

TABLE OF CONTENTS

Condensed Consolidated Balance Sheets, September 30, 2024 and December 31, 2023.....	1
Trended Condensed Consolidated Balance Sheets.....	2
Condensed Consolidated Income Statements for the Three and Nine Months Ended September 30, 2024 and September 30, 2023.....	3
Trended Condensed Income Statements.....	4
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2024 and September 30, 2023.....	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 28, 2024.....	8
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share, as of October 28, 2024.....	9
Impact of Non-GAAP Adjustments on Forward Looking Net Income, as of October 28, 2024.....	9
Reconciliation of GAAP Net Income to Non-GAAP Net Income, for the Three and Nine Months Ended September 30, 2024 and September 30, 2023.....	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 30, 2024 and September 30, 2023.....	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 30, 2024.....	13
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Three Months Ended September 30, 2023.....	14
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Nine Months Ended September 30, 2024.....	15
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Nine Months Ended September 30, 2023.....	16

Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
September 30, 2024 and December 31, 2023
(In thousands)
(Unaudited)

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Current assets:		
Cash and cash equivalents	\$ 2,786,040	\$ 1,008,152
Receivables, net	560,973	489,224
Inventories	293,350	181,661
Prepaid expenses and other	459,560	297,180
Total current assets	<u>4,099,923</u>	<u>1,976,217</u>
Property, plant and equipment, net	448,652	403,213
Goodwill	2,493,467	1,535,845
Acquired intangibles, net	662,343	336,843
Deferred taxes	889,939	880,001
Other assets	572,707	537,372
Total assets	<u>\$ 9,167,031</u>	<u>\$ 5,669,491</u>
Current liabilities:		
Current portion of long-term debt	\$ 349,958	\$ 349,285
Accounts payable and accrued liabilities	627,200	576,558
Current portion of deferred revenue	697,836	665,024
Total current liabilities	<u>1,674,994</u>	<u>1,590,867</u>
Long-term liabilities:		
Long-term portion of deferred revenue	102,439	98,931
Long-term debt	2,475,232	299,771
Other long-term liabilities	351,028	275,651
Total long-term liabilities	<u>2,928,699</u>	<u>674,353</u>
Stockholders' equity	4,563,338	3,404,271
Total liabilities and stockholders' equity	<u>\$ 9,167,031</u>	<u>\$ 5,669,491</u>

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

	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024	September 30, 2024
Current assets:					
Cash and cash equivalents	\$ 961,982	\$ 1,008,152	\$ 1,012,418	\$ 1,058,955	\$ 2,786,040
Receivables, net	426,505	489,224	389,865	564,851	560,973
Inventories	163,693	181,661	185,784	171,508	293,350
Prepaid expenses and other	272,283	297,180	341,865	401,074	459,560
Total current assets	<u>1,824,463</u>	<u>1,976,217</u>	<u>1,929,932</u>	<u>2,196,388</u>	<u>4,099,923</u>
Property, plant and equipment, net	379,776	403,213	433,016	449,422	448,652
Goodwill	1,500,442	1,535,845	1,575,107	2,417,747	2,493,467
Acquired intangibles, net	347,617	336,843	334,644	664,038	662,343
Deferred taxes	874,805	880,001	886,576	892,963	889,939
Other assets	504,272	537,372	562,855	605,183	572,707
Total assets	<u>\$ 5,431,375</u>	<u>\$ 5,669,491</u>	<u>\$ 5,722,130</u>	<u>\$ 7,225,741</u>	<u>\$ 9,167,031</u>
Current liabilities:					
Current portion of long-term debt	\$ -	\$ 349,285	\$ 349,507	\$ 349,732	\$ 349,958
Accounts payable and accrued liabilities	598,261	576,558	456,608	505,392	627,200
Current portion of deferred revenue	665,906	665,024	659,628	678,598	697,836
Total current liabilities	<u>1,264,167</u>	<u>1,590,867</u>	<u>1,465,743</u>	<u>1,533,722</u>	<u>1,674,994</u>
Long-term liabilities:					
Long-term portion of deferred revenue	100,609	98,931	87,003	88,823	102,439
Long-term debt	648,801	299,771	299,805	998,935	2,475,232
Other long-term liabilities	303,904	275,651	301,983	343,369	351,028
Total long-term liabilities	<u>1,053,314</u>	<u>674,353</u>	<u>688,791</u>	<u>1,431,127</u>	<u>2,928,699</u>
Stockholders' equity:					
Common stock and capital in excess of par value	3,077,954	3,166,964	3,331,547	3,928,477	4,067,586
Treasury stock, at cost	(4,463,484)	(4,604,323)	(4,840,181)	(4,971,955)	(5,141,957)
Retained earnings	4,612,485	4,936,384	5,184,027	5,413,547	5,651,658
Accumulated other comprehensive loss	(113,061)	(94,754)	(107,797)	(109,177)	(13,949)
Total stockholders' equity	<u>3,113,894</u>	<u>3,404,271</u>	<u>3,567,596</u>	<u>4,260,892</u>	<u>4,563,338</u>
Total liabilities and stockholders' equity	<u>\$ 5,431,375</u>	<u>\$ 5,669,491</u>	<u>\$ 5,722,130</u>	<u>\$ 7,225,741</u>	<u>\$ 9,167,031</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Nine Months Ended September 30, 2024 and September 30, 2023
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30, 2024</u>	<u>September 30, 2023</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Revenue:				
Product and maintenance	\$ 1,100,380	\$ 965,840	\$ 2,974,222	\$ 2,852,372
Services	115,119	57,254	311,061	168,991
Total revenue	<u>1,215,499</u>	<u>1,023,094</u>	<u>3,285,283</u>	<u>3,021,363</u>
Costs and expenses:				
Cost of product and maintenance	109,593	85,813	279,351	260,269
Cost of services	53,451	23,768	148,160	70,642
Marketing and sales	189,763	176,215	557,077	509,951
Research and development	407,369	369,642	1,157,067	1,074,353
General and administrative	71,581	58,556	203,733	166,688
Amortization of acquired intangibles	9,148	4,612	21,222	13,181
Restructuring	24,538	11,582	24,785	11,582
Total costs and expenses	<u>865,443</u>	<u>730,188</u>	<u>2,391,395</u>	<u>2,106,666</u>
Income from operations	350,056	292,906	893,888	914,697
Interest expense	(24,495)	(9,059)	(46,092)	(27,196)
Other income, net	7,853	16,106	111,371	32,363
Income before provision for income taxes	333,414	299,953	959,167	919,864
Provision for income taxes	95,303	45,632	243,893	202,619
Net income	<u>\$ 238,111</u>	<u>\$ 254,321</u>	<u>\$ 715,274</u>	<u>\$ 717,245</u>
Net income per share - basic	<u>\$ 0.87</u>	<u>\$ 0.94</u>	<u>\$ 2.64</u>	<u>\$ 2.66</u>
Net income per share - diluted	<u>\$ 0.87</u>	<u>\$ 0.93</u>	<u>\$ 2.61</u>	<u>\$ 2.63</u>
Weighted average common shares outstanding - basic	<u>272,244</u>	<u>269,229</u>	<u>270,925</u>	<u>269,480</u>
Weighted average common shares outstanding - diluted	<u>273,958</u>	<u>272,427</u>	<u>273,679</u>	<u>272,859</u>

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

	Three Months Ended				
	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024	September 30, 2024
Revenue:					
Product and maintenance	\$ 965,840	\$ 981,987	\$ 913,385	\$ 960,457	\$ 1,100,380
Services	57,254	86,636	95,718	100,224	115,119
Total revenue	<u>1,023,094</u>	<u>1,068,623</u>	<u>1,009,103</u>	<u>1,060,681</u>	<u>1,215,499</u>
Costs and expenses:					
Cost of product and maintenance	85,813	71,491	75,395	94,363	109,593
Cost of services	23,768	32,639	49,802	44,907	53,451
Marketing and sales	176,215	180,368	180,589	186,725	189,763
Research and development	369,642	367,443	378,958	370,740	407,369
General and administrative	58,556	75,742	68,716	63,436	71,581
Amortization of acquired intangibles	4,612	4,981	5,407	6,667	9,148
Restructuring	11,582	(569)	280	(33)	24,538
Total costs and expenses	<u>730,188</u>	<u>732,095</u>	<u>759,147</u>	<u>766,805</u>	<u>865,443</u>
Income from operations	292,906	336,528	249,956	293,876	350,056
Interest expense	(9,059)	(8,989)	(8,692)	(12,905)	(24,495)
Other income, net	16,106	34,523	68,779	34,739	7,853
Income before provision for income taxes	299,953	362,062	310,043	315,710	333,414
Provision for income taxes	45,632	38,163	62,400	86,190	95,303
Net income	<u>\$ 254,321</u>	<u>\$ 323,899</u>	<u>\$ 247,643</u>	<u>\$ 229,520</u>	<u>\$ 238,111</u>
Net income per share - basic	<u>\$ 0.94</u>	<u>\$ 1.20</u>	<u>\$ 0.92</u>	<u>\$ 0.85</u>	<u>\$ 0.87</u>
Net income per share - diluted	<u>\$ 0.93</u>	<u>\$ 1.19</u>	<u>\$ 0.91</u>	<u>\$ 0.84</u>	<u>\$ 0.87</u>
Weighted average common shares outstanding - basic	<u>269,229</u>	<u>269,088</u>	<u>269,606</u>	<u>270,912</u>	<u>272,244</u>
Weighted average common shares outstanding - diluted	<u>272,427</u>	<u>272,419</u>	<u>273,544</u>	<u>273,520</u>	<u>273,958</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2024 and September 30, 2023
(In thousands)
(Unaudited)

	Nine Months Ended	
	September 30, 2024	September 30, 2023
Cash and cash equivalents at beginning of period	\$ 1,008,152	\$ 882,325
Cash flows from operating activities:		
Net income	715,274	717,245
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	142,252	106,783
Amortization of debt discount and fees	2,381	942
Stock-based compensation	284,711	238,928
Gain on investments, net	(64,458)	(12,732)
Deferred income taxes	(5,082)	(23,506)
Provisions for losses on receivables	1,124	1,692
ROU asset amortization and change in operating lease liabilities	(1,100)	(2,684)
Other non-cash items	309	1,962
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(44,766)	50,024
Inventories	(139,179)	(47,293)
Prepaid expenses and other	(114,785)	33,307
Other assets	(8,759)	(26,580)
Accounts payable and accrued liabilities	21,858	43,111
Deferred revenue	6,680	(14,628)
Other long-term liabilities	22,732	10,514
Net cash provided by operating activities	<u>819,192</u>	<u>1,077,085</u>
Cash flows from investing activities:		
Purchases of investments	(2,095)	(145,150)
Proceeds from the sale and maturity of investments	45,656	64,174
Purchases of property, plant and equipment	(105,340)	(68,634)
Cash paid in business combinations, net of cash acquired	(735,327)	(163,963)
Net cash used for investing activities	<u>(797,106)</u>	<u>(313,573)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	-	50,000
Payments on revolving credit facility	-	(150,000)
Proceeds from issuance of debt	3,196,595	-
Payment of term loans	(1,000,000)	-
Payment of debt issuance costs	(22,669)	-
Proceeds from issuance of common stock	193,933	131,341
Stock received for payment of employee taxes on vesting of restricted stock	(217,462)	(122,182)
Payments for repurchases of common stock	(400,018)	(575,127)
Net cash provided by (used for) financing activities	<u>1,750,379</u>	<u>(665,968)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>5,423</u>	<u>(17,887)</u>
Increase in cash and cash equivalents	<u>1,777,888</u>	<u>79,657</u>
Cash and cash equivalents at end of period	<u>\$ 2,786,040</u>	<u>\$ 961,982</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended September 30, 2024
(In thousands)
(Unaudited)

	<u>Q3 2023</u>	<u>Q4 2023</u>	<u>Q1 2024</u>	<u>Q2 2024</u>	<u>Q3 2024</u>
Cash and cash equivalents at beginning of period	\$ 873,925	\$ 961,982	\$ 1,008,152	\$ 1,012,418	\$ 1,058,955
Cash flows from operating activities:					
Net income	254,321	323,899	247,643	229,520	238,111
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	36,351	38,509	39,556	47,646	55,050
Amortization of debt discount and fees	316	320	320	364	1,697
Stock-based compensation	88,032	86,683	88,129	87,569	109,013
(Gain) loss on investments, net	(13,286)	(21,870)	(55,394)	(25,205)	16,141
Deferred income taxes	(3,335)	(13,006)	(1,523)	(7,983)	4,424
Provisions for losses on receivables	972	1,633	158	456	510
ROU asset amortization and change in operating lease liabilities	859	3,135	(917)	(493)	310
Other non-cash items	128	21	78	134	97
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	8,816	(61,772)	102,991	(152,375)	4,618
Inventories	(30,312)	(18,602)	(10,689)	(5,289)	(123,201)
Prepaid expenses and other	(17,486)	5,708	(15,073)	(24,795)	(74,917)
Other assets	5,258	(19,204)	(7,535)	(31,432)	30,208
Accounts payable and accrued liabilities	80,160	(37,696)	(117,291)	24,213	114,936
Deferred revenue	(15,897)	(6,955)	(23,941)	5,342	25,279
Other long-term liabilities	1,017	(8,712)	6,720	8,293	7,719
Net cash provided by operating activities	<u>395,914</u>	<u>272,091</u>	<u>253,232</u>	<u>155,965</u>	<u>409,995</u>
Cash flows from investing activities:					
Purchases of investments	(115,938)	(31,020)	(2,095)	-	-
Proceeds from the sale and maturity of investments	62,669	601	43,377	487	1,792
Purchases of property, plant and equipment	(21,979)	(33,703)	(49,601)	(29,199)	(26,540)
Purchases of intangible assets	-	(166)	-	-	-
Cash paid in business combinations, net of cash acquired	(108,584)	(34,388)	(71,450)	(649,371)	(14,506)
Net cash used for investing activities	<u>(183,832)</u>	<u>(98,676)</u>	<u>(79,769)</u>	<u>(678,083)</u>	<u>(39,254)</u>
Cash flows from financing activities:					
Proceeds from issuance of debt	-	-	-	700,000	2,496,595
Payment of term loans	-	-	-	-	(1,000,000)
Payment of debt issuance costs	-	-	-	(944)	(21,725)
Proceeds from issuance of common stock	53,839	1,616	116,725	16,547	60,661
Stock received for payment of employee taxes on vesting of restricted stock	(43,194)	(14,214)	(151,123)	(15,780)	(50,559)
Payments for repurchases of common stock	(125,008)	(125,007)	(125,006)	(125,004)	(150,008)
Net cash provided by (used for) financing activities	<u>(114,363)</u>	<u>(137,605)</u>	<u>(159,404)</u>	<u>574,819</u>	<u>1,334,964</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(9,662)</u>	<u>10,360</u>	<u>(9,793)</u>	<u>(6,164)</u>	<u>21,380</u>
Increase in cash and cash equivalents	<u>88,057</u>	<u>46,170</u>	<u>4,266</u>	<u>46,537</u>	<u>1,727,085</u>
Cash and cash equivalents at end of period	<u>\$ 961,982</u>	<u>\$ 1,008,152</u>	<u>\$ 1,012,418</u>	<u>\$ 1,058,955</u>	<u>\$ 2,786,040</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2023					2024		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Americas	44%	41%	43%	44%	43%	46%	49%	50%
China	17%	18%	17%	15%	17%	12%	12%	13%
Other Asia	18%	18%	19%	19%	19%	20%	19%	17%
Europe, Middle East and Africa	15%	17%	15%	16%	16%	17%	14%	14%
Japan	6%	6%	6%	6%	5%	5%	6%	6%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Category (% of Total Revenue)

<u>PRODUCT CATEGORY</u>	2023					2024		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Custom IC Design and Simulation	20%	22%	22%	22%	22%	22%	21%	19%
Digital IC Design and Signoff	25%	27%	28%	29%	27%	29%	27%	24%
Functional Verification, including Emulation and Prototyping Hardware	32%	27%	26%	24%	27%	25%	25%	27%
Core EDA Total	77%	76%	76%	75%	76%	76%	73%	70%
IP	11%	11%	11%	13%	12%	12%	13%	14%
System Design and Analysis	12%	13%	13%	12%	12%	12%	14%	16%
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 28, 2024
(Unaudited)

	Three Months Ending December 31, 2024	Year Ending December 31, 2024
	Forecast	Forecast
GAAP operating margin as a percent of total revenue	33.2% - 34.2%	29% - 30%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	8%	8%
Amortization of acquired intangibles	2%	2%
Acquisition and integration-related costs	2%	2%
Restructuring	0%	1%
Non-qualified deferred compensation expenses	0%	0%
Special charges	0%	0%
Non-GAAP operating margin as a percent of total revenue†	45.2% - 46.2%	42% - 43%

†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 2024 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 28, 2024
(Unaudited)

	Three Months Ending December 31, 2024 Forecast	Year Ending December 31, 2024 Forecast
Diluted net income per share on a GAAP basis	\$1.09 to \$1.15	\$3.70 to \$3.76
Stock-based compensation expense	0.39	1.44
Amortization of acquired intangibles	0.10	0.33
Acquisition and integration-related costs	0.09	0.35
Restructuring	-	0.09
Non-qualified deferred compensation expenses	-	0.04
Special charges	-	-
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(0.27)
Income tax effect of non-GAAP adjustments	0.11	0.19
Diluted net income per share on a non-GAAP basis†	<u><u>\$1.78 to \$1.84</u></u>	<u><u>\$5.87 to \$5.93</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 press release of Cadence Design Systems, Inc. for its third quarter of 2024 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.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of October 28, 2024
(Unaudited)

(\$ in millions)	Three Months Ending December 31, 2024 Forecast	Year Ending December 31, 2024 Forecast
Net income on a GAAP basis	\$300 to \$316	\$1,015 to \$1,031
Stock-based compensation expense	108	393
Amortization of acquired intangibles	27	91
Acquisition and integration-related costs	24	96
Restructuring	-	25
Non-qualified deferred compensation expenses	-	11
Special charges	-	1
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(75)
Income tax effect of non-GAAP adjustments	30	52
Net income on a non-GAAP basis†	<u><u>\$489 to \$505</u></u>	<u><u>\$1,609 to \$1,625</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 press release of Cadence Design Systems, Inc. for its third quarter of 2024 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 30, 2024 and September 30, 2023
(Unaudited)

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net income on a GAAP basis	\$ 238,111	\$ 254,321	\$ 715,274	\$ 717,245
Stock-based compensation expense*	109,013	88,032	284,711	238,928
Amortization of acquired intangibles**	26,763	15,603	63,673	45,050
Acquisition and integration-related costs***	29,284	14,213	72,085	43,959
Restructuring	24,538	11,582	24,785	11,582
Non-qualified deferred compensation expenses (credits)****	4,567	(1,749)	10,852	4,556
Special charges *****	-	-	1,233	-
Other income or expense related to investments and non-qualified deferred compensation plan assets †	11,582	(11,755)	(75,452)	(17,536)
Income tax effect of non-GAAP adjustments	6,341	(27,147)	22,618	(15,501)
Net income on a non-GAAP basis +	\$ 450,199	\$ 343,100	\$ 1,119,779	\$ 1,028,283

+ 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 2024 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	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Cost of product and maintenance	\$ 1,855	\$ 1,191	\$ 4,487	\$ 3,292
Cost of services	2,361	1,516	5,711	4,190
Marketing and sales	21,677	18,042	55,513	48,819
Research and development	67,857	53,013	175,985	142,142
General and administrative	15,263	14,270	43,015	40,485
Total stock-based compensation expense	\$ 109,013	\$ 88,032	\$ 284,711	\$ 238,928

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Cost of product and maintenance	\$ 17,615	\$ 10,991	\$ 42,451	\$ 31,869
Amortization of acquired intangibles	9,148	4,612	21,222	13,181
Total amortization of acquired intangibles	\$ 26,763	\$ 15,603	\$ 63,673	\$ 45,050

*** 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 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Cost of product and maintenance	\$ 1,089	\$ 112	\$ 1,245	\$ 366
Cost of services	1,038	152	2,949	488
Marketing and sales	5,921	1,195	14,720	4,538
Research and development	17,530	8,160	35,162	25,727
General and administrative	3,706	4,594	18,009	12,840
Total acquisition and integration-related costs	\$ 29,284	\$ 14,213	\$ 72,085	\$ 43,959

**** 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 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Cost of product and maintenance	\$ 40	\$ (19)	\$ 74	\$ 26
Cost of services	58	(27)	107	38
Marketing and sales	925	(341)	2,151	878
Research and development	2,608	(1,092)	6,446	2,698
General and administrative	936	(270)	2,074	916
Total non-qualified deferred compensation expenses (credits)	\$ 4,567	\$ (1,749)	\$ 10,852	\$ 4,556

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Marketing and sales	\$ -	\$ -	\$ 1,233	\$ -
Total special charges	\$ -	\$ -	\$ 1,233	\$ -

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 30, 2024 and September 30, 2023
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Diluted net income per share on a GAAP basis	\$ 0.87	\$ 0.93	\$ 2.61	\$ 2.63
Stock-based compensation expense	0.40	0.32	1.04	0.88
Amortization of acquired intangibles	0.10	0.06	0.23	0.16
Acquisition and integration-related costs	0.11	0.05	0.26	0.16
Restructuring	0.09	0.04	0.09	0.04
Non-qualified deferred compensation expenses (credits)	0.01	-	0.04	0.02
Special charges	-	-	0.01	-
Other income or expense related to investments and non-qualified deferred compensation plan assets *	0.04	(0.04)	(0.27)	(0.06)
Income tax effect of non-GAAP adjustments	0.02	(0.10)	0.08	(0.06)
Diluted net income per share on a non-GAAP basis +	\$ 1.64	\$ 1.26	\$ 4.09	\$ 3.77
Shares used in calculation of diluted net income per share	273,958	272,427	273,679	272,859

+ **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 2024 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)

	<u>Three Months Ended</u> <u>September 30, 2024</u>	<u>Three Months Ended</u> <u>September 30, 2023</u>
	<u>Actual</u>	<u>Actual</u>
	<u>(In thousands)</u>	<u>(In thousands)</u>
GAAP total costs and expenses	\$ 865,443	\$ 730,188
Reconciling items to non-GAAP total costs and expenses		
Stock-based compensation expense	(109,013)	(88,032)
Amortization of acquired intangibles	(26,763)	(15,603)
Acquisition and integration-related costs	(29,284)	(14,213)
Restructuring	(24,538)	(11,582)
Non-qualified deferred compensation (expenses) credits	(4,567)	1,749
Non-GAAP total costs and expenses†	<u>\$ 671,278</u>	<u>\$ 602,507</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 2024 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 September 30, 2024</u>						
<u>(In thousands)</u>	<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>expenses</u>	<u>Operating</u> <u>expenses on a</u> <u>non-GAAP basis</u>	
Cost of product and maintenance	109,593	(1,855)	(17,615)	(1,089)	(40)	88,994	
Cost of services	53,451	(2,361)	-	(1,038)	(58)	49,994	
Marketing and sales	189,763	(21,677)	-	(5,921)	(925)	161,240	
Research and development	407,369	(67,857)	-	(17,530)	(2,608)	319,374	
General and administrative	71,581	(15,263)	-	(3,706)	(936)	51,676	
Amortization of acquired intangibles	9,148	-	(9,148)	-	-	-	
		<u>(109,013)</u>	<u>(26,763)</u>	<u>(29,284)</u>	<u>(4,567)</u>		
	<u>For the nine months ended September 30, 2024</u>						
<u>(In thousands)</u>	<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>expenses</u>	<u>Special</u> <u>charges</u>	<u>Operating</u> <u>expenses on a</u> <u>non-GAAP basis</u>
Cost of product and maintenance	279,351	(4,487)	(42,451)	(1,245)	(74)	-	231,094
Cost of services	148,160	(5,711)	-	(2,949)	(107)	-	139,393
Marketing and sales	557,077	(55,513)	-	(14,720)	(2,151)	(1,233)	483,460
Research and development	1,157,067	(175,985)	-	(35,162)	(6,446)	-	939,474
General and administrative	203,733	(43,015)	-	(18,009)	(2,074)	-	140,635
Amortization of acquired intangibles	21,222	-	(21,222)	-	-	-	-
		<u>(284,711)</u>	<u>(63,673)</u>	<u>(72,085)</u>	<u>(10,852)</u>	<u>(1,233)</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 2024 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 30, 2024
(In thousands)
(Unaudited)

	Three Months Ended September 30, 2024		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,100,380	\$ -	\$ 1,100,380
Services	115,119	-	115,119
Total revenue	<u>1,215,499</u>	<u>-</u>	<u>1,215,499</u>
Costs and expenses:			
Cost of product and maintenance	109,593	(20,599) (A)	88,994
Cost of services	53,451	(3,457) (A)	49,994
Marketing and sales	189,763	(28,523) (A)	161,240
Research and development	407,369	(87,995) (A)	319,374
General and administrative	71,581	(19,905) (A)	51,676
Amortization of acquired intangibles	9,148	(9,148) (A)	-
Restructuring	24,538	(24,538)	-
Total costs and expenses	<u>865,443</u>	<u>(194,165)</u>	<u>671,278</u>
Income from operations	350,056	194,165	544,221
Interest expense	(24,495)	-	(24,495)
Other income, net	7,853	11,582 (B)	19,435
Income before provision for income taxes	333,414	205,747	539,161
Provision for income taxes	95,303	(6,341) (C)	88,962
Net income	<u>\$ 238,111</u>	<u>\$ 212,088</u>	<u>\$ 450,199</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 2024 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended September 30, 2024, 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	\$ 1,855	\$ 17,615	\$ 1,089	\$ 40	\$ 20,599
Cost of services	2,361	-	1,038	58	3,457
Marketing and sales	21,677	-	5,921	925	28,523
Research and development	67,857	-	17,530	2,608	87,995
General and administrative	15,263	-	3,706	936	19,905
Amortization of acquired intangibles	-	9,148	-	-	9,148
Total	<u>\$ 109,013</u>	<u>\$ 26,763</u>	<u>\$ 29,284</u>	<u>\$ 4,567</u>	<u>\$ 169,627</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 30, 2023
(In thousands)
(Unaudited)

	Three Months Ended September 30, 2023		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 965,840	\$ -	\$ 965,840
Services	57,254	-	57,254
Total revenue	1,023,094	-	1,023,094
Costs and expenses:			
Cost of product and maintenance	85,813	(12,275) (A)	73,538
Cost of services	23,768	(1,641) (A)	22,127
Marketing and sales	176,215	(18,896) (A)	157,319
Research and development	369,642	(60,081) (A)	309,561
General and administrative	58,556	(18,594) (A)	39,962
Amortization of acquired intangibles	4,612	(4,612) (A)	-
Restructuring	11,582	(11,582)	-
Total costs and expenses	730,188	(127,681)	602,507
Income from operations	292,906	127,681	420,587
Interest expense	(9,059)	-	(9,059)
Other income, net	16,106	(11,755) (B)	4,351
Income before provision for income taxes	299,953	115,926	415,879
Provision for income taxes	45,632	27,147 (C)	72,779
Net income	\$ 254,321	\$ 88,779	\$ 343,100

*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 2024 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended September 30, 2023, 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	\$ 1,191	\$ 10,991	\$ 112	\$ (19)	\$ 12,275
Cost of services	1,516	-	152	(27)	1,641
Marketing and sales	18,042	-	1,195	(341)	18,896
Research and development	53,013	-	8,160	(1,092)	60,081
General and administrative	14,270	-	4,594	(270)	18,594
Amortization of acquired intangibles	-	4,612	-	-	4,612
Total	\$ 88,032	\$ 15,603	\$ 14,213	\$ (1,749)	\$ 116,099

(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 30, 2024
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2024		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 2,974,222	\$ -	\$ 2,974,222
Services	311,061	-	311,061
Total revenue	<u>3,285,283</u>	<u>-</u>	<u>3,285,283</u>
Costs and expenses:			
Cost of product and maintenance	279,351	(48,257) (A)	231,094
Cost of services	148,160	(8,767) (A)	139,393
Marketing and sales	557,077	(73,617) (A)	483,460
Research and development	1,157,067	(217,593) (A)	939,474
General and administrative	203,733	(63,098) (A)	140,635
Amortization of acquired intangibles	21,222	(21,222) (A)	-
Restructuring	24,785	(24,785)	-
Total costs and expenses	<u>2,391,395</u>	<u>(457,339)</u>	<u>1,934,056</u>
Income from operations	893,888	457,339	1,351,227
Interest expense	(46,092)	-	(46,092)
Other income, net	111,371	(75,452) (B)	35,919
Income before provision for income taxes	959,167	381,887	1,341,054
Provision for income taxes	243,893	(22,618) (C)	221,275
Net income	<u>\$ 715,274</u>	<u>\$ 404,505</u>	<u>\$ 1,119,779</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 2024 for a further discussion of its non-GAAP measures.

Notes:

(A) For the nine months ended September 30, 2024, 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	\$ 4,487	\$ 42,451	\$ 1,245	\$ 74	\$ -	\$ 48,257
Cost of services	5,711	-	2,949	107	-	8,767
Marketing and sales	55,513	-	14,720	2,151	1,233	73,617
Research and development	175,985	-	35,162	6,446	-	217,593
General and administrative	43,015	-	18,009	2,074	-	63,098
Amortization of acquired intangibles	-	21,222	-	-	-	21,222
Total	<u>\$ 284,711</u>	<u>\$ 63,673</u>	<u>\$ 72,085</u>	<u>\$ 10,852</u>	<u>\$ 1,233</u>	<u>\$ 432,554</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 30, 2023
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2023		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 2,852,372	\$ -	\$ 2,852,372
Services	168,991	-	168,991
Total revenue	<u>3,021,363</u>	<u>-</u>	<u>3,021,363</u>
Costs and expenses:			
Cost of product and maintenance	260,269	(35,553) (A)	224,716
Cost of services	70,642	(4,716) (A)	65,926
Marketing and sales	509,951	(54,235) (A)	455,716
Research and development	1,074,353	(170,567) (A)	903,786
General and administrative	166,688	(54,241) (A)	112,447
Amortization of acquired intangibles	13,181	(13,181) (A)	-
Restructuring	11,582	(11,582)	-
Total costs and expenses	<u>2,106,666</u>	<u>(344,075)</u>	<u>1,762,591</u>
Income from operations	914,697	344,075	1,258,772
Interest expense	(27,196)	-	(27,196)
Other income, net	<u>32,363</u>	<u>(17,536) (B)</u>	<u>14,827</u>
Income before provision for income taxes	919,864	326,539	1,246,403
Provision for income taxes	<u>202,619</u>	<u>15,501 (C)</u>	<u>218,120</u>
Net income	<u>\$ 717,245</u>	<u>\$ 311,038</u>	<u>\$ 1,028,283</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 2024 for a further discussion of its non-GAAP measures.

Notes:

(A) For the nine months ended September 30, 2023, 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	\$ 3,292	\$ 31,869	\$ 366	\$ 26	\$ 35,553
Cost of services	4,190	-	488	38	4,716
Marketing and sales	48,819	-	4,538	878	54,235
Research and development	142,142	-	25,727	2,698	170,567
General and administrative	40,485	-	12,840	916	54,241
Amortization of acquired intangibles	-	13,181	-	-	13,181
Total	<u>\$ 238,928</u>	<u>\$ 45,050</u>	<u>\$ 43,959</u>	<u>\$ 4,556</u>	<u>\$ 332,493</u>

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

(C) Income tax effect of non-GAAP adjustments