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 April 26, 2021 (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 April 26, 2021 press release and our CFO Commentary for the quarter ended April 03, 2021, 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™

**$736M**
Q1 2021 Revenue

**Culture**
Innovation, 20+ significant new products ~3 years

**Employees**
8,990+ Worldwide

**Industry**
Software and programming

**HQ**
Silicon Valley

Software subscription model
Very high customer renewal rates and loyalty

Source: Cadence CFO Commentary, Q1 2021

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Recent Business Highlights

Delivered $736M revenue in Q1, YoY growth of 19%
Generated 38%\textsubscript{non-GAAP} operating margin

**Dynamic Duo 2.0: Palladium\textsuperscript{®} Z2 & Protium\textsuperscript{™} X2**
Delivering 2X capacity and 1.5X higher performance improvements on both systems

*Provides best-in-class run-time performance, bring-up time, time-to-debug, and time-to-compile, enabling an order of magnitude improvement of chip to system level verification productivity*

**Cadence Expands into Computational Fluid Dynamics**
Capabilities beyond electronic subsystems to include top-level system designs

**Next-Generation Sigrity\textsuperscript{™} X for Up to 10X Faster System Analysis**
Massively distributed simulation enables large-scale complex analysis in the cloud

**Xcelium\textsuperscript{™} ML**
for up to 5X verification regression throughput

IP availability and tool flow foundry certification for 7nm, 6nm, 5nm, 4nm, and 3nm process technologies

Source: Cadence Earnings Press Release, April 26, 2021
Cadence Strong Performance
First Quarter 2021 Earnings Summary

Quarter Results

$736M Revenue
19% YoY Growth
38% Operating Margin non-GAAP

Trailing 12 Months

$2.8B Revenue
18% YoY Growth
37% Operating Margin non-GAAP

Source: Cadence CFO Commentary, Q1 2021
A Great Place to Work Around the Globe
Developing and Deploying Computational Software

5,600+ R&D ENGINEERS
1,900+ FIELD ENGINEERS
1,500+ PATENTS WORLDWIDE
8,990+ EMPLOYEES
23 GLOBAL DEVELOPMENT CENTERS
Corporate Social Responsibility

Pay Equity
- Global salary pay parity based on gender and U.S. salary pay parity based on race and ethnicity

Recognition
- Ranked #3 in the software category and #7 overall on Investor’s Business Daily List of the Top 50 ESG Companies

Carbon Emissions Reduction
- Set a greenhouse gas reduction target of a 15% decrease for Scope 1 and 2 emissions by 2025 over a 2019 baseline

Best Workplace Recognitions
- 23 best workplace recognitions across 14 countries

COVID-19 Response
- Recognized as one of People Magazine’s Companies That Care for our support of employees and the community during the pandemic

Sustainability
- Products that help customers realize sustainability

Source: Cadence Sustainability Report, 2020
Intelligent System Design Strategy
Major Electronics Industry Trends

- Data Science and Machine Learning
- Autonomous Vehicles
- Hyperscale Computing
- 5G Communications
- Industrial IoT
Drivers of Convergence in Computational Software

- **Explosion of Data and AI Computational Needs**

- **System Design**
  - Algorithm, HW, SW, Multiphysics

- **AI / ML**
  - Data Analytics

- **EDA**
  - IC, Package, PCB

- **Growing Cost, Complexity of Mechanical and Silicon Design**

- **Lack of Moore, CPU and Software Performance Scaling**
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
Intelligent System Design — Expanding Beyond Traditional EDA

- 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.
Computational Software as a Core Competency

- Develop AI and algorithmic solutions
- Expand into new system domains
- Execute on core EDA + key IP
Cadence Intelligent System Design Strategy

- Machine learning (ML) technology
- Data analytics platform
- Artificial intelligence (AI) enablement

- Multi-level, multiphysics analysis platform
- 3D-IC, high-speed RF design and analysis platforms
- System and embedded software partnerships

- Custom IC design and simulation platforms
- Digital IC design and signoff platforms
- Functional verification platform
- Enterprise intellectual property (IP)

Cloud Enabled — Partnerships with Ecosystem Leaders
20+ significant products in the past 3 years

Product Innovations and News

Pervasive Intelligence
- Tensilica® Vision Q8 and P1 DSPs for high-end and always-on applications
- Xcelium™ ML for up to 5X faster verification regression throughput
- JasperGold® ML machine learning-enabled smart formal verification

System Innovation
- Acquired NUMECA and Pointwise for top-level system designs in multiphysics system analysis, CFD, and high-fidelity mesh generation
- Next-generation Sigrity™ X for up to 10X faster system analysis
- Clarity™ 3D Solver, Clarity 3D Transient Solver, and Celsius™ Thermal Solver for 10X faster multiphysics system analysis and compliance

Design Excellence
- Dynamic Duo 2.0: Palladium® Z2 and Protium™ X2 for 2X capacity and 1.5X performance
- Optimized PPA results with Cadence® digital full flow, certified for 7/6/5/4/3nm
- Spectre® X Simulator for high-speed, high-capacity circuit simulation

Only with Cadence
Cadence Acquires NUMECA
To Expand System Analysis Capabilities with Computational Fluid Dynamics

- Leader in CFD, mesh generation, multi-physics simulation and optimization
- Extends Cadence systems capability beyond electronic subsystems to include top-level system designs
- Next generation OMNIS™ environment inclusive of pre-processing, solving and post-processing 3D MCAD models
- Digital prototypes explore full design envelope and identify optimal geometry configuration
Cadence Acquires Pointwise
To Expand System Analysis Offerings

- Leader in CFD mesh generation
- Expands Cadence multiphysics systems analysis capabilities
- High-fidelity discretization of aircraft geometries for aerospace industry
- Send mesh for external aerodynamics simulations to the Cadence OMNIS™ CFD platform
- Export mesh data to 40 leading CAE formats for best-in-class workflow
Financial Performance
## Financial Summary

### Revenue
- **2020**
  - $2.683B
  - 35% Non-GAAP operating margin

### Non-GAAP EPS
- **2020**
  - $3.00
- **2016 to 2020**
  - 23% CAGR

### 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 2021
• Backlog\(^1\): $3.6B \ (Q1\ 2021)

Revenue growth

• 19% \ (Q1’21/Q1’20)

Notes:
1. Backlog = Remaining Performance Obligations + IP Access Agreements
2. Q4 2020 was a 14-week quarter
Diversified Business Across Products and Regions

Revenue Mix for Q1 2021

- Functional Verification: 14%
- Digital IC Design and Signoff: 10%
- Custom IC Design and Simulation: 23%
- System Design and Analysis: 27%
- IP: 26%

- Americas: 46%
- China: 18%
- Other Asia: 18%
- EMEA: 18%
- Japan: 12%

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Driving Profitable Growth

**Strong operating profitability**

- Focus on growth and disciplined ROI-centric resource allocation
- Non-GAAP operating margin 38%\(^1\) (Q1 2021)

**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**
- $810M (2020)

**Capital structure (Q1 2021)**
- Cash: $743M
- 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 to expand TAM

Culture of innovation creates the products for category leadership and growth

Growth, focus, and discipline drive financial performance