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 25, 2022 (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 25, 2022, press release and our CFO Commentary for the quarter ended July 02, 2022, 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

9,500+
EMPLOYEES WORLDWIDE

$858M
Q2 2022 REVENUE

23
GLOBAL DEVELOPMENT CENTERS

Source: Cadence CFO Commentary, Q2 2022

Software subscription model
Very high customer renewal rates and loyalty
Nasdaq Ticker: CDNS; S&P 500 and Nasdaq 100 Indices
A Great Place to Work
Around the Globe

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Developing and Deploying Computational Software

6,000+ R&D ENGINEERS
2,000+ FIELD ENGINEERS
1,600+ PATENTS WORLDWIDE
9,500+ 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.

**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 2021.

Source: Cadence Sustainability Report, 2021
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Intelligent System Design Strategy
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

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

System Innovation
- Fidelity™ CFD Software, a comprehensive suite of computational fluid dynamics solutions, high-order flow solvers delivering up to 10X the accuracy of standard flow solvers
- AWR Design Environment® V16 for faster RF/mmWave 5G system design and analysis
- Clarity™ Cloud unifies simulation and cloud compute business model

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 Cadence Safety Solution including Midas™ Safety Platform
- Low-power Design IP for PCI Express® 6.0 for 5nm, High-Speed Ethernet Controller IP Family enables silicon-proven ethernet subsystem solutions up to 800Gbps
Cadence 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
Announcing Cadence Fidelity CFD Software
A new generation of performance and accuracy in multiphysics simulation

Integrating the 2021 Acquisitions
Best in class computational fluid dynamics (CFD) and Meshing technologies for marine and aerospace applications

Technologies
Flow solvers for a broad range of flow types, Highly advanced mesh generation and geometry preparation, and Mesh generation for a broad range of CFD flow solvers

Fidelity™ CFD Software
Offers performance and accuracy for multiphysics simulation, and a suite of CFD solutions

Fidelity CFD unites all of the compelling technologies a CFD engineer needs to simulate the performance of multiphysics systems in a streamlined workflow

Unified End-to-End Workflow
Pre-Processing Co-Processing Post-Processing
Automation / Plugin API

Geometry Mesh Simulate Evaluate Optimize

Target Industries
Aerospace & Defense
Automotive
Marine
Industrial
New AI software that accelerates optimum system-level design performance realization.

**Accelerating Design Insight**
- Quickly determine optimum electrical performance
- Explore complete design space
- Avoid suboptimal local minima and maxima

**Enhancing User and Tool Productivity**
- Efficiently optimize system-level designs
- Improve productivity by 10X or more on average

**Extensible Solution for System Design**
- AI-driven multiphysics optimization spanning simulation, optimization and signoff
- System-level exploration covering chip, package, board, and enclosures
Cadence OnCloud – A Complete SaaS and e-Commerce Platform

Instantaneous, flexible, secure, and scalable deployment

Fast moving teams flexibly deploy best-in-class system design and multiphysics analysis technologies

**Cadence® OnCloud enables**
- Ease of evaluations
- Ease to procure
- Ease of collaboration
- Ease of use

**System design and analysis**
- Allegro® PCB design
- OrCAD® PCB design
- Clarity™, Sigrity™, Celsius™ EM/ET
- Fidelity™ CFD software

Intelligence. Designed.
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*)

6Sigma – Virtualizes the data center and ecosystem as a 3D digital twin

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 to Acquire OpenEye – Biosimulation
Pioneering leader in computational molecular design

Acquisition

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

Target Industries

Biosimulation

Pharmaceutical

Biotechnology

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

• 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

Financial Performance
Financial Summary

2021

$2.988B

Revenue

37%

Non-GAAP operating margin¹

Free cash flow

$1.036B

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 2022
- Backlog\(^1\): $5.6B (Q2 2022)

**Revenue growth**
- 18% (Q2’22/Q2’21)

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**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 Q2 2022

- Functional Verification: 24%
- Digital IC Design and Signoff: 14%
- Custom IC Design and Simulation: 12%
- System Design and Analysis: 23%
- IP: 27%

Americas: 45%
- China: 18%
- Other Asia: 18%
- EMEA: 13%
- Japan: 6%
Driving Profitable Growth

**Strong operating profitability**

- Focus on growth and disciplined ROI-centric resource allocation
- Non-GAAP operating margin 42%\(^1\) (Q2 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.
Cash Flow, Capital Structure, and Capital Allocation

Free cash flow generation
• $1.036B (2021)

Capital structure (Q2 2022)
• Cash: $1.030B
• ST credit facility\(^1\): $700M
• LT debt: $350M

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

Notes:
1. Undrawn as of Q2 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 expand TAM

Culture of innovation creates the products for **category leadership** and growth

Growth, focus, and discipline drive **financial performance**