

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2026

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission file number 000-15867



CADENCE DESIGN SYSTEMS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

2655 Seely Avenue, Building 5, San Jose, California

(Address of Principal Executive Offices)

00-0000000

(I.R.S. Employer
Identification No.)

95134

(Zip Code)

(408) 943-1234

Registrant's Telephone Number, including Area Code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	CDNS	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐	Smaller Reporting Company	☐
Non-accelerated Filer	☐			Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

On September 30, 2026, approximately 274,379,000 shares of the registrant's common stock, \$0.01 par value, were outstanding.

CADENCE DESIGN SYSTEMS, INC.
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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

CADENCE DESIGN SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	As of	
	September 30, 2026	December 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,452,020	\$ 3,001,317
Receivables, net	1,110,591	944,939
Inventories	448,824	303,545
Prepaid expenses and other	342,452	419,872
Total current assets	3,353,887	4,669,673
Property, plant and equipment, net	603,189	517,004
Goodwill	4,926,955	2,749,143
Acquired intangibles, net	1,792,006	718,223
Deferred taxes	789,077	917,733
Other assets	759,660	581,372
Total assets	<u>\$ 12,224,774</u>	<u>\$ 10,153,148</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Revolving credit facility	\$ 150,000	\$ —
Current portion of long-term debt	498,809	—
Accounts payable and accrued liabilities	805,365	856,856
Current portion of deferred revenue	1,012,305	778,435
Total current liabilities	<u>2,466,479</u>	<u>1,635,291</u>
Long-term liabilities:		
Long-term portion of deferred revenue	138,228	155,997
Long-term debt	1,984,433	2,480,150
Other long-term liabilities	760,383	407,529
Total long-term liabilities	<u>2,883,044</u>	<u>3,043,676</u>
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock and capital in excess of par value	6,039,272	4,719,443
Treasury stock, at cost	(7,188,558)	(6,344,213)
Retained earnings	8,093,239	7,100,756
Accumulated other comprehensive loss	(68,702)	(1,805)
Total stockholders' equity	<u>6,875,251</u>	<u>5,474,181</u>
Total liabilities and stockholders' equity	<u>\$ 12,224,774</u>	<u>\$ 10,153,148</u>

See notes to condensed consolidated financial statements.

CADENCE DESIGN SYSTEMS, INC.
CONDENSED CONSOLIDATED INCOME STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Revenue:				
Product and maintenance	\$ 1,487,311	\$ 1,207,703	\$ 4,266,901	\$ 3,489,063
Services	146,000	131,135	425,081	367,582
Total revenue	1,633,311	1,338,838	4,691,982	3,856,645
Costs and expenses:				
Cost of product and maintenance	173,867	118,702	502,362	374,672
Cost of services	61,753	63,493	187,123	158,823
Marketing and sales	242,476	192,560	694,995	595,855
Research and development	537,541	423,031	1,577,251	1,304,190
General and administrative	113,020	78,035	289,785	210,162
Amortization of acquired intangibles	33,779	10,233	88,304	28,359
Loss related to contingent liability (Note 15)	—	—	—	128,545
Restructuring	42,159	27,394	41,802	27,332
Total costs and expenses	1,204,595	913,448	3,381,622	2,827,938
Income from operations	428,716	425,390	1,310,360	1,028,707
Interest expense	(30,375)	(29,035)	(97,124)	(87,101)
Other income (expense), net	9,994	(3,572)	133,436	87,476
Income before provision for income taxes	408,335	392,783	1,346,672	1,029,082
Provision for income taxes	118,588	105,661	354,189	308,330
Net income	\$ 289,747	\$ 287,122	\$ 992,483	\$ 720,752
Net income per share – basic	\$ 1.06	\$ 1.06	\$ 3.63	\$ 2.65
Net income per share – diluted	\$ 1.05	\$ 1.05	\$ 3.61	\$ 2.64
Weighted average common shares outstanding – basic	273,748	271,152	273,260	271,471
Weighted average common shares outstanding – diluted	275,278	273,798	275,061	273,440

See notes to condensed consolidated financial statements.

CADENCE DESIGN SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Net income	\$ 289,747	\$ 287,122	\$ 992,483	\$ 720,752
Other comprehensive income (loss), net of tax effects:				
Foreign currency translation adjustments	(11,086)	(17,562)	(64,482)	195,355
Changes in defined benefit plan liabilities	266	560	(278)	953
Reclassification of losses on derivatives designated as hedging instruments	209	200	620	592
Unrealized gains (losses) on available-for-sale debt securities	(1,939)	129	(2,757)	847
Total other comprehensive income (loss), net of tax effects	(12,550)	(16,673)	(66,897)	197,747
Comprehensive income	<u>\$ 277,197</u>	<u>\$ 270,449</u>	<u>\$ 925,586</u>	<u>\$ 918,499</u>

See notes to condensed consolidated financial statements.

CADENCE DESIGN SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

Three Months Ended September 30, 2026

	Three Months Ended September 30, 2026						
	Common Stock				Accumulated Other Comprehensive Loss		
	Shares	Par Value and Capital in Excess of Par	Treasury Stock	Retained Earnings			Total
Balance, June 30, 2026	275,393	\$ 5,865,954	\$ (6,755,331)	\$ 7,803,492	\$	(56,152)	\$ 6,857,963
Net income	—	—	—	289,747		—	\$ 289,747
Other comprehensive loss, net of taxes	—	—	—	—		(12,550)	\$ (12,550)
Purchase of treasury stock	(1,305)	—	(400,019)	—		—	\$ (400,019)
Issuance of common stock and reissuance of treasury stock under equity incentive plans, net of forfeitures	394	47,534	2,699	—		—	\$ 50,233
Stock received for payment of employee taxes on vesting of restricted stock	(103)	(18,979)	(35,907)	—		—	\$ (54,886)
Stock-based compensation expense	—	144,763	—	—		—	\$ 144,763
Balance, September 30, 2026	274,379	\$ 6,039,272	\$ (7,188,558)	\$ 8,093,239	\$	(68,702)	\$ 6,875,251

Three Months Ended September 30, 2025

	Three Months Ended September 30, 2025						
	Common Stock					Accumulated Other Comprehensive Income	
	Shares	Par Value and Capital in Excess of Par	Treasury Stock	Retained Earnings			Total
Balance, June 30, 2025	272,490	\$ 4,445,872	\$ (5,888,804)	\$ 6,425,498	\$	23,972	\$ 5,006,538
Net income	—	—	—	287,122		—	\$ 287,122
Other comprehensive loss, net of taxes	—	—	—	—		(16,673)	\$ (16,673)
Purchase of treasury stock	(584)	—	(200,009)	—		—	\$ (200,009)
Issuance of common stock and reissuance of treasury stock under equity incentive plans, net of forfeitures	414	55,881	3,866	—		—	\$ 59,747
Stock received for payment of employee taxes on vesting of restricted stock	(119)	(12,596)	(41,200)	—		—	\$ (53,796)
Stock-based compensation expense	—	116,073	—	—		—	\$ 116,073
Balance, September 30, 2025	272,201	\$ 4,605,230	\$ (6,126,147)	\$ 6,712,620	\$	7,299	\$ 5,199,002

Nine Months Ended September 30, 2026

	Common Stock					Total
	Shares	Par Value and Capital in Excess of Par	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	
Balance, December 31, 2025	271,799	\$ 4,719,443	\$ (6,344,213)	\$ 7,100,756	\$ (1,805)	\$ 5,474,181
Net income	—	—	—	992,483	—	\$ 992,483
Other comprehensive loss, net of taxes	—	—	—	—	(66,897)	\$ (66,897)
Purchase of treasury stock	(2,556)	—	(800,025)	—	—	\$ (800,025)
Issuance of common stock and reissuance of treasury stock under equity incentive plans, net of forfeitures	2,143	108,146	30,927	—	—	\$ 139,073
Issuance of common stock in a business combination	3,224	902,208	—	—	—	\$ 902,208
Stock received for payment of employee taxes on vesting of restricted stock	(231)	(120,361)	(75,247)	—	—	\$ (195,608)
Stock-based compensation expense	—	429,836	—	—	—	\$ 429,836
Balance, September 30, 2026	274,379	\$ 6,039,272	\$ (7,188,558)	\$ 8,093,239	\$ (68,702)	\$ 6,875,251

Nine Months Ended September 30, 2025

	Common Stock					Total
	Shares	Par Value and Capital in Excess of Par	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	
Balance, December 31, 2024	273,851	\$ 4,181,737	\$ (5,309,579)	\$ 5,991,868	\$ (190,448)	\$ 4,673,578
Net income	—	—	—	720,752	—	\$ 720,752
Other comprehensive income, net of taxes	—	—	—	—	197,747	\$ 197,747
Purchase of treasury stock	(2,552)	—	(725,025)	—	—	\$ (725,025)
Issuance of common stock and reissuance of treasury stock under equity incentive plans, net of forfeitures	1,221	130,484	7,585	—	—	\$ 138,069
Stock received for payment of employee taxes on vesting of restricted stock	(319)	(49,002)	(99,128)	—	—	\$ (148,130)
Stock-based compensation expense	—	342,011	—	—	—	\$ 342,011
Balance, September 30, 2025	272,201	\$ 4,605,230	\$ (6,126,147)	\$ 6,712,620	\$ 7,299	\$ 5,199,002

See notes to condensed consolidated financial statements.

CADENCE DESIGN SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	September 30, 2026	September 30, 2025
Cash and cash equivalents at beginning of period	\$ 3,001,317	\$ 2,644,030
Cash flows from operating activities:		
Net income	992,483	720,752
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	320,159	163,269
Stock-based compensation	429,836	342,011
Gain on divestitures and investments, net	(88,611)	(22,135)
Deferred income taxes	118,684	89,756
ROU asset amortization and change in operating lease liabilities	(2,105)	1,702
Other non-cash items	7,266	4,713
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(84,285)	(90,666)
Inventories	(172,927)	(60,858)
Prepaid expenses and other	39,812	(14,834)
Other assets	(38,982)	5,811
Accounts payable and accrued liabilities	(263,024)	(23,237)
Deferred revenue	148,835	44,456
Other long-term liabilities	7,295	14,546
Net cash provided by operating activities	1,414,436	1,175,286
Cash flows from investing activities:		
Purchases of investments	(98,481)	(35,182)
Proceeds from the sale and maturity of investments	166,529	3,493
Proceeds from the sale of IP and other assets	—	11,500
Purchases of property, plant and equipment	(163,254)	(100,830)
Purchases of intangible assets	(6,975)	—
Cash paid in business combinations, net of cash acquired	(2,143,429)	(250,695)
Net cash used for investing activities	(2,245,610)	(371,714)
Cash flows from financing activities:		
Proceeds from revolving credit facility	875,000	—
Payments on revolving credit facility	(725,000)	—
Proceeds from issuance of common stock	139,073	138,069
Stock received for payment of employee taxes on vesting of restricted stock	(195,608)	(148,130)
Payments for repurchases of common stock	(800,025)	(725,025)
Net cash used for financing activities	(706,560)	(735,086)
Effect of exchange rate changes on cash and cash equivalents	(11,563)	40,730
Increase (decrease) in cash and cash equivalents	(1,549,297)	109,216
Cash and cash equivalents at end of period	\$ 1,452,020	\$ 2,753,246
Supplemental cash flow information:		
Cash paid for interest	\$ 119,991	\$ 111,711
Cash paid for income taxes, net	448,605	198,770

See notes to condensed consolidated financial statements.

CADENCE DESIGN SYSTEMS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The condensed consolidated financial statements included in this Quarterly Report on Form 10-Q have been prepared by Cadence Design Systems, Inc. ("Cadence") without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations. However, Cadence believes that the disclosures contained in this Quarterly Report on Form 10-Q comply with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for a Quarterly Report on Form 10-Q and are adequate to make the information presented not misleading. These condensed consolidated financial statements are meant to be, and should be, read in conjunction with the consolidated financial statements and the notes thereto included in Cadence's Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (the "Annual Report").

The unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q reflect all adjustments (which include only normal, recurring adjustments and those items discussed in these notes) that are, in the opinion of management, necessary to state fairly the results of operations, cash flows and financial position for the periods and dates presented. The results for such periods are not necessarily indicative of the results to be expected for the full fiscal year or other periods. Certain prior period amounts have been reclassified to conform to the current period presentation. Management has evaluated subsequent events through the issuance date of the unaudited condensed consolidated financial statements.

Fiscal Year End

Cadence's fiscal year end is December 31, and its fiscal quarters end on March 31, June 30, and September 30.

Use of Estimates

Preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

Because Cadence operates globally, its business is subject to the effects of economic downturns or recessions in the regions in which it does business, volatility in foreign currency exchange rates relative to the U.S. dollar, inflation, increased energy costs, supply chain constraints, changing interest rates, expanded trade control laws and regulations, imposition of new or higher tariffs and geopolitical instability.

Trade control laws and regulations have been amended over the past years, including through the imposition of certain export control restrictions concerning advanced node IC production in China and the inclusion of additional Chinese technology companies on the Entity List maintained by the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") and regulations governing the sale of certain technologies. In furtherance of these regulations, effective September 29, 2025, BIS issued an interim final rule that extended the export restrictions imposed on entities identified on the Entity List or the Military End-User List and other certain sanctioned parties, to entities that are 50% or more owned by one or more such entities. However, BIS subsequently suspended the rule for one year, through November 9, 2026. In September 2026, the United States and China announced an extension of their trade arrangements through January 10, 2027, which is expected to extend the suspension; however, as of the date of this Quarterly Report, BIS has not formally extended the suspension. These laws, regulations and rules are subject to change.

Recently Adopted Accounting Standards

Measurements of Credit Losses for Accounts Receivable and Contract Assets

In July 2025, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2025-05, "Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses for Accounts Receivable and Contract Assets." This ASU provides a practical expedient that allows entities to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset when estimating expected credit losses for current accounts receivable and current contract assets. Cadence adopted this ASU on the first day of fiscal 2026. The adoption of this ASU did not have a material impact on Cadence's consolidated financial statements and disclosures.

New Accounting Standards Not Yet Adopted

Disaggregation of Income Statement Expenses

In November 2024, the FASB issued ASU No. 2024-03, "Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures," which requires additional disclosure of certain costs and expenses in the notes to the financial statements. The updated standard is effective for annual periods beginning after December 15, 2026 and interim periods beginning after December 15, 2027. Early adoption is permitted and will be applied prospectively with the option for retrospective application. Cadence is currently evaluating the impact of adopting this ASU on its consolidated financial statements and disclosures.

Accounting for Internal-Use Software

In September 2025, the FASB issued ASU No. 2025-06, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Simplifying the Accounting for Internal-Use Software." The updated guidance changes the capitalization criteria for internal-use software by replacing the existing stage-based model with a principles-based approach focused on the point at which management authorizes the software project, funding is approved, and it is probable that the software will be completed and used as intended. Costs that do not directly relate to the development of internal-use software, such as training, data conversion, and ongoing maintenance, will continue to be expensed as incurred. This standard is effective for annual and interim periods beginning after December 15, 2026, and interim periods within those fiscal years. Early adoption is permitted and the standard will be applied prospectively. Cadence does not expect the adoption of this ASU to have a material impact on its consolidated financial statements or disclosures.

Interim Reporting

In December 2025, the FASB issued ASU 2025-11, "Interim Reporting (Topic 270) Narrow-Scope Improvements," which provides clarifications intended to improve the consistency and usability of interim disclosure requirements, including a comprehensive listing of required interim disclosures and a new disclosure principle for reporting material events occurring after the most recent annual period. The amendments do not change the underlying objectives of interim reporting but are designed to enhance clarity in application. The guidance is effective for annual and interim periods beginning after December 15, 2027. Cadence is currently evaluating the impact of adopting this ASU on its consolidated financial statements and disclosures.

NOTE 2. ACQUISITIONS

Acquisition of Hexagon Design and Engineering Business

On February 23, 2026, Cadence acquired all of the outstanding equity of the design and engineering ("D&E") business of Hexagon Smart Solutions AB ("Hexagon"). The aggregate purchase consideration paid to Hexagon, net of cash acquired of \$154.6 million, was approximately \$3.0 billion. The aggregate purchase consideration was comprised of \$2.2 billion of cash and non-cash consideration of 3.2 million shares of Cadence common stock with an aggregate acquisition date fair value of \$902.2 million. This acquisition expands Cadence's System Design and Analysis ("SD&A") portfolio, building upon its acquisition of BETA CAE in fiscal 2024.

The total purchase consideration was allocated to the assets acquired and liabilities assumed with Cadence's acquisition of the D&E business based on their respective fair values on the acquisition date as follows:

	Fair Value
	(In thousands)
Current assets	\$ 267,792
Goodwill	2,170,179
Acquired intangibles	1,248,000
Other assets	18,330
Total assets acquired	3,704,301
Current liabilities	250,767
Long-term liabilities	329,603
Total liabilities assumed	580,370
Total purchase consideration	\$ 3,123,931

The recorded goodwill is attributed to intangible assets that do not qualify for separate recognition, including the acquired assembled workforce and expected synergies, and is not expected to be deductible for U.S. income tax purposes.

Definite-lived intangible assets acquired with Cadence's acquisition of the D&E business were as follows:

	Fair Value (In thousands)	Weighted Average Amortization Period (in years)
Existing technology	\$ 723,000	7.9 years
Agreements and relationships	507,000	7.7 years
Tradenames, trademarks and patents	18,000	6.0 years
Total acquired intangibles with definite lives	<u>\$ 1,248,000</u>	7.8 years

As of September 30, 2026, the allocation of purchase consideration to the acquired assets and assumed liabilities from the D&E business was preliminary. Cadence has updated its initial allocation of purchase consideration based on additional information and will continue to evaluate the estimates and assumptions used to derive the fair value of certain acquired assets and assumed liabilities, including operating assets and liabilities, and income tax-related assets and liabilities, during the measurement period (up to one year from the acquisition date). The allocation of purchase consideration may change materially as additional information about conditions existing at the acquisition date becomes available.

Pro Forma Financial Information (Unaudited)

The financial information in the table below summarizes the combined results of operations of Cadence and the D&E business, on a pro forma basis, as though the businesses had been combined as of the beginning of the periods presented.

The pro forma financial information includes adjustments to amortization for intangible assets acquired, stock-based compensation costs, interest expense for acquisition financing, adjustments to align lease expense and transaction costs incurred due to acquisition. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the D&E business had been acquired as of the beginning of the periods presented or of results that may occur in the future.

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
	(In thousands)			
Pro forma total revenue	\$ 1,633,311	\$ 1,397,562	\$ 4,755,577	\$ 4,073,228
Pro forma net income	289,747	265,519	978,842	666,787

Other 2026 Acquisitions

During the first three quarters of fiscal 2026, Cadence completed three other business combinations for aggregate cash consideration of \$83.8 million, net of cash acquired. The total purchase consideration was allocated to assets acquired and liabilities assumed based on their respective estimated fair values on the acquisition dates. Cadence recorded \$42.4 million of definite-lived intangible assets with a weighted average amortization period of 6.8 years. Cadence also recognized \$48.6 million of goodwill, which is primarily attributed to the assembled workforce of the acquired businesses. The majority of the goodwill recognized with these acquisitions is expected to be deductible for tax purposes.

In connection with these acquisitions, Cadence paid additional immaterial amounts to third-party escrow agents that will be released to certain former shareholders of the acquired businesses, subject to continued employment with Cadence, through the first quarter of fiscal 2030. The release of these funds is subject to continuous service and other conditions and is accounted for over the required service period as post-acquisition compensation expense in Cadence's consolidated income statements.

As of September 30, 2026, the allocation of purchase consideration to the acquired assets and assumed liabilities from these acquisitions was preliminary. Cadence will continue to evaluate the estimates and assumptions used to derive the fair value of certain acquired assets and assumed liabilities during the measurement period (up to one year from the acquisition date). The allocation of purchase consideration may change materially as additional information about conditions existing at the acquisition date becomes available.

Cadence has not presented pro forma financial information for any of the other 2026 acquisitions because the results of operations for these businesses are not material to Cadence's condensed consolidated financial statements.

Acquisition-Related Transaction Costs

Transaction costs associated with acquisitions, which consist of professional fees and administrative costs, are expensed as incurred and are included in general and administrative expense in Cadence's condensed consolidated income statements. During the three and nine months ended September 30, 2026, transaction costs associated with acquisitions were \$1.6 million and \$10.9 million, respectively. During the three and nine months ended September 30, 2025, transaction costs associated with acquisitions were \$17.0 million and \$23.0 million, respectively.

NOTE 3. REVENUE

Cadence groups its products and services into categories related to major design activities. The following table shows the percentage of revenue contributed by each of Cadence's product categories for the three and nine months ended September 30, 2026 and September 30, 2025:

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Core EDA*	69 %	71 %	69 %	71 %
Semiconductor IP ("IP")	15 %	14 %	15 %	14 %
System Design and Analysis	16 %	15 %	16 %	15 %
Total	100 %	100 %	100 %	100 %

* Includes immaterial amount of revenue accounted for under leasing arrangements.

Cadence generates revenue from contracts with customers and applies judgment in identifying and evaluating any terms and conditions in contracts which may impact revenue recognition. Certain of Cadence's licensing arrangements allow customers the ability to remix among software products. Cadence also has arrangements with customers that include a combination of products, with the actual product selection and number of licensed users to be determined at a later date. For these arrangements, Cadence estimates the allocation of the revenue to product categories based upon the expected usage of products. Revenue by product category fluctuates from period to period based on demand for products and services, Cadence's ability to deliver them and the introduction or acquisition of new products and services. No single customer accounted for 10% or more of total revenue during the three and nine months ended September 30, 2026 or September 30, 2025.

Recurring revenue includes revenue recognized over time from Cadence's Core EDA software licensing arrangements, services, royalties, maintenance on IP licenses and hardware, and operating leases of hardware. Other recurring revenue includes revenue recognized at a point in time for short-term software arrangements that are typically renewed at least annually and revenue recognized at varying points in time over the term of other arrangements with non-cancelable commitments, whereby the customer commits to a fixed dollar amount over a specified period of time that can be used to purchase from a list of products. Arrangements that require future decisions on the performance obligations to be delivered do not meet the definition of a revenue contract until the customer executes a separate selection form to identify the products and services that they are purchasing. Each separate selection form under the arrangement is treated as an individual contract and accounted for based on the respective performance obligations.

The remainder of Cadence's revenue is recognized at a point in time and is characterized as up-front revenue. Up-front revenue is primarily generated by sales of hardware, individual IP licenses and SD&A software licenses with a term greater than one year. The percentage of Cadence's recurring and up-front revenue in any single fiscal period is primarily impacted by delivery of hardware and IP products to its customers.

The following table shows the percentage of Cadence's revenue that is classified as recurring or up-front for the three and nine months ended September 30, 2026 and September 30, 2025:

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Revenue recognized over time	74 %	78 %	73 %	76 %
Other recurring revenue	5 %	4 %	5 %	5 %
Recurring revenue	79 %	82 %	78 %	81 %
Up-front revenue	21 %	18 %	22 %	19 %
Total revenue	100 %	100 %	100 %	100 %

Significant Judgments

Cadence's contracts with customers often include promises to transfer to a customer multiple software and/or IP licenses and services, including professional services, technical support services, and rights to unspecified updates. Determining whether licenses and services are distinct performance obligations that should be accounted for separately, or not distinct and thus accounted for together, requires significant judgment. In some arrangements, such as most of Cadence's IP license arrangements and the license of certain software, Cadence has concluded that the licenses and the related updates and technical support are distinct from each other. In others, such as Cadence's time-based software arrangements, Cadence has concluded that the licenses and certain services are not distinct from each other. These time-based software arrangements include multiple software licenses and updates to the licensed software products, as well as technical support, and Cadence has concluded that these promised goods and services are a single, combined performance obligation.

The accounting for contracts with multiple performance obligations requires the contract's transaction price to be allocated to each distinct performance obligation based on relative stand-alone selling price ("SSP"). Judgment is required to determine the SSP for each distinct performance obligation because Cadence rarely licenses or sells products on a stand-alone basis. In instances where the SSP is not directly observable because Cadence does not sell the license, product or service separately, Cadence determines the SSP using information that maximizes the use of observable inputs and may include market conditions. Cadence typically has more than one SSP for individual performance obligations due to the stratification of those items by classes of customers and circumstances. In these instances, Cadence may use information such as the size of the customer and geographic region of the customer in determining the SSP.

Revenue is recognized over time for Cadence's combined performance obligations that include software licenses, updates, technical support and maintenance that are separate performance obligations with the same term. For Cadence's professional services, revenue is recognized over time, generally using costs incurred or hours expended to measure progress. Judgment is required in estimating project status and the costs necessary to complete projects. A number of internal and external factors can affect these estimates, including labor rates, utilization and efficiency variances and specification and testing requirement changes. For Cadence's other performance obligations recognized over time, revenue is generally recognized using a time-based measure of progress reflecting generally consistent efforts to satisfy those performance obligations throughout the arrangement term.

If a group of agreements are so closely related that they are, in effect, part of a single arrangement, such agreements are deemed to be one arrangement for revenue recognition purposes. Cadence exercises significant judgment to evaluate the relevant facts and circumstances in determining whether the separate agreements should be accounted for separately or as, in substance, a single arrangement. Cadence's judgments about whether a group of contracts comprise a single arrangement can affect the allocation of consideration to the distinct performance obligations, which could have an effect on results of operations for the periods involved.

Cadence is required to estimate the total consideration expected to be received from contracts with customers. In limited circumstances, the consideration expected to be received is variable based on the specific terms of the contract or based on Cadence's expectations of the term of the contract. Generally, Cadence has not experienced significant returns or refunds to customers. These estimates require significant judgment and a change in these estimates could have an effect on its results of operations during the periods involved.

Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to customers, and these timing differences result in receivables, contract assets, or contract liabilities (deferred revenue) on Cadence's condensed consolidated balance sheets. For certain software, hardware and IP agreements with payment plans, Cadence records an unbilled receivable related to revenue recognized upon transfer of control because it has an unconditional right to invoice and receive payment in the future related to those transferred products or services. Cadence records a contract asset when revenue is recognized prior to invoicing and Cadence does not have the unconditional right to invoice or retains performance risk with respect to that performance obligation. Cadence records deferred revenue when revenue is recognized subsequent to invoicing. For Cadence's time-based software agreements, customers are generally invoiced in equal, quarterly amounts, although some customers are invoiced in single or annual amounts.

The contract assets reflected below are included in prepaid expenses and other in the condensed consolidated balance sheets and primarily relate to Cadence's rights to consideration for work completed but not billed as of the balance sheet date on services and customized IP contracts. The contract assets are transferred to receivables when the rights become unconditional, usually upon completion of a milestone.

Cadence's contract balances as of September 30, 2026 and December 31, 2025 were as follows:

	As of	
	September 30, 2026	December 31, 2025
	(In thousands)	
Contract assets	\$ 42,523	\$ 67,764
Deferred revenue	1,150,533	934,432

Cadence recognized revenue of \$104.3 million and \$705.6 million during the three and nine months ended September 30, 2026, respectively, and \$102.5 million and \$686.2 million during the three and nine months ended September 30, 2025, respectively, that was included in the deferred revenue balance at the beginning of each respective fiscal year. All other activity in deferred revenue, with the exception of deferred revenue assumed from acquisitions, is due to the timing of invoices in relation to the timing of revenue as described above.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, Cadence has determined that its contracts generally do not include a significant financing component. The primary purpose of invoicing terms is to provide customers with simplified and predictable ways of purchasing Cadence's products and services, and not to facilitate financing arrangements.

Remaining Performance Obligations

Revenue allocated to remaining performance obligations represents the transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods. Cadence has elected to exclude the potential future royalty receipts from the remaining performance obligations. Contracted but unsatisfied performance obligations were \$8.2 billion as of September 30, 2026, which included \$0.9 billion of non-cancelable commitments from customers where actual product selection and quantities of specific products or services are to be determined by customers at a later date.

Cadence estimates its remaining performance obligations at a point in time. Actual amounts and timing of revenue recognition may differ from these estimates largely due to changes in actual installation and delivery dates, as well as contract renewals, modifications and terminations. From time to time, Cadence may enter into arrangements with customers that include substantive cancellation provisions, which may impact the timing of revenue recognition and the accounting treatment of the underlying arrangements until such provisions expire. As of September 30, 2026, Cadence expected to recognize 58% of the contracted but unsatisfied performance obligations, excluding non-cancelable commitments, as revenue over the next 12 months, 40% over the next 13 to 36 months and the remainder thereafter.

Cadence recognized revenue of \$34.9 million and \$86.2 million during the three and nine months ended September 30, 2026, respectively, and \$22.7 million and \$52.7 million during the three and nine months ended September 30, 2025, respectively, from performance obligations satisfied in previous periods. These amounts represent royalties earned during the period and exclude contracts with nonrefundable prepaid royalties. Nonrefundable prepaid royalties are recognized upon delivery of the IP because Cadence's right to the consideration is not contingent upon customers' future shipments.

NOTE 4. RECEIVABLES, NET

Cadence's current and long-term receivables balances as of September 30, 2026 and December 31, 2025 were as follows:

	As of	
	September 30, 2026	December 31, 2025
	(In thousands)	
Accounts receivable	\$ 560,975	\$ 492,834
Unbilled accounts receivable	553,903	455,993
Long-term receivables	60,900	52,451
Total receivables	1,175,778	1,001,278
Less allowance for doubtful accounts	(4,287)	(3,888)
Total receivables, net	\$ 1,171,491	\$ 997,390

Although most of Cadence's revenue from its hardware business comes from sales of hardware, Cadence also leases its hardware products to some customers. Revenue from leasing arrangements of its hardware product offerings is immaterial to Cadence's condensed consolidated financial statements. Assets subject to sales-type leases are reclassified at lease commencement and a net investment in the lease asset is recognized in unbilled accounts receivable in Cadence's condensed consolidated balance sheets. Cadence's net investment in sales-type leases related to its hardware business was \$145.0 million and \$103.5 million as of September 30, 2026 and December 31, 2025, respectively. The portion of Cadence's net investment in sales-type leases included in long-term receivables was \$33.0 million and \$34.0 million as of September 30, 2026 and December 31, 2025, respectively.

Cadence's customers are primarily concentrated within the semiconductor and electronics systems industries. As of September 30, 2026 and December 31, 2025, no single customer accounted for 10% or more of Cadence's total receivables.

NOTE 5. DEBT

Revolving Credit Facility

In August 2024, Cadence entered into a five-year senior unsecured revolving credit facility with a group of lenders led by Bank of America, N.A., as administrative agent (the "Credit Facility"). The Credit Facility provides for borrowings up to \$1.25 billion, with the right to request increased capacity up to an additional \$500.0 million upon the receipt of lender commitments, for total maximum borrowings of \$1.75 billion. The Credit Facility expires on August 14, 2029. Any outstanding loans drawn under the Credit Facility are due at maturity on August 14, 2029, subject to an option to extend the maturity date. Outstanding borrowings may be repaid at any time prior to maturity. Cadence paid debt issuance costs of \$1.3 million that were recorded to other assets in Cadence's condensed consolidated balance sheet at the inception of the agreement. The debt issuance costs will be amortized to interest expense over the term of the Credit Facility.

Interest accrues on borrowings under the Credit Facility at a rate equal to, at Cadence's option, either (1) secured overnight financing rate ("SOFR") plus a margin between 0.625% and 1.125% per annum, determined by reference to the credit rating of Cadence's unsecured debt, plus a SOFR adjustment of 0.10% or (2) the base rate plus a margin between 0.000% and 0.125% per annum, determined by reference to the credit rating of Cadence's unsecured debt. Interest is payable quarterly. A commitment fee ranging from 0.050% to 0.125% is assessed on the daily average undrawn portion of revolving commitments. Borrowings bear interest at what is estimated to be current market rates of interest. Accordingly, the carrying value of the Credit Facility approximates fair value. As of September 30, 2026, Cadence had \$150.0 million in borrowings outstanding under the Credit Facility.

The Credit Facility contains customary negative covenants that, among other things, restrict Cadence's ability to incur additional indebtedness, grant liens and make certain asset dispositions. In addition, the Credit Facility contains financial covenants that require Cadence to maintain a funded debt to EBITDA ratio not greater than 3.5 to 1, with a step up to 4 to 1 for one year following an acquisition by Cadence of at least \$250.0 million that results in a pro forma leverage ratio between 3.25 to 1 and 3.75 to 1. As of September 30, 2026, Cadence was in compliance with all covenants under the Credit Facility.

Senior Notes

Cadence's outstanding Senior Notes were as follows:

	September 30, 2026			December 31, 2025		
	(In thousands)					
	Principal	Unamortized Discount and Issuance Costs	Carrying Value	Principal	Unamortized Discount and Issuance Costs	Carrying Value
2027 Notes	\$ 500,000	\$ (1,191)	\$ 498,809	\$ 500,000	\$ (2,073)	\$ 497,927
2029 Notes	1,000,000	(6,252)	993,748	1,000,000	(7,747)	992,253
2034 Notes	1,000,000	(9,315)	990,685	1,000,000	(10,030)	989,970
Total Senior Notes	\$ 2,500,000	\$ (16,758)	\$ 2,483,242	\$ 2,500,000	\$ (19,850)	\$ 2,480,150

In September 2024, Cadence issued \$500.0 million aggregate principal amount of 4.200% Senior Notes due September 10, 2027 (the "2027 Notes"). Cadence received net proceeds of \$496.5 million from the issuance of the 2027 Notes, net of a discount of \$0.1 million and issuance costs of \$3.5 million. As of September 30, 2026, the carrying value of the 2027 Notes was classified as a current liability on Cadence's condensed consolidated balance sheet, and the fair value of the 2027 Notes was \$496.3 million.

In September 2024, Cadence issued \$1.0 billion aggregate principal amount of 4.300% Senior Notes due September 10, 2029 (the "2029 Notes"). Cadence received net proceeds of \$989.8 million from the issuance of the 2029 Notes, net of a discount of \$1.4 million and issuance costs of \$8.8 million. As of September 30, 2026, the fair value of the 2029 Notes was \$968.9 million.

In September 2024, Cadence issued \$1.0 billion aggregate principal amount of 4.700% Senior Notes due September 10, 2034 (the "2034 Notes," and together with the 2027 Notes and the 2029 Notes, the "Senior Notes"). Cadence received net proceeds of \$988.8 million from the issuance of the 2034 Notes, net of a discount of \$1.9 million and issuance costs of \$9.3 million. As of September 30, 2026, the fair value of the 2034 Notes was \$922.7 million.

Cadence may redeem the Senior Notes, in whole or in part, at any time or from time to time, at redemption prices specified in the governing indenture. In addition, Cadence may be required to repurchase Senior Notes upon occurrence of a change of control triggering event, as set forth in the governing indenture.

The indenture governing the Senior Notes includes customary representations, warranties and restrictive covenants, including, but not limited to, restrictions on Cadence's ability to grant liens on certain assets, enter into certain sale and lease-back transactions, or merge, consolidate or sell assets, and also includes customary events of default. As of September 30, 2026, Cadence was in compliance with all covenants under the Senior Notes.

Both the discount and issuance costs are being amortized to interest expense over the term of the Senior Notes using the effective interest method. Interest on the Senior Notes is payable semi-annually in arrears in March and September of each year. The Senior Notes are unsecured and rank equal in right of payment to all of Cadence's existing and future senior indebtedness.

NOTE 6. GOODWILL AND ACQUIRED INTANGIBLES

Goodwill

The changes in the carrying amount of goodwill during the nine months ended September 30, 2026 were as follows:

	Gross Carrying Amount (In thousands)
Balance as of December 31, 2025	\$ 2,749,143
Goodwill resulting from acquisitions	2,219,277
Effect of foreign currency translation	(41,465)
Balance as of September 30, 2026	<u>\$ 4,926,955</u>

Acquired Intangibles, Net

Acquired intangibles as of September 30, 2026 were as follows:

	Gross Carrying Amount	Accumulated Amortization (In thousands)	Acquired Intangibles, Net
Existing technology	\$ 1,231,440	\$ (283,816)	\$ 947,624
Agreements and relationships	993,315	(190,606)	802,709
Tradenames, trademarks and patents	56,844	(15,171)	41,673
Total acquired intangibles	<u>\$ 2,281,599</u>	<u>\$ (489,593)</u>	<u>\$ 1,792,006</u>

Acquired intangibles as of December 31, 2025 were as follows:

	Gross Carrying Amount	Accumulated Amortization (In thousands)	Acquired Intangibles, Net
Existing technology	\$ 590,211	\$ (256,589)	\$ 333,622
Agreements and relationships	470,334	(114,697)	355,637
Tradenames, trademarks and patents	40,984	(12,020)	28,964
Total acquired intangibles	<u>\$ 1,101,529</u>	<u>\$ (383,306)</u>	<u>\$ 718,223</u>

Amortization expense from existing technology is included in cost of product and maintenance. Amortization expense for the three and nine months ended September 30, 2026 and September 30, 2025 by condensed consolidated income statement caption was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
	(In thousands)			
Cost of product and maintenance	\$ 46,091	\$ 15,751	\$ 122,437	\$ 46,744
Amortization of acquired intangibles	33,779	10,233	88,304	28,359
Total amortization of acquired intangibles	<u>\$ 79,870</u>	<u>\$ 25,984</u>	<u>\$ 210,741</u>	<u>\$ 75,103</u>

As of September 30, 2026, the estimated amortization expense for intangible assets with definite lives was as follows for the following five fiscal years and thereafter:

	(In thousands)
2026 - remaining period	\$ 78,406
2027	294,327
2028	286,974
2029	261,410
2030	216,778
2031	194,034
Thereafter	460,077
Total estimated amortization expense	<u>\$ 1,792,006</u>

NOTE 7. STOCK-BASED COMPENSATION

Stock-based compensation expense is reflected in Cadence's condensed consolidated income statements for the three and nine months ended September 30, 2026 and September 30, 2025 as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
	(In thousands)			
Cost of product and maintenance	\$ 3,010	\$ 2,014	\$ 9,221	\$ 6,290
Cost of services	3,448	2,337	10,529	7,252
Marketing and sales	24,978	21,726	75,365	66,254
Research and development	90,484	70,204	271,143	210,481
General and administrative	22,843	19,792	63,578	51,734
Total stock-based compensation expense	<u>\$ 144,763</u>	<u>\$ 116,073</u>	<u>\$ 429,836</u>	<u>\$ 342,011</u>

Cadence had total unrecognized compensation expense related to stock option and restricted stock grants of \$857.4 million as of September 30, 2026, which is expected to be recognized over a weighted average vesting period of 2.0 years.

NOTE 8. STOCK REPURCHASE PROGRAM

Cadence is authorized to repurchase shares of its common stock under a publicly announced program. The actual timing and amount of repurchases are subject to business and market conditions, corporate and regulatory requirements, stock price, acquisition opportunities and other factors. As of September 30, 2026, \$601.6 million of Cadence's share repurchase authorization remained available to repurchase shares of Cadence common stock. On October 23 2026, Cadence's board of directors approved the repurchase of up to an additional \$2.5 billion of the Company's common stock under its existing share repurchase program.

The shares repurchased under Cadence's repurchase authorizations and the total cost of repurchased shares, including commissions, during the three and nine months ended September 30, 2026 and September 30, 2025 were as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
	(In thousands)			
Shares repurchased	1,305	584	2,556	2,552
Total cost of repurchased shares	\$ 400,019	\$ 200,009	\$ 800,025	\$ 725,025

NOTE 9. RESTRUCTURING

From time to time, Cadence has initiated various restructuring plans in an effort to better align its resources with its business strategy. The most recent of these plans was initiated in September 2026 (the "2026 Restructuring Plan"). The charges incurred with the 2026 Restructuring Plan during the three and nine months ended September 30, 2026 are comprised of severance payments and termination benefits related to headcount reductions and are included in restructuring in Cadence's condensed consolidated income statements.

The following table presents activity for Cadence's restructuring plans during the nine months ended September 30, 2026:

	Severance and Benefits	Excess Facilities	Total
	(In thousands)		
Balance as of December 31, 2025	\$ 14,467	\$ —	\$ 14,467
Restructuring	41,753	49	41,802
Non-cash changes	—	(49)	(49)
Cash payments	(13,525)	—	(13,525)
Effect of foreign currency translation	(296)	—	(296)
Balance as of September 30, 2026	\$ 42,399	\$ —	\$ 42,399

All liabilities for severance and related benefits under the 2026 Restructuring Plan are included in accounts payable and accrued liabilities in Cadence's condensed consolidated balance sheets as of September 30, 2026. Cadence expects to make cash payments to settle these liabilities through September of fiscal 2027.

NOTE 10. OTHER INCOME (EXPENSE), NET

Cadence's other income (expense), net, for the three and nine months ended September 30, 2026 and September 30, 2025 was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
	(In thousands)			
Interest income	\$ 9,215	\$ 24,627	\$ 37,417	\$ 76,827
Gain on sale of IP and other assets	—	—	—	11,500
Gain (loss) on investments	2,794	(14,519)	88,611	10,635
Gain (loss) on securities in Nonqualified Deferred Compensation ("NQDC") trust	(42)	5,760	8,562	11,965
Loss on foreign exchange	(1,675)	(19,006)	(1,206)	(22,369)
Other income (expense), net	(298)	(434)	52	(1,082)
Total other income (expense), net	\$ 9,994	\$ (3,572)	\$ 133,436	\$ 87,476

For additional information relating to Cadence's investment activity, see Note 12 in the notes to condensed consolidated financial statements.

NOTE 11. NET INCOME PER SHARE

Basic net income per share is computed by dividing net income during the period by the weighted average number of shares of common stock outstanding during that period, less unvested restricted stock awards. Diluted net income per share is impacted by equity instruments considered to be potential common shares, if dilutive, computed using the treasury stock method of accounting.

The calculations for basic and diluted net income per share for the three and nine months ended September 30, 2026 and September 30, 2025 are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
	(In thousands, except per share amounts)			
Net income	\$ 289,747	\$ 287,122	\$ 992,483	\$ 720,752
Weighted average common shares used to calculate basic net income per share	273,748	271,152	273,260	271,471
Stock-based awards	1,530	2,646	1,801	1,969
Weighted average common shares used to calculate diluted net income per share	275,278	273,798	275,061	273,440
Net income per share - basic	\$ 1.06	\$ 1.06	\$ 3.63	\$ 2.65
Net income per share - diluted	\$ 1.05	\$ 1.05	\$ 3.61	\$ 2.64

The following table presents shares of Cadence's common stock outstanding for the three and nine months ended September 30, 2026 and September 30, 2025 that were excluded from the computation of diluted net income per share because the effect of including these shares in the computation of diluted net income per share would have been anti-dilutive:

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
	(In thousands)			
Market-based awards	1,527	1,501	1,530	1,053
Options to purchase shares of common stock	172	197	124	212
Non-vested shares of restricted stock	36	18	408	77
Total potential common shares excluded	1,735	1,716	2,062	1,342

NOTE 12. INVESTMENTS

Investments in Equity Securities

Marketable Equity Investments

Cadence's investments in marketable equity securities consist of purchased shares of publicly held companies and are included in prepaid expenses and other in Cadence's condensed consolidated balance sheets. Changes in the fair value of these investments are recorded to other income (expense), net in Cadence's condensed consolidated income statements. The carrying value of marketable equity investments was \$10.5 million and \$83.2 million as of September 30, 2026 and December 31, 2025, respectively.

Non-Marketable Equity Investments

Cadence's investments in non-marketable equity securities generally consist of stock or other instruments of privately held entities and are included in other assets on Cadence's condensed consolidated balance sheets. Cadence holds a 10.5% interest in a privately held company that is accounted for using the equity method of accounting. The carrying value of this investment was \$45.8 million and \$51.0 million as of September 30, 2026 and December 31, 2025, respectively.

Cadence records its proportionate share of net income from the investee, offset by amortization of basis differences, to other income (expense), net in Cadence's condensed consolidated income statements. Losses on this investment were not material to Cadence's condensed consolidated financial statements for the periods presented.

Cadence also holds other non-marketable investments in privately held companies where Cadence does not have the ability to exercise significant influence and the fair value of the investments is not readily determinable. The carrying value of these investments was \$99.2 million and \$16.6 million as of September 30, 2026 and December 31, 2025, respectively. Gains and losses on these investments were not material to Cadence's condensed consolidated financial statements for the periods presented.

The portion of net gains included in Cadence's condensed consolidated income statements related to equity securities still held at the end of the period were as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
	(In thousands)			
Net gains (losses) recognized on equity securities	\$ 2,928	\$ (14,480)	\$ 88,998	\$ 10,730
Less: Net gains recognized on equity securities sold	(1,780)	—	(81,580)	—
Net gains (losses) recognized on equity securities still held	<u>\$ 1,148</u>	<u>\$ (14,480)</u>	<u>\$ 7,418</u>	<u>\$ 10,730</u>

Investments in Debt Securities

The following is a summary of Cadence's available-for-sale debt securities recorded within prepaid expenses and other on its condensed consolidated balance sheets:

	As of September 30, 2026			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
<u>Available-for-sale debt securities</u>				
Mortgage-backed and asset-backed securities	\$ 82,767	\$ 21	\$ (2,125)	\$ 80,663
Total available-for-sale securities	<u>\$ 82,767</u>	<u>\$ 21</u>	<u>\$ (2,125)</u>	<u>\$ 80,663</u>

	As of December 31, 2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
<u>Available-for-sale debt securities</u>				
Mortgage-backed and asset-backed securities	\$ 70,317	\$ 852	\$ (199)	\$ 70,970
Total available-for-sale securities	<u>\$ 70,317</u>	<u>\$ 852</u>	<u>\$ (199)</u>	<u>\$ 70,970</u>

Gross unrealized gains and losses are recorded as a component of accumulated other comprehensive loss on Cadence's condensed consolidated balance sheets. As of September 30, 2026 and December 31, 2025, the fair value of available-for-sale debt securities in a continuous unrealized loss position for greater than 12 months was \$9.1 million and \$6.6 million, respectively. The unrealized losses on these securities were not material. As of September 30, 2026, Cadence did not intend to sell any of its available-for-sale debt securities in an unrealized loss position, and it was more likely than not that Cadence will hold the securities until maturity or a recovery of the cost basis.

As of September 30, 2026, the fair values of available-for-sale debt securities, by remaining contractual maturity, were as follows:

	(In thousands)
Due within 1 year	\$ 757
Due after 1 year through 5 years	24,609
Due after 5 years through 10 years	27,785
Due after 10 years	27,512
Total	<u>\$ 80,663</u>

NOTE 13. FAIR VALUE

Inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect Cadence's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices for identical instruments in active markets;
- Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires Cadence to minimize the use of unobservable inputs and to use observable market data, if available, when determining fair value. Cadence recognizes transfers between levels of the hierarchy based on the fair values of the respective financial instruments at the end of the reporting period in which the transfer occurred. There were no transfers between levels of the fair value hierarchy during the nine months ended September 30, 2026.

On a quarterly basis, Cadence measures at fair value certain financial assets and liabilities. The fair value of financial assets and liabilities was determined using the following levels of inputs as of September 30, 2026 and December 31, 2025:

Fair Value Measurements as of September 30, 2026					
	Total	Level 1	Level 2	Level 3	
	(In thousands)				
<u>Assets</u>					
Cash equivalents:					
Money market funds	\$ 561,694	\$ 561,694	\$ —	\$ —	
Marketable securities:					
Marketable equity securities	10,530	10,530	—	—	
Mortgage-backed and asset-backed securities	80,663	—	80,663	—	
Securities held in NQDC trust	131,956	131,956	—	—	
Total Assets	<u>\$ 784,843</u>	<u>\$ 704,180</u>	<u>\$ 80,663</u>	<u>\$ —</u>	
	Total	Level 1	Level 2	Level 3	
	(In thousands)				
<u>Liabilities</u>					
Foreign currency exchange contracts	\$ 7,284	\$ —	\$ 7,284	\$ —	
Total Liabilities	<u>\$ 7,284</u>	<u>\$ —</u>	<u>\$ 7,284</u>	<u>\$ —</u>	

Fair Value Measurements as of December 31, 2025

Fair value measurements as of December 31, 2020				
	Total	Level 1	Level 2	Level 3
	(In thousands)			
<u>Assets</u>				
Cash equivalents:				
Money market funds	\$ 2,100,210	\$ 2,100,210	\$ —	\$ —
Marketable securities:				
Marketable equity securities	83,244	83,244	—	—
Mortgage-backed and asset-backed securities	70,970	—	70,970	—
Securities held in NQDC trust	117,732	117,732	—	—
Total Assets	<u>\$ 2,372,156</u>	<u>\$ 2,301,186</u>	<u>\$ 70,970</u>	<u>\$ —</u>
	Total	Level 1	Level 2	Level 3
	(In thousands)			
<u>Liabilities</u>				
Foreign currency exchange contracts	\$ 25,999	\$ —	\$ 25,999	\$ —
Total Liabilities	\$ 25,999	\$ —	\$ 25,999	\$ —

Level 1 Measurements

Cadence's cash equivalents held in money market funds, marketable equity securities and the trading securities held in Cadence's NQDC trust are measured at fair value using Level 1 inputs.

Level 2 Measurements

The valuation techniques used to determine the fair value of Cadence's investments in marketable debt securities, foreign currency forward exchange contracts and Senior Notes are classified within Level 2 of the fair value hierarchy. For additional information relating to Cadence's debt arrangements, see Note 5 in the notes to condensed consolidated financial statements.

Level 3 Measurements

During the nine months ended September 30, 2026, Cadence acquired intangible assets of \$1.3 billion primarily through its acquisition of the D&E business. The fair value of the intangible assets acquired was determined using variations of the income approach that utilizes unobservable inputs classified as Level 3 measurements.

For existing technology acquired with the D&E business, the fair value was determined by applying the relief-from-royalty method. This method is based on the application of a royalty rate to forecasted revenue to quantify the benefit of owning the intangible asset rather than paying a royalty for use of the asset. To estimate royalty savings over time, Cadence projected revenue from the acquired existing technology over the estimated remaining life of the technology, including the effect of assumed technological obsolescence, before applying an assumed royalty rate. Cadence assumed technological obsolescence between 7% and 17% annually, before applying an assumed royalty rate between 35% and 40% and a discount rate of 10%.

For agreements and relationships acquired with the D&E business, the fair value was determined by using the multi-period excess earnings method. This method reflects the present value of the projected cash flows that are expected to be generated from existing customers, less charges representing the contribution of other assets to those cash flows. Projected income from existing customer relationships was determined using a customer retention rate between 90% and 98%. The present value of operating cash flows from existing customers was determined using a discount rate between 6% and 10%.

For additional information relating to Cadence's acquisitions, see Note 2 in the notes to condensed consolidated financial statements.

NOTE 14. BALANCE SHEET COMPONENTS

A summary of certain balance sheet components as of September 30, 2026 and December 31, 2025 were as follows:

	As of	
	September 30, 2026	December 31, 2025
	(In thousands)	
Inventories:		
Raw materials	\$ 323,029	\$ 245,487
Work-in-process	991	14,665
Finished goods	124,804	43,393
Inventories	\$ 448,824	\$ 303,545
Other assets:		
Long-term investments	\$ 145,037	\$ 67,517
ROU lease assets	221,483	175,964
Other long-term assets	393,140	337,891
Other assets	\$ 759,660	\$ 581,372
Other long-term liabilities:		
Operating lease liabilities	\$ 179,275	\$ 136,289
Deferred income taxes	347,500	47,997
Other accrued liabilities	233,608	223,243
Other long-term liabilities	\$ 760,383	\$ 407,529

The increase in deferred income taxes was primarily driven by the recognition of deferred tax liabilities associated with identifiable intangible assets acquired with the D&E business of Hexagon. For additional information on Cadence's acquisitions, see Note 2 in the notes to condensed consolidated financial statements.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, Cadence is involved in various disputes and litigation that arise in the ordinary course of business. These include disputes and legal proceedings related to intellectual property, indemnification obligations, mergers and acquisitions, licensing, contracts, customers, products, distribution and other commercial arrangements and employee relations matters. Cadence is also subject from time to time to inquiries, investigations and regulatory proceedings involving governments and regulatory agencies in the jurisdictions in which Cadence operates. At least quarterly, Cadence reviews the status of each significant matter and assesses its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount or the range of loss can be estimated, Cadence accrues a liability for the estimated loss. Legal proceedings are subject to uncertainties, and the outcomes are difficult to predict. Because of such uncertainties, accruals are based on Cadence's judgments using the best information available at the time. As additional information becomes available, Cadence reassesses the potential liability related to pending claims and legal proceedings and may revise estimates.

As previously disclosed, in July 2025, Cadence reached a settlement with each of BIS and the U.S. Department of Justice ("DOJ") that resolved matters relating to export violations that took place between 2015 and 2021. As part of the settlements, Cadence entered into a plea agreement with the DOJ pursuant to which Cadence agreed to plead guilty to one count of conspiracy to commit export controls violations. In addition, Cadence entered into an administrative settlement agreement with BIS. The agreements include ongoing audit, compliance and other obligations. Under these agreements, Cadence paid BIS and the DOJ aggregate net penalties and forfeitures of \$140.6 million during the fiscal quarter ended September 30, 2025. Cadence recorded a charge of \$128.5 million within Loss related to contingent liability in its condensed consolidated income statement during the nine months ended September 30, 2025.

Other Contingencies

Cadence provides its customers with a warranty on sales of hardware products, generally for a 90-day period. Cadence did not incur any significant costs related to warranty obligations during the three and nine months ended September 30, 2026 or September 30, 2025.

Cadence's product license and services agreements typically include a limited indemnification provision for claims from third parties relating to Cadence's intellectual property. If the potential loss from any indemnification claim is considered probable and the amount or the range of loss can be estimated, Cadence accrues a liability for the estimated loss.

Cadence did not incur any material losses from indemnification claims during the three and nine months ended September 30, 2026 or September 30, 2025.

NOTE 16. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss was comprised of the following as of September 30, 2026 and December 31, 2025:

	As of	
	September 30, 2026	December 31, 2025
	(In thousands)	
Foreign currency translation gains (losses)	\$ (50,216)	\$ 14,266
Changes in defined benefit plan liabilities	(10,571)	(10,293)
Unrealized losses on derivatives designated as hedging instruments	(5,811)	(6,431)
Unrealized gains (losses) on available-for-sale debt securities	(2,104)	653
Total accumulated other comprehensive loss	<u>\$ (68,702)</u>	<u>\$ (1,805)</u>

For the three and nine months ended September 30, 2026 and September 30, 2025, there were no significant amounts reclassified from accumulated other comprehensive loss to net income.

NOTE 17. SEGMENT REPORTING

Segment reporting is based on the “management approach,” following the method that management organizes the company’s reportable segments for which separate financial information is made available to, and evaluated regularly by, the chief operating decision maker in allocating resources and in assessing performance. Cadence operates as one operating segment. Cadence’s chief operating decision maker (“CODM”) is its CEO. The CODM makes decisions on resource allocation and assesses performance of the business based on Cadence’s consolidated results, including net income.

For additional information on Cadence’s revenue, including the nature and timing of revenue from contracts with customers, see Note 3 in the notes to condensed consolidated financial statements. The following table presents revenue, significant expenses and net income for the three and nine months ended September 30, 2026 and September 30, 2025:

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
	(In thousands)			
Revenue	\$ 1,633,311	\$ 1,338,838	\$ 4,691,982	\$ 3,856,645
Costs and Expenses:				
Salary, benefits and other employee-related costs	613,263	511,603	1,810,473	1,575,868
Stock-based compensation	144,763	116,073	429,836	342,011
Manufacturing costs	104,809	90,504	320,136	273,653
Facilities and other infrastructure costs	65,725	49,960	178,726	141,075
Depreciation and amortization	118,548	56,677	320,159	163,269
Professional services	69,689	47,584	187,445	117,727
Loss related to contingent liability ⁽¹⁾	—	—	—	128,545
Restructuring	42,159	27,394	41,802	27,332
Other segment items ⁽²⁾	44,860	41,852	(2,974)	47,809
Interest income	(9,215)	(24,627)	(37,417)	(76,827)
Interest expense	30,375	29,035	97,124	87,101
Provision for income taxes	118,588	105,661	354,189	308,330
Net income	<u>\$ 289,747</u>	<u>\$ 287,122</u>	<u>\$ 992,483</u>	<u>\$ 720,752</u>

(1) For information regarding the loss related to a contingent liability, see Note 15 in the notes to condensed consolidated financial statements.

(2) Other segment items include direct costs for advertising, marketing events, travel, entertainment, bad debt and other operating expense categories that are not considered significant individually. It also includes non-operating expenses such as gains and losses on investments, foreign currency, contributions to non-profit organizations and other non-operating expenses that are not considered significant individually.

Outside the United States, Cadence markets and supports its products and services primarily through its subsidiaries. Revenue is attributed to geography based upon the country in which the product is used, or services are delivered. Long-lived assets are attributed to geography based on the country where the assets are located.

The following table presents a summary of revenue by geography for the three and nine months ended September 30, 2026 and September 30, 2025:

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
(In thousands)				
Americas:				
United States	\$ 674,093	\$ 532,119	\$ 1,930,985	\$ 1,692,351
Other Americas	35,632	43,002	113,246	111,686
Total Americas	709,725	575,121	2,044,231	1,804,037
Asia:				
China	255,139	245,015	680,715	505,113
Japan	107,138	86,430	304,522	240,557
Other Asia	312,375	242,721	928,853	721,458
Total Asia	674,652	574,166	1,914,090	1,467,128
Europe, Middle East and Africa ("EMEA")	248,934	189,551	733,661	585,480
Total	\$ 1,633,311	\$ 1,338,838	\$ 4,691,982	\$ 3,856,645

The following table presents a summary of long-lived assets by geography as of September 30, 2026 and December 31, 2025:

	As of	
	September 30, 2026	December 31, 2025
(In thousands)		
Americas:		
United States	\$ 526,927	\$ 439,902
Other Americas	11,600	10,114
Total Americas	538,527	450,016
Asia:		
China	20,631	23,014
India	131,260	92,470
Japan	9,622	4,079
Other Asia	14,581	18,374
Total Asia	176,094	137,937
EMEA	110,051	105,015
Total	\$ 824,672	\$ 692,968

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q (this "Quarterly Report") and in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (our "Annual Report"). This Quarterly Report contains statements that are not historical in nature, are predictive, or that depend upon or refer to future events or conditions or contain other forward-looking statements. Statements including, but not limited to, statements regarding the extent, timing and mix of future revenues and customer demand; the deployment of our products and services; the impact of the macroeconomic and geopolitical environment, including but not limited to, expanded trade controls, tariffs, conflicts around the world, volatility in foreign currency exchange rates, inflation, increased energy costs, supply chain constraints and changes in interest rates; the impact of government actions; future costs, expenses, tax rates and uses of cash; legal, administrative and tax proceedings; obligations under our BIS and DOJ settlement agreements; restructuring actions and associated charges and benefits; pending acquisitions, the accounting for acquisitions and integration of acquired businesses; and other statements using words such as "anticipates," "believes," "could," "estimates," "expects," "forecasts," "intends," "may," "plans," "projects," "should," "targets," "will" and "would," and words of similar import and the negatives thereof, constitute forward-looking statements. These statements are predictions based upon our current expectations about future events. Actual results could vary materially as a result of certain factors, including, but not limited to, those expressed in these statements. We refer you to the "Results of Operations," "Quantitative and Qualitative Disclosures About Market Risk," and "Liquidity and Capital Resources" sections contained in this Quarterly Report, the "Risk Factors" section contained in our Annual Report and this Quarterly Report, and the risks discussed in our other Securities and Exchange Commission ("SEC") filings, which identify important risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements.

We urge you to consider these factors carefully in evaluating the forward-looking statements contained in this Quarterly Report. All subsequent written or oral forward-looking statements attributable to our company or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included in this Quarterly Report are made only as of the date of this Quarterly Report. We disclaim any obligation to update these forward-looking statements, except as required by law.

As used in this Quarterly Report on Form 10-Q, "we," "us," "our company" and "Cadence" mean Cadence Design Systems, Inc. and our subsidiaries, unless the context indicates or requires otherwise.

Business Overview

Cadence® is a global technology leader that develops computational, AI-driven software, accelerated hardware, and silicon intellectual property ("IP") products and solutions. Our customers include companies that design and manufacture semiconductors, as well as companies that design and manufacture electromechanical systems containing various types of semiconductors and other electronics. Our products and solutions empower our customers to design, verify and bring to life new and innovative products. Our mission is to empower the world's most innovative companies to deliver extraordinary electronic products that drive the global economy and improve everyday life.

Semiconductors, also referred to as integrated circuits ("ICs"), or chips, are integral components in a wide range of products across multiple industries, including both industrial and consumer end markets. As our customers tackle the challenges of designing increasingly intricate systems, they rely on our advanced AI-driven computational software, hardware, IP, and services to manage this complexity without proportional cost increases. Our products and solutions allow our customers to optimize the performance, power, and area ("PPA") of semiconductors and electronic systems while accelerating time-to-market.

In alignment with our intelligent system design ("ISD") strategy, we organize our offerings into three tightly integrated product categories: Core EDA, Semiconductor IP, and System Design and Analysis ("SD&A"). Core EDA encompasses the software, hardware, and services essential for the design and verification of a wide range of semiconductors. Our Semiconductor IP portfolio includes silicon subsystems, software, and related services that accelerate the semiconductor design process. The SD&A category provides solutions and services that enable the design and verification of complete electronic systems, from printed circuit boards to complex system assemblies. These offerings are tightly integrated to provide complete design solutions for our customers.

For additional information about our products, see the discussion in Item 1, "Business," under the heading "Product Categories," in our Annual Report.

Management uses certain performance indicators to manage our business, including revenue, certain elements of operating expenses and cash flow from operations, and we describe these items further below under the headings "Results of Operations" and "Liquidity and Capital Resources."

Acquisitions

As part of our ISD strategy, we invest in and acquire complementary businesses, joint ventures, services and technologies and IP rights. The size and timing of these investments and acquisitions may affect comparability of revenue, expenses and cash flows between fiscal periods.

On February 23, 2026, we completed our acquisition of the design and engineering (“D&E”) business of Hexagon Smart Solutions AB (“Hexagon”). This acquisition accelerates our ISD strategy by expanding our SD&A portfolio, building upon our acquisition of BETA CAE in fiscal 2024. The acquisition includes substantially all of the subsidiaries and related assets comprising Hexagon’s design and engineering business. For the three and nine months ended September 30, 2026, revenue associated with contracts assumed with our acquisition of the D&E business was primarily classified as product and maintenance revenue in our SD&A product category, and cost of revenue associated with these contracts was primarily classified as cost of product and maintenance in our condensed consolidated income statements.

Macroeconomic and Geopolitical Environment

Because we operate globally, our business is subject to the effects of economic downturns or recessions in the regions in which we do business, volatility in foreign currency exchange rates relative to the U.S. dollar, inflation, increased energy costs, supply chain constraints, changing interest rates, expanded trade control laws and regulations, imposition of new or higher tariffs and geopolitical instability.

Trade control laws and regulations have been amended over the past years, including through the imposition of certain export control restrictions concerning advanced node IC production in China and the inclusion of additional Chinese technology companies on the BIS “Entity List” and regulations governing the sale of certain technologies. In furtherance of these regulations, effective September 29, 2025, BIS issued an interim final rule that extended the export restrictions imposed on entities identified on the Entity List or the Military End-User List and other certain sanctioned parties, to entities that are 50% or more owned by one or more such entities. However, BIS subsequently suspended the rule for one year, through November 9, 2026. In September 2026, the United States and China announced an extension of their trade arrangements through January 10, 2027, which is expected to extend the suspension; however, as of the date of this Quarterly Report, BIS has not formally extended the suspension. These laws, regulations and rules are subject to change.

In addition, U.S. President Trump has imposed new and higher U.S. tariffs on imports from many countries, including China, Canada and Mexico. In February 2026, the U.S. Supreme Court struck down tariffs previously imposed under the International Emergency Economic Powers Act. However, tariffs imposed pursuant to other statutes remain in effect, and the administration has announced new tariff measures under alternative legal authorities and has continued to implement and pursue significant changes to U.S. trade policies, treaties and tariffs and conduct investigations on imports from foreign countries. In response, China, Canada and other countries have announced retaliatory tariffs on imports of U.S. goods and other countermeasures, though certain retaliatory measures have been suspended pursuant to bilateral negotiations and trade framework agreements. We are monitoring these developments, including any pauses, escalations, exemptions, court rulings, refunds, replacements and new investigations, with respect to the threatened or imposed tariffs and trade policy, and will continue to assess their potential impact on our business either directly, such as on our hardware business and cost of imported components, or due to downstream effects on our customers and the broader economy.

We also continuously monitor geopolitical conflicts around the world, including the conflict with Iran and other conflicts in the Middle East, and assess their impact on our business. To date, these conflicts have not materially limited our ability to develop or support our products and have not had a material impact on our results of operations, financial condition, liquidity or cash flows.

While our business model provides some resilience against these factors, we will continue to monitor the direct and indirect impacts of these or similar circumstances on our business and financial results. For additional information on the potential impact of macroeconomic conditions on our business, see the “Risk Factors” section in our Annual Report and this Quarterly Report.

Critical Accounting Estimates

In preparing our condensed consolidated financial statements, we make assumptions, judgments and estimates that can have a significant impact on our revenue, operating income and net income, as well as on the value of certain assets and liabilities on our condensed consolidated balance sheets. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. At least quarterly, we evaluate our assumptions, judgments and estimates, and make changes as deemed necessary.

For additional information about our critical accounting estimates, see the discussion in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” under the heading “Critical Accounting Estimates” in our Annual Report.

New Accounting Standards

For additional information about the adoption of new accounting standards, see Note 1 in the notes to condensed consolidated financial statements.

Results of Operations

Our financial results reflect the following for the three and nine months ended September 30, 2026 compared to the three and nine months ended September 30, 2025 (unless otherwise stated):

- Growth in revenue from our hardware, software and IP offerings, including revenue from our recent acquisitions;
- Increases in operating expenses related to marketing, sales and research and development activities from continued investment in research and development and technical sales support, including additional headcount from acquisitions;
- Increase in general and administrative expense related to contributions to non-profit organizations;
- Increased amortization of acquired intangibles from our recent acquisitions;
- Increased restructuring charges related to our 2026 Restructuring Plan; and
- A loss related to a contingent liability recognized in the prior-year period.

Revenue

We primarily generate revenue from licensing our software and IP, selling or leasing our hardware products, providing maintenance for our software, hardware and IP, providing engineering and cloud services and earning royalties generated from the use of our IP. The timing of our revenue is significantly affected by the mix of software, hardware and IP products generating revenue in any given period and whether the revenue is recognized over time or at a point in time, upon completion of delivery.

Recurring revenue includes revenue recognized over time from our Core EDA software licensing arrangements, services, royalties, maintenance on IP licenses and hardware, and operating leases of hardware. Other recurring revenue includes revenue recognized at a point in time for short-term software arrangements that are typically renewed at least annually and revenue recognized at varying points in time over the term of other arrangements with non-cancelable commitments, whereby the customer commits to a fixed dollar amount over a specified period of time that can be used to purchase from a list of products. Arrangements that require future decisions on the performance obligations to be delivered do not meet the definition of a revenue contract until the customer executes a separate selection form to identify the products and services that they are purchasing. Each separate selection form under the arrangement is treated as an individual contract and accounted for based on the respective performance obligations.

The remainder of our revenue is recognized at a point in time and is characterized as up-front revenue. Up-front revenue is primarily generated by our sales of hardware products, individual IP licenses and SD&A software licenses with a term greater than one year. The percentage of our recurring and up-front revenue and fluctuations in revenue within our geographies in any single fiscal period are primarily impacted by delivery of hardware and IP products to our customers.

The following table shows the percentage of our revenue that is classified as recurring or up-front for the three and nine months ended September 30, 2026 and September 30, 2025:

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Revenue recognized over time	74 %	78 %	73 %	76 %
Other recurring revenue	5 %	4 %	5 %	5 %
Recurring revenue	79 %	82 %	78 %	81 %
Up-front revenue	21 %	18 %	22 %	19 %
Total revenue	100 %	100 %	100 %	100 %

The following table shows the percentage of recurring revenue for the twelve-month periods ending concurrently with our five most recent fiscal quarters:

	Trailing Twelve Months Ended				
	September 30, 2026	June 30, 2026	March 31, 2026	December 31, 2025	September 30, 2025
Recurring revenue	78 %	79 %	79 %	80 %	80 %
Up-front revenue	22 %	21 %	21 %	20 %	20 %
Total	100 %	100 %	100 %	100 %	100 %

The percentage of revenue characterized as recurring compared to revenue characterized as up-front may vary between fiscal quarters. On an annual basis, we expect recurring and up-front revenue as a percentage of total revenue to remain relatively consistent.

Revenue by Period

The following table shows our revenue for the three months ended September 30, 2026 and September 30, 2025 and the change in revenue between periods:

	Three Months Ended		Change	
	September 30, 2026	September 30, 2025	Amount	Percentage
(In millions, except percentages)				
Product and maintenance	\$ 1,487.3	\$ 1,207.7	\$ 279.6	23 %
Services	146.0	131.1	14.9	11 %
Total revenue	<u>\$ 1,633.3</u>	<u>\$ 1,338.8</u>	<u>\$ 294.5</u>	<u>22 %</u>

The following table shows our revenue for the nine months ended September 30, 2026 and September 30, 2025 and the change in revenue between periods:

	Nine Months Ended		Change	
	September 30, 2026	September 30, 2025	Amount	Percentage
(In millions, except percentages)				
Product and maintenance	\$ 4,266.9	\$ 3,489.0	\$ 777.9	22 %
Services	425.1	367.6	57.5	16 %
Total revenue	<u>\$ 4,692.0</u>	<u>\$ 3,856.6</u>	<u>\$ 835.4</u>	<u>22 %</u>

Product and maintenance revenue increased during the three and nine months ended September 30, 2026, as compared to the three and nine months ended September 30, 2025, due to growth in revenue from our software, hardware and IP product offerings as a result of existing customers' continued investment in complex designs for their products.

Services revenue may fluctuate from period to period based on the timing of fulfillment of our services and IP performance obligations.

No single customer accounted for 10% or more of total revenue during the three and nine months ended September 30, 2026 or September 30, 2025.

Revenue by Product Category

The following table shows the percentage of revenue contributed by each of our product categories for the past five consecutive quarters:

	Three Months Ended				
	September 30, 2026	June 30, 2026	March 31, 2026	December 31, 2025	September 30, 2025
Core EDA	69 %	68 %	71 %	69 %	71 %
Semiconductor IP	15 %	15 %	14 %	15 %	14 %
System Design and Analysis	16 %	17 %	15 %	16 %	15 %
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Revenue from any one product category as a percentage of total revenue may fluctuate from period to period based on the mix of products and services sold in a given period, the timing of revenue recognition, particularly for our hardware, IP and SD&A software products for which revenue is recognized up-front, which are affected by demand for, and our ability to deliver, existing products and services as well as the introduction or acquisition of new products and services.

Revenue by Geography

The following table shows revenue by geographic region for the three and nine months ended September 30, 2026 and September 30, 2025 and the change in revenue between periods:

	Three Months Ended		Change	
	September 30, 2026	September 30, 2025	Amount	Percentage
	(In millions, except percentages)			
United States	\$ 674.1	\$ 532.1	\$ 142.0	27 %
Other Americas	35.6	43.0	(7.4)	(17)%
China	255.2	245.0	10.2	4 %
Japan	107.1	86.4	20.7	24 %
Other Asia	312.4	242.7	69.7	29 %
Europe, Middle East and Africa ("EMEA")	248.9	189.6	59.3	31 %
Total revenue	\$ 1,633.3	\$ 1,338.8	\$ 294.5	22 %

During the three months ended September 30, 2026, as compared to the three months ended September 30, 2025, our ability to deliver our hardware offerings and increased demand for our software offerings were the primary drivers of revenue growth in the United States and EMEA.

Revenue growth in China was primarily driven by increased demand for, and our ability to deliver, our IP and hardware offerings in that region, while growth in Japan and Other Asia was primarily driven by increased demand for software product offerings, and our ability to deliver IP offerings.

	Nine Months Ended		Change	
	September 30, 2026	September 30, 2025	Amount	Percentage
	(In millions, except percentages)			
United States	\$ 1,931.0	\$ 1,692.3	\$ 238.7	14 %
Other Americas	113.2	111.7	1.5	1 %
China	680.7	505.1	175.6	35 %
Japan	304.5	240.5	64.0	27 %
Other Asia	928.9	721.5	207.4	29 %
EMEA	733.7	585.5	148.2	25 %
Total revenue	\$ 4,692.0	\$ 3,856.6	\$ 835.4	22 %

During the nine months ended September 30, 2026, as compared to the nine months ended September 30, 2025, revenue from our software product offerings contributed to growth in each of our six geographies. During the same period, customer demand for, and our ability to deliver, our hardware product offerings to our customers, contributed to growth in the United States, China, Japan and EMEA. Our ability to deliver our IP offerings also contributed to period over period revenue growth in China, Japan, Other Asia and EMEA.

Revenue by Geography as a Percent of Total Revenue:

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
United States	41 %	40 %	41 %	44 %
Other Americas	2 %	3 %	2 %	3 %
China	16 %	18 %	15 %	13 %
Japan	7 %	7 %	6 %	6 %
Other Asia	19 %	18 %	20 %	19 %
EMEA	15 %	14 %	16 %	15 %
Total	100 %	100 %	100 %	100 %

Most of our revenue is transacted in the U.S. dollar. However, certain revenue transactions are denominated in foreign currencies. For an additional description of how changes in foreign exchange rates affect our condensed consolidated financial statements, see the discussion under Item 3, “Quantitative and Qualitative Disclosures About Market Risk – Foreign Currency Risk.”

Cost of Revenue

	Three Months Ended		Change	
	September 30, 2026	September 30, 2025	Amount	Percentage
(In millions, except percentages)				
Cost of product and maintenance	\$ 173.9	\$ 118.7	\$ 55.2	47 %
Cost of services	61.8	63.5	(1.7)	(3)%

	Nine Months Ended		Change	
	September 30, 2026	September 30, 2025	Amount	Percentage
(In millions, except percentages)				
Cost of product and maintenance	\$ 502.4	\$ 374.7	\$ 127.7	34 %
Cost of services	187.1	158.8	28.3	18 %

Cost of Product and Maintenance

Cost of product and maintenance includes costs associated with the sale and lease of our hardware products and licensing of our software and IP products, certain employee salary and benefits and other employee-related costs, cost of our customer support services, amortization of technology-related acquired intangibles, costs of technical documentation and royalties payable to third-party vendors. Cost of product and maintenance depends primarily on our hardware product sales in any given period, but is also affected by employee salary and benefits and other employee-related costs, reserves for inventory, and the timing and extent to which we acquire intangible assets, license third-party technology or IP, and sell our products that include such acquired or licensed assets, technology or IP.

A summary of cost of product and maintenance is as follows:

	Three Months Ended		Change	
	September 30, 2026	September 30, 2025	Amount	Percentage
(In millions, except percentages)				
Product and maintenance-related costs	\$ 127.8	\$ 102.9	\$ 24.9	24 %
Amortization of acquired intangibles	46.1	15.8	30.3	192 %
Total cost of product and maintenance	<u>\$ 173.9</u>	<u>\$ 118.7</u>	<u>\$ 55.2</u>	<u>47 %</u>

	Nine Months Ended		Change	
	September 30, 2026	September 30, 2025	Amount	Percentage
(In millions, except percentages)				
Product and maintenance-related costs	\$ 380.0	\$ 328.0	\$ 52.0	16 %
Amortization of acquired intangibles	122.4	46.7	75.7	162 %
Total cost of product and maintenance	<u>\$ 502.4</u>	<u>\$ 374.7</u>	<u>\$ 127.7</u>	<u>34 %</u>

The changes in product and maintenance-related costs for the three and nine months ended September 30, 2026, as compared to the three and nine months ended September 30, 2025, were due to the following:

	Change	
	Three Months Ended	Nine Months Ended
	(In millions)	
Hardware product costs	\$ 18.5	\$ 37.0
Salary, benefits and other employee-related costs	4.2	8.5
Other items	2.2	6.5
Total change in product and maintenance-related costs	\$ 24.9	\$ 52.0

Costs associated with our hardware products include components, assembly, testing, applicable reserves and overhead. These costs make our cost of hardware products higher, as a percentage of revenue, than our cost of software and IP products. Hardware costs may vary from period to period based on the mix of hardware products delivered to customers during each period and the timing of charges for excess or obsolete inventory.

Amortization of acquired intangibles included in cost of product and maintenance may fluctuate from period to period depending on the timing of newly acquired assets relative to assets becoming fully amortized in any given period. The increase in amortization of intangibles during the three and nine months ended September 30, 2026, as compared to the three and nine months ended September 30, 2025, is primarily due to definite-lived intangible assets acquired with our acquisition of the D&E business.

Cost of Services

Cost of services primarily includes employee salary, benefits and other employee-related costs to perform work on revenue-generating projects, costs to maintain the infrastructure necessary to manage a services organization and provide cloud-based offerings, and direct costs associated with certain design services. Cost of services may fluctuate from period to period based on our utilization of design services engineers on revenue-generating projects rather than internal development projects and the timing of design service projects being completed.

Operating Expenses

Our operating expenses include marketing and sales, research and development, and general and administrative expenses. Factors that tend to cause our operating expenses to fluctuate include changes in the number of employees due to hiring and acquisitions, industry trends for salary and other employee benefits, the timing and nature of restricted stock grants, foreign exchange rate movements, acquisition-related costs, volatility in variable compensation programs that are driven by operating results, and contributions to non-profit organizations. Our operating expenses have increased during fiscal 2026, as compared to fiscal 2025, primarily due to our recent acquisition of the D&E business from Hexagon.

Many of our operating expenses are transacted in various foreign currencies. We recognize lower expenses in periods when the U.S. dollar strengthens in value against other currencies and we recognize higher expenses when the U.S. dollar weakens against other currencies. For an additional description of how changes in foreign exchange rates affect our condensed consolidated financial statements, see the discussion in Item 3, "Quantitative and Qualitative Disclosures About Market Risk – Foreign Currency Risk."

Our operating expenses for the three and nine months ended September 30, 2026 and September 30, 2025 were as follows:

	Three Months Ended		Change	
	September 30, 2026	September 30, 2025	Amount	Percentage
	(In millions, except percentages)			
Marketing and sales	\$ 242.5	\$ 192.6	\$ 49.9	26 %
Research and development	537.5	423.0	114.5	27 %
General and administrative	113.0	78.0	35.0	45 %
Total operating expenses	\$ 893.0	\$ 693.6	\$ 199.4	29 %

	Nine Months Ended		Change	
	September 30, 2026	September 30, 2025	Amount	Percentage
(In millions, except percentages)				
Marketing and sales	\$ 695.0	\$ 595.9	\$ 99.1	17 %
Research and development	1,577.3	1,304.2	273.1	21 %
General and administrative	289.8	210.2	79.6	38 %
Total operating expenses	<u>\$ 2,562.1</u>	<u>\$ 2,110.3</u>	<u>\$ 451.8</u>	<u>21 %</u>

Our operating expenses, as a percentage of total revenue, for the three and nine months ended September 30, 2026 and September 30, 2025 were as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Marketing and sales	15 %	14 %	15 %	15 %
Research and development	33 %	32 %	34 %	35 %
General and administrative	7 %	6 %	6 %	5 %
Total operating expenses	<u>55 %</u>	<u>52 %</u>	<u>55 %</u>	<u>55 %</u>

Marketing and Sales

The increase in marketing and sales expense for the three and nine months ended September 30, 2026, as compared to the three and nine months ended September 30, 2025, was due to the following:

	Change	
	Three Months Ended	Nine Months Ended
(In millions)		
Salary, benefits and other employee-related costs	\$ 30.5	\$ 62.8
Professional services	8.1	16.5
Facilities and other infrastructure costs	3.0	5.1
Stock-based compensation	3.3	9.1
Other items	5.0	5.6
Total change in marketing and sales expense	<u>\$ 49.9</u>	<u>\$ 99.1</u>

Salary, benefits and other employee-related costs and stock-based compensation included in marketing and sales expense increased during the three and nine months ended September 30, 2026, as compared to the three and nine months ended September 30, 2025, primarily due to our continued investment in attracting and retaining talent dedicated to technical sales support, including additional headcount from acquisitions. We expect to continue attracting and retaining talent dedicated to technical sales support through hiring and acquisitions.

Research and Development

The increase in research and development expense for the three and nine months ended September 30, 2026, as compared to the three and nine months ended September 30, 2025, was due to the following:

	Change	
	Three Months Ended	Nine Months Ended
	(In millions)	
Salary, benefits and other employee-related costs	\$ 57.8	\$ 145.8
Stock-based compensation	20.3	60.7
Facilities and other infrastructure costs	12.3	29.1
Professional services	21.6	36.5
Other items	2.5	1.0
Total change in research and development expense	\$ 114.5	\$ 273.1

Salary, benefits and other employee-related costs and stock-based compensation included in research and development expense increased during the three and nine months ended September 30, 2026, as compared to the three and nine months ended September 30, 2025, primarily due to our continued investment in attracting and retaining talent for research and development activities, including additional headcount from acquisitions.

Facilities and other infrastructure costs included in research and development expense increased during the three and nine months ended September 30, 2026, as compared to the three and nine months ended September 30, 2025, primarily due to our growing workforce. We expect to continue attracting and retaining talent dedicated to research and development activities through hiring and acquisitions.

General and Administrative

The changes in general and administrative expense for the three and nine months ended September 30, 2026, as compared to the three and nine months ended September 30, 2025, were due to the following:

	Change	
	Three Months Ended	Nine Months Ended
	(In millions)	
Contributions to non-profit organizations	\$ 25.4	\$ 25.1
Professional services	(8.2)	15.7
Salary, benefits and other employee-related costs	9.0	14.5
Stock-based compensation	3.1	11.8
Facilities and other infrastructure costs	2.9	8.9
Other items	2.8	3.6
Total change in general and administrative expense	\$ 35.0	\$ 79.6

Professional services decreased during the three months ended September 30, 2026, as compared to the three months ended September 30, 2025, primarily due to a decrease in expense for acquisition-related legal services which were higher than usual during the three months ended September 30, 2025, as a result of our then-pending acquisition of the D&E business of Hexagon.

Professional services increased during the nine months ended September 30, 2026, as compared to the nine months ended September 30, 2025, primarily due to increased consulting services associated with integration activities related to our recent acquisitions. We expect to continue to utilize professional services as we continue to acquire and integrate companies and businesses.

Contributions to non-profit organizations increased during the three and nine months ended September 30, 2026, as compared to the three and nine months ended September 30, 2025, primarily due to the timing of contributions to non-profit organizations, including the Cadence Giving Foundation.

Salary, benefits and other employee-related costs and stock-based compensation included in general and administrative expense increased during the three and nine months ended September 30, 2026, as compared to the three and nine months ended September 30, 2025, primarily due to headcount from acquisitions and incremental expense from equity awards granted to certain members of senior management.

Restructuring

We have initiated restructuring plans in recent years, most recently in September 2026, to better align our resources with our business strategy. Because the restructuring charges and related benefits are derived from management's estimates made during the formulation of the restructuring plans, based on then-currently available information, our restructuring plans may not achieve the benefits anticipated on the timetable or at the level contemplated. Additional actions, including further restructuring of our operations, may be required in the future.

For additional information about our restructuring plans, see Note 9 in the notes to condensed consolidated financial statements.

Operating Margin

Operating margin represents income from operations as a percentage of total revenue. Our operating margin for the three and nine months ended September 30, 2026 and the three and nine months ended September 30, 2025 was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Operating margin	26 %	32 %	28 %	27 %

Our operating margin may fluctuate from period to period depending on the mix of products and services sold during each period, the timing and magnitude of restructuring plans and other significant, infrequent expenses.

During the three months ended September 30, 2026, as compared to the three months ended September 30, 2025, our operating margin decreased, primarily due to incremental operating expenses from our recent acquisitions, including amortization of acquired intangibles, that exceeded incremental revenue, an increased expense for contributions made to non-profit organizations, and the mix of products and services sold during each period.

During the nine months ended September 30, 2026, as compared to the nine months ended September 30, 2025, our operating margin increased, primarily due to the loss related to a contingent liability recognized during the nine months ended September 30, 2025 which reduced operating margin during that period.

For additional information about the loss related to a contingent liability, see Note 15 in the notes to condensed consolidated financial statements.

Interest Expense

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
(In millions)				
Contractual cash interest expense:				
Senior Notes	\$ 27.8	\$ 27.8	\$ 83.3	\$ 83.3
Revolving Credit Facility	1.3	0.3	9.4	0.7
Amortization of debt discount and debt issuance costs:				
Senior Notes	1.0	1.2	3.0	3.6
Revolving Credit Facility	0.1	0.1	0.2	0.2
Other	0.2	(0.4)	1.2	(0.7)
Total interest expense	\$ 30.4	\$ 29.0	\$ 97.1	\$ 87.1

Interest expense increased during the three and nine months ended September 30, 2026, as compared to the three and nine months ended September 30, 2025, primarily due to incremental interest expense related to borrowings under our revolving credit facility at various times during the periods presented. For additional information relating to our debt arrangements, see Note 5 in the notes to condensed consolidated financial statements.

Other Income (Expense), Net

Other income (expense), net consists primarily of interest earned on cash, cash equivalents and investments in debt securities, realized and unrealized gains and losses from our investments in equity securities of other companies, gains and losses from investments held in the Nonqualified Deferred Compensation ("NQDC") trust and foreign exchange gains and losses. Other income (expense), net may fluctuate from period to period based on levels of cash deposits, gains and losses from the sale of investments, changes in the fair value of our marketable equity securities and movements in exchange gains and losses.

For additional information about other income (expense), net, see Note 10 in the notes to condensed consolidated financial statements.

Income Taxes

The following table presents the provision for income taxes and the effective tax rate for the three and nine months ended September 30, 2026 and September 30, 2025:

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
	(In millions, except percentages)			
Provision for income taxes	\$ 118.6	\$ 105.7	\$ 354.2	\$ 308.3
Effective tax rate	29.0 %	26.9 %	26.3 %	30.0 %

Our provision for income taxes for the three and nine months ended September 30, 2026 was primarily attributable to federal, state and foreign income taxes on our anticipated fiscal 2026 income. We also recognized tax benefits of \$6.7 million and \$23.4 million related to stock-based compensation that vested or was exercised during the respective periods. The increase in our provision for income taxes during the three and nine months ended September 30, 2026, as compared to the three and nine months ended September 30, 2025, was primarily attributable to an increase in our earnings.

Our provision for income taxes for the three and nine months ended September 30, 2025 was primarily attributable to federal, state and foreign income taxes on our then-anticipated fiscal 2025 income. We also recognized tax benefits of \$15.1 million and \$36.6 million related to stock-based compensation that vested or was exercised during the respective periods.

Our future effective tax rates may also be materially impacted by tax amounts associated with our foreign earnings at rates different from the United States federal statutory rate, research credits, the tax impact of stock-based compensation, accounting for uncertain tax positions, business combinations, closure of statutes of limitations or settlement of tax audits and changes in tax law. A significant amount of our foreign earnings is generated by our subsidiaries organized in Ireland and Hungary. Our future effective tax rates may be adversely affected if our earnings were to be lower in countries where we have lower statutory tax rates relative to earnings in countries where we have higher statutory tax rates. We currently expect that our fiscal 2026 effective tax rate will be approximately 27%. We expect that our quarterly effective tax rates will vary from our fiscal 2026 effective tax rate as a result of recognizing the income tax effects of stock-based awards in the quarterly periods that the awards vest or are settled and other items that we cannot anticipate. For additional discussion about how our effective tax rate could be affected by various risks, see the "Risk Factors" section in our Annual Report.

Liquidity and Capital Resources

	As of		Change
	September 30, 2026	December 31, 2025	
	(In millions)		
Cash and cash equivalents	\$ 1,452.0	\$ 3,001.3	\$ (1,549.3)
Net working capital	887.4	3,034.4	(2,147.0)

Cash and Cash Equivalents

As of September 30, 2026, our principal sources of liquidity consisted of \$1.5 billion of cash and cash equivalents as compared to \$3.0 billion as of December 31, 2025.

Our primary sources of cash and cash equivalents during the nine months ended September 30, 2026 were cash generated from operations, proceeds from our revolving credit facility, proceeds from the sale and maturity of investments and proceeds from the issuance of common stock resulting from stock purchases under our employee stock purchase plan and stock options exercised during the period.

Our primary uses of cash and cash equivalents during the nine months ended September 30, 2026 were payments related to business combinations, operating costs and expenses, repurchases of our common stock, payments on our revolving credit facility, payment of employee taxes on vesting of restricted stock, taxes, purchases of property, plant and equipment and purchases of investments.

Approximately 85% of our cash and cash equivalents was held by our foreign subsidiaries as of September 30, 2026. Our cash and cash equivalents held by our foreign subsidiaries may vary from period to period due to the timing of collections and repatriation of foreign earnings. We expect that current cash and cash equivalent balances and cash flows that are generated from operations and financing activities will be sufficient to meet the needs of our domestic and international operating activities and other capital and liquidity requirements, including acquisitions, investments, payments on our 2027 Notes and share repurchases, for at least the next 12 months and thereafter for the foreseeable future.

Net Working Capital

Net working capital is comprised of current assets less current liabilities, as shown on our condensed consolidated balance sheets. Our net working capital varies from period to period due to changes in operating assets and liabilities and the timing of investing and financing activities. The decrease in our working capital as of September 30, 2026, as compared to December 31, 2025, was primarily due to a decrease in cash and cash equivalents and our 2027 Notes being classified as a current liability.

Cash Flows from Operating Activities

Cash flows provided by operating activities during the nine months ended September 30, 2026 and September 30, 2025 were as follows:

	Nine Months Ended		Change
	September 30, 2026	September 30, 2025	
	(In millions)		
Cash provided by operating activities	\$ 1,414.4	\$ 1,175.3	\$ 239.1

Cash flows provided by operating activities include net income, adjusted for certain non-cash items, as well as changes in the balances of certain assets and liabilities. Our cash flows from operating activities are significantly influenced by business levels and the payment terms set forth in our customer agreements. The increase in cash flows from operating activities for the nine months ended September 30, 2026, as compared to the nine months ended September 30, 2025, was primarily due to improved operating results, the timing of cash receipts from customers and the timing of cash disbursements for operating assets and liabilities.

Cash Flows Used for Investing Activities

Cash flows used for investing activities during the nine months ended September 30, 2026 and September 30, 2025 were as follows:

	Nine Months Ended		Change
	September 30, 2026	September 30, 2025	
	(In millions)		
Cash used for investing activities	\$ (2,245.6)	\$ (371.7)	\$ (1,873.9)

Cash used for investing activities increased during the nine months ended September 30, 2026, as compared to the nine months ended September 30, 2025, primarily due to an increase in payments for business combinations, partially offset by an increase in proceeds from the sale and maturity of investments. We expect to continue our investing activities, including purchasing property, plant and equipment, purchasing intangible assets, acquiring other companies and businesses, and making investments.

For additional information relating to our acquisitions, see Note 2 in the notes to condensed consolidated financial statements.

Cash Flows Used for Financing Activities

Cash flows used for financing activities during the nine months ended September 30, 2026 and September 30, 2025 were as follows:

	Nine Months Ended		Change
	September 30, 2026	September 30, 2025	
	(In millions)		
Cash used for financing activities	\$ (706.6)	\$ (735.1)	\$ 28.5

Cash flows used for financing activities decreased during the nine months ended September 30, 2026, as compared to the nine months ended September 30, 2025, primarily due to an increase in proceeds from our revolving credit facility, partially offset by an increase in payments for repurchases of common stock.

Other Factors Affecting Liquidity and Capital Resources

Revolving Credit Facility

In August 2024, we entered into a five-year senior unsecured revolving credit facility with a group of lenders led by Bank of America, N.A., as administrative agent (the "Credit Facility"). The Credit Facility provides for borrowings up to \$1.25 billion, with the right to request increased capacity up to an additional \$500.0 million upon receipt of lender commitments, for total maximum borrowings of \$1.75 billion. The Credit Facility expires on August 14, 2029. Any outstanding loans drawn under the Credit Facility are due at maturity on August 14, 2029, subject to an option to extend the maturity date. Outstanding borrowings may be repaid at any time prior to maturity. Interest rates under the Credit Facility are variable, so interest expense is impacted by changes in the interest rates, particularly for periods when there are outstanding borrowings under the revolving credit facility. Interest is payable quarterly. As of September 30, 2026, there were \$150.0 million in borrowings outstanding under the Credit Facility, and we were in compliance with all covenants associated with the Credit Facility.

Senior Notes

In September 2024, we issued \$2.5 billion aggregate principal amount of senior notes, consisting of \$500.0 million aggregate principal amount of 4.200% Senior Notes due 2027 (the "2027 Notes"), \$1.0 billion aggregate principal amount of 4.300% Senior Notes due 2029 (the "2029 Notes") and \$1.0 billion aggregate principal amount of 4.700% Senior Notes due 2034 (the "2034 Notes" and together with the 2027 Notes and the 2029 Notes, the "Senior Notes"). Interest on the Senior Notes is payable semi-annually in arrears in March and September of each year. As of September 30, 2026, the 2027 Notes were classified as a current liability on our condensed consolidated balance sheet, and we were in compliance with all covenants under the Senior Notes.

For additional information relating to our debt arrangements, see Note 5 in the notes to condensed consolidated financial statements.

Stock Repurchase Program

We are authorized to repurchase shares of our common stock under a publicly announced program. The actual timing and amount of repurchases are subject to business and market conditions, corporate and regulatory requirements, stock price, acquisition opportunities and other factors. Our repurchase authorization does not obligate us to acquire a minimum number of shares, does not have an expiration date and may be modified, suspended or terminated without prior notice. As of September 30, 2026, \$601.6 million of the share repurchase authorization remained available to repurchase shares of our common stock. On October 23 2026, our board of directors approved the repurchase of up to an additional \$2.5 billion of our common stock under our existing share repurchase program. See Part II, Item 2, "Unregistered Sales of Equity Securities and Use of Proceeds" for additional information on share repurchases.

Other Liquidity Requirements

During the nine months ended September 30, 2026, there were no material changes to our other liquidity requirements as reported in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Risk

A material portion of our revenue, expenses and business activities are transacted in the U.S. dollar. In certain foreign countries where we price our products and services in U.S. dollars, a decrease in value of the local currency relative to the U.S. dollar results in an increase in the prices for our products and services compared to those products of our competitors that are priced in local currency. This could result in our prices being uncompetitive in certain markets.

In certain countries where we may invoice customers in the local currency, our revenue benefits from a weaker dollar and is adversely affected by a stronger dollar. The opposite impact occurs in countries where we record expenses in local currencies. In those cases, our costs and expenses benefit from a stronger dollar and are adversely affected by a weaker dollar. The fluctuations in our operating expenses outside the United States resulting from volatility in foreign exchange rates are not generally moderated by corresponding fluctuations in revenue from existing contracts.

We enter into foreign currency forward exchange contracts to protect against currency exchange risks associated with existing assets, liabilities and other commitments.

A foreign currency forward exchange contract acts as a hedge by increasing in value when underlying assets decrease in value or underlying liabilities increase in value due to changes in foreign exchange rates. Conversely, a foreign currency forward exchange contract decreases in value when underlying assets increase in value or underlying liabilities decrease in value due to changes in foreign exchange rates. These forward contracts are not designated as accounting hedges, so the unrealized gains and losses are recognized in other income (expense), net, in advance of the actual foreign currency cash flows with the fair value of these forward contracts being recorded as accrued liabilities or other current assets.

We do not use forward contracts for trading purposes. Our forward contracts generally have maturities of 90 days or less. We enter into foreign currency forward exchange contracts based on estimated future asset and liability exposures, and the effectiveness of our hedging program depends on our ability to estimate these future asset and liability exposures. Recognized gains and losses with respect to our current hedging activities will ultimately depend on how accurately we are able to match the amount of foreign currency forward exchange contracts with actual underlying asset and liability exposures.

The following table provides information about our foreign currency forward exchange contracts as of September 30, 2026. The information is provided in U.S. dollar equivalent amounts. The table presents the notional amounts, at contract exchange rates, and the weighted average contractual foreign currency exchange rates expressed as units of the foreign currency per U.S. dollar, which in some cases may not be the market convention for quoting a particular currency. All of these forward contracts mature before or during November 2026.

	Notional Principal (In millions)	Weighted Average Contract Rate
Forward Contracts:		
European Union euro	\$ 263.8	0.87
Japanese yen	150.3	158.03
Chinese renminbi	146.8	6.69
British pound	129.4	0.74
Israeli shekel	84.0	3.01
Indian rupee	76.6	96.08
Swedish krona	46.1	9.57
Canadian dollar	44.8	1.39
Australian dollar	13.9	1.41
Taiwan dollar	8.1	31.90
Brazilian real	6.9	5.20
Swiss franc	6.8	0.80
Polish zloty	3.3	3.73
Singapore dollar	3.0	1.27
South Korean won	1.9	1,387.98
Total	\$ 985.7	
Estimated fair value	\$ (7.3)	

As of December 31, 2025, our foreign currency exchange contracts had an aggregate principal amount of \$3.3 billion, and an estimated fair value of \$(26.0) million.

We have performed sensitivity analyses as of September 30, 2026 and December 31, 2025, using a modeling technique that measures the change in the fair values arising from a hypothetical 10% change in the value of the U.S. dollar relative to applicable foreign currency exchange rates, with all other variables held constant. The foreign currency exchange rates we used in performing the sensitivity analysis were based on market rates in effect at each respective date. The sensitivity analyses indicated that a hypothetical 10% decrease in the value of the U.S. dollar would result in a decrease to the fair value of our foreign currency forward exchange contracts of \$6.3 million and \$213.1 million as of September 30, 2026 and December 31, 2025, respectively, while a hypothetical 10% increase in the value of the U.S. dollar would result in an increase to the fair value of our foreign currency forward exchange contracts of \$10.0 million and \$219.4 million as of September 30, 2026 and December 31, 2025, respectively. The significantly higher sensitivity as of December 31, 2025 primarily reflects foreign currency forward exchange contracts associated with the euro-denominated purchase consideration for the acquisition of Hexagon's design and engineering business, which was completed in February 2026.

We actively monitor our foreign currency risks, but our foreign currency hedging activities may not substantially offset the impact of fluctuations in currency exchange rates on our results of operations, cash flows and financial position.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our portfolio of cash, cash equivalents, investments in debt securities and any balances outstanding on our Credit Facility. We are exposed to interest rate fluctuations in many of the world's leading industrialized countries, but our interest income and expense is most sensitive to fluctuations in the general level of United States interest rates. In this regard, changes in United States interest rates affect the interest earned on our cash and cash equivalents and the costs associated with foreign currency hedges. All highly liquid securities with a maturity of three months or less at the date of purchase are considered to be cash equivalents. The carrying value of our interest-bearing instruments approximated fair value as of September 30, 2026.

Our investments in debt securities had a fair value of \$80.7 million and \$71.0 million as of September 30, 2026 and December 31, 2025, respectively, that may decline in value if market interest rates rise. As of September 30, 2026 and December 31, 2025, an increase in the market rates of interest of 1% would result in a decrease in the fair values of our marketable debt securities of \$3.6 million and \$2.8 million, respectively.

Interest rates under our Credit Facility are variable, so interest expense could be adversely affected by changes in interest rates, particularly for periods when we maintain an outstanding balance. As of September 30, 2026, there were \$150.0 million in borrowings outstanding under our Credit Facility.

Interest rates for our Credit Facility can fluctuate based on changes in market interest rates and in interest rate margins that vary based on the credit ratings of our unsecured debt. Assuming all loans were fully drawn and we were to fully exercise our right to increase borrowing capacity under our Credit Facility, each quarter point change in interest rates would result in a \$4.4 million change in annual interest expense on our indebtedness under our Credit Facility. For an additional description of the Credit Facility, see Note 5 in the notes to condensed consolidated financial statements.

Equity Price Risk

Equity Investments

We have a portfolio of equity investments that includes marketable equity securities and non-marketable investments. Our equity investments are made primarily in connection with our strategic investment program. Under our strategic investment program, from time to time, we make cash investments, directly or indirectly, in companies with technologies that have the potential to be strategically important to us. For an additional description of our portfolio of equity investments, see Note 12 in the notes to condensed consolidated financial statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2026.

Based on their evaluation as of September 30, 2026, our CEO and CFO have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report to provide reasonable assurance that the information required to be disclosed by us in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended September 30, 2026 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. Internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of internal control are met. Further, the design of internal control must reflect the fact that there are resource constraints, and the benefits of the control must be considered relative to their costs. While our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of their effectiveness, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Cadence, have been detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding pending legal proceedings, related matters and associated risks, see Note 15 in the notes to condensed consolidated financial statements under Part I, Item 1 in this Quarterly Report and the “Risk Factors” section in our Annual Report and this Quarterly Report.

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties, including those described in the “Risk Factors” sections in our Annual Report and this Quarterly Report, that could adversely affect our business, financial condition, results of operations, cash flows, liquidity, revenue, growth, prospects, demand, reputation, and the trading price of our common stock, and make an investment in us speculative or risky. We have updated three of the risk factors since our Annual Report, as set forth in our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2026 and June 30, 2026 and below. The risks described in our Annual Report and this Quarterly Report do not include all of the risks that we face, and there may be additional risks or uncertainties that are currently unknown or not believed to be material that occur or become material.

Uncertainty in the global economy and instability within international relations, including changes in governmental policies relating to technology, may negatively affect our business and reduce our bookings levels and revenue.

Uncertainty caused by challenging global political and economic conditions, including inflation, interest rates, bank failures, government deficit concerns, government shutdowns or political stalemates, geopolitical conflicts and other adverse changes to international relationships among countries in which we or our customers operate or do business, protectionist measures or decline in corporate or consumer spending could negatively impact our customers’ businesses, reducing the number of new chip designs and their overall research and development spending, including their spending on our products and services, and as a result decrease demand for our products and services. Adverse developments that affect financial institutions, transactional counterparties or other third parties, such as bank failures and failure by the U.S. Congress to increase the U.S. federal debt ceiling on a timely basis, or concerns or speculation about any similar events or risks, have led and could lead to further credit downgrades and market-wide liquidity problems, which in turn may cause customers and other third parties to become unable to meet their obligations under various types of financial arrangements as well as general disruptions or instability in the financial markets. Public health emergencies and reactionary measures by governments and businesses have also had, and could in the future have, the effect of curtailing economic activity and causing substantial volatility and disruption in global markets. Decreased bookings for our products and services, customer bankruptcies, consolidation among our customers, or problems or delays with our hardware suppliers or with the supply or delivery of our hardware products could also adversely affect our ability to grow our business or adversely affect our future revenue and financial results.

Tensions are rising around the world, and there are a number of ongoing armed conflicts, including in Iran, other parts of the Middle East and Ukraine. There is inherent risk, based on the complex relationships between certain countries and within regions, that political, diplomatic or military events could result in trade disruptions and other disruptions in the markets and industries we serve and our supply chain. A significant disruption in any area where we or our customers operate or do business or that is critical to our or their supply chain could reduce customer demand, make our products and services more expensive or unavailable for customers, increase the cost of our products and services, have a negative impact on customer spending, make our products less competitive, or otherwise have a materially adverse impact on our future revenue and profits, our customers’ and suppliers’ businesses, and our results of operations. In addition, there is currently significant uncertainty in the global economy and the future relationship among the United States and various other countries, caused by increased geopolitical instabilities and changes in global trade policies. For example, the ongoing geopolitical and economic uncertainty between the United States and China, where we conduct business and have derived a substantial percentage of our revenue, the unknown impact of current and future U.S. and Chinese trade regulations, including tariffs and other trade restrictions, and geopolitical risks with respect to Taiwan, which serves as a central hub for the technology industry supply chain, could, directly or indirectly, materially harm our business, financial condition and results of operations. Similarly, many of our suppliers, vendors and other entities with whom we do business have strong ties to doing business in China and other countries impacted by recent tariffs and other trade restrictions. Their ability to supply materials to us, buy products or services from us, or otherwise work with us is affected by their ability to do business in impacted countries. Moreover, these tariffs and any other trade restrictions imposed on our suppliers could adversely affect our business, financial condition and results of operations through reduced demand for our products and services, cancelled orders, supply chain disruptions, increased transaction costs and increased expenses.

Our future business and financial results, including demand for our products and services, are subject to considerable uncertainties that could impact our stock price. Further, political or economic conflicts between various global actors, and responsive measures that have been or could be taken, have created and can further create significant global economic uncertainty that could prolong or expand such conflicts, which could have a lasting impact on regional and global economies and harm our business and operating results.

We are subject to governmental export and import controls that subject us to liability and impair our ability to compete in global markets as well as a variety of other laws and regulations.

We must comply with the import and export restrictions and regulations and economic sanctions laws of the United States and of certain other countries in selling, providing or shipping our products and transferring our technology outside the United States, to foreign nationals (including foreign nationals within the United States) or across borders. Changes in our products or services, or changes in and continued expansion of these laws and regulations, including new or increased tariffs, trade protection measures, sanctions, trade embargoes and other trade barriers, may create delays in the introduction of our products or services into international markets and prevent our customers from deploying our products or services. In some cases, such changes have prevented and may further prevent the export or import of our products or services to certain countries, governments or persons altogether, or may result in increased costs for us, which could reduce our competitiveness, or for our customers, which could affect their purchasing behaviors. Any decreased use of our products or services or limitation on our ability to export to or sell our products or services in international markets would likely harm our business, financial condition and results of operations.

For example, U.S. trade control laws and regulations have been amended over the past several years, including through the imposition of certain export control restrictions concerning advanced node IC production in China, the inclusion of additional Chinese technology companies on BIS "Entity List" and regulations governing the sale and export of certain technologies. If a customer was added to the Entity List or became subject to new or expanded trade restrictions, it could have a negative effect on our ability to sell products and provide services to these customers. In addition, the issuance of new or expanded trade restrictions, such as the continued expansion of the military end-user and military end-use rule, the foreign-direct product rules, or any other rule that prevents or places restrictions on a class of commodities, software or technology from export or re-export to any specific country or countries without a license, could increase our costs or expenses.

In addition, as previously disclosed, on May 23, 2025, BIS informed us that a license was required for the export, re-export or in-country transfer of EDA Software and Technology when a party to the transaction is located in China or is a Chinese "military end user" on the "Military End-User List," wherever located. On July 2, 2025, BIS informed us that the license requirements set forth in the May 23, 2025 letter from BIS were rescinded effective immediately. While we have since restored access to EDA Software and Technology for affected customers in accordance with these updated U.S. export regulations, the temporary license requirements negatively impacted our revenue in China during this period. However, in light of continued negotiations between the United States and China, the United States may consider reimposing these or additional restrictions on the export, re-export or in-country transfer of EDA Software and Technology or our other products and services in China in the future.

Anticipated or actual changes in trade restrictions could also affect customer purchasing behaviors. Entity List restrictions and other trade restrictions may also encourage customers to seek substitute products from our competitors, including a growing class of foreign competitors and open source alternatives, that are not subject to these restrictions or to develop their own solutions, thereby decreasing our long-term competitiveness. In particular, China's stated national policy to be a global leader in all segments of the semiconductor industry by 2030 has resulted in and may continue to cause increased competitive capability in China. In addition, although customers on the Entity List are not prohibited from paying (and we are not restricted from collecting) for products we previously delivered to them (in compliance with applicable law), the credit risks associated with outstanding receivables from customers on the Entity List – including receivables from anti-piracy enforcement efforts and litigation settlements – and other trade restrictions could increase.

We cannot predict whether or when any additional changes will be made that eliminate or decrease these limitations on our ability to sell products and provide services to these Entity List customers or other customers impacted by other trade restrictions. We are unable to predict the duration of the export restrictions imposed with respect to any particular customer, technology, country or region or the long-term effects on our business or our customers' businesses. For example, effective September 29, 2025, BIS issued an interim final rule that extended the export restrictions imposed on entities identified on the Entity List or the Military End-User List and certain other sanctioned parties, to entities that are 50% or more owned by one or more of such entities. However, BIS subsequently suspended the rule for one year, through November 9, 2026. In September 2026, the United States and China announced an extension of their trade arrangements through January 10, 2027, which is expected to extend the suspension; however, as of the date of this Quarterly Report, BIS has not formally extended the suspension. In addition, there may be indirect impacts to our business which we cannot reasonably quantify, including that certain restrictions, even if not directly applicable to us, may impact our customers' products which may have an adverse effect on demand for our products, or that a country-specific export control may limit or prevent our employees who are nationals of the restricted country from performing their duties unless a license can be obtained. Additionally, our business may also be impacted by other trade restrictions that may be imposed by the United States, China or other countries. For example, the United States and other global actors have imposed economic sanctions on Russia and other entities and individuals as a result of the Russian invasion of Ukraine and conflicts in the Middle East. New or increased tariffs and other changes in U.S. trade policy, including new sanctions, have triggered and could continue to trigger retaliatory actions by affected countries. For instance, the United States has increased use of Section 232 trade authorities to impose tariffs on certain commodities, including certain articles of steel, aluminum and copper. In response to these and other U.S. measures, China and other countries have taken a range of retaliatory measures. These include the imposition of retaliatory tariffs on certain U.S.-origin goods; the implementation of new export controls by China on various critical minerals, including rare earth metals; the scheduling of further retaliatory tariff measures; and other actions that may affect us directly or indirectly. The Chinese government has also responded to U.S. actions by adding U.S. companies to an "unreliable entity list," which limits the ability of listed companies to engage in business with Chinese customers.

Failure to obtain import, export or re-export licenses or permits when required or restrictions on trade imposed by the United States or other countries could harm our business by rendering us unable to sell or ship products and transfer our technology outside of the United States or across borders. Delays, uncertainty or an inability to obtain required export licenses in a timely manner, including as a result of government processing backlogs or policy changes, could cause delays in scheduled shipments and may impact our business and customer relationships. In addition, if our customers fail to obtain appropriate import, export or re-export licenses or permits for re-sale of our products, we may also be adversely affected through reputational harm and penalties and may not be able to provide support related to those items. Although we have implemented risk-based policies and procedures that are reasonably designed to comply with all applicable trade restrictions, from time to time we and governmental authorities inquire into particular transactions.

Specifically, as previously disclosed, on July 27, 2025, we reached a settlement with each of BIS and the U.S. Department of Justice ("DOJ") that resolved matters relating to export control violations that occurred between 2015 and 2021 primarily involving sales initiated by a Cadence subsidiary of products and services valued at \$45.3 million in total over that period to a customer in China, as well as the subsequent transfer of technology involved in those sales to a third party in China, without the requisite authorization from BIS. As part of the settlements, we entered into a plea agreement with the DOJ pursuant to which we agreed to plead guilty to one count of conspiracy to commit export controls violations. The plea agreement has a three-year probationary term and includes obligations to implement additional export compliance programs and policies, including ongoing reporting and certification requirements and risk assessments, as well as obligations to cooperate in any ongoing or future investigations. In addition, we have entered into an administrative settlement agreement with BIS. Obligations under the administrative settlement agreement include two internal annual audits of our export compliance programs. Compliance with the administrative settlement agreement is a condition to our continued ability to export products. Under the agreements, we paid BIS and the DOJ aggregate net penalties and forfeitures of \$140.6 million during the three months ended September 30, 2025.

Failure to comply with the terms of the plea agreement, the administrative settlement agreement or our probation could result in further criminal, civil, or administrative proceedings or denial of export privileges. Such failure or any resulting further government action could materially and adversely affect our reputation, business, financial condition and results of operations. Further, our ongoing obligations under these agreements will generally apply to any new business entities we acquire, which could limit our ability to acquire new businesses that may be strategically important to us, and our continued acquisition and integration of other businesses could increase our risk of a violation. Our ongoing obligations under these agreements will also generally apply to any purchaser of our company or our material business operations, which could deter a potential acquisition of our company. In addition, political, media or other scrutiny surrounding these matters or their outcome could cause significant expense and reputational harm and distract senior executives from managing normal day-to-day operations. Entry into the settlements, including the plea agreement and the administrative settlement agreement, exposes us and our directors, officers and employees to further inquiries or other actions by other governmental authorities, including in China, which could materially and adversely affect our ability to operate and do business in China. We could also face challenges in our future business dealings with government agencies, including the potential for debarment from U.S. government contracts. Any of the foregoing could further materially and adversely affect our reputation, business, financial condition and results of operations.

The laws and policies of the United States and other countries in this area are evolving and changing, and we have experienced and may continue to experience challenges in complying with new rules as they become effective. The application and interpretation of these laws and policies can also be uncertain and change over time, and we may need to adjust our policies and procedures accordingly. In addition to the matters described above, any further failure or alleged failure to comply with these laws and policies could have negative consequences, including significant legal costs, government investigations, penalties, denial of export privileges and debarment from participation in U.S. government contracts, any of which could have a material adverse effect on our reputation, business, financial condition and results of operations.

In addition to trade control laws, our global operations are subject to numerous U.S. and foreign laws and regulations, including those related to anti-corruption, anti-bribery, tax, corporate governance, financial and other disclosures, competition, antitrust, data privacy, data protection, cybersecurity and employment. These laws and regulations are complex and may have differing or conflicting legal standards, making compliance difficult and costly, and changes to these laws, or their interpretations, may require us to make significant changes to our business operations that may adversely affect our business overall. The policies and procedures we have implemented to assist our compliance with these laws and regulations do not provide complete assurance that our employees, contractors, agents or partners will not violate such laws and regulations. Any violation individually or in the aggregate could have a material adverse effect on our reputation, business, financial condition and results of operations. For more information about the import and export restrictions and regulations that we may be subject to, see "Governmental Regulations—Trade" under Item 1 of Part I of our Annual Report.

Cyberattacks that compromise the confidentiality, integrity or availability of our or our third-party providers' information technology systems or confidential information could materially harm our reputation, business, financial condition and results of operations.

We rely on hardware, software, digital infrastructure and computing networks for both internal and customer-facing operations that are critical to our business (collectively, "IT Systems"). We own and manage certain IT Systems but also rely on third parties for IT Systems and related products and services, including cloud computing. In addition, we and certain third-party providers collect, maintain and process data about our customers, employees, business partners and others, including information that relates to individuals and/or constitutes "personal data," "personal information," "personally identifiable information" or similar terms under applicable data privacy laws (collectively "Personal Information"), as well as proprietary data such as trade secrets (together with Personal Information, "Confidential Information").

We face numerous, evolving cybersecurity risks that threaten the confidentiality, integrity and availability of our IT Systems, Confidential Information, products and services, including from diverse threat actors, such as state-sponsored organizations, opportunistic hackers and malicious insiders, as well as through diverse attack vectors, such as social engineering (including phishing), malware (including ransomware) and denial-of-service attacks, and due to human or technological error, such as misconfigurations, "bugs" or other vulnerabilities in software or hardware. Additionally, advances in technology, an increased level of sophistication and expertise of hackers, widespread access to generative AI, and new discoveries in the field of cryptography increase the risk of significant compromises or breaches of our IT Systems or security measures implemented to protect our systems. From time to time, we and certain of our third-party service providers experience varying degrees of cyberattacks and other security incidents. Any such incidents could compromise our or our providers' IT Systems, which could cause system disruptions or slowdowns and lead to the Confidential Information stored on our or third-party systems being accessed, publicly disclosed, lost or stolen. Any actual or perceived unauthorized access to or disclosure of our Confidential Information poses significant risk to our business as it could result in reputational and financial harm and further subject us to liability to our customers, suppliers, business partners and others. For example, as described in our Quarterly Report on Form 10-Q for the period ended March 31, 2026, we learned that a threat actor obtained a limited amount of Confidential Information from certain of our IT systems including a limited amount of test files, configuration setting files and source code files which are not material to our business. We notified law enforcement, and we believe that the incident was contained. There was no operational disruption, and customer environments were not impacted.

Cyberattacks are expected to accelerate on a global basis in frequency and magnitude as threat actors are becoming increasingly sophisticated in using techniques and tools – including AI – that circumvent security controls, evade detection and remove forensic evidence. Techniques used to obtain unauthorized access or to sabotage information systems change frequently and include zero-day software vulnerabilities that are unknown until exploited by threat actors. As a result, we may be unable to promptly or effectively detect, investigate, remediate or recover from future attacks or incidents, or to avoid a material adverse impact to our IT Systems, Confidential Information or business. Furthermore, state-supported and geopolitical-related cyberattacks against companies such as ours may increase due to geopolitical conditions. A cyberattack on our IT Systems or IT Systems of one of our third-party providers or customers could result in material adverse impacts due to any or all of the following: compromise to our Cadence Cloud portfolio, which includes both our managed and customer-managed environments, and our data centers and those of our customers and end users; corruption or stealing of Confidential Information such as proprietary information related to our (or our customers') business, products, services and infrastructure or Personal Information; manipulation or stealing of financial data and assets; and/or disruption of our systems and services and those of our customers and others. As a result, we could be exposed to a risk of loss or misuse of Confidential Information, loss of financial assets, business interruption, regulatory investigations, litigation and other liabilities and costs.

Because we make extensive use of third-party suppliers and service providers, such as cloud services that support our internal and customer-facing operations, successful cyberattacks that disrupt or result in unauthorized access to third party providers' IT Systems, including those that store our Confidential Information, can materially impact our operations and financial results. Moreover, hardware, software or applications we develop or procure from third parties or through open source solutions may contain defects in design or manufacture or other vulnerabilities and are susceptible to compromise. In addition, we have acquired and continue to acquire companies with less sophisticated security measures, and it takes time to align their security practices to meet our information security policies, procedures and controls, which exposes us to increased cybersecurity and other integration risks. There can be no assurance that our cybersecurity risk management strategy, program, policies, processes and controls will be fully implemented, complied with or effective in protecting any systems or information.

An actual or perceived breach of IT Systems or Confidential Information managed by us or a vendor could significantly impact our business through diminished market perception of the effectiveness of our security measures, legal or regulatory actions, substantial fines, penalties and required changes to our business practices, damage to our reputation or our business, loss of existing customers and our ability to obtain new customers (including government customers), significant restoration, remediation and compliance costs, and cause harm to our financial condition. Any or all of the foregoing could materially adversely affect our business, financial condition and results of operations. Also, we cannot guarantee that any costs and liabilities incurred in relation to an attack or incident will be covered by our existing insurance policies or that applicable insurance will be available to us in the future on economically reasonable terms or at all.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We are authorized to repurchase shares of our common stock under a publicly announced program that was most recently increased by our Board of Directors on October 23, 2026. Pursuant to this authorization, we may repurchase shares from time to time through open market repurchases, in privately negotiated transactions or by other means, including accelerated share repurchase transactions or other structured repurchase transactions, block trades or pursuant to trading plans intended to comply with Rule 10b5-1 of the Exchange Act. The actual timing and amount of repurchases are subject to business and market conditions, corporate and regulatory requirements, stock price, acquisition opportunities and other factors. Our repurchase authorization does not obligate us to acquire a minimum number of shares, does not have an expiration date and may be modified, suspended or terminated without prior notice.

The following table presents repurchases made under our publicly announced repurchase authorizations and shares surrendered by employees to satisfy income tax withholding obligations during the three months ended September 30, 2026:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program ⁽³⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plan or Program ⁽¹⁾ (In millions)
July 1, 2026 - July 31, 2026	248,197	\$ 359.82	187,053	\$ 935
August 1, 2026 - August 31, 2026	235,197	\$ 328.57	202,313	\$ 868
September 1, 2026 - September 30, 2026	924,897	\$ 291.19	915,286	\$ 602
Total	1,408,291	\$ 309.53	1,304,652	

- (1) Shares purchased that were not part of our publicly announced repurchase programs represent shares of restricted stock surrendered by employees to satisfy employee income tax withholding obligations due upon vesting, and do not reduce the dollar value that may yet be purchased under our publicly announced repurchase programs.
- (2) The weighted average price paid per share of common stock does not include the cost of commissions.
- (3) Our publicly announced share repurchase program was originally announced on February 1, 2017 and most recently increased by an additional \$2.5 billion on October 23, 2026.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information**Insider Trading Arrangements**

During the fiscal quarter ended September 30, 2026, our directors and officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated the contracts, instructions or written plans for the purchase or sale of our securities set forth in the table below.

Name and Position	Action	Adoption/ Termination Date	Type of Trading Arrangement	Total Shares of Common Stock to be Sold	Expiration Date
			Rule 10b5-1*		
Chin-Chi Teng, Senior Vice President and General Manager of the Digital and Signoff Group	Adoption ⁽¹⁾	8/20/2026	X	Up to 14,000	2/28/2027

* Contract, instruction or written plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act.

⁽¹⁾ Dr. Teng previously adopted a Rule 10b5-1 trading arrangement on February 20, 2026, that expired by its terms on August 31, 2026 (the "Prior Plan"). No trades are authorized to begin under the new trading arrangement adopted on August 20, 2026 until after all trades under the Prior Plan were completed.

Item 6. Exhibits

Exhibit Number	Exhibit Title	Incorporated by Reference				Provided Herewith
		Form	File No.	Exhibit No.	Filing Date	
3.1	The Registrant's Restated Certificate of Incorporation, as filed with the Secretary of State of the State of Delaware on May 3, 2024.	8-K	000-15867	3.1	5/6/2024	
3.2	The Registrant's Amended and Restated Bylaws, effective as of November 2, 2023.	8-K	000-15867	3.1	11/3/2023	
31.1	* Certification of the Registrant's Chief Executive Officer, Anirudh Devgan, pursuant to Rule 13a-14 of the Securities Exchange Act of 1934.					X
31.2	* Certification of the Registrant's Chief Financial Officer, John M. Wall, pursuant to Rule 13a-14 of the Securities Exchange Act of 1934.					X
32.1	† Certification of the Registrant's Chief Executive Officer, Anirudh Devgan, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2	† Certification of the Registrant's Chief Financial Officer, John M. Wall, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	* Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					
101.SCH	* Inline XBRL Taxonomy Extension Schema Document.					X
101.CAL	* Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	* Inline XBRL Definition Linkbase Document.					X
101.LAB	* Inline XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	* Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File - The cover page from this Quarterly Report on Form 10-Q is formatted in Inline XBRL (included as Exhibit 101).					X
*	Filed herewith.					
†	Furnished herewith.					

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CADENCE DESIGN SYSTEMS, INC. (Registrant)

DATE: October 27, 2026

By: /s/ Anirudh Devgan

Anirudh Devgan

President and Chief Executive Officer

DATE: October 27, 2026

By: /s/ John M. Wall

John M. Wall

Senior Vice President and Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Anirudh Devgan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cadence Design Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Anirudh Devgan

Anirudh Devgan
President and Chief Executive Officer
(Principal Executive Officer)

Date: October 27, 2026

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, John M. Wall, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cadence Design Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ John M. Wall

John M. Wall

Senior Vice President and Chief Financial Officer
(Principal Accounting and Financial Officer)

Date: October 27, 2026

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2026 of Cadence Design Systems, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anirudh Devgan, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Anirudh Devgan

Anirudh Devgan

President and Chief Executive Officer

(Principal Executive Officer)

Date: October 27, 2026

A signed original of this written statement required by Section 906 has been provided to Cadence Design Systems, Inc. and will be retained by Cadence and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2026 of Cadence Design Systems, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John M. Wall, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John M. Wall

John M. Wall

Senior Vice President and Chief Financial Officer
(Principal Accounting and Financial Officer)

Date: October 27, 2026

A signed original of this written statement required by Section 906 has been provided to Cadence Design Systems, Inc. and will be retained by Cadence and furnished to the Securities and Exchange Commission or its staff upon request.