

CADENCE REPORTS FOURTH QUARTER AND FISCAL YEAR 2019

CADENCE DESIGN SYSTEMS, INC.

CFO COMMENTARY

Key Takeaways

- Q4 results met or exceeded our expectations for key financial metrics.
- Operating cash flow for 2019 was \$730 million.
- Repurchased \$75 million of Cadence stock in Q4 and \$306 million for the year.
- Projecting revenue growth of 10% at midpoint of FY 2020 outlook.

FY 2020 Outlook

- Revenue: \$2.545 - \$2.585 billion.
- GAAP operating margin: 21% - 22%.
- Non-GAAP operating margin: 32% - 33%.
- GAAP EPS: \$1.46 - \$1.56
- Non-GAAP EPS \$2.40 - \$2.50
- Operating cash flow: \$775 - \$825 million.
- Expect to use approximately 50% of free cash flow to repurchase Cadence shares for the year.

Q1 2020 Outlook

- Revenue : \$610 - \$620 million.
- GAAP operating margin: ~19%.
- Non-GAAP operating margin: ~30%.
- GAAP EPS: \$0.32 - \$0.34
- Non-GAAP EPS: \$0.53 - \$0.55

Financial Results Webcast

Our Q4 2019 financial results webcast will begin February 12, 2020 at 2:00 p.m. (Pacific). The webcast may be accessed at www.cadence.com/cadence/investor_relations. An archive of the webcast will be available on February 12, 2020 until 5:00 p.m. (Pacific) on March 13, 2020.

Q4 2019 KEY METRICS

- Revenue \$600 million
- GAAP operating margin 18%
- Non-GAAP operating margin 31%
- GAAP EPS \$2.36
- Non-GAAP EPS \$0.54
- Operating cash flow \$159 million

FY 2019 KEY METRICS

- Revenue \$2.336 billion, up \$198 million over 2018.
- GAAP operating expenses \$1.845 billion, up \$103 million over 2018.
- Non-GAAP operating expenses \$1.587 billion, up \$96 million over 2018.
- GAAP operating margin 21%
- Non-GAAP operating margin 32%
- GAAP EPS \$3.53
- Non-GAAP EPS \$2.20
- Operating cash flow \$730 million

Financial Metrics

(In Millions, except per share data)	2016*	2017*	2018	2019	2020E
Revenue	\$1,816	\$1,943	\$2,138	\$2,336	\$2,545 - \$2,585
Revenue growth		7%	10%	9%	9% - 11%
GAAP operating expenses	1,571	1,619	1,742	1,845	~2,013
Non-GAAP operating expenses	1,348	1,409	1,491	1,587	~1,732
Non-GAAP operating expense growth		5%	6%	6%	~9%
GAAP operating margin	13%	17%	19%	21%	
Implied GAAP operating margin**					21.5%
Non-GAAP operating margin	26%	28%	30%	32%	
Implied Non-GAAP operating margin**					32.5%
GAAP earnings per share	\$0.70	\$0.73	\$1.23	\$3.53	\$1.46 - \$1.56
Non-GAAP earning per share	\$1.21	\$1.40	\$1.87	\$2.20	\$2.40 - \$2.50
Weighted average shares diluted outstanding	291.3	280.2	281.1	280.5	279 - 282
Cash flow from operations	445	471	605	730	\$775 - \$825
Capital expenditures	54	58	62	75	~\$90

* Fiscal years 2016 and 2017 accounted for under ASC Topic 605, prior to adoption of ASC Topic 606 in 2018.

** At midpoint

First Quarter 2020 Financial Outlook

	Q1 2019A	Q4 2019A	Q1 2020E
Total Revenue (\$ Million)	\$576.7	\$599.6	\$610 - \$620
Q/Q Growth		3%	2% - 3%
Y/Y Growth		4%	6% - 8%
GAAP Operating Margin	22%	18%	~19%
Non-GAAP Operating Margin	32%	31%	~30%
GAAP EPS	\$0.43	\$2.36	\$0.32 - \$0.34
Non-GAAP EPS	\$0.54	\$0.54	\$0.53 - \$0.55
Q/Q Growth		0%	(2)% - 2%
Y/Y Growth		0%	(2)% - 2%

Fiscal Year 2020 Financial Outlook

	FY 2019A	FY 2020E
Recurring Revenue	85% - 90%	85% - 90%
Total Revenue (\$ Billion)	\$2.336	\$2.545 - \$2.585
Y/Y Growth	9%	9% - 11%
Revenue from Beginning Remaining Performance Obligations	~75%	~75%
GAAP Operating Margin	21.1%	21% - 22%
Non-GAAP Operating Margin	32.1%	32% - 33%
GAAP Other Income & Expense (\$ Million)	\$(12.8)	\$(16) - \$(25)
Non-GAAP Other Income & Expense (\$ Million)	\$(14.1)	\$(12) - \$(21)
GAAP Tax Rate	-106%	~20%
Non-GAAP Tax Rate	16%	16%
Weighted Average Diluted Shares Outstanding (Million)	280.5	279 - 282
GAAP EPS	\$3.53	\$1.46 - \$1.56
Non-GAAP EPS	\$2.20	\$2.40 - \$2.50
Y/Y Growth	18%	9% - 14%
Cash Flow from Operations (\$ Million)	\$730	\$775 - \$825
DSO	47	~45
Capital Expenditures (\$ Million)	\$75	~\$90

Fourth Quarter and Fiscal Year Financial Results

Backlog

(In Billions)	2018	2019
Backlog*	\$3.0	\$3.6

*Backlog = Remaining Performance Obligations + IP Access Agreements

Revenue

(In Thousands)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Product and Maintenance	\$534,418	\$543,518	\$548,028	\$548,105	\$564,964
Services	35,432	33,224	32,391	31,498	34,591
Total Revenue	<u>\$569,850</u>	<u>\$576,742</u>	<u>\$580,419</u>	<u>\$579,603</u>	<u>\$599,555</u>

(In Thousands)	2018	2019
Product and Maintenance	\$1,997,887	\$2,204,615
Services	140,135	131,704
Total Revenue	<u>\$2,138,022</u>	<u>\$2,336,319</u>

Revenue Mix by Geography

(% of Total Revenue)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Americas	44%	44%	42%	44%	46%
China	13%	10%	12%	10%	9%
Other Asia	18%	19%	19%	21%	20%
Europe, Middle East and Africa	17%	18%	20%	18%	18%
Japan	8%	9%	7%	7%	7%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(% of Total Revenue)	2018	2019
Americas	45%	44%
China	10%	10%
Other Asia	18%	20%
Europe, Middle East and Africa	19%	18%
Japan	8%	8%
Total	<u>100%</u>	<u>100%</u>

Revenue Mix by Product Group

(% of Total Revenue)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Functional Verification	25%	24%	22%	20%	24%
Digital IC Design and Signoff	28%	30%	31%	30%	29%
Custom IC Design and Simulation	25%	25%	26%	26%	25%
System Interconnect and Analysis	9%	9%	10%	9%	9%
IP	13%	12%	11%	15%	13%
Total	100%	100%	100%	100%	100%

(% of Total Revenue)	2018	2019
Functional Verification	24%	23%
Digital IC Design and Signoff	29%	30%
Custom IC Design and Simulation	26%	25%
System Interconnect and Analysis	9%	9%
IP	12%	13%
Total	100%	100%

Gross Margin

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
GAAP Gross Margin	86.6%	87.8%	89.4%	89.5%	87.8%
Non-GAAP Gross Margin	88.6%	89.7%	91.6%	91.5%	89.7%

	2018	2019
GAAP Gross Margin	87.9%	88.6%
Non-GAAP Gross Margin	90.0%	90.6%

Total Costs and Expenses

(In Thousands)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Total GAAP Costs and Expenses	\$456,160	\$448,346	\$446,744	\$458,777	\$490,656
Total Non-GAAP Costs and Expenses	\$391,471	\$390,166	\$385,591	\$395,995	\$415,140

(In Thousands)	2018	2019
Total GAAP Costs and Expenses	\$1,741,813	\$1,844,523
Total Non-GAAP Costs and Expenses	\$1,491,289	\$1,586,892

Operating Margin

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
GAAP Operating Margin	20.0%	22.3%	23.0%	20.8%	18.2%
Non-GAAP Operating Margin	31.3%	32.3%	33.6%	31.7%	30.8%

	2018	2019
GAAP Operating Margin	18.5%	21.1%
Non-GAAP Operating Margin	30.2%	32.1%

Earnings Per Share

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
GAAP Net Income Per Share	\$0.35	\$0.43	\$0.38	\$0.36	\$2.36
Non-GAAP Net Income Per Share	\$0.52	\$0.54	\$0.57	\$0.54	\$0.54

	2018	2019
GAAP Net Income Per Share	\$1.23	\$3.53
Non-GAAP Net Income Per Share	\$1.87	\$2.20

Total DSO

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
DSO	48	42	38	43	47

Balance Sheet and Cash Review

Cash Flow from Operating Activities

<i>(In Thousands)</i>	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Net Cash from Operating Activities	\$131,884	\$185,414	\$246,360	\$138,530	\$159,296

<i>(In Thousands)</i>	2016	2017	2018	2019
Net Cash from Operating Activities	\$444,879	\$470,740	\$604,751	\$729,600

Capital Expenditures

<i>(In Thousands)</i>	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Capital Expenditures	\$19,742	\$15,275	\$15,287	\$16,965	\$27,078

<i>(In Thousands)</i>	2016	2017	2018	2019
Capital Expenditures	\$53,712	\$57,901	\$61,503	\$74,605

Cash and Cash Equivalents

<i>(In Thousands)</i>	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Cash and Cash Equivalents	\$533,298	\$538,898	\$633,415	\$655,216	\$705,210

- Approximately 57 percent of our cash and cash equivalents were in the U.S. at quarter-end.

<i>(In Thousands)</i>	2016	2017	2018	2019
Cash and Cash Equivalents	\$465,232	\$688,087	\$533,298	\$705,210

Stock Repurchase

<i>(In Thousands, Except Share Price)</i>	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Share Repurchase	\$100,023	\$81,114	\$75,006	\$75,011	\$75,017
Number of Shares	2,323	1,529	1,125	1,065	1,122
Average Share Price	\$43.06	\$53.05	\$66.67	\$70.43	\$66.86

<i>(In Thousands, Except Share Price)</i>	2016	2017	2018	2019
Share Repurchase	\$960,289	\$100,025	\$250,059	\$306,148
Number of Shares	40,493	2,495	5,934	4,841
Average Share Price	\$23.71	\$40.09	\$42.14	\$63.24

Employees

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Headcount	7,499	7,570	7,743	8,016	8,078

	2016	2017	2018	2019
Headcount	7,094	7,214	7,499	8,078

Forward Looking Statements

The statements in this CFO Commentary contain forward-looking statements based on current expectations and preliminary assumptions that are subject to factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and other factors, many of which are outside Cadence's control, including, among others: (i) Cadence's ability to compete successfully in the electronic design automation product and the commercial electronic design and methodology services industries; (ii) the success of Cadence's efforts to improve operational efficiency and growth; (iii) the mix of products and services sold and the timing of significant orders for and delivery of Cadence's products and services; (iv) change in customer demands that could result in delays in purchases or deliveries of Cadence's products and services, including those resulting from consolidation among Cadence's customers, restructurings and other efforts to improve operational efficiency of Cadence's customers, economic conditions, government regulations or trade restrictions; (v) economic and industry conditions and trade restrictions in regions in which Cadence does business; (vi) fluctuations in rates of exchange between the U.S. dollar and the currencies of other countries in which Cadence does business; (vii) capital expenditure requirements, legislative or regulatory requirements, changes in tax laws, interest rates and Cadence's ability to access capital and debt markets; (viii) the acquisition of other companies or technologies or the failure to successfully integrate and operate these companies or technologies Cadence acquires, including the potential inability to retain customers, key employees or vendors; (ix) the effects of Cadence's efforts to improve operational efficiency in its business, including strategic, customer and supplier relationships, and its ability to retain key employees; (x) events that affect cash flow, liquidity, reserves or settlement assumptions Cadence may take from time to time with respect to accounts receivable, taxes and tax examinations, litigation or other matters; and (xi) the effects of any litigation or other proceedings to which Cadence is or may become a party. In addition, the timing and amount of Cadence's repurchase of its common stock under the authorizations will be subject to business and market conditions, corporate and regulatory requirements, stock price, acquisition opportunities and other factors.

For a detailed discussion of these and other cautionary statements related to Cadence's business, please refer to Cadence's filings with the U.S. Securities and Exchange Commission, which include Cadence's most recent reports on Form 10-K and Form 10-Q, including Cadence's future filings.

GAAP to Non-GAAP Reconciliation

Non-GAAP financial measures should not be considered as a substitute for or superior to measures of financial performance prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of non-GAAP financial measures contained within this CFO Commentary with their most directly comparable GAAP financial results. Investors are also encouraged to look at the GAAP results as the best measure of financial performance. See our earnings press release issued today for further discussion of our non-GAAP financial measures, as well as the reconciliation provided in the Appendix to this CFO Commentary.

Cadence's management uses non-GAAP net income because it excludes items that are generally not directly related to the performance of the company's core business operations and therefore provides supplemental information to Cadence's management and investors regarding the performance of the business operations, facilitates comparisons to the historical operating results and allows the review of Cadence's business from the same perspective as Cadence's management, including forecasting and budgeting.

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APPENDIX I

Reconciliation of GAAP to Non-GAAP Financial Measures (Unaudited)

Reconciliation of GAAP Total Expenses to Non-GAAP Total Expenses

<i>(In Thousands)</i>	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
GAAP total costs and expenses	\$456,160	\$448,346	\$446,744	\$458,777	\$490,656
Reconciling items to non-GAAP total costs and expenses					
Amortization of acquired intangibles	(12,942)	(13,162)	(14,458)	(12,799)	(12,660)
Stock-based compensation expense	(42,594)	(42,253)	(44,257)	(48,279)	(46,758)
Non-qualified deferred compensation (expenses) credits	3,186	(2,540)	(862)	(52)	(1,948)
Restructuring and other (charges) credits	(13,699)	689	313	186	(9,809)
Acquisition and integration-related (costs) credits	1,360	(914)	(1,889)	(1,838)	(3,466)
Special charges	—	—	—	—	(875)
Non-GAAP total costs and expenses†	<u>\$391,471</u>	<u>\$390,166</u>	<u>\$385,591</u>	<u>\$395,995</u>	<u>\$415,140</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.

Reconciliation of GAAP Total Expenses to Non-GAAP Total Expenses

<i>(In Millions)</i>	2016	2017	2018	2019	2020E
GAAP total costs and expenses	\$1,571	\$1,619	\$1,742	\$1,845	~\$2,013
Reconciling items to non-GAAP total costs and expenses					
Amortization of acquired intangibles	(60)	(57)	(53)	(53)	~(65)
Stock-based compensation expense	(109)	(130)	(168)	(182)	~(198)
Non-qualified deferred compensation (expenses) credits	(2)	(6)	1	(5)	—
Restructuring and other charges	(41)	(9)	(11)	(9)	—
Acquisition and integration-related costs	(11)	(8)	(20)	(8)	~(18)
Special charges	—	—	—	(1)	—
Non-GAAP total costs and expenses†	<u>\$1,348</u>	<u>\$1,409</u>	<u>\$1,491</u>	<u>\$1,587</u>	<u>~\$1,732</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.

Reconciliation of GAAP Gross Margin as Percent of Total Revenue to Non-GAAP Gross Margin as Percent of Total Revenue

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
GAAP gross margin as percent of total revenue	86.6%	87.8%	89.4%	89.5%	87.8%
Reconciling items to non-GAAP gross margin as a percent of total revenue					
Amortization of acquired intangibles	1.7%	1.7%	1.9%	1.7%	1.6%
Stock-based compensation expense	0.3%	0.2%	0.3%	0.3%	0.3%
Non-qualified deferred compensation expenses (credits)	0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP gross margin as percent of total revenue†	<u>88.6%</u>	<u>89.7%</u>	<u>91.6%</u>	<u>91.5%</u>	<u>89.7%</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.

Reconciliation of GAAP Gross Margin as Percent of Total Revenue to Non-GAAP Gross Margin as Percent of Total Revenue

	2018	2019
GAAP gross margin as percent of total revenue	87.9%	88.6%
Reconciling items to non-GAAP gross margin as a percent of total revenue		
Amortization of acquired intangibles	1.8%	1.7%
Stock-based compensation expense	0.3%	0.3%
Non-qualified deferred compensation expenses (credits)	0.0%	0.0%
Non-GAAP gross margin as percent of total revenue†	<u>90.0%</u>	<u>90.6%</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.

Reconciliation of GAAP Operating Margin as Percent of Total Revenue to Non-GAAP Operating Margin as Percent of Total Revenue

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020E
GAAP operating margin as percent of total revenue	20%	22%	23%	21%	18%	~19%
Reconciling items to non-GAAP operating margin as a percent of total revenue						
Amortization of acquired intangibles	2%	2%	3%	2%	2%	2%
Stock-based compensation expense	7%	7%	8%	9%	8%	8%
Non-qualified deferred compensation expenses (credits)	0%	1%	0%	0%	0%	0%
Restructuring and other charges (credits)	2%	0%	0%	0%	2%	0%
Acquisition and integration-related costs (credits)	0%	0%	0%	0%	1%	1%
Special charges	0%	0%	0%	0%	0%	0%
Non-GAAP operating margin as percent of total revenue†	<u>31%</u>	<u>32%</u>	<u>34%</u>	<u>32%</u>	<u>31%</u>	<u>~30%</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.

	2016	2017	2018	2019	2020E
GAAP operating margin as percent of total revenue	13%	17%	19%	21%	21% - 22%
Reconciling items to non-GAAP operating margin as a percent of total revenue					
Amortization of acquired intangibles	4%	3%	2%	2%	2%
Stock-based compensation expense	6%	7%	8%	8%	8%
Non-qualified deferred compensation expenses (credits)	0%	0%	0%	0%	0%
Restructuring and other charges	2%	1%	0%	1%	0%
Acquisition and integration-related costs	1%	0%	1%	0%	1%
Special charges	0%	0%	0%	0%	0%
Non-GAAP operating margin as percent of total revenue†	<u>26%</u>	<u>28%</u>	<u>30%</u>	<u>32%</u>	<u>32% - 33%</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.

Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share

(In Thousands, Except Per Share Data)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020E
Diluted net income per share on a GAAP basis	\$0.35	\$0.43	\$0.38	\$0.36	\$2.36	\$0.32 - \$0.34
Amortization of acquired intangibles	0.05	0.05	0.05	0.04	0.05	0.05
Stock-based compensation expense	0.15	0.15	0.16	0.17	0.17	0.17
Non-qualified deferred compensation expenses (credits)	(0.01)	0.01	—	—	0.01	—
Restructuring and other charges (credits)	0.05	—	—	—	0.03	—
Acquisition and integration-related costs (credits)	(0.01)	—	—	0.01	0.01	0.01
Special charges	—	—	—	—	—	—
Other income or expense related to investments and non-qualified deferred compensation plan assets *	—	(0.02)	0.01	0.01	—	0.01
Income tax benefit related to intercompany transfers of certain intellectual property rights	—	—	—	—	(2.06)	—
Income tax effect of non-GAAP adjustments	(0.06)	(0.08)	(0.03)	(0.05)	(0.03)	(0.03)
Diluted net income per share on a non-GAAP basis †	<u>\$0.52</u>	<u>\$0.54</u>	<u>\$0.57</u>	<u>\$0.54</u>	<u>\$0.54</u>	<u>\$0.53 - \$0.55</u>
Shares used in calculation of diluted net income per share - GAAP **	280,321	280,615	281,054	280,666	279,557	
Shares used in calculation of diluted net income per share - non-GAAP **	280,321	280,615	281,054	280,666	279,557	

† The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP.

* Includes, as applicable, equity in losses or income from investments, write-down of investments, gains or losses on investments and gains or losses on non-qualified deferred compensation plan assets recorded in other income or expense.

** 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.

Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share

<i>(In Thousands, Except Per Share Data)</i>	2016	2017	2018	2019	2020E
Diluted net income per share on a GAAP basis	\$0.70	\$0.73	\$1.23	\$3.53	\$1.46 - \$1.56
Amortization of acquired intangibles	0.21	0.20	0.19	0.19	0.23
Stock-based compensation expense	0.37	0.46	0.60	0.65	0.71
Non-qualified deferred compensation expenses (credits)	0.01	0.02	(0.01)	0.02	—
Restructuring and other charges	0.14	0.03	0.04	0.03	—
Acquisition and integration-related costs	0.04	0.03	0.07	0.03	0.07
Special charges	—	—	—	—	—
Other income or expense related to investments and non-qualified deferred compensation plan assets *	(0.02)	(0.05)	—	(0.01)	0.01
Income tax benefit related to intercompany transfers of certain intellectual property rights	—	—	—	(2.05)	—
Income tax related to transition tax	—	0.24	—	—	—
Income tax related to tax rate change	—	0.09	—	—	—
Income tax effect of non-GAAP adjustments	(0.24)	(0.35)	(0.25)	(0.19)	(0.08)
Diluted net income per share on a non-GAAP basis †	<u>\$1.21</u>	<u>\$1.40</u>	<u>\$1.87</u>	<u>\$2.20</u>	<u>\$2.40 - \$2.50</u>
Shares used in calculation of diluted net income per share - GAAP **	291,256	280,221	281,144	280,515	279 - 282M
Shares used in calculation of diluted net income per share - non-GAAP **	291,256	280,221	281,144	280,515	279 - 282M

† The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP.

* Includes, as applicable, equity in losses or income from investments, write-down of investments, gains or losses on investments and gains or losses on non-qualified deferred compensation plan assets recorded in other income or expense.

** 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.

Reconciliation of GAAP Total Other Income and Expense to Non-GAAP Total Other Income and Expense

(In Millions)	FY 2018	FY 2019	FY 2020E
GAAP total other income and expense	\$(19.8)	\$(12.8)	\$(16) - \$(25)
Reconciling items to non-GAAP total income and expense			
Other income or expense related to investments and non-qualified deferred compensation plan assets*	(1.3)	(1.3)	4
Non-GAAP total other income and expense†	<u><u>\$(21.1)</u></u>	<u><u>\$(14.1)</u></u>	<u><u>\$(12) - \$(21)</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.

* 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.