Safe Harbor Statement and Regulation G

Safe Harbor Statement

The following discussion contains forward-looking statements, including our outlook on future business and operating results. Due to risks, uncertainties and other factors, many of which are outside our control, actual results may differ materially from expectations expressed or implied in the forward-looking statements. You should not rely on forward-looking statements as predictions of future events. All forward-looking statements in this discussion are made only as of October 24, 2022, are based on estimates and information available to us at that time, and we do not intend, and disclaim any obligation, to update them.

Additional information concerning factors that could cause actual results to differ can be found in our SEC filings, including our most recent Forms 10-K and 10-Q, and the cautionary statements regarding forward-looking statements in our October 24, 2022 earnings release, as well as our future filings.

Non-GAAP Measures

In addition, the following discussion contains certain non-GAAP measures, which should not be considered in isolation from, or as a substitute for, GAAP results. Reconciliations of non-GAAP measures with their most directly comparable GAAP results, including those set forth in our October 24, 2022 earnings release and CFO Commentary for the quarter ended October 1, 2022, are available 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

~10,000 EMPLOYEES WORLDWIDE

23+ GLOBAL DEVELOPMENT CENTERS

$903M
Q3 2022 REVENUE

Software subscription model
Very high customer renewal rates and loyalty

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

Source: Cadence Earnings Press Release, October 24, 2022

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

6,000+ R&D ENGINEERS
2,000+ FIELD ENGINEERS
1,600+ PATENTS WORLDWIDE
~10,000 EMPLOYEES
23+ GLOBAL DEVELOPMENT CENTERS
Cadence People and Sustainability

**Innovation**
Launched 13 significant, innovative products in 2021 across all business groups enabling the next wave of sustainable innovation

**Net-Zero GHG**
Reduced Scope 1 and 2 emissions by 32% in 2021 over 2019 baseline achieving our 2025 target early
Set a target to reduce Scope 1 and 2 emissions 50% by 2030
Set a target to be Net-Zero across all operations by 2040

**Cadence Giving Foundation**
Launched the Cadence Giving Foundation to promote the power of technology to support critical needs in our global communities like diversity and inclusion, environmental sustainability, and education

**Diversity, Equity, and Inclusion**
Our U.S. Black, Latinx, Veteran, LGBTQ+, and Women Employee inclusion groups
Built new communities within Cadence through cultural celebrations and initiatives throughout the year

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**25+ Best Workplace Recognitions**
Across 13 countries, including Fortune’s 100 Best Companies to Work For, Fortune’s World’s Best Workplaces, and Newsweek’s Most Loved Workplaces

**Newsweek’s Most Responsible Companies**
Recognized as #115 on Newsweek’s 500 Most Responsible Companies and #6 in our industry

**Best Workplace for LGBTQ+ Equity**
Named one of the Best Places to Work for LGBTQ+ Equality by the Human Rights Campaign Foundation

**Investor’s Business Daily Top 100 ESG Companies**
Recognized by Investor’s Business Daily as one of IBD’s 100 Best ESG Companies of 2022

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Source: Cadence Sustainability Report, 2021
Intelligent System Design Strategy
Cadence Design Systems Strategy

PERVASIVE INTELLIGENCE

SYSTEM INNOVATION

DESIGN EXCELLENCE

Core EDA and IP

AI and Data Analytics
Transform user experience

System Design
System modeling and analysis

Semiconductor Design
Best-in-class solutions
Cadence Is Your Partner to Enable this Convergence

30 Years of Computational Excellence

- Numerical solvers
- Binary decision diagrams
- SAT solvers
- Symbolic model checkers
- SMT solvers
- Bounded model checker
- Adaptive meshing
- Matrix solvers
- Graph theory and topology
- Distributed processing
- Non-linear solvers
- Computational geometry

Intelligent System Design™
The semiconductor industry is rapidly growing as a result of an unprecedented combination of technology drivers impacting multiple industry segments.
Drivers of Convergence in Computational Software

Explosion of Data and AI Computational Needs

System Design
Algorithm, SW, Multiphysics, CFD, PCB

Growing Cost, Complexity of Mechanical and Silicon Design

AI / ML
Data Analytics

Lack of Moore, CPU, and Software Performance Scaling

IP and Chip EDA
Digital, Custom, System Verification, and Packaging
Cadence Is Leading the Computational Software Convergence

System Design
Algorithm, SW, Multiphysics, CFD, PCB

AI / ML
Data Analytics

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

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.
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, and CFD 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 Innovation and News

20+ significant products in the past 3 years

Pervasive Intelligence
- Verisium™ AI-Driven Verification Platform – Automated verification and debug
- Optimality™ Intelligent System Explorer – Multiphysics optimization software enabling multidisciplinary analysis and optimization (MDAO) realization of electronic systems
- Cadence® Cerebrus™ Intelligent Chip Explorer – 10X productivity and 20% better PPA
- Cadence® Joint Enterprise Data and AI (JedAI) Platform – Unified data and AI platform

System Innovation
- Integrity™ 3D-IC Platform – Multi-chiplet design and advanced packaging
- Fidelity™ CFD Software – Next-generation scalable CFD solution
- Future Facilities Software – Data center thermal planning and analysis
- Cadence® OnCloud – A SaaS software platform offering easy cloud-based access to comprehensive, scalable software for electronic system design and analysis

Design Excellence
- Cadence Certus™ Closure Solution – Fully automated and massively distributed to support unlimited capacity
- Spectre® FX – FastSPICE circuit simulation enabling efficient design, verification and characterization of memory and large-scale SoC designs
- Voltus™-XFi – Custom power integrity solution, delivering over 3X productivity gains

Source: Cadence Earnings Press Release, October 24, 2022
New **Cadence Certus** Closure Solution Solution

Fully automated and massively distributed environment

- **Cadence® Certus™ Closure Solution**
- **Tempus™ Chip-Level STA**
- **Innovus™ P&R**

**NEW distributed optimization**

- 5X faster TAT, 10X better productivity
- Integrated environment for concurrent opt and signoff
- Up to 10% better interface power

**X**
- 1-2 week TAT per iteration
- Ad-hoc flow requiring teams of engineers
- Lacks capacity for full-chip power recovery

**✓**

- 5X faster TAT, 10X better productivity
- Integrated environment for concurrent opt and signoff
- Up to 10% better interface power
Introducing Verisium Platform

Verisium™ AI-Driven Verification

Debug
SemanticDiff  PinDown  WaveMiner  AutoTriage

Mined attributes
AI models

Manager

Wave data
Coverage data

Cadence JedAI Platform*

Jasper™ Formal
Xcelium™ Simulation
Palladium® Emulation
Protium™ Prototyping
Helium™ Virtual Platform

Design Repository

* Cadence® Joint Enterprise Data and AI (JedAI) Platform
AI-Driven Design Analysis and Optimization
AI for system analysis providing on average 10X faster design closure with fewer simulations

System Design

Communication Channel

System Criteria
- Return loss
- Insertion loss
- Cross talk
- Isolation

Optimality™ Intelligent System Explorer

Clarity™, Celsius™, and Sigrity™ X

In-Design MDAO

System Design Optimization

AI-driven multidisciplinary design analysis and optimization (MDAO)
Cadence Joint Enterprise Data and AI (JedAI) Platform

AI-Driven Verification
AI-Driven Implementation
AI-Driven System Analysis

Open APIs

AI and Analytics Engines

Design, Workflow, and Workload Data
- Wave data
- Coverage data
- Mined attributes
- AI models
- Layouts
- Reports and logs
- Design and constraints

Scalable Cloud-Ready Object Store

On-Premises
Cloud

* Cadence® Joint Enterprise Data and AI (JedAI) Platform
Cadence AI-Driven Solutions

**Cadence® Cerebrus™**
Digital Implementation Full Flow

**Optimality™**
AI-Driven Multidisciplinary Design Analysis and Optimization (MDAO)

**Verisium™**
AI-Driven Verification Platform

**Xcelium™ ML**
Regression Simulation

**Cadence Joint Enterprise Data AI (JedAI) Platform**

**Innovus™**
Digital Implementation

**Tempus™**
Static Timing Analysis

**Virtuoso®**
Custom and Analog Design

**Allegro® X**
PCB Layout

**Liberate™**
Library Characterization

**Spectre®**
Monte Carlo Simulation

**Jasper™**
Formal Verification

**Cadence Design for Manufacturing (DFM) Technologies**
Cadence named an Official Technology Partner of the McLaren Formula 1 Team, enters a multi-year partnership.

With Cadence’s innovative CFD software, McLaren can investigate optimal designs in less time with unprecedented reliability.
Cadence Acquires Future Facilities – The Digital Twin Company

Engineering simulation-driven, physics-based 3D digital twins for sustainable data center design and operations

Analyze and Optimize Thermal from Chips to the Data Center

Celsius™ Thermal Solver

Electronics cooling (CFD*)

Intelligent System Design™ that enables engineers to predict, visualize, and qualify the impact of any change in the data center prior to implementation and during operations


*Computational fluid dynamics
Cadence Acquires OpenEye – Biosimulation
Pioneering leader in computational molecular design

Acquisition

OpenEye Scientific

Leading provider of computational molecular modeling and simulation software being increasingly used by pharmaceutical and biotechnology companies for drug discovery

Technologies

Pioneered physics-based approaches and the cloud-native Orion® software platform to accelerate advances in human health

Target Industries

Biosimulation

Pharmaceutical

• Growing utilization of computational techniques in drug discovery driven by rising demand for new drugs across a range of diseases

• Chemical synthesis and drug screening to study the 3D structure of molecules is a major factor fostering growth in biosimulations

• OpenEye Scientific’s products are used by 19 of the top 20 pharmaceutical companies globally

OpenEye Scientific’s deep scientific expertise accelerates Cadence’s Intelligent System Design™ strategy and expands its total addressable market

Financial Performance
Financial Summary

2021

$2.988B Revenue

37% Non-GAAP operating margin¹

Free cash flow $1.036B

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% for 2022
- Backlog\(^1\): $5.5B (Q3 2022)

Revenue growth

- 20% (Q3’22/Q3’21)

Notes:
1. Backlog = Remaining Performance Obligations + Other Arrangements with Non-Cancelable Commitments
2. Q4 2020 was a 14-week quarter
Diversified Business Across Products and Regions

Revenue Mix for Q3 2022

- Functional Verification: 25%
- Digital IC Design and Signoff: 12%
- Custom IC Design and Simulation: 22%
- System Design and Analysis: 12%
- IP: 12%

- Americas: 45%
- China: 17%
- Other Asia: 17%
- EMEA: 17%
- Japan: 5%
Driving Profitable Growth

Strong operating profitability

- Focus on growth and disciplined ROI-centric resource allocation
- Non-GAAP operating margin 39%\(^1\) (Q3 2022)

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.

Non-GAAP Operating Margin\(^1\)

![Graph showing Non-GAAP Operating Margin from 2016 to TTM Q3'22]
Cash Flow, Capital Structure, and Capital Allocation

**Free cash flow generation**
- $1.036B (2021)

**Capital structure (Q3 2022)**
- Cash: $1.026B
- ST credit facility\(^1\): $700M
- LT debt: $650M

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

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Notes:
1. $150M drawn out as of Q3 2022
In Summary

Essential 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