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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
October 2, 2021 and January 2, 2021
(In thousands)
(Unaudited)

	<u>October 2, 2021</u>	<u>January 2, 2021</u>
Current assets:		
Cash and cash equivalents	\$ 1,013,819	\$ 928,432
Receivables, net	327,191	338,487
Inventories	101,575	75,956
Prepaid expenses and other	100,428	135,712
Total current assets	<u>1,543,013</u>	<u>1,478,587</u>
Property, plant and equipment, net	303,313	311,125
Goodwill	925,949	782,087
Acquired intangibles, net	247,628	210,590
Deferred taxes	766,036	732,290
Other assets	427,936	436,106
Total assets	<u>\$ 4,213,875</u>	<u>\$ 3,950,785</u>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 363,835	\$ 349,951
Current portion of deferred revenue	543,361	446,857
Total current liabilities	<u>907,196</u>	<u>796,808</u>
Long-term liabilities:		
Long-term portion of deferred revenue	95,991	107,064
Long-term debt	347,385	346,793
Other long-term liabilities	232,041	207,102
Total long-term liabilities	<u>675,417</u>	<u>660,959</u>
Stockholders' equity	<u>2,631,262</u>	<u>2,493,018</u>
Total liabilities and stockholders' equity	<u>\$ 4,213,875</u>	<u>\$ 3,950,785</u>

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

	September 26, 2020	January 2, 2021	April 3, 2021	July 3, 2021	October 2, 2021
Current assets:					
Cash and cash equivalents	\$ 1,306,564	\$ 928,432	\$ 742,981	\$ 847,160	\$ 1,013,819
Receivables, net	300,413	338,487	388,666	389,986	327,191
Inventories	47,979	75,956	76,592	90,479	101,575
Prepaid expenses and other	81,526	135,712	141,490	129,442	100,428
Total current assets	<u>1,736,482</u>	<u>1,478,587</u>	<u>1,349,729</u>	<u>1,457,067</u>	<u>1,543,013</u>
Property, plant and equipment, net	288,163	311,125	305,089	301,979	303,313
Goodwill	780,842	782,087	912,603	929,525	925,949
Acquired intangibles, net	227,753	210,590	264,671	264,789	247,628
Deferred taxes	722,656	732,290	729,296	729,790	766,036
Other assets	384,256	436,106	437,571	439,398	427,936
Total assets	<u>\$ 4,140,152</u>	<u>\$ 3,950,785</u>	<u>\$ 3,998,959</u>	<u>\$ 4,122,548</u>	<u>\$ 4,213,875</u>
Current liabilities:					
Revolving credit facility	\$ 350,000	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	290,886	349,951	271,241	340,607	363,835
Current portion of deferred revenue	477,003	446,857	521,100	586,109	543,361
Total current liabilities	<u>1,117,889</u>	<u>796,808</u>	<u>792,341</u>	<u>926,716</u>	<u>907,196</u>
Long-term liabilities:					
Long-term portion of deferred revenue	84,646	107,064	92,574	98,408	95,991
Long-term debt	346,584	346,793	346,988	347,186	347,385
Other long-term liabilities	195,315	207,102	224,624	233,495	232,041
Total long-term liabilities	<u>626,545</u>	<u>660,959</u>	<u>664,186</u>	<u>679,089</u>	<u>675,417</u>
Stockholders' equity:					
Common stock and capital in excess of par value	2,186,850	2,217,939	2,307,965	2,354,801	2,411,791
Treasury stock, at cost	(1,934,107)	(2,057,829)	(2,275,998)	(2,509,668)	(2,622,675)
Retained earnings	2,176,595	2,350,333	2,537,502	2,693,402	2,869,709
Accumulated other comprehensive loss	(33,620)	(17,425)	(27,037)	(21,792)	(27,563)
Total stockholders' equity	<u>2,395,718</u>	<u>2,493,018</u>	<u>2,542,432</u>	<u>2,516,743</u>	<u>2,631,262</u>
Total liabilities and stockholders' equity	<u>\$ 4,140,152</u>	<u>\$ 3,950,785</u>	<u>\$ 3,998,959</u>	<u>\$ 4,122,548</u>	<u>\$ 4,213,875</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Nine Months Ended October 2, 2021 and September 26, 2020
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>October 2, 2021</u>	<u>September 26, 2020</u>	<u>October 2, 2021</u>	<u>September 26, 2020</u>
Revenue:				
Product and maintenance	\$ 706,160	\$ 630,329	\$ 2,093,098	\$ 1,813,384
Services	44,735	36,278	122,110	109,598
Total revenue	<u>750,895</u>	<u>666,607</u>	<u>2,215,208</u>	<u>1,922,982</u>
Costs and expenses:				
Cost of product and maintenance	54,185	64,800	174,933	175,915
Cost of services	22,402	17,484	62,380	56,047
Marketing and sales	143,401	123,738	412,194	369,958
Research and development	289,105	250,934	845,324	743,423
General and administrative	42,990	35,928	123,275	105,161
Amortization of acquired intangibles	5,000	4,438	14,661	13,234
Restructuring and other charges (credits)	(222)	13	(968)	(1,329)
Total costs and expenses	<u>556,861</u>	<u>497,335</u>	<u>1,631,799</u>	<u>1,462,409</u>
Income from operations	194,034	169,272	583,409	460,573
Interest expense	(4,196)	(5,325)	(12,729)	(15,876)
Other income (expense), net	(1,143)	1,766	3,701	1,862
Income before provision for income taxes	188,695	165,713	574,381	446,559
Provision for income taxes	12,388	4,083	55,005	29,653
Net income	<u>\$ 176,307</u>	<u>\$ 161,630</u>	<u>\$ 519,376</u>	<u>\$ 416,906</u>
Net income per share - basic	<u>\$ 0.65</u>	<u>\$ 0.59</u>	<u>\$ 1.90</u>	<u>\$ 1.52</u>
Net income per share - diluted	<u>\$ 0.63</u>	<u>\$ 0.58</u>	<u>\$ 1.86</u>	<u>\$ 1.49</u>
Weighted average common shares outstanding - basic	<u>273,194</u>	<u>273,996</u>	<u>273,636</u>	<u>273,633</u>
Weighted average common shares outstanding - diluted	<u>278,311</u>	<u>280,024</u>	<u>279,046</u>	<u>279,455</u>

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

	Three Months Ended				
	September 26, 2020	January 2, 2021	April 3, 2021	July 3, 2021	October 2, 2021
Revenue:					
Product and maintenance	\$ 630,329	\$ 723,233	\$ 699,054	\$ 687,884	\$ 706,160
Services	36,278	36,676	36,974	40,401	44,735
Total revenue	<u>666,607</u>	<u>759,909</u>	<u>736,028</u>	<u>728,285</u>	<u>750,895</u>
Costs and expenses:					
Cost of product and maintenance	64,800	55,111	64,906	55,842	54,185
Cost of services	17,484	18,425	19,061	20,917	22,402
Marketing and sales	123,738	146,502	132,826	135,967	143,401
Research and development	250,934	290,309	270,992	285,227	289,105
General and administrative	35,928	49,264	39,952	40,333	42,990
Amortization of acquired intangibles	4,438	4,775	4,631	5,030	5,000
Restructuring and other charges (credits)	13	10,544	(277)	(469)	(222)
Total costs and expenses	<u>497,335</u>	<u>574,930</u>	<u>532,091</u>	<u>542,847</u>	<u>556,861</u>
Income from operations	169,272	184,979	203,937	185,438	194,034
Interest expense	(5,325)	(4,873)	(4,217)	(4,316)	(4,196)
Other income (expense), net	1,766	6,083	2,701	2,143	(1,143)
Income before provision for income taxes	165,713	186,189	202,421	183,265	188,695
Provision for income taxes	4,083	12,451	15,252	27,365	12,388
Net income	<u>\$ 161,630</u>	<u>\$ 173,738</u>	<u>\$ 187,169</u>	<u>\$ 155,900</u>	<u>\$ 176,307</u>
Net income per share - basic	<u>\$ 0.59</u>	<u>\$ 0.63</u>	<u>\$ 0.68</u>	<u>\$ 0.57</u>	<u>\$ 0.65</u>
Net income per share - diluted	<u>\$ 0.58</u>	<u>\$ 0.62</u>	<u>\$ 0.67</u>	<u>\$ 0.56</u>	<u>\$ 0.63</u>
Weighted average common shares outstanding - basic	<u>273,996</u>	<u>273,985</u>	<u>274,021</u>	<u>273,565</u>	<u>273,194</u>
Weighted average common shares outstanding - diluted	<u>280,024</u>	<u>280,173</u>	<u>280,140</u>	<u>278,558</u>	<u>278,311</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended October 2, 2021 and September 26, 2020
(In thousands)
(Unaudited)

	Nine Months Ended	
	October 2, 2021	September 26, 2020
Cash and cash equivalents at beginning of period	\$ 928,432	\$ 705,210
Cash flows from operating activities:		
Net income	519,376	416,906
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	106,962	107,019
Amortization of debt discount and fees	952	770
Stock-based compensation	155,860	138,723
(Gain) loss on investments, net	(330)	5,118
Deferred income taxes	(34,566)	(18,966)
Provisions for losses on receivables	234	1,087
ROU asset amortization and change in operating lease liabilities	(2,917)	2,064
Other non-cash items	146	410
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	15,132	9,945
Inventories	(25,608)	6,376
Prepaid expenses and other	36,632	22,769
Other assets	8,127	(21,287)
Accounts payable and accrued liabilities	10,501	(30,455)
Deferred revenue	84,183	124,491
Other long-term liabilities	10,417	4,430
Net cash provided by operating activities	<u>885,101</u>	<u>769,400</u>
Cash flows from investing activities:		
Proceeds from the sale of non-marketable investments	128	-
Purchases of property, plant and equipment	(49,977)	(63,745)
Cash paid in business combinations, net of cash acquired	(220,026)	(197,562)
Net cash used for investing activities	<u>(269,875)</u>	<u>(261,307)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	-	350,000
Payment of debt issuance costs	(1,285)	-
Proceeds from issuance of common stock	83,632	71,451
Stock received for payment of employee taxes on vesting of restricted stock	(108,185)	(85,515)
Payments for repurchases of common stock	(502,301)	(250,047)
Net cash provided by (used for) financing activities	<u>(528,139)</u>	<u>85,889</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,700)</u>	<u>7,372</u>
Increase in cash and cash equivalents	<u>85,387</u>	<u>601,354</u>
Cash and cash equivalents at end of period	<u>\$ 1,013,819</u>	<u>\$ 1,306,564</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended October 2, 2021
(In thousands)
(Unaudited)

	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Cash and cash equivalents at beginning of period	\$ 1,189,186	\$ 1,306,564	\$ 928,432	\$ 742,981	\$ 847,160
Cash flows from operating activities:					
Net income	161,630	173,738	187,169	155,900	176,307
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	37,117	38,634	36,218	35,581	35,163
Amortization of debt discount and fees	258	283	264	423	265
Stock-based compensation	45,334	58,545	52,596	50,518	52,746
(Gain) loss on investments, net	1,082	(164)	(1,433)	638	465
Deferred income taxes	(17,357)	(7,151)	2,710	(1,000)	(36,276)
Provisions for losses (recoveries) on receivables	165	541	77	165	(8)
ROU asset amortization and change in operating lease liabilities	562	2,419	(2,136)	(347)	(434)
Other non-cash items	114	363	302	(119)	(37)
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	12,442	(35,879)	(45,927)	(2,089)	63,148
Inventories	(4,644)	(32,061)	(669)	(13,858)	(11,081)
Prepaid expenses and other	12,859	(53,936)	(3,014)	10,704	28,942
Other assets	(3,600)	(50,319)	6,260	731	1,136
Accounts payable and accrued liabilities	(19,314)	48,849	(80,769)	65,998	25,272
Deferred revenue	(24,017)	(14,318)	59,166	68,120	(43,103)
Other long-term liabilities	3,926	5,978	(2,372)	9,011	3,778
Net cash provided by operating activities	<u>206,557</u>	<u>135,522</u>	<u>208,442</u>	<u>380,376</u>	<u>296,283</u>
Cash flows from investing activities:					
Proceeds from the sale of non-marketable investments	-	217	-	-	128
Purchases of property, plant and equipment	(20,210)	(31,068)	(16,968)	(14,171)	(18,838)
Cash paid in business combinations, net of cash acquired	(2,444)	-	(189,262)	(31,398)	634
Net cash used for investing activities	<u>(22,654)</u>	<u>(30,851)</u>	<u>(206,230)</u>	<u>(45,569)</u>	<u>(18,076)</u>
Cash flows from financing activities:					
Payment on revolving credit facility	-	(350,000)	-	-	-
Payment of debt issuance costs	-	-	-	(1,285)	-
Proceeds from issuance of common stock	27,784	3,352	46,384	5,868	31,380
Stock received for payment of employee taxes on vesting of restricted stock	(31,858)	(24,513)	(56,385)	(21,668)	(30,132)
Payments for repurchases of common stock	(75,011)	(130,017)	(172,267)	(220,023)	(110,011)
Net cash used for financing activities	<u>(79,085)</u>	<u>(501,178)</u>	<u>(182,268)</u>	<u>(237,108)</u>	<u>(108,763)</u>
Effect of exchange rate changes on cash and cash equivalents	12,560	18,375	(5,395)	6,480	(2,785)
Increase (decrease) in cash and cash equivalents	<u>117,378</u>	<u>(378,132)</u>	<u>(185,451)</u>	<u>104,179</u>	<u>166,659</u>
Cash and cash equivalents at end of period	<u>\$ 1,306,564</u>	<u>\$ 928,432</u>	<u>\$ 742,981</u>	<u>\$ 847,160</u>	<u>\$ 1,013,819</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2020					2021		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Americas	43%	44%	42%	41%	42%	46%	44%	46%
China	13%	12%	17%	17%	15%	12%	14%	13%
Other Asia	18%	19%	19%	18%	18%	18%	19%	18%
Europe, Middle East and Africa	19%	18%	16%	17%	18%	18%	17%	17%
Japan	7%	7%	6%	7%	7%	6%	6%	6%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Category (% of Total Revenue)

<u>PRODUCT CATEGORY</u>	2020					2021		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Custom IC Design and Simulation	25%	24%	24%	26%	25%	23%	23%	23%
Digital IC Design and Signoff	29%	28%	27%	31%	29%	27%	28%	29%
Functional Verification, including Emulation and Prototyping Hardware	23%	24%	23%	19%	22%	26%	25%	23%
IP	14%	14%	15%	13%	14%	14%	13%	14%
System Design and Analysis	9%	10%	11%	11%	10%	10%	11%	11%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of October 25, 2021
(Unaudited)

	Three Months Ending January 1, 2022 Forecast	Year Ending January 1, 2022 Forecast
GAAP operating margin as a percent of total revenue	~24%	~26%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	8%	7%
Amortization of acquired intangibles	2%	2%
Acquisition and integration-related costs	1%	1%
Restructuring and other credits	0%	0%
Non-qualified deferred compensation expenses	0%	0%
Special charges*	0%	1%
Non-GAAP operating margin as a percent of total revenue†	<u>~35%</u>	<u>~37%</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 2021 for a further discussion of its non-GAAP measures.

* Comprised of costs related to a voluntary retirement program in the second quarter of 2021.

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
As of October 25, 2021
(Unaudited)

	Three Months Ending January 1, 2022 Forecast	Year Ending January 1, 2022 Forecast
Diluted net income per share on a GAAP basis	\$0.49 to \$0.53	\$2.36 to \$2.40
Stock-based compensation expense	0.21	0.77
Amortization of acquired intangibles	0.06	0.24
Acquisition and integration-related costs	0.02	0.08
Restructuring and other credits	-	-
Non-qualified deferred compensation expenses	-	0.01
Special charges*	-	0.10
Other income or expense related to investments and non-qualified deferred compensation plan assets**	-	(0.02)
Income tax effect of non-GAAP adjustments	(0.02)	(0.30)
Diluted net income per share on a non-GAAP basis†	\$0.76 to \$0.80	\$3.24 to \$3.28

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of October 25, 2021
(Unaudited)

(\$ in millions)	Three Months Ending January 1, 2022 Forecast	Year Ending January 1, 2022 Forecast
Net income on a GAAP basis	\$137 to \$149	\$657 to \$669
Stock-based compensation expense	58	214
Amortization of acquired intangibles	17	67
Acquisition and integration-related costs	6	22
Restructuring and other credits	-	(1)
Non-qualified deferred compensation expenses	-	4
Special charges*	-	27
Other income or expense related to investments and non-qualified deferred compensation plan assets**	-	(4)
Income tax effect of non-GAAP adjustments	(7)	(84)
Net income on a non-GAAP basis†	\$211 to \$223	\$902 to \$914

† 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 2021 for a further discussion of its non-GAAP measures.

* Comprised of costs related to a voluntary retirement program in the second quarter of 2021.

** 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 October 2, 2021 and September 26, 2020
(Unaudited)

(In thousands)	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Net income on a GAAP basis	\$ 176,307	\$ 161,630	\$ 519,376	\$ 416,906
Stock-based compensation expense*	52,746	45,334	155,860	138,723
Amortization of acquired intangibles**	16,774	15,885	50,435	47,025
Acquisition and integration-related costs***	5,326	6,739	16,467	16,024
Restructuring and other charges (credits)	(222)	13	(968)	(1,329)
Non-qualified deferred compensation expenses (credits)****	(351)	1,779	3,958	601
Special charges *****	-	-	26,832	394
Other income or expense related to investments and non-qualified deferred compensation plan assets †	815	(876)	(4,291)	4,338
Income tax effect of non-GAAP adjustments	(29,817)	(33,451)	(76,622)	(74,720)
Net income on a non-GAAP basis †	\$ 221,578	\$ 197,053	\$ 691,047	\$ 547,962

+ 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 2021 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		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Cost of product and maintenance	\$ 885	\$ 668	\$ 2,601	\$ 2,042
Cost of services	1,158	850	3,177	2,599
Marketing and sales	10,784	9,699	32,284	29,826
Research and development	32,957	28,652	97,101	87,688
General and administrative	6,962	5,465	20,697	16,568
Total stock-based compensation expense	\$ 52,746	\$ 45,334	\$ 155,860	\$ 138,723

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Cost of product and maintenance	\$ 11,774	\$ 11,447	\$ 35,774	\$ 33,791
Amortization of acquired intangibles	5,000	4,438	14,661	13,234
Total amortization of acquired intangibles	\$ 16,774	\$ 15,885	\$ 50,435	\$ 47,025

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Marketing and sales	\$ 355	\$ 15	\$ 676	\$ 43
Research and development	4,747	5,068	13,457	13,652
General and administrative	224	1,656	2,334	2,329
Total acquisition and integration-related costs	\$ 5,326	\$ 6,739	\$ 16,467	\$ 16,024

**** 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	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Cost of product and maintenance	\$ (4)	\$ 21	\$ 32	\$ 12
Cost of services	(6)	32	44	19
Marketing and sales	(60)	299	674	56
Research and development	(176)	969	2,226	424
General and administrative	(105)	458	982	90
Total non-qualified deferred compensation expenses (credits)	\$ (351)	\$ 1,779	\$ 3,958	\$ 601

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Cost of product and maintenance	\$ -	\$ -	\$ 522	\$ -
Cost of services	-	-	2,344	-
Marketing and sales	-	-	6,697	-
Research and development	-	-	14,711	-
General and administrative	-	-	2,558	394
Total special charges	\$ -	\$ -	\$ 26,832	\$ 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 October 2, 2021 and September 26, 2020
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Diluted net income per share on a GAAP basis	\$ 0.63	\$ 0.58	\$ 1.86	\$ 1.49
Stock-based compensation expense	0.19	0.16	0.56	0.50
Amortization of acquired intangibles	0.06	0.06	0.18	0.17
Acquisition and integration-related costs	0.02	0.02	0.06	0.06
Restructuring and other charges (credits)	-	-	-	-
Non-qualified deferred compensation expenses (credits)	-	-	0.01	-
Special charges	-	-	0.10	-
Other income or expense related to investments and non-qualified deferred compensation plan assets *	-	-	(0.02)	0.01
Income tax effect of non-GAAP adjustments	(0.10)	(0.12)	(0.27)	(0.27)
Diluted net income per share on a non-GAAP basis +	\$ 0.80	\$ 0.70	\$ 2.48	\$ 1.96
Shares used in calculation of diluted net income per share	278,311	280,024	279,046	279,455

+ **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 2021 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 Financial Measures to Non-GAAP Financial Measures
(Unaudited)

	Three Months Ended October 2, 2021	Three Months Ended September 26, 2020
	Actual	Actual
	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 556,861	\$ 497,335
Reconciling items to non-GAAP total costs and expenses		
Stock-based compensation expense	(52,746)	(45,334)
Amortization of acquired intangibles	(16,774)	(15,885)
Acquisition and integration-related costs	(5,326)	(6,739)
Restructuring and other (charges) credits	222	(13)
Non-qualified deferred compensation (expenses) credits	351	(1,779)
Non-GAAP total costs and expenses†	<u>\$ 482,588</u>	<u>\$ 427,585</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 2021 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 October 2, 2021					
Operating expenses on a GAAP basis†	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration-related costs	Non-qualified deferred compensation credits	Operating expenses on a non-GAAP basis	
Cost of product and maintenance	54,185	(885)	(11,774)	-	4	41,530
Cost of services	22,402	(1,158)	-	-	6	21,250
Marketing and sales	143,401	(10,784)	-	(355)	60	132,322
Research and development	289,105	(32,957)	-	(4,747)	176	251,577
General and administrative	42,990	(6,962)	-	(224)	105	35,909
Amortization of acquired intangibles	5,000	-	(5,000)	-	-	-
	<u>(52,746)</u>	<u>(16,774)</u>	<u>(5,326)</u>	<u>351</u>		
	For the nine months ended October 2, 2021					
Operating expenses on a GAAP basis†	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration-related costs	Non-qualified deferred compensation expenses	Special charges*	Operating expenses on a non-GAAP basis
Cost of product and maintenance	174,933	(2,601)	(35,774)	-	(32)	136,004
Cost of services	62,380	(3,177)	-	-	(44)	56,815
Marketing and sales	412,194	(32,284)	-	(676)	(674)	371,863
Research and development	845,324	(97,101)	-	(13,457)	(2,226)	717,829
General and administrative	123,275	(20,697)	-	(2,334)	(982)	96,704
Amortization of acquired intangibles	14,661	-	(14,661)	-	-	-
	<u>(155,860)</u>	<u>(50,435)</u>	<u>(16,467)</u>	<u>(3,958)</u>	<u>(26,832)</u>	

*Comprised of costs related to a voluntary retirement program in the second quarter of 2021.

†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 2021 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 October 2, 2021
(In thousands)
(Unaudited)

	Three Months Ended October 2, 2021		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 706,160	\$ -	\$ 706,160
Services	44,735	-	44,735
	750,895	-	750,895
Costs and expenses:			
Cost of product and maintenance	54,185	(12,655) (A)	41,530
Cost of services	22,402	(1,152) (A)	21,250
Marketing and sales	143,401	(11,079) (A)	132,322
Research and development	289,105	(37,528) (A)	251,577
General and administrative	42,990	(7,081) (A)	35,909
Amortization of acquired intangibles	5,000	(5,000) (A)	-
Restructuring and other credits	(222)	222	-
	556,861	(74,273)	482,588
Income from operations	194,034	74,273	268,307
Interest expense	(4,196)	-	(4,196)
Other expense, net	(1,143)	815 (B)	(328)
	188,695	75,088	263,783
Provision for income taxes	12,388	29,817 (C)	42,205
Net income	\$ 176,307	\$ 45,271	\$ 221,578

*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 2021 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended October 2, 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 credits	Total adjustments
Cost of product and maintenance	\$ 885	\$ 11,774	\$ -	\$ (4)	\$ 12,655
Cost of services	1,158	-	-	(6)	1,152
Marketing and sales	10,784	-	355	(60)	11,079
Research and development	32,957	-	4,747	(176)	37,528
General and administrative	6,962	-	224	(105)	7,081
Amortization of acquired intangibles	-	5,000	-	-	5,000
Total	\$ 52,746	\$ 16,774	\$ 5,326	\$ (351)	\$ 74,495

(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 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 2021 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:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration-related costs	Non-qualified deferred compensation expenses	Total adjustments
Cost of product and maintenance	\$ 668	\$ 11,447	\$ -	\$ 21	\$ 12,136
Cost of services	850	-	-	32	882
Marketing and sales	9,699	-	15	299	10,013
Research and development	28,652	-	5,068	969	34,689
General and administrative	5,465	-	1,656	458	7,579
Amortization of acquired intangibles	-	4,438	-	-	4,438
Total	<u>\$ 45,334</u>	<u>\$ 15,885</u>	<u>\$ 6,739</u>	<u>\$ 1,779</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 Nine Months Ended October 2, 2021
(In thousands)
(Unaudited)

	Nine Months Ended October 2, 2021		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 2,093,098	\$ -	\$ 2,093,098
Services	122,110	-	122,110
Total revenue	<u>2,215,208</u>	<u>-</u>	<u>2,215,208</u>
Costs and expenses:			
Cost of product and maintenance	174,933	(38,929) (A)	136,004
Cost of services	62,380	(5,565) (A)	56,815
Marketing and sales	412,194	(40,331) (A)	371,863
Research and development	845,324	(127,495) (A)	717,829
General and administrative	123,275	(26,571) (A)	96,704
Amortization of acquired intangibles	14,661	(14,661) (A)	-
Restructuring and other credits	(968)	968	-
Total costs and expenses	<u>1,631,799</u>	<u>(252,584)</u>	<u>1,379,215</u>
Income from operations	583,409	252,584	835,993
Interest expense	(12,729)	-	(12,729)
Other income (expense), net	3,701	(4,291) (B)	(590)
Income before provision for income taxes	574,381	248,293	822,674
Provision for income taxes	55,005	76,622 (C)	131,627
Net income	<u>\$ 519,376</u>	<u>\$ 171,671</u>	<u>\$ 691,047</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 2021 for a further discussion of its non-GAAP measures.

Notes:

(A) For the nine months ended October 2, 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	\$ 2,601	\$ 35,774	\$ -	\$ 32	\$ 522	\$ 38,929
Cost of services	3,177	-	-	44	2,344	5,565
Marketing and sales	32,284	-	676	674	6,697	40,331
Research and development	97,101	-	13,457	2,226	14,711	127,495
General and administrative	20,697	-	2,334	982	2,558	26,571
Amortization of acquired intangibles	-	14,661	-	-	-	14,661
Total	<u>\$ 155,860</u>	<u>\$ 50,435</u>	<u>\$ 16,467</u>	<u>\$ 3,958</u>	<u>\$ 26,832</u>	<u>\$ 253,552</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

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	1,922,982	-	1,922,982
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	1,462,409	(201,438)	1,260,971
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	\$ 416,906	\$ 131,056	\$ 547,962

*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 2021 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:

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

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

(C) Income tax effect of non-GAAP adjustments