Cadence Design Systems, Inc.

Investor Introduction
April - June 2019
Safe Harbor Statement and Regulation G

Safe Harbor Statement

The following discussion contains forward looking statements, and our actual results may differ materially from those expectations discussed here.

Additional information concerning factors that could cause such a difference can be found in our Form 10-Q for the quarter ended March 30, 2019, our Form 10-K for the year ended December 29, 2018, the company’s future filings with the Securities and Exchange Commission and the cautionary statements regarding forward-looking statements in our April 22, 2019 earnings press release for the quarter ended March 30, 2019.

Regulation G

In addition to financial results prepared in accordance with Generally Accepted Accounting Principles, or GAAP, this presentation will also 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 22, 2019 press release and our CFO Commentary for the quarter ended March 30, 2019, both of which can be found in the quarterly earnings section of the investor relations portion of our website at cadence.com.
Cadence-at-a-glance

• Leading provider of system design enablement (SDE) solutions – software, hardware, and IP
• **Mission critical technology** for designing today’s electronic systems
• Culture of innovation - more than 20 significant new products in last 3 years
• Subscription software model with very high customer renewal rates and loyalty
• Revenue: ~$2.14B
• Headquarters in Silicon Valley
  ~7600 employees worldwide

NASDAQ: CDNS; S&P 500 & Nasdaq 100 indexes
Financial summary

2018

Revenue\(^1\) $2.14B

Non-GAAP operating margin\(^1\) 30%

Free cash flow $543M

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.

Revenue

Revenue

Non-GAAP EPS\(^1\)

Non-GAAP EPS

(\$ millions)
Industry landscape

- Cadence and its peers develop highly specialized software, hardware, and IP solutions for the automated design and verification of electronic products and systems.

- Our technology is critical to semiconductors, and is increasingly deployed by a variety of systems companies.

SDE/EDA economics within the 2017 electronics framework

Source: The McClean Report, 2018, ESD Alliance Market Survey Service Q4 2017, Cadence analysis
Data-driven economy (DDE) drives growth opportunities
Key technology waves propel DDE

- Mobile
- Edge computing
- Machine learning
- Automotive
- Datacenter
System Design Enablement (SDE) strategy
SDE – expanding beyond traditional EDA

- The **System Design Enablement** 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 next phase of this strategy is **Intelligent System Design**.

- The foundation of the strategy continues to be delivering **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.
Intelligent System Design

- The **Intelligent System Design** strategy will enable us to provide more capabilities and value to our customers, while also expanding our current total addressable market from about $10 billion to an estimated $30 billion over the next five years.

- Some of our recent activities in the System Innovation space includes:
  - A strategic partnership with **Green Hills Software**, which opens new opportunities in the estimated more than $3 billion embedded system safety and security space.
  - In April we entered the **System Analysis** market, an estimated $4.5 billion total addressable market opportunity, with our first product for this space, the **Clarity 3D Solver**, a next-generation solution for electromagnetic field simulation.
Innovation – engine of growth

Announced in Q2

Clarity
Cadence CloudBurst

2016 - 2018

Cadence Cloud
DDR5 DIP in TSMC 7nm
Tensilica DNA 100 Processor
JasperGold RTL Signoff Apps
Tensilica Vision P6 DSP

Liberate™
Modus DFT Software Solution
Next-Gen Virtuoso ADE
DDR5 IP

Legato™
Reliability Solution
Tensilica® Vision Q6 DSP
OrCAD® Capture Cloud

Virtuoso®
RF Solution
112G SerDes IP
Pegasus™ Verification System

Tensilica Vision G3 DSP
Protium™ S1 Prototyping Platform
Xcelium™ Parallel Simulator

GDDR6 IP
TSMC VDE
Legato Memory Solution
Conformal® Smart LEC

Tensilica HiFi 5 DSP with AI Speech processing
Tensilica Vision C5 DSP

Tensilica HiFi 3z DSP
Virtuoso System Design Platform

2019

Protium™ S1 Prototyping Platform

Tensilica HiFi 5 DSP with AI Speech processing
Tensilica Vision C5 DSP

Tensilica HiFi 3z DSP
Virtuoso System Design Platform

Tensilica HiFi 5 DSP with AI Speech processing
Tensilica Vision C5 DSP
Recurring revenue model

High visibility software revenue stream

- Recurring revenue mix: 85 - 90% for 2019
- RPO: $2.8B (Q1’19)

Revenue growth

- 12% (Q’19/Q’18)
Diversified business across products and regions

Revenue mix for 2018
Driving profitable growth

Strong operating profitability:

- Focus on growth and disciplined ROI-centric resource allocation
- Non-GAAP operating margin 30%\(^1\) (2018)

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 uses of cash

Free cash flow generation
- $543M (2018)

Capital structure (Q1 ‘19)
- Cash: $539M
- LT Debt: $400M
- Credit facility: $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 expand TAM

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

- Growth, focus and discipline drive financial performance