

**Richard Gu, vice president, investor relations**

**Forward-Looking Statements and Non-GAAP Measures**

The following discussion contains forward-looking statements, including our outlook on future business and operating results as well as the impact of our DOJ and BIS settlements. Actual results may differ materially from expectations expressed or implied in the forward-looking statements due to risks, uncertainties and other factors, many of which are outside our control. All forward-looking statements in this discussion are made only as of July 28, 2025, are based on estimates and information available to us at that time, and we do not intend, and disclaim any obligation, to update them. For information on the factors that could cause a difference in our results, please refer to our filings with the Securities and Exchange Commission. These include our most recent reports on Form 10-K and Form 10-Q, the cautionary comments regarding forward-looking statements in the earnings release issued on July 28, 2025, as well as our future filings.

In addition, all financial measures discussed on this call are non-GAAP unless otherwise specified. The non-GAAP measures, which should not be considered in isolation from, or as a substitute for, GAAP results. Reconciliations of non-GAAP measures with their most directly comparable GAAP results are available in the quarterly earnings section of the investor relations portion of our website.

A copy of the earnings release for the second quarter of fiscal 2025, related financial tables and CFO Commentary which was included in our Form 8-K filing on July 28, 2025, can also be found in the investor relations portion of our website.

**Anirudh Devgan, president and chief executive officer**

Cadence delivered exceptional financial results for the second quarter of 2025, exceeding our Q2 revenue and EPS guidance, driven by ongoing broad-based strength across our AI-driven product portfolio. Bookings were stronger than expected, highlighting the strategic relevance of our AI-driven portfolio and the depth of our customer relationships. Demand for our technologies continues to grow, driven by customers embracing our products at scale, and we are raising our financial outlook for the year to 13% revenue growth and 16% EPS growth for 2025. John will provide more details on both our Q2 results and the updated outlook.

We continue executing to our Intelligent System Design strategy initiated in 2018, which remains a clear differentiator in a rapidly evolving landscape. Our early investments delivering to our vision of unifying EDA, IP, 3D-IC, PCB and system analysis are paying off. These capabilities are enabling us to lead through the accelerating waves of the AI supercycle, from AI infrastructure build-out, to physical AI in autonomous systems, to the emerging frontier of sciences AI.

Customer R&D investments remain robust, particularly as AI drives exponential design complexity such as in advanced node designs and complex system architectures, and this is translating into broad-based demand across our portfolio.

Embedding Agentic AI into our design platforms across core EDA, system design and system simulation workflows enables the evolution from traditional tool-based flows to autonomous, goal driven agents. Our Cadence.AI portfolio powered by multiple, autonomous silicon agents, and built on our unified JedAI platform with NVIDIA accelerated compute, is delivering optimized designs and massive efficiency gains for our customers.

At CadenceLIVE 2025, we introduced the new Millennium M2000 AI Supercomputer featuring Nvidia Blackwell, delivering AI-accelerated simulation at unprecedented speed and scale across engineering and science workloads. This tightly co-optimized hardware-software full system stack delivers up to 80x higher performance and up to 20x lower power versus

traditional CPU-based systems. Multiple customers provided endorsements including Ascendance, Mediatek, and Treeline Biosciences.

In Q2, we furthered our long-standing partnership with ADI through a broad proliferation of our core EDA software including AI-driven Cadence Cerebrus and Verisium solutions, as well as system software across PCB, advanced packaging and system analysis.

Also, in Q2, we deepened our partnership with SK Hynix through a broad expansion of our EDA software, system software and Design IP solutions.

And a major semiconductor company meaningfully expanded its relationship with Cadence in Q2, through a broad proliferation of our EDA, IP, and SDA portfolio.

We furthered our longstanding collaboration with TSMC to accelerate time to silicon for customer designs using 3D-IC and advanced node technologies such as TSMC's A16 and N2P, through certified design flows, silicon-proven IP and ongoing technology collaboration.

We continued the strong momentum in our **IP business**, delivering more than 25% year-over-year growth in Q2, driven by product strength and a broadening silicon solutions portfolio.

AI and HPC use cases spearheaded the strong demand for our IP offerings, with advanced technologies such as HBM4 and 224G SerDes notching key wins for scale-up and scale-out in the AI infrastructure space. We built on our strategic collaboration with an emerging advanced foundry as they awarded us a large deal in Q2 for our leading HBM4 solution. We introduced the industry's first LPDDR6 memory IP, offering up to 50% higher performance to meet the growing memory and capacity needs of AI LLMs and agentic AI workloads.

At CadenceLIVE 2025, we launched the Cadence Tensilica NeuroEdge 130 AI Co-Processor to accelerate physical AI applications. And in Q2, a market shaping wireless technology company selected Tensilica HiFi 5s as the standardized audio solution for its music and voice platforms.

Our **Core EDA** revenue grew 16% year-over-year in Q2. Further proliferation of our digital full flow at the most advanced nodes continued, and more than 50% of advanced node designs using our implementation solutions, are now use Cadence Cerebrus. In Q2, we launched Cadence Cerebrus AI Studio, the industry's first agentic AI multi-block and multi-user SoC design platform. This technology delivering up to 20% PPA improvement, while accelerating chip delivery time by 5x to 10x, was endorsed by Samsung and ST Microelectronics at launch. And Renesas successfully used our Pegasus physical verification solution to sign off an advanced node SoC after it demonstrated a significant throughput advantage.

Our industry-leading Palladium Z3 and Protium X3 platforms accelerated their momentum delivering outstanding results, with Q2 being the best revenue quarter ever for our hardware systems. Demand for hardware was strong and broad-based, driven by AI, HPC and automotive customers. Our verification software suite that includes Verisium, Xcelium, and Jasper, and leverages big data and AI to optimize verification workloads, saw continued expansion with 27 new logos in Q2.

Building upon 30 years of industry leadership, we launched the Virtuoso Studio 25.1 release, offering broad support for RF, photonics, mixed-signal and advanced heterogenous designs. Our leading Spectre X circuit simulator closed several deals with strong growth, while our FastSpice Spectre FX platform has now been adopted by the top three memory companies.

Our **System Design & Analysis** business delivered another standout quarter with 35% year-over-year revenue growth.

On the packaging front, there was strong customer uptake of our 3DIC technologies, and top foundries and semi customers embraced our AI-driven Advanced Substrate Router which provides tremendous productivity benefit. Our AI-driven Allegro X PCB design platform saw continued proliferation, as multiple Aerospace and Defense, hyperscale and EV customers took advantage of the platform's meaningful productivity and next generation capabilities.

Our Clarity and Celsius solvers saw significant expansion at a major hyperscaler, and Clarity secured a key win at a marquee AI company, while our Reality datacenter digital twin drove strong growth at a top hyperscaler.

Beta CAE technology integrations with our CFD, thermal and electromagnetics products were released, as Beta CAE solutions continued to score key competitive wins, particularly in the automotive segment.

Finally, I'm pleased to share that we have entered into a settlement with the U.S. Department of Justice and the U.S. Department of Commerce's Bureau of Industry and Security that resolves the previously disclosed investigations into certain transactions with customers in China that occurred between 2015 and 2021. The settlements represent a mutually acceptable path forward for all parties, and we believe are in the best interest of our customers, partners and shareholders.

I want to emphasize that Cadence is deeply committed to the highest standards of compliance, and we have significantly enhanced our compliance processes over the last few years, and continue to implement improvement measures to proactively address evolving trade restrictions.

We remain focused on delivering for our customers and shareholders and executing the clear strategy we've laid out to drive innovation and enhanced value creation.

In summary, I'm delighted with our Q2 results and the continued momentum across our broad and innovative portfolio. The AI-driven era presents tremendous opportunities, and the co-optimization of our comprehensive EDA and SDA portfolio with accelerated computing and GenAI, uniquely positions us to deliver breakthrough solutions across a wide range of markets.

Now I will turn it over to John to provide more details on the Q2 results and our updated 2025 outlook.

**John Wall, senior vice president and chief financial officer**

Thanks Anirudh, and good afternoon, everyone.

I am pleased to report that Cadence delivered excellent results for the second quarter of 2025, with broad-based momentum across all our businesses.

Strength in other regions more than offset the impact of the export restrictions on China outlined in the BIS letter dated May 23<sup>rd</sup> which was later rescinded.

Robust design activity and customer demand, coupled with our strong execution, drove 20% revenue growth and 29% non-GAAP EPS growth year-over-year for Q2.

Here are some of the financial highlights from the second quarter, starting with the P&L:

- Total revenue was **\$1.275 billion**
- GAAP operating margin was **19%** and non-GAAP operating margin was **42.8%**, and
- GAAP EPS was **\$0.59**, with non-GAAP EPS **\$1.65**.

Next, turning to the balance sheet and cash flow:

- Cash balance at quarter end was **\$2.823 billion**, while the principal value of debt outstanding was **\$2.5 billion**
- Operating cash flow was **\$378 million**
- DSOs were **51 days**, and
- We used **\$175 million** to repurchase Cadence shares

Before I provide our updated outlook, I'd like to share what's embedded:

As Anirudh mentioned, I'm pleased that we've reached a settlement with the DOJ and BIS, resolving previously disclosed investigations into certain China sales from 2015 to 2021, totaling approximately \$45 million over the six year period. As part of the agreements, we'll make a payment of approximately \$141 million in our third fiscal quarter.

Please see our Form 8-K, which includes additional details regarding the terms of the agreements.

On July 4, 2025, the One Big Beautiful Bill Act was enacted in the United States. This Act includes the restoration of favorable tax treatment for certain business provisions including the immediate expensing of United States research and development expenditures. We expect it to decrease Cadence's United States federal tax payments for the remainder of fiscal 2025 by approximately \$140 million.

Our updated outlook includes the timing of the settlement penalty, the cash tax benefit of the OBBBA, and the usual assumption that export control regulations that exist today remain substantially similar for the remainder of the year.

Our updated outlook for 2025 is:

- Revenue in the range of **\$5.21 billion to \$5.27 billion**
- GAAP operating margin in the range of **28.5% to 29.5%**
- Non-GAAP operating margin in the range of **43.5% to 44.5%**
- GAAP EPS in the range of **\$3.97 to \$4.07**
- Non-GAAP EPS in the range of **\$6.85 to \$6.95**
- Operating cash flow in the range of **\$1.65 billion to \$1.75 billion**, and
- We expect to use at least **50%** of our annual free cash flow to repurchase Cadence shares.

With that in mind, for Q3, we expect:

- Revenue in the range of **\$1.305 billion to \$1.335 billion**
- GAAP operating margin in the range of **32% to 33%**
- Non-GAAP operating margin in the range of **45% to 46%**
- GAAP EPS in the range of **\$1.14 to \$1.20**, and
- Non-GAAP EPS in the range of **\$1.75 to \$1.81**

As usual, we've published a 'CFO Commentary' document on our Investor Relations website, which includes our outlook for additional items, as well as further analysis and GAAP to Non-GAAP reconciliations.

In conclusion, I'm pleased with our strong first half results and the robust pipeline for the second half of the year. At the midpoint, we now expect revenue growth of 13% and non-GAAP operating margin of 44% for the year.

I'd like to close by thanking our customers, partners, and our employees for their continued support.

And with that, operator, we will now take questions.

## **Q&A Session**

- Anirudh Devgan, President and Chief Executive Officer
- John Wall, Senior Vice President and Chief Financial Officer



**Prepared Closing Remarks of Anirudh Devgan, president and chief executive officer**

Thank you all for joining us this afternoon.

- It is an exciting time for Cadence with strong business momentum and growing opportunities with semiconductor and systems customers.
- With a world-class employee base, we continue delivering to our innovation roadmap and working hard to delight our customers and partners.
- On behalf of our Board of Directors, we thank our customers, partners, and investors for their continued trust and confidence in Cadence.