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

Company Overview Presentation
Q3 2020
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 October 19, 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 October 19, 2020 press release and our CFO Commentary for the quarter ended September 26, 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™

**Revenue**

$2.34B (2019)

$667M (Q3 2020)

**Industry**

Software and programming

**Employees**

8,670+ Worldwide (Q3 2020)

**Culture**

Innovation, 20+ significant new products ~3 years

**HQ**

Silicon Valley

Software subscription model

Very high customer renewal rates and loyalty

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

Source: Cadence CFO Commentary, Q3 2020

A Great Place to Work
Around the Globe

World’s Best Workplaces
2018

FORTUNE 100 BEST COMPANIES TO WORK FOR® 2019

FORTUNE 100 BEST COMPANIES TO WORK FOR® 2020
Developing and Deploying Computational Software

5,700+ R&D ENGINEERS
1,900+ FIELD ENGINEERS
1,500+ PATENTS WORLDWIDE
22 GLOBAL DEVELOPMENT CENTERS

Source: Cadence Earnings Press Release, October 2020
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

- Exponentially Growing Cost and Complexity of Silicon Design
- Explosion of Data and AI Computational Needs
- Lack of Moore, CPU and Software Performance Scaling

- System Design
  - Algorithm, HW, SW, Multi-Physics

- AI / ML
  - Data Analytics

- EDA
  - IC, Package, PCB
Cadence Is Leading the Computational Software Convergence

Intelligent System Design

- Merger of EDA, system design, AI
- Pervasive intelligence throughout design
- Co-optimizing system, hardware, software
- Grounded in computational engineering
- 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:
  
  o System innovation, where we are expanding into new system domains, and
  
  o 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. And in October 2020 we added the Clarity™ 3D Transient Solver for Electromagnetic Compliance analysis.
  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

Revenue¹

32%

Non-GAAP

operating

margin¹

Free cash flow

$655M


Revenue

Non-GAAP EPS¹

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.
Recurring Revenue Model

High visibility software revenue stream

- Recurring revenue mix: 85 - 90% for 2020
- Backlog\(^1\): $3.8B (Q3 2020)

Revenue growth

- 15% (Q3'20/Q3'19)

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

Revenue Mix for Q3 2020

- Functional Verification
- Digital IC Design and Signoff
- Custom IC Design and Simulation
- System Design and Analysis
- IP

- Americas
- China
- Other Asia
- EMEA
- Japan

23%
27%
11%
15%
24%
19%
16%
6%
17%
42%
Driving Profitable Growth

Strong operating profitability

- Focus on growth and disciplined ROI-centric resource allocation
- Non-GAAP operating margin 36%\(^1\) (Q3 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.
Free cash flow generation
- $655M (2019)

Capital structure (Q3 2020)
- Cash: $1,307M
- ST credit facility: $350M
- LT debt: $350M

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