u>	<u>241,075</u>	<u>242,901</u>	<u>117,378</u>
Cash and cash equivalents at end of period	<u>\$ 655,216</u>	<u>\$ 705,210</u>	<u>\$ 946,285</u>	<u>\$ 1,189,186</u>	<u>\$ 1,306,564</u>

**Cadence Design Systems, Inc.**  
**(Unaudited)**

**Revenue Mix by Geography (% of Total Revenue)**

<b><u>GEOGRAPHY</u></b>	<b>2019</b>					<b>2020</b>		
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>
Americas	44%	42%	44%	46%	<b>44%</b>	43%	44%	42%
China	10%	12%	10%	9%	<b>10%</b>	13%	12%	17%
Other Asia	19%	19%	21%	20%	<b>20%</b>	18%	19%	19%
Europe, Middle East and Africa	18%	20%	18%	18%	<b>18%</b>	19%	18%	16%
Japan	9%	7%	7%	7%	<b>8%</b>	7%	7%	6%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Revenue Mix by Product Category (% of Total Revenue)**

<b><u>PRODUCT CATEGORY</u></b>	<b>2019</b>					<b>2020</b>		
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>
Custom IC Design and Simulation	25%	26%	26%	25%	<b>25%</b>	25%	24%	24%
Digital IC Design and Signoff	30%	31%	30%	29%	<b>30%</b>	29%	28%	27%
Functional Verification, including Emulation and Prototyping Hardware	24%	22%	20%	24%	<b>23%</b>	23%	24%	23%
IP	12%	11%	15%	13%	<b>13%</b>	14%	14%	15%
System Design and Analysis	9%	10%	9%	9%	<b>9%</b>	9%	10%	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



**Cadence Design Systems, Inc.**  
**Impact of Non-GAAP Adjustments on Forward Looking Operating Margin**  
**As of October 19, 2020**  
**(Unaudited)**

	<b>Three Months Ending January 2, 2021</b>	<b>Year Ending January 2, 2021</b>
	<b>Forecast</b>	<b>Forecast</b>
GAAP operating margin as a percent of total revenue	<b>23% - 24%</b>	<b>23% - 24%</b>
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Amortization of acquired intangibles	2%	3%
Stock-based compensation expense	8%	7%
Acquisition and integration-related costs	1%	1%
Non-GAAP operating margin as a percent of total revenue†	<b>34% - 35%</b>	<b>34% - 35%</b>

†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 release of Cadence Design Systems, Inc. for its third quarter of 2020 for a further discussion of its non-GAAP measures.

**Cadence Design Systems, Inc.**  
**Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share**  
**As of October 19, 2020**  
**(Unaudited)**

	<u>Three Months Ending</u> <u>January 2, 2021</u> <u>Forecast</u>	<u>Year Ending</u> <u>January 2, 2021</u> <u>Forecast</u>
Diluted net income per share on a GAAP basis	<b>\$0.48 to \$0.52</b>	<b>\$1.97 to \$2.01</b>
Amortization of acquired intangibles	0.06	0.23
Stock-based compensation expense	0.21	0.70
Non-qualified deferred compensation expenses	-	-
Restructuring and other charges (credits)	-	-
Acquisition and integration-related costs	0.02	0.08
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	0.02
Income tax effect of non-GAAP adjustments	(0.05)	(0.32)
Diluted net income per share on a non-GAAP basis†	<u><u>\$0.72 to \$0.76</u></u>	<u><u>\$2.68 to \$2.72</u></u>

**Cadence Design Systems, Inc.**  
**Impact of Non-GAAP Adjustments on Forward Looking Net Income**  
**As of October 19, 2020**  
**(Unaudited)**

(\$ in millions)	<u>Three Months Ending</u> <u>January 2, 2021</u> <u>Forecast</u>	<u>Year Ending</u> <u>January 2, 2021</u> <u>Forecast</u>
Net income on a GAAP basis	<b>\$134 to \$146</b>	<b>\$551 to \$563</b>
Amortization of acquired intangibles	17	64
Stock-based compensation expense	58	196
Non-qualified deferred compensation expenses	-	1
Restructuring and other charges (credits)	-	(1)
Acquisition and integration-related costs	5	21
Other income or expense related to investments and non-qualified deferred compensation plan assets*	1	5
Income tax effect of non-GAAP adjustments	(14)	(88)
Net income on a non-GAAP basis†	<u><u>\$201 to \$213</u></u>	<u><u>\$749 to \$761</u></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 release of Cadence Design Systems, Inc. for its third quarter of 2020 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.

**Cadence Design Systems, Inc.**  
**Reconciliation of GAAP Net Income to Non-GAAP Net Income**  
**For the Three and Nine Months Ended September 26, 2020 and September 28, 2019**  
**(Unaudited)**

(In thousands)	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net income on a GAAP basis	\$ 161,630	\$ 101,514	\$ 416,906	\$ 329,304
Amortization of acquired intangibles*	15,885	12,799	47,025	40,419
Stock-based compensation expense**	45,334	48,279	138,723	134,789
Non-qualified deferred compensation expenses***	1,779	52	601	3,454
Restructuring and other charges (credits)	13	(186)	(1,329)	(1,188)
Acquisition and integration-related costs****	6,739	1,838	16,024	4,641
Special charges *****	-	-	394	-
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(876)	2,344	4,338	(801)
Income tax effect of non-GAAP adjustments	(33,451)	(13,899)	(74,720)	(44,537)
Net income on a non-GAAP basis +	\$ 197,053	\$ 152,741	\$ 547,962	\$ 466,081

+ 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 third quarter of 2020 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 amortization of acquired intangibles is reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Cost of product and maintenance	\$ 11,447	\$ 9,925	\$ 33,791	\$ 31,078
Amortization of acquired intangibles	4,438	2,874	13,234	9,341
Total amortization of acquired intangibles	\$ 15,885	\$ 12,799	\$ 47,025	\$ 40,419

\*\* Total stock-based compensation expense is reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Cost of product and maintenance	\$ 668	\$ 731	\$ 2,042	\$ 2,064
Cost of services	850	931	2,599	2,626
Marketing and sales	9,699	10,424	29,826	29,039
Research and development	28,652	30,458	87,688	85,015
General and administrative	5,465	5,735	16,568	16,045
Total stock-based compensation expense	\$ 45,334	\$ 48,279	\$ 138,723	\$ 134,789

\*\*\*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		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Cost of product and maintenance	\$ 21	\$ -	\$ 12	\$ 31
Cost of services	32	1	19	44
Marketing and sales	299	10	56	359
Research and development	969	41	424	2,260
General and administrative	458	-	90	760
Total non-qualified deferred compensation expenses	\$ 1,779	\$ 52	\$ 601	\$ 3,454

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Marketing and sales	\$ 15	\$ -	\$ 43	\$ -
Research and development	5,068	1,838	13,652	4,639
General and administrative	1,656	-	2,329	2
Total acquisition and integration-related costs	\$ 6,739	\$ 1,838	\$ 16,024	\$ 4,641

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
General and administrative	\$ -	\$ -	\$ 394	\$ -
Total special charges	\$ -	\$ -	\$ 394	\$ -

**Cadence Design Systems, Inc.**  
**Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share**  
**For the Three and Nine Months Ended September 26, 2020 and September 28, 2019**  
**(Unaudited)**

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Diluted net income per share on a GAAP basis	\$ 0.58	\$ 0.36	\$ 1.49	\$ 1.17
Amortization of acquired intangibles	0.06	0.04	0.17	0.14
Stock-based compensation expense	0.16	0.17	0.50	0.48
Non-qualified deferred compensation expenses	-	-	-	0.01
Restructuring and other charges (credits)	-	-	-	-
Acquisition and integration-related costs	0.02	0.01	0.06	0.02
Special charges	-	-	-	-
Other income or expense related to investments and non-qualified deferred compensation plan assets *	-	0.01	0.01	-
Income tax effect of non-GAAP adjustments	(0.12)	(0.05)	(0.27)	(0.16)
Diluted net income per share on a non-GAAP basis +	\$ 0.70	\$ 0.54	\$ 1.96	\$ 1.66
Shares used in calculation of diluted net income per share - GAAP **	280,024	280,666	279,455	280,817
Shares used in calculation of diluted net income per share - non-GAAP **	280,024	280,666	279,455	280,817

+ **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 third quarter of 2020 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.

\*\* 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.

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

	Three Months Ended September 26, 2020	Three Months Ended September 28, 2019
	Actual (In thousands)	Actual (In thousands)
GAAP total costs and expenses	\$ 497,335	\$ 458,777
Reconciling items to non-GAAP total costs and expenses		
Amortization of acquired intangibles	(15,885)	(12,799)
Stock-based compensation expense	(45,334)	(48,279)
Non-qualified deferred compensation expenses	(1,779)	(52)
Restructuring and other (charges) credits	(13)	186
Acquisition and integration-related costs	(6,739)	(1,838)
Non-GAAP total costs and expenses†	<u>\$ 427,585</u>	<u>\$ 395,995</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 third quarter of 2020 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)

(In thousands)

	For the three months ended September 26, 2020						
	Operating expenses on a GAAP basis†	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration- related costs	Operating expenses on a non-GAAP basis	
Cost of product and maintenance	64,800	(11,447)	(668)	(21)	-	52,664	
Cost of services	17,484	-	(850)	(32)	-	16,602	
Marketing and sales	123,738	-	(9,699)	(299)	(15)	113,725	
Research and development	250,934	-	(28,652)	(969)	(5,068)	216,245	
General and administrative	35,928	-	(5,465)	(458)	(1,656)	28,349	
Amortization of acquired intangibles	4,438	(4,438)	-	-	-	-	
		<u>(15,885)</u>	<u>(45,334)</u>	<u>(1,779)</u>	<u>(6,739)</u>		
	For the nine months ended September 26, 2020						
	Operating expenses on a GAAP basis†	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration- related costs	Special charges	Operating expenses on a non-GAAP basis
Cost of product and maintenance	175,915	(33,791)	(2,042)	(12)	-	-	140,070
Cost of services	56,047	-	(2,599)	(19)	-	-	53,429
Marketing and sales	369,958	-	(29,826)	(56)	(43)	-	340,033
Research and development	743,423	-	(87,688)	(424)	(13,652)	-	641,659
General and administrative	105,161	-	(16,568)	(90)	(2,329)	(394)	85,780
Amortization of acquired intangibles	13,234	(13,234)	-	-	-	-	-
		<u>(47,025)</u>	<u>(138,723)</u>	<u>(601)</u>	<u>(16,024)</u>	<u>(394)</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 third quarter of 2020 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 September 26, 2020**  
(In thousands)  
(Unaudited)

	Three Months Ended September 26, 2020		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 630,329	\$ -	\$ 630,329
Services	<u>36,278</u>	<u>-</u>	<u>36,278</u>
Total revenue	<u>666,607</u>	<u>-</u>	<u>666,607</u>
Costs and expenses:			
Cost of product and maintenance	64,800	(12,136) (A)	52,664
Cost of services	17,484	(882) (A)	16,602
Marketing and sales	123,738	(10,013) (A)	113,725
Research and development	250,934	(34,689) (A)	216,245
General and administrative	35,928	(7,579) (A)	28,349
Amortization of acquired intangibles	4,438	(4,438) (A)	-
Restructuring and other charges	13	(13)	-
Total costs and expenses	<u>497,335</u>	<u>(69,750)</u>	<u>427,585</u>
Income from operations	169,272	69,750	239,022
Interest expense	(5,325)	-	(5,325)
Other income, net	<u>1,766</u>	<u>(876) (B)</u>	<u>890</u>
Income before provision for income taxes	165,713	68,874	234,587
Provision for income taxes	<u>4,083</u>	<u>33,451 (C)</u>	<u>37,534</u>
Net income	<u>\$ 161,630</u>	<u>\$ 35,423</u>	<u>\$ 197,053</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 third quarter of 2020 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended September 26, 2020, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration- related costs	Total adjustments
Cost of product and maintenance	\$ 11,447	\$ 668	\$ 21	\$ -	\$ 12,136
Cost of services	-	850	32	-	882
Marketing and sales	-	9,699	299	15	10,013
Research and development	-	28,652	969	5,068	34,689
General and administrative	-	5,465	458	1,656	7,579
Amortization of acquired intangibles	4,438	-	-	-	4,438
Total	<u>\$ 15,885</u>	<u>\$ 45,334</u>	<u>\$ 1,779</u>	<u>\$ 6,739</u>	<u>\$ 69,737</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 September 28, 2019**  
(In thousands)  
(Unaudited)

	Three Months Ended September 28, 2019		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 548,105	\$ -	\$ 548,105
Services	<u>31,498</u>	<u>-</u>	<u>31,498</u>
Total revenue	<u>579,603</u>	<u>-</u>	<u>579,603</u>
Costs and expenses:			
Cost of product and maintenance	41,715	(10,656) (A)	31,059
Cost of services	19,260	(932) (A)	18,328
Marketing and sales	121,368	(10,434) (A)	110,934
Research and development	240,542	(32,337) (A)	208,205
General and administrative	33,204	(5,735) (A)	27,469
Amortization of acquired intangibles	2,874	(2,874) (A)	-
Restructuring and other credits	(186)	186	-
Total costs and expenses	<u>458,777</u>	<u>(62,782)</u>	<u>395,995</u>
Income from operations	120,826	62,782	183,608
Interest expense	(4,240)	-	(4,240)
Other income, net	<u>122</u>	<u>2,344</u> (B)	<u>2,466</u>
Income before provision for income taxes	116,708	65,126	181,834
Provision for income taxes	<u>15,194</u>	<u>13,899</u> (C)	<u>29,093</u>
Net income	<u>\$ 101,514</u>	<u>\$ 51,227</u>	<u>\$ 152,741</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 third quarter of 2020 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended September 28, 2019, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration- related costs	Total adjustments
Cost of product and maintenance	\$ 9,925	\$ 731	\$ -	\$ -	\$ 10,656
Cost of services	-	931	1	-	932
Marketing and sales	-	10,424	10	-	10,434
Research and development	-	30,458	41	1,838	32,337
General and administrative	-	5,735	-	-	5,735
Amortization of acquired intangibles	2,874	-	-	-	2,874
Total	<u>\$ 12,799</u>	<u>\$ 48,279</u>	<u>\$ 52</u>	<u>\$ 1,838</u>	<u>\$ 62,968</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 Nine Months Ended September 26, 2020**  
(In thousands)  
(Unaudited)

	Nine Months Ended September 26, 2020		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,813,384	\$ -	\$ 1,813,384
Services	109,598	-	109,598
Total revenue	<u>1,922,982</u>	<u>-</u>	<u>1,922,982</u>
Costs and expenses:			
Cost of product and maintenance	175,915	(35,845) (A)	140,070
Cost of services	56,047	(2,618) (A)	53,429
Marketing and sales	369,958	(29,925) (A)	340,033
Research and development	743,423	(101,764) (A)	641,659
General and administrative	105,161	(19,381) (A)	85,780
Amortization of acquired intangibles	13,234	(13,234) (A)	-
Restructuring and other credits	(1,329)	1,329	-
Total costs and expenses	<u>1,462,409</u>	<u>(201,438)</u>	<u>1,260,971</u>
Income from operations	460,573	201,438	662,011
Interest expense	(15,876)	-	(15,876)
Other income, net	1,862	4,338 (B)	6,200
Income before provision for income taxes	446,559	205,776	652,335
Provision for income taxes	29,653	74,720 (C)	104,373
Net income	<u>\$ 416,906</u>	<u>\$ 131,056</u>	<u>\$ 547,962</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 third quarter of 2020 for a further discussion of its non-GAAP measures.

Notes:

(A) For the nine months ended September 26, 2020, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Special charges	Total adjustments
Cost of product and maintenance	\$ 33,791	\$ 2,042	\$ 12	\$ -	\$ -	\$ 35,845
Cost of services	-	2,599	19	-	-	\$ 2,618
Marketing and sales	-	29,826	56	43	-	\$ 29,925
Research and development	-	87,688	424	13,652	-	\$ 101,764
General and administrative	-	16,568	90	2,329	394	\$ 19,381
Amortization of acquired intangibles	13,234	-	-	-	-	\$ 13,234
Total	<u>\$ 47,025</u>	<u>\$ 138,723</u>	<u>\$ 601</u>	<u>\$ 16,024</u>	<u>\$ 394</u>	<u>\$ 202,767</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 Nine Months Ended September 28, 2019**  
(In thousands)  
(Unaudited)

	Nine Months Ended September 28, 2019		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,639,651	\$ -	\$ 1,639,651
Services	97,113	-	97,113
Total revenue	<u>1,736,764</u>	<u>-</u>	<u>1,736,764</u>
Costs and expenses:			
Cost of product and maintenance	135,625	(33,173) (A)	102,452
Cost of services	57,404	(2,670) (A)	54,734
Marketing and sales	354,406	(29,398) (A)	325,008
Research and development	700,566	(91,914) (A)	608,652
General and administrative	97,713	(16,807) (A)	80,906
Amortization of acquired intangibles	9,341	(9,341) (A)	-
Restructuring and other credits	(1,188)	1,188	-
Total costs and expenses	<u>1,353,867</u>	<u>(182,115)</u>	<u>1,171,752</u>
Income from operations	382,897	182,115	565,012
Interest expense	(14,607)	-	(14,607)
Other income, net	5,253	(801) (B)	4,452
Income before provision for income taxes	373,543	181,314	554,857
Provision for income taxes	44,239	44,537 (C)	88,776
Net income	<u>\$ 329,304</u>	<u>\$ 136,777</u>	<u>\$ 466,081</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 third quarter of 2020 for a further discussion of its non-GAAP measures.

Notes:

(A) For the nine months ended September 28, 2019, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Total adjustments
Cost of product and maintenance	\$ 31,078	\$ 2,064	\$ 31	\$ -	\$ 33,173
Cost of services	-	2,626	44	-	2,670
Marketing and sales	-	29,039	359	-	29,398
Research and development	-	85,015	2,260	4,639	91,914
General and administrative	-	16,045	760	2	16,807
Amortization of acquired intangibles	9,341	-	-	-	9,341
Total	<u>\$ 40,419</u>	<u>\$ 134,789</u>	<u>\$ 3,454</u>	<u>\$ 4,641</u>	<u>\$ 183,303</u>

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

(C) Income tax effect of non-GAAP adjustments