

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. 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 October 27, 2025, and 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 October 27, 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 third quarter of fiscal 2025, related financial tables and CFO Commentary which was included in our Form 8-K filing on October 27, 2025, can also be found in the investor relations portion of our website.

Anirudh Devgan, president and chief executive officer

Cadence delivered excellent results for the third quarter of 2025, with strong operational and financial performance across all product categories and geographies as we continued the disciplined execution of our strategy.

Bookings exceeded our expectations with backlog growing to over \$7 billion, underscoring our continued technology leadership and reaffirming Cadence as a trusted partner enabling customer success. Given the ongoing strength of our business, we are raising our full year outlook to approximately 14% revenue growth and 18% EPS growth. John will provide more details on our financials shortly.

The accelerating AI megatrend is fueling an unprecedented wave of design activity across industries ranging from hyperscaler infrastructure to the fast-growing physical AI realm of autonomous driving, drones, and robotics, to the emerging domain of sciences AI. As AI drives exponential design complexity and new system architectures, Cadence is uniquely positioned to capture this generational opportunity with our differentiated and comprehensive portfolio spanning EDA, IP, 3D-IC, PCB and system analysis.

The Cadence.AI portfolio embodies our strategy of Design for AI and AI for Design, empowering customers to build out the global AI infrastructure, while we infuse AI into our own products to deliver breakthrough automation and productivity. With deep partnerships across AI innovators, foundries and system leaders and a comprehensive chip-to-systems portfolio, Cadence is driving transformative PPA and productivity gains, positioning us well for sustained growth in the AI era.

In Q3, we meaningfully expanded our partnership with Samsung through a wide-ranging proliferation of our core EDA software, as well as our system software across PCB, advanced packaging, and system analysis.

We also deepened our long-standing partnership with a leading semiconductor company in Q3, through a broad proliferation of our core EDA, IP and system portfolio, and are closely collaborating on next generation Agentic AI EDA solutions.

We expanded our long-standing partnership with TSMC, to power next-gen AI flows supporting TSMC's N2 and A16 technologies. Our Integrity 3D-IC solution provides comprehensive support for the latest TSMC 3DFabric die stacking configurations, and our design-in ready IP including HBM4 and LPDDR6 on N3P enable next generation AI infrastructure. At TSMC's OIP conference, Broadcom highlighted Integrity 3D-IC full flow deployment success for hyperscaler, high-capacity ASICs.

Our **IP business** maintained strong momentum in Q3, driven by global accelerating IP demand and increasing customer proliferation of our expanding IP portfolio. Our profitable, scalable IP strategy focused on AI/HPC and automotive verticals, positions us well for continued growth. Increasing complexity of interconnect protocols driven by AI and chiplet architectures, along with new foundry opportunities are providing strong tailwinds to our IP business. Bookings were strong and tracked ahead of our expectations. Our Design IP portfolio secured several competitive wins at top AI and memory customers. For instance, we won a highly competitive engagement at a marquee memory company that embraced our HBM4 and DDR PHY IP for its new AI design.

The recently completed acquisition of the Arm Artisan foundation IP further augments our design IP portfolio with standard cell libraries, memory compilers, and I/Os optimized for advanced nodes at the leading foundries.

Our Tensilica audio and vision DSPs and Neo AI accelerator NPUs scored multiple design wins with leading customers in US and Asia for mobile, automotive and datacenter verticals.

Our **core EDA** business delivered strong results, driven by growing adoption of our AI-driven design and verification solutions.

In digital, Cadence Cerebrus AI Studio, the industry's first agentic AI multi-block, multi-user design platform, continues to deliver unparalleled PPA and productivity benefits. Samsung US taped out a SF2 design, using Cadence Cerebrus AI Studio to achieve a 4X productivity improvement. In another instance, Samsung used Cadence Certus, Tempus and Innovus to rapidly close and sign off a multi-billion-instance AI design on SF4, with 22% power reduction and first pass silicon success.

Our Virtuoso Studio and Spectre platforms saw strong momentum, with their AI-driven features and workflows gaining rapid traction as the customers leveraged the automated design migration and optimization capabilities.

Our hardware verification platforms have become the de facto choice for AI designs, offering industry-leading performance, capacity, and scalability. Hardware had a record Q3 with several significant expansions, especially at AI and HPC customers.

We deepened our overall collaboration with OpenAI as they expanded their commitment to our Palladium emulation platform in Q3.

Verisium SimAI saw growing adoption as it delivered dramatic debug productivity, testbench efficiency and accelerated coverage closure. Nvidia, Samsung and Qualcomm all presented SimAI success stories at CadenceLive India, highlighting 5X-10X improvement in verification throughput.

Our **System Design & Analysis business** achieved another solid quarter driven by expanding set of innovative solutions and growing adoption across a broadening customer base.

In Q3, we significantly expanded our Cadence Reality Digital Twin Platform library with Nvidia DGX SuperPOD model and DGX GB200 systems to accelerate AI datacenter deployment and operations. Three major memory providers significantly increased their Clarity and Sigrity usage as they transition to a full Cadence flow for advanced IC packaging, displacing competitive solutions. BETA CAE continued its momentum with multiple competitive

displacements, underscoring its accuracy and performance advantages, including a significant competitive win with a large tier-1 automotive company in China.

In Q3, Infineon Technologies standardized its PCB design workflow on the Cadence AI driven Allegro X platform for their future designs.

Last month, we signed a definitive agreement to acquire Hexagon's D&E business, including its MSC software business, to bring industry-leading structural analysis and multi-body dynamics technologies to Cadence. Complementing our multi-physics portfolio, this will accelerate our expansion in SDA and put us at the forefront in unlocking new opportunities across automotive, aerospace, industrial and the rapidly emerging world of physical AI.

In summary, I'm pleased with our Q3 results and the strong momentum across our businesses. The AI era offers massive market opportunities and through the co-optimization of our entire portfolio with AI and accelerated computing, Cadence is uniquely positioned to be the trusted partner to deliver AI-centric transformational solutions across multiple industries.

Now I will turn it over to John to provide more details on the Q3 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 strong results for the third quarter of 2025, with broad-based momentum across all our businesses. We exceeded our guidance for Q3 revenue, operating margin, and EPS, and are raising the full year outlook across these key metrics. With the updated outlook and at the midpoint, we now expect our 2025 revenue to grow approximately 14% year-over-year, on track to achieve double-digit growth across all our product categories for the year.

Third quarter bookings were strong, resulting in a backlog of \$7 billion.

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

- Total revenue was **\$1.339 billion**
- GAAP operating margin was **31.8%** and non-GAAP operating margin was **47.6%**, and
- GAAP EPS was **\$1.05**, with non-GAAP EPS **\$1.93**.

Next, turning to the balance sheet and cash flow:

- Cash balance at quarter end was **\$2.753 billion**, while the principal value of debt outstanding was **\$2.5 billion**
- Operating cash flow was **\$311 million**
- DSOs were **55** days, and
- We used **\$200 million** to repurchase Cadence shares

Before I provide our updated outlook, I'd like to highlight that it contains the usual assumption that export control regulations that exist today remain substantially similar for the remainder of the year.

With that in mind, for Q4, we now expect:

- Revenue in the range of **\$1.405 billion to \$1.435 billion**
- GAAP operating margin in the range of **32.5% to 33.5%**
- Non-GAAP operating margin in the range of **44.5% to 45.5%**
- GAAP EPS in the range of **\$1.17 to \$1.23**, and
- Non-GAAP EPS in the range of **\$1.88 to \$1.94**

As a result, our updated outlook for 2025 is:

- Revenue in the range of **\$5.262 billion** and **\$5.292 billion**
- GAAP operating margin in the range of **27.9% to 28.9%**
- Non-GAAP operating margin in the range of **43.9% to 44.9%**
- GAAP EPS in the range of **\$3.80 to \$3.86**
- Non-GAAP EPS in the range of **\$7.02 to \$7.08**
- 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.

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 Q3 results. We are on track to deliver a strong 2025, as we continue to deepen strategic partnerships across the ecosystem.

As always, 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.