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 October 25, 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 October 25, 2021 press release and our CFO Commentary for the quarter ended October 02, 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

Employees
>9,000 Worldwide

HQ
Silicon Valley

Software subscription model
Very high customer renewal rates and loyalty

Nasdaq Ticker: CDNS; S&P 500 and Nasdaq 100 indices

Source: Cadence CFO Commentary, Q3 2021
Q3 Recent Business Highlights

Delivered $751M revenue, YoY growth of 13%
Generated 36% \(\text{non-GAAP}\) operating margin

Integrity™ 3D-IC Platform
3D design and signoff platform for system-level optimization
- Integrated 3D design planning and implementation
- Early 3D thermal, power, and static timing analysis
- Comprehensive system enabling system-driven PPA

Cadence® Comprehensive Safety Solution
- Introducing Midas™ Safety Platform for faster certification of automotive and industrial designs
- Driving analog and digital full flows for FMEDA-based functional safety design and verification

Tensilica® AI Platform leading performance & energy efficiency for on-device AI applications
Engine boosts performance and AI accelerators provide a turnkey solution for consumer, mobile, automotive and industrial AI SoC designs

Source: Cadence Earnings Press Release, Oct 25, 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
Intelligent System Design Strategy
Major Electronics Industry Trends

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

Explosion of Data and AI Computational Needs

System Design
Algorithm, SW, Multiphysics, PCB

AI / ML
Data Analytics

IP and Chip EDA
Digital, Custom, Verification, and Packaging

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
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.
Cadence Intelligent System Design Strategy

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
Enabling end-to-end systems from devices to the cloud

- Machine learning (ML) technology
- 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
Cadence
Recent product news

20+ significant products in the past 3 years

Product Innovations and News

Pervasive Intelligence
- Integrity™ 3D-IC Platform for multi-chiplet design and advanced packaging
- Cerebrus™ Intelligent Chip Explorer 10X productivity and 20% better PPA for digital chip design
- Tensilica® AI Platform accelerators for on-device AI SoC designs

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, and the Helium™ Virtual and Hybrid Studio
- Comprehensive Safety Solution including Midas™ Safety Platform
- Low-power design IP for PCI Express® 6.0 for 5nm

Only with Cadence
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 margin

Free cash flow
$810M

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\(^1\): $3.7B \ (Q3\ 2021)

Revenue growth

- 13% \ (Q3’21/Q3’20)

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 Q3 2021

- Functional Verification: 29%
- Digital IC Design and Signoff: 11%
- Custom IC Design and Simulation: 23%
- System Design and Analysis: 14%
- IP: 13%

- Americas: 46%
- China: 18%
- Other Asia: 6%
- EMEA: 17%
- Japan: 13%
Driving Profitable Growth

**Strong operating profitability**

- Focus on growth and disciplined ROI-centric resource allocation
- Non-GAAP operating margin 36%\(^1\) (Q3 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 (Q3 2021)**
- Cash: $1,014M
- ST credit facility: $700M
- 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