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 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 July 26, 2021 press release and our CFO Commentary for the quarter ended July 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™

Culture
Innovation: Created by engineers, for engineers

Industry
Software and programming

HQ
Silicon Valley

Employees
>9,000 Worldwide

Software subscription model
Very high customer renewal rates and loyalty

Source: Cadence CFO Commentary, Q2 2021
Q2 Recent Business Highlights

Delivered $728M revenue, YoY growth of 14%
Generated ~39%\textsubscript{non-GAAP} operating margin

**Cerebrus™ Intelligent Chip Explorer**
New machine learning (ML)-based tool that provides up to 10X productivity and 20% better PPA for digital chip design

- **Power, performance and area (PPA) revolution**
- **Automated RTL to GDS full flow optimization**
- **Scalable, distributed computing solution**

**Dynamic Duo 2.0: Palladium® Z2 and Protium™ X2**
Delivering 2X capacity and 1.5X performance improvements on both systems

**AWR Design Environment® V16**
Expands Cadence® workflows to speed design time for multi-technology integration, accelerating RF to mmWave 5G system design and analysis

**Allegro® X Platform**
Offers unparalleled integration and technology across multiple engineering domains, delivering up to 4X productivity improvements over traditional design tools

**Clarity™ 3D Solver Cloud**
Integrates on-premises simulation setup with cloud computation and acceleration at no additional cost

Source: Cadence Earnings Press Release, July 26, 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
9,000+ EMPLOYEES
23 GLOBAL DEVELOPMENT CENTERS
Corporate Social Responsibility

HIGHLIGHTS FROM 2020

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

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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

- Explosions of Data and AI Computational Needs
- System Design: Algorithm, HW, SW, Multiphysics, PCB
- AI / ML: Data Analytics
- IP and Chip EDA: Digital, Custom, Verification, and Packaging
- Lack of Moore, CPU and Software Performance Scaling
- Growing Cost, Complexity of Mechanical and Silicon Design
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
Recent product news

20+ significant products in the past 3 years

**Pervasive Intelligence**
- Cerebrus™ Intelligent Chip Explorer 10X productivity and 20% better PPA for digital chip design
- Tensilica® Vision Q8 and P1 DSPs for high-end and always-on applications
- Xcelium™ ML for up to 5X faster verification regression throughput

**System Innovation**
- Next-generation Allegro X® Platform for up to 4X faster system analysis
- AWR Design Environment® V16 expands Cadence® workflows to speed design time for multi-technology integration accelerating RF to mmWave 5G system design and analysis
- Clarity™ Cloud integrates on-premises simulation setup with cloud computation and acceleration at no additional cost

**Design Excellence**
- Dynamic Duo 2.0: Palladium® Z2 and Protium™ X2 for 2X capacity and 1.5X performance
- Spectre® X Simulator for high-speed, high-capacity circuit simulation
- Low-power design IP for PCI Express® 5.0 for 5nm
Introducing Cerebrus: The Future of Intelligent Chip Design

New machine learning (ML)-based tool that automates and scales digital chip design

Productivity and Power, Performance and Area (PPA) Revolution
- Unique reinforcement ML
- Delivers up to 10X better productivity and 20% PPA improvements

Automated RTL to GDS Full Flow Optimization
- Delivers better PPA more quickly
- Improves engineering team productivity

Scalable, Distributed Computing Solution
- On-premises or cloud computing resources
- Efficient, scalable solution as design size and complexity grow
NUMECA is now Cadence
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
Addressing CFD mesh generation and pre-processing technology

- 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

2020

$2.683B
Revenue

35%
Non-GAAP operating margin¹

Free cash flow
$810M

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 2021
• Backlog\(^1\): $3.9B (Q2 2021)

Revenue growth

• 14% (Q2’21/Q2’20)

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 Q2 2021**

- **Functional Verification**: 25%
- **Digital IC Design and Signoff**: 13%
- **Custom IC Design and Simulation**: 11%
- **System Design and Analysis**: 23%
- **IP**: 28%

- **Americas**: 44%
- **China**: 17%
- **Other Asia**: 19%
- **EMEA**: 14%
- **Japan**: 6%
Driving Profitable Growth

Strong operating profitability

• Focus on growth and disciplined ROI-centric resource allocation
• Non-GAAP operating margin 39%\(^1\) (Q2 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 (Q2 2021)
• Cash: $847M
• ST credit facility: $700M
• LT debt: $350M

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

Free cash flow

Stock repurchase
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**