

Richard Gu, vice president, investor relations

Forward-Looking Statements and Non-GAAP Measures

The following discussion contains forward-looking statements, including our outlook on future business and operating results. Actual results may differ materially from expectations expressed or implied in the forward-looking statements due to risks, uncertainties and other factors, many of which are outside our control. All forward-looking statements in this discussion are made only as of February 18, 2025, are based on estimates and information available to us at that time, and we do not intend, and disclaim any obligation, to update them. For information on the factors that could cause a difference in our results, please refer to our filings with the Securities and Exchange Commission. These include our most recent reports on Form 10-K and Form 10-Q, the cautionary comments regarding forward-looking statements in the earnings release issued on February 18, 2025, as well as our future filings.

In addition, the following discussion contains non-GAAP measures, which should not be considered in isolation from, or as a substitute for, GAAP results. Reconciliations of non-GAAP measures with their most directly comparable GAAP results are available in the quarterly earnings section of the investor relations portion of our website.

A copy of the earnings release for the fourth quarter of fiscal 2024, related financial tables and CFO Commentary which was included in our Form 8-K filing on February 18, 2025, can also be found in the investor relations portion of our website.

Anirudh Devgan, president and chief executive officer

I'm pleased to report that Cadence delivered exceptional results in the fourth quarter, capping off a strong 2024 with 13.5% revenue growth and 42.5% non-GAAP operating margin for the year. We exited 2024 with a record backlog of \$6.8 billion, which is a testament to our compelling AI-driven chip-to-systems portfolio and its growing proliferation among marquee system and semi customers.

The AI supercycle is entering a new phase, with Generative AI, Agentic AI, and Physical AI fueling an explosion in compute demand and semiconductor innovation. We see AI adoption unfolding in multiple phases – starting with the buildout of the AI infrastructure, where we are already deeply engaged. At the same time, we are actively integrating AI into our own products, and we are also exploring AI's potential to create new markets.

The Infrastructure AI phase is well underway, and we have been closely collaborating with market leaders on their next generation AI designs across both training and inferencing. In Q4, we advanced our long-standing partnership with NVIDIA through commitments across a range of our EDA, hardware, IP, and system software solutions. We are also using NVIDIA's latest NeMo and NIM microservices to build customized GenAI applications delivering enhanced optimization and productivity. We deepened our collaboration with Qualcomm through a significant expansion of our EDA and systems software solutions. Also, we meaningfully expanded our strategic partnership with Marvell through a broad proliferation of our portfolio of products.

Our Cadence.ai portfolio continued gaining strong momentum with market shaping customers. Our AI-powered products such as Cadence Cerebrus, SimAI and Allegro X AI are proliferating at scale, and our LLM based Design Agents powered by JedAI data platform, are showing promising results in early engagements. Cadence Cerebrus is rapidly becoming an essential part of the design flow as it continued to deliver transformative PPA benefits to customers, with more than 750 tapeouts to date, and over 300 in Q4 alone. Our Verisium AI driven verification platform with its SimAI and DebugAI Apps, gained share at key competitive accounts, as customers embraced the significant boost in verification quality and efficiency.

Additionally, we are also applying AI to new market opportunities, such as Life Sciences, with our OpenEye drug discovery software.

The growing foundry ecosystem is driving increased design activity and creating significant opportunities for our products. In 2024 we strengthened our collaboration with existing foundry partners and entered into new strategic engagements. We furthered our partnership

with TSMC, with AI-optimized design flows certified for TSMC’s N3 and N2P technologies. We strengthened our collaboration with GlobalFoundries and are partnering with Samsung on their SF2 gate-all-around process. We also partnered with Intel Foundry to provide design software and leading IP solutions at multiple Intel-advanced nodes, and in Q4 entered into a strategic collaboration with Rapidus for 2nm enablement technology.

We deepened our partnership with Arm through a broad expansion of our IP, hardware and AI driven design enablement solutions and in Q4, successfully taped out the industry’s first Arm CSA standard based system chiplet.

Now let’s talk about some of the specific product level highlights for Q4 and 2024. Our **System Design & Analysis business** delivered strong results, achieving over 40% growth in 2024. Our multiphysics analysis platform with AI-driven optimization is delivering superior results to a rapidly expanding customer base across multiple verticals, especially Aerospace & Defense, and Automotive. Our Millenium CFD simulation platform ramped up over the year, closing two meaningful deals in Q4 in the Aerospace & Defense and Energy verticals. With Beta CAE, we now provide a comprehensive multiphysics platform covering electromagnetics, electrothermal, CFD, and structural analysis. Beta CAE performed ahead of our expectations, with major expansion at several marquee automakers, including at some of the fastest growing EV companies.

Our Allegro X design platform, with its significant productivity and next generation capabilities, continued its momentum, especially at Aerospace & Defense, hyperscale and EV customers. Allegro X AI, the industry's first fully automated PCB design engine, is enabling customers to realize up to a 10x productivity gain. Our Integrity 3D-IC platform, with its unified design, analysis, and signoff capabilities for multi-chiplet architectures, expanded its footprint at hyperscale and memory customers, OSATs and foundries.

Our **IP** business drove a strong finish to the year growing 28% year-over-year in Q4. Our AI HPC protocols including our flagship HBM, DDR, PCIe and UCIe solutions propelled our business, with significant expansions and competitive displacements at top tier customers.

We continued to broaden our IP portfolio with high growth, star IP products, and last month we entered into a definitive agreement to acquire Secure-IC. The addition of their embedded security IP products will augment our rapidly expanding portfolio of leading-edge, silicon-proven IP, including interface, memory, AI, and DSP solutions.

We announced a collaboration with Rapidus to provide a broad set of our advanced memory and interface IP for their 2nm backside power process node.

And AST SpaceMobile committed to our AI-driven IP solutions and EDA tools on their AST5000 ASIC, a custom, low-power architecture for global space-based cellular broadband services.

Our **core EDA** business comprising our digital, custom analog and verification portfolios grew 15% year-over-year in Q4. Insatiable demand for more compute, along with systemic complexity and the need for “first time right” silicon, continued to drive strong demand for our best-in-class Palladium Z3 and Protium X3 systems. Our hardware family delivered yet another record year, adding over 30 new customers and almost 200 repeat customers in 2024, with particularly strong demand from AI and hyperscale customers.

Our digital portfolio had another strong year, gaining 36 new full flow customers in 2024, including 17 in Q4. Cadence partnered with Equal1 on the development of its Alpha5 Quantum SoC that runs at cryogenic temperatures, with our design and implementation tools being central to this revolutionary design.

Our Virtuoso and Spectre franchise solutions tackle the most complex design and simulation challenges in analog, mixed signal, and RF design. Virtuoso Studio, delivering industry leading AI-powered layout automation and optimization, continued its strong ramp and is now deployed at over 450 customers. Mediatek adopted Spectre X running on NVIDIA’s Hopper GPUs for its 2nm designs, achieving up to 6x performance boost while maintaining full accuracy. Spectre FX FastSPICE is now in production usage at more than 75 customers including top memory vendors as well as SoC and mixed signal companies.



In closing, I'm pleased with our outstanding performance in 2024 and excited about the business momentum and opportunities ahead. As the AI era continues to unfold, our AI-driven EDA, SDA and IP portfolio, powered by GenAI agents and accelerated computing, is delivering transformative results, uniquely positioning us to capitalize on these massive opportunities.

Now I will turn it over to John to provide more details on the Q4 results and our 2025 outlook.

John Wall, senior vice president and chief financial officer

Thanks Anirudh, and good afternoon, everyone.

I am pleased to report that Cadence delivered an outstanding Q4 and 2024, with broad based strength across all of our businesses. Robust design activity and customer demand, combined with our strong execution, drove 13.5% revenue growth and 42.5% non-GAAP operating margin for the year.

Fourth quarter bookings were exceptionally strong, and we ended the year with a record backlog of \$6.8 billion and a record cRPO of \$3.4 billion.

Here are some of the financial highlights from the fourth quarter and the year, starting with the P&L:

- Total revenue was \$1.356 billion for the quarter and \$4.641 billion for the year
- GAAP operating margin was 33.7% for the quarter and 29.1% for the year
- Non-GAAP operating margin was 46.0% for the quarter and 42.5% for the year
- GAAP EPS was \$1.24 for the quarter and \$3.85 for the year,
- Non-GAAP EPS was \$1.88 for the quarter and \$5.97 for the year

Next, turning to the balance sheet and cash flow:

- Our cash balance was \$2.644 billion at year-end, while the principal value of debt outstanding was \$2.500 billion
- Operating cash flow was \$441 million in the fourth quarter and \$1.261 billion dollars for the full year
- DSOs were 48 days, and
- We used \$550 million to repurchase Cadence shares during the year.

Before I provide our outlook for 2025, I'd like to share some assumptions that are embedded:

- Our outlook is based on our usual assumption that export control regulations in place today, remain substantially similar for the remainder of the year.
- At the midpoint of revenue guidance, we are assuming 2025 China revenue will be flat year-over-year, and
- Our non-GAAP EPS outlook continues to be based on a tax rate of 16.5%

In our Outlook for 2025, we expect:

- Revenue in the range of \$5.14 to \$5.22 billion,
- GAAP operating margin in the range of 30.3% to 31.3%,
- Non-GAAP operating margin in the range of 43.25% to 44.25%,
- GAAP EPS in the range of \$4.19 to \$4.29,
- Non-GAAP EPS in the range of \$6.65 to \$6.75,
- Operating cash flow in the range of \$1.6 to \$1.7 billion, and
- We expect to use approximately 50% of our free cash flow to repurchase Cadence shares in 2025.

For Q1, we expect:

- Revenue in the range of \$1.23 billion to \$1.25 billion,
- GAAP operating margin in the range of 27% to 28%,
- Non-GAAP operating margin in the range of 40% to 41%,
- GAAP EPS in the range of \$0.93 to \$0.99, and
- Non-GAAP EPS in the range of \$1.46 to \$1.52, and

As usual, we've published a 'CFO Commentary' document on our Investor Relations website, which includes our outlook for additional items, as well as further analysis and GAAP to Non-GAAP reconciliations.

In conclusion, I am pleased that:

- We finished the year with record backlog and cRPO
- We are starting 2025 with a very strong outlook for non-GAAP incremental margin

As always, I'd like to thank our customers, partners, and our employees for their continued support.

And with that, operator, we will now take questions.

Q&A Session

- Anirudh Devgan, President and Chief Executive Officer
- John Wall, Senior Vice President and Chief Financial Officer

Prepared Closing Remarks of Anirudh Devgan, president and chief executive officer

Thank you all for joining us this afternoon.

- It is an exciting time for Cadence as we enter 2025 with product leadership and strong business momentum
- Our continued execution of the Intelligent System Design strategy, customer-first mindset, and our high-performance culture are driving accelerated growth.
- Fortune and Great Place to Work named Cadence as one of the World's Best Workplaces in 2024, ranking it #9.
- And on behalf of our employees and our Board of Directors, we thank our customers, partners, and investors for their continued trust and confidence in Cadence.