Cadence Design Systems, Inc.
Computational Software for Intelligent System Design

Company Overview Presentation
Q2 2020
Safe Harbor Statement and Regulation G

**Safe Harbor Statement**

The following discussion contains forward-looking statements based on current expectations or beliefs, as well as a number of preliminary assumptions about future events that are subject to factors and uncertainties that could cause our actual results to differ materially from those expectations or results described in the forward-looking statements. You are cautioned not to put undue reliance on these forward-looking statements, which are not a guarantee of future performance and are subject to a number of risks, uncertainties and other factors, many of which are outside Cadence's control.

Additional information concerning factors that could cause such a difference can be found in our filings with the U.S. Securities and Exchange Commission, which include our most recent reports on Form 10-K and Form 10-Q and future filings, and the cautionary statements regarding forward-looking statements in our press release dated July 20, 2020 (including those relating to the COVID-19 pandemic). We expressly disclaim any duty to update the forward-looking statements provided in the following discussion.

**Regulation G**

In addition to financial results prepared in accordance with Generally Accepted Accounting Principles, or GAAP, this presentation will contain certain non-GAAP financial measures. Cadence management believes that in addition to using GAAP results in evaluating our business, it can also be useful to measure results using certain non-GAAP financial measures. Investors and potential investors are encouraged to review the reconciliation of non-GAAP financial measures with their most direct comparable GAAP financial results, including those set forth in our July 20, 2020 press release and our CFO Commentary for the quarter ended June 27, 2020, both of which can be found in the quarterly earnings section of the investor relations portion of our website at cadence.com.
Company Overview
## Cadence at a Glance

Computational technology for designing today’s electronic systems

### Leader
Computational software for Intelligent System Design™

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Industry</th>
<th>Culture</th>
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</thead>
<tbody>
<tr>
<td>$2.34B (2019)</td>
<td>Software and programming</td>
<td>Innovation, 20+ significant new products ~3 years</td>
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<td>$638M (Q2 2020)</td>
<td>Employees 8,375 Worldwide (Q2 2020)</td>
<td>HQ Silicon Valley</td>
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**Software subscription model**

Very high customer subscription renewal rates and loyalty

*Nasdaq: CDNS; S&P 500 and Nasdaq 100 indexes*

Source: Cadence CFO Commentary, July 2020

A Great Place to Work
Around the Globe
Developing and Deploying Computational Software

- 5,500+ R&D ENGINEERS
- 1,900+ FIELD ENGINEERS
- 1,500+ PATENTS WORLDWIDE
- 22 GLOBAL DEVELOPMENT CENTERS
Corporate Social Responsibility

SUMMARY OF 2019 ACTIVITIES

HIGHLIGHTS FROM 2019

Pay Equity
- No statistically significant differences in salaries based on gender in countries where Cadence has employees

Recognition
- Ranked #1 in technology category on Investor’s Business Daily List of the Top 50 ESG Companies

Carbon Emissions Reduction
- 12% decrease in CO2e emissions per full-time employee (compared to 2018)

Best Workplace Recognitions
- 23 offices across 13 countries

Electric Vehicle Charging Stations
- 240% increase in charging stations at headquarters

Sustainability
- Products that help customers with sustainability
  - Tempus™ Power Integrity
  - Celsius™ Thermal Solver

Source: Cadence Sustainability Report, 2019
https://issuu.com/cdns/docs/cadence_2019_sustainability_report?fr=sOGJjODE0NzMxNA
Intelligent System Design Strategy
Major Electronics Industry Trends

- Deep Learning and Data Science
- System Optimization
- Silicon Optimization
- Automotive and Industrial Disruption
- 5G and Edge Computing
- Distributed and Cloud Computing
Drivers of Convergence in Computational Software

- **Explosion of Data and AI Computational Needs**
  - System Design
    - Algorithm, HW, SW, Multi-Physics
  - AI / ML
    - Data Analytics
- **Exponentially Growing Cost and Complexity of Silicon Design**
- **Lack of Moore, CPU and Software Performance Scaling**
  - EDA
    - IC, Package, PCB
Cadence Is Leading the Computational Software Convergence

**Intelligent System Design**

- Merger of EDA, system design, AI
- Pervasive intelligence throughout design
- Grounded in computational engineering
- Co-optimizing system, hardware, software
- Spanning multiple system domains
Cadence Intelligent System Design Strategy

- Machine learning (ML) technology
- Artificial intelligence (AI) enablement

- System interconnect and analysis
- High speed RF design and analysis
- System and embedded software partnerships

- Custom IC design and simulation
- Digital IC design and signoff
- Functional verification
- Intellectual property (IP)

Cloud Enabled — Partnerships with Ecosystem Leaders
The Intelligent System Design™ strategy drives growth in our core EDA and IP business, broadens our reach in system companies and targeted verticals, and guides expansion into newer adjacent areas.

The foundation of the strategy continues to be delivering semiconductor device design excellence via our core EDA and IP business. In addition, we are building upon our core competency in computational software to expand into two new areas:

- **System innovation**, where we are expanding into new system domains, and
- **Pervasive intelligence**, where we will apply AI and our algorithmic know-how to our core business and specific verticals.
Intelligent System Design

• The **Intelligent System Design™** strategy will enable us to provide more capabilities and value to our customers, while also expanding our total addressable market from about $10 billion to an estimated $30 billion over the next five years.

• Some of our recent activities in the **system innovation** space include:

  o A strategic partnership with **Green Hills Software**, which opens new opportunities in the estimated more than $3 billion embedded system safety and security space

  o In April 2019, we entered the **system analysis** market, an estimated $4.5 billion total addressable market opportunity, with our first product for this space, the **Clarity™ 3D Solver**, a next-generation solution for electromagnetic field simulation, and in September 2019, we expanded our presence with the introduction of the **Celsius™ Thermal Solver**, delivering the industry’s first complete electrical-thermal co-simulation solution

  o **Acquisition of AWR Corporation**, from National Instruments, to supply key microwave and mmWave design tools crucial for design of RF electronics for 5G, aerospace and defense, and automotive applications
Cadence
Recent product news

20+ significant products in the past 3 years

Product Innovations and News

Pervasive Intelligence
• HW/SW-optimized Tensilica® DNA100 edge computing
• JasperGold® ML machine learning-enabled smart formal verification
• Machine learning research collaboration with NVIDIA and Carnegie Mellon

System Innovation
• Clarity™ 3D and Celsius™ Thermal solvers for system analysis
• Secure Green Hills Software bring-up with Palladium® and Protium™ platforms
• Acquired AWR RF technology for microwave and mmWave design

Design Excellence
• Optimized PPA results with Cadence® digital full flow
• Machine learning innovations for custom IC, PCB, digital, and verification
• Spectre® X high-speed, high-capacity circuit simulator

Only with Cadence
Financial Performance
Financial Summary

2019

$2.34B
Revenue

32%
Non-GAAP operating margin

$655M
Free cash flow

Notes:
1. Non-GAAP operating margin and non-GAAP EPS (excludes amortization of acquired intangibles, stock-based compensation, non-qualified deferred compensation expenses and certain non-recurring cash expenses). See quarterly earnings releases and CFO Commentary for reconciliations to GAAP measures.

Revenue

Non-GAAP EPS

8% CAGR

16% CAGR

($ millions)

Recurring Revenue Model

High visibility software revenue stream
- Recurring revenue mix: 85 - 90% for 2020
- Backlog\(^1\): $3.7B (Q2 2020)

Revenue growth
- 10% (Q2'20/Q2'19)

Notes:
1. Backlog = Remaining Performance Obligations + IP Access Agreements
Diversified Business Across Products and Regions

Revenue Mix for Q2 2020

- Functional Verification: 28%
- Digital IC Design and Signoff: 10%
- Custom IC Design and Simulation: 24%
- System Interconnect and Analysis: 14%
- IP: 24%

- Americas: 44%
- China: 18%
- Other Asia: 19%
- EMEA: 12%
- Japan: 7%
Driving Profitable Growth

**Strong operating profitability**

- Focus on growth and disciplined ROI-centric resource allocation
- Non-GAAP operating margin 35%¹ (Q2 2020)

**Notes:**

1. Non-GAAP operating margin and non-GAAP EPS (excludes amortization of acquired intangibles, stock-based compensation, non-qualified deferred compensation expenses and certain non-recurring cash expenses). See quarterly earnings releases and CFO Commentary for reconciliations to GAAP measures.
Cash Flow, Capital Structure, and Capital Allocation

Free cash flow generation
- $655M (2019)

Capital structure (Q2 2020)
- Cash: $1,189M
- ST credit facility: $350M
- LT debt: $350M

Capital allocation
- Internal investment
- M&A
- Repurchase stock

Free cash flow
- Chart showing free cash flow from 2012 to 2019 TTM and Q2'20

Stock repurchase
- Chart showing stock repurchase from 2012 to Q2'20
In Summary

• **Mission-critical** solutions for designing semiconductors and electronic systems

• Data-driven economy and its supporting technology waves combined with our Intelligent System Design™ strategy expand TAM

• Culture of innovation creates the products for category leadership and growth

• Growth, focus, and discipline drive financial performance