Cadence Design Systems, Inc.

November/December 2018
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 September 29, 2018, our Form 10-K for the year ended December 30, 2017, the company’s future filings with the Securities and Exchange Commission and the cautionary statements regarding forward-looking statements in our October 22, 2018 earnings press release for the quarter ended September 29, 2018.

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 October 22, 2018 press release and our CFO Commentary for the quarter ended September 29, 2018, 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: ~$2.1B
- Headquarters in Silicon Valley
  ~7400 employees worldwide

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

TTM Q3’18

- Revenue\(^1\) $2.07B
- Non-GAAP operating margin\(^1,2\) 30%
- Free cash flow $540M

**Revenue\(^1\)**

<table>
<thead>
<tr>
<th>Year</th>
<th>(in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$1,200</td>
</tr>
<tr>
<td>2013</td>
<td>$1,300</td>
</tr>
<tr>
<td>2014</td>
<td>$1,400</td>
</tr>
<tr>
<td>2015</td>
<td>$1,500</td>
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<tr>
<td>2016</td>
<td>$1,600</td>
</tr>
<tr>
<td>2017</td>
<td>$1,700</td>
</tr>
<tr>
<td>TTM Q3’18</td>
<td>$1,800</td>
</tr>
</tbody>
</table>

8% CAGR

**Non-GAAP EPS\(^1,2\)**

<table>
<thead>
<tr>
<th>Year</th>
<th>(in $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$0.75</td>
</tr>
<tr>
<td>2013</td>
<td>$0.85</td>
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<tr>
<td>2014</td>
<td>$0.95</td>
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<tr>
<td>2015</td>
<td>$1.05</td>
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<tr>
<td>2016</td>
<td>$1.15</td>
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<tr>
<td>2017</td>
<td>$1.25</td>
</tr>
<tr>
<td>TTM Q3’18</td>
<td>$1.35</td>
</tr>
</tbody>
</table>

13% CAGR

**Notes:**

1. ASC Topic 605 basis
2. 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."

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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
- Machine learning
- Automotive
- Edge computing
- Datacenter
System Design Enablement (SDE) strategy

Partnerships with Ecosystem Leaders

- **SYSTEM INTEGRATION**
  - System analysis * HW-SW verification * Software applications

- **PACKAGE AND BOARD**
  - PCB design * Package design * PCB and package analysis

- **CHIP (Core EDA)**
  - Design and implementation * IP/SoC verification * Software drivers

- MOBILE
- DATACENTER
- EDGE COMPUTING
- AUTOMOTIVE
- AERO & DEFENSE
- AND MORE...

- SECURITY
SDE – expanding beyond traditional EDA

- Strategy takes end-product view and provide tools and content that enable system development

- Core EDA at the heart of the SDE strategy
  - Deliver innovative, differentiated core products & flows
  - Tight partnerships with top customers and key ecosystem players

- Provide comprehensive printed circuit board and IC package design solutions

- Offer focused and differentiated IP portfolio

- Expand to system level through solutions for HW/SW integration, software development and system analysis

- Gear solutions to specific vertical markets
Innovation – engine of growth

More than 20 significant new products in past 3 years
Recurring revenue model

High visibility software revenue stream

- Renewable contracts with historical average term of ~2.5 years
- ~90% of total revenue recognized over time
- Backlog: $2.7B (Q4’17)

Revenue growth*

- 8.3% \(\text{Y/Y TTM Q3’18}\)

* ASC Topic 605 basis
Diversified business across products and regions

Revenue mix for Q3’18
(ASC 605 basis)
Driving profitable growth

Strong operating profitability:

- Focus on growth and disciplined ROI-centric resource allocation
- Non-GAAP operating margin ~30%\textsuperscript{1,2} (TTM Q3’18)

Notes:
1. ASC Topic 605 basis
2. 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
- $540M (TTM Q3’18)

Capital structure (Q3’18)
- Cash: $550M
- LT Debt: $350M
- Credit facility: $350M (undrawn)

Capital allocation
- Internal investment
- M&A
- Repurchase stock
In summary

- Mission critical solutions for designing semiconductors and electronic systems
- Data-driven economy and supporting technology waves drive growth
- Culture of innovation creates the products for growth
- Growth, focus and discipline drive financial performance