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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
September 30, 2025 and December 31, 2024
(In thousands)
(Unaudited)

	<u>September 30, 2025</u>	<u>December 31, 2024</u>
Current assets:		
Cash and cash equivalents	\$ 2,753,246	\$ 2,644,030
Receivables, net	755,265	680,460
Inventories	286,193	257,711
Prepaid expenses and other	492,336	433,878
Total current assets	<u>4,287,040</u>	<u>4,016,079</u>
Property, plant and equipment, net	494,701	458,200
Goodwill	2,644,910	2,378,671
Acquired intangibles, net	672,508	594,734
Deferred taxes	892,568	982,057
Other assets	607,544	544,741
Total assets	<u>\$ 9,599,271</u>	<u>\$ 8,974,482</u>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 631,273	\$ 632,692
Current portion of deferred revenue	775,284	737,413
Total current liabilities	<u>1,406,557</u>	<u>1,370,105</u>
Long-term liabilities:		
Long-term portion of deferred revenue	130,060	115,168
Long-term debt	2,479,142	2,476,183
Other long-term liabilities	384,510	339,448
Total long-term liabilities	<u>2,993,712</u>	<u>2,930,799</u>
Stockholders' equity	5,199,002	4,673,578
Total liabilities and stockholders' equity	<u>\$ 9,599,271</u>	<u>\$ 8,974,482</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	September 30, 2024	December 31, 2024	March 31, 2025	June 30, 2025	September 30, 2025
Current assets:					
Cash and cash equivalents	\$ 2,786,040	\$ 2,644,030	\$ 2,777,674	\$ 2,822,762	\$ 2,753,246
Receivables, net	560,973	680,460	580,887	670,166	755,265
Inventories	293,350	257,711	225,621	226,162	286,193
Prepaid expenses and other	459,560	433,878	413,905	503,453	492,336
Total current assets	4,099,923	4,016,079	3,998,087	4,222,543	4,287,040
Property, plant and equipment, net	448,652	458,200	466,322	482,131	494,701
Goodwill	2,493,467	2,378,671	2,419,717	2,599,798	2,644,910
Acquired intangibles, net	662,343	594,734	584,228	618,952	672,508
Deferred taxes	889,939	982,057	986,191	980,223	892,568
Other assets	572,707	544,741	558,941	605,051	607,544
Total assets	\$ 9,167,031	\$ 8,974,482	\$ 9,013,486	\$ 9,508,698	\$ 9,599,271
Current liabilities:					
Current portion of long-term debt	\$ 349,958	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	627,200	632,692	570,197	766,636	631,273
Current portion of deferred revenue	697,836	737,413	730,570	729,929	775,284
Total current liabilities	1,674,994	1,370,105	1,300,767	1,496,565	1,406,557
Long-term liabilities:					
Long-term portion of deferred revenue	102,439	115,168	110,702	154,448	130,060
Long-term debt	2,475,232	2,476,183	2,477,159	2,478,145	2,479,142
Other long-term liabilities	351,028	339,448	348,601	373,002	384,510
Total long-term liabilities	2,928,699	2,930,799	2,936,462	3,005,595	2,993,712
Stockholders' equity:					
Common stock and capital in excess of par value	4,067,586	4,181,737	4,327,187	4,445,872	4,605,230
Treasury stock, at cost	(5,141,957)	(5,309,579)	(5,693,200)	(5,888,804)	(6,126,147)
Retained earnings	5,651,658	5,991,868	6,265,447	6,425,498	6,712,620
Accumulated other comprehensive income (loss)	(13,949)	(190,448)	(123,177)	23,972	7,299
Total stockholders' equity	4,563,338	4,673,578	4,776,257	5,006,538	5,199,002
Total liabilities and stockholders' equity	\$ 9,167,031	\$ 8,974,482	\$ 9,013,486	\$ 9,508,698	\$ 9,599,271

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Nine Months Ended September 30, 2025 and September 30, 2024
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Revenue:				
Product and maintenance	\$ 1,207,703	\$ 1,100,380	\$ 3,489,063	\$ 2,974,222
Services	131,135	115,119	367,582	311,061
Total revenue	1,338,838	1,215,499	3,856,645	3,285,283
Costs and expenses:				
Cost of product and maintenance	118,702	109,593	374,672	279,351
Cost of services	63,493	53,451	158,823	148,160
Marketing and sales	192,560	189,763	595,855	557,077
Research and development	423,031	407,369	1,304,190	1,157,067
General and administrative	78,035	71,581	210,162	203,733
Amortization of acquired intangibles	10,233	9,148	28,359	21,222
Loss related to contingent liability	-	-	128,545	-
Restructuring	27,394	24,538	27,332	24,785
Total costs and expenses	913,448	865,443	2,827,938	2,391,395
Income from operations	425,390	350,056	1,028,707	893,888
Interest expense	(29,035)	(24,495)	(87,101)	(46,092)
Other income (expense), net	(3,572)	7,853	87,476	111,371
Income before provision for income taxes	392,783	333,414	1,029,082	959,167
Provision for income taxes	105,661	95,303	308,330	243,893
Net income	\$ 287,122	\$ 238,111	\$ 720,752	\$ 715,274
Net income per share - basic	\$ 1.06	\$ 0.87	\$ 2.65	\$ 2.64
Net income per share - diluted	\$ 1.05	\$ 0.87	\$ 2.64	\$ 2.61
Weighted average common shares outstanding - basic	271,152	272,244	271,471	270,925
Weighted average common shares outstanding - diluted	273,798	273,958	273,440	273,679

Cadence Design Systems, Inc.
Trended Condensed Income Statements
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended				
	September 30, 2024	December 31, 2024	March 31, 2025	June 30, 2025	September 30, 2025
Revenue:					
Product and maintenance	\$ 1,100,380	\$ 1,239,287	\$ 1,110,850	\$ 1,170,510	\$ 1,207,703
Services	115,119	116,694	131,516	104,931	131,135
Total revenue	1,215,499	1,355,981	1,242,366	1,275,441	1,338,838
Costs and expenses:					
Cost of product and maintenance	109,593	157,249	116,672	139,298	118,702
Cost of services	53,451	62,742	50,461	44,869	63,493
Marketing and sales	189,763	200,406	202,700	200,595	192,560
Research and development	407,369	392,026	439,102	442,057	423,031
General and administrative	71,581	70,228	63,098	69,029	78,035
Amortization of acquired intangibles	9,148	9,153	8,922	9,204	10,233
Loss related to contingent liability	-	8,322	-	128,545	-
Restructuring	24,538	(1,020)	(109)	47	27,394
Total costs and expenses	865,443	899,106	880,846	1,033,644	913,448
Income from operations	350,056	456,875	361,520	241,797	425,390
Interest expense	(24,495)	(29,907)	(29,118)	(28,948)	(29,035)
Other income (expense), net	7,853	9,684	23,290	67,758	(3,572)
Income before provision for income taxes	333,414	436,652	355,692	280,607	392,783
Provision for income taxes	95,303	96,442	82,113	120,556	105,661
Net income	<u>\$ 238,111</u>	<u>\$ 340,210</u>	<u>\$ 273,579</u>	<u>\$ 160,051</u>	<u>\$ 287,122</u>
Net income per share - basic	<u>\$ 0.87</u>	<u>\$ 1.25</u>	<u>\$ 1.01</u>	<u>\$ 0.59</u>	<u>\$ 1.06</u>
Net income per share - diluted	<u>\$ 0.87</u>	<u>\$ 1.24</u>	<u>\$ 1.00</u>	<u>\$ 0.59</u>	<u>\$ 1.05</u>
Weighted average common shares outstanding - basic	<u>272,244</u>	<u>272,069</u>	<u>271,973</u>	<u>271,294</u>	<u>271,152</u>
Weighted average common shares outstanding - diluted	<u>273,958</u>	<u>274,292</u>	<u>273,631</u>	<u>272,899</u>	<u>273,798</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2025 and September 30, 2024
(In thousands)
(Unaudited)

	Nine Months Ended	
	September 30, 2025	September 30, 2024
Cash and cash equivalents at beginning of period	\$ 2,644,030	\$ 1,008,152
Cash flows from operating activities:		
Net income	720,752	715,274
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	163,269	142,252
Stock-based compensation	342,011	284,711
Gain on divestitures and investments, net	(22,135)	(64,458)
Deferred income taxes	89,756	(5,082)
ROU asset amortization and change in operating lease liabilities	1,702	(1,100)
Other non-cash items	4,713	3,814
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(90,666)	(44,766)
Inventories	(60,858)	(139,179)
Prepaid expenses and other	(14,834)	(114,785)
Other assets	5,811	(8,759)
Accounts payable and accrued liabilities	(23,237)	21,858
Deferred revenue	44,456	6,680
Other long-term liabilities	14,546	22,732
Net cash provided by operating activities	<u>1,175,286</u>	<u>819,192</u>
Cash flows from investing activities:		
Purchases of investments	(35,182)	(2,095)
Proceeds from the sale and maturity of investments	3,493	45,656
Proceeds from the sale of IP and other assets	11,500	-
Purchases of property, plant and equipment	(100,830)	(105,340)
Cash paid in business combinations, net of cash acquired	(250,695)	(735,327)
Net cash used for investing activities	<u>(371,714)</u>	<u>(797,106)</u>
Cash flows from financing activities:		
Proceeds from issuance of debt	-	3,196,595
Payments of debt	-	(1,000,000)
Payments of debt issuance costs	-	(22,669)
Proceeds from issuance of common stock	138,069	193,933
Stock received for payment of employee taxes on vesting of restricted stock	(148,130)	(217,462)
Payments for repurchases of common stock	(725,025)	(400,018)
Net cash provided by (used for) financing activities	<u>(735,086)</u>	<u>1,750,379</u>
Effect of exchange rate changes on cash and cash equivalents	<u>40,730</u>	<u>5,423</u>
Increase in cash and cash equivalents	<u>109,216</u>	<u>1,777,888</u>
Cash and cash equivalents at end of period	<u><u>\$ 2,753,246</u></u>	<u><u>\$ 2,786,040</u></u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended September 30, 2025
(In thousands)
(Unaudited)

	<u>Q3 2024</u>	<u>Q4 2024</u>	<u>Q1 2025</u>	<u>Q2 2025</u>	<u>Q3 2025</u>
Cash and cash equivalents at beginning of period	\$ 1,058,955	\$ 2,786,040	\$ 2,644,030	\$ 2,777,674	\$ 2,822,762
Cash flows from operating activities:					
Net income	238,111	340,210	273,579	160,051	287,122
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	55,050	54,683	52,916	53,676	56,677
Stock-based compensation	109,013	106,508	107,613	118,325	116,073
(Gain) loss on divestitures and investments, net	16,141	14,865	1,791	(38,445)	14,519
Deferred income taxes	4,424	(123,655)	(1,861)	5,102	86,515
ROU asset amortization and change in operating lease liabilities	310	(820)	(1,446)	4,075	(927)
Other non-cash items	2,304	2,324	862	2,640	1,211
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	4,618	(135,521)	102,136	(113,347)	(79,455)
Inventories	(123,201)	56,408	15,018	(7,490)	(68,386)
Prepaid expenses and other	(74,917)	33,256	10,316	(34,517)	9,367
Other assets	30,208	20,625	12,237	2	(6,428)
Accounts payable and accrued liabilities	114,936	11,818	(69,621)	185,224	(138,840)
Deferred revenue	25,279	59,798	(14,377)	36,201	22,632
Other long-term liabilities	7,719	860	(2,142)	6,106	10,582
Net cash provided by operating activities	<u>409,995</u>	<u>441,359</u>	<u>487,021</u>	<u>377,603</u>	<u>310,662</u>
Cash flows from investing activities:					
Purchases of investments	-	(2,887)	(11,469)	(10,127)	(13,586)
Proceeds from the sale and maturity of investments	1,792	2,324	1,246	743	1,504
Proceeds from the sale of IP and other assets	-	-	11,500	-	-
Purchases of property, plant and equipment	(26,540)	(37,202)	(23,061)	(44,085)	(33,684)
Cash paid in business combinations, net of cash acquired	<u>(14,506)</u>	<u>(2,247)</u>	<u>-</u>	<u>(122,146)</u>	<u>(128,549)</u>
Net cash used for investing activities	<u>(39,254)</u>	<u>(40,012)</u>	<u>(21,784)</u>	<u>(175,615)</u>	<u>(174,315)</u>
Cash flows from financing activities:					
Proceeds from issuance of debt	2,496,595	-	-	-	-
Payments of debt	(1,000,000)	(350,000)	-	-	-
Payments of debt issuance costs	(21,725)	(1,159)	-	-	-
Proceeds from issuance of common stock	60,661	10,304	76,789	1,533	59,747
Stock received for payment of employee taxes on vesting of restricted stock	(50,559)	(20,275)	(72,566)	(21,768)	(53,796)
Payments for repurchases of common stock	<u>(150,008)</u>	<u>(150,008)</u>	<u>(350,007)</u>	<u>(175,009)</u>	<u>(200,009)</u>
Net cash provided by (used for) financing activities	<u>1,334,964</u>	<u>(511,138)</u>	<u>(345,784)</u>	<u>(195,244)</u>	<u>(194,058)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>21,380</u>	<u>(32,219)</u>	<u>14,191</u>	<u>38,344</u>	<u>(11,805)</u>
Increase (decrease) in cash and cash equivalents	<u>1,727,085</u>	<u>(142,010)</u>	<u>133,644</u>	<u>45,088</u>	<u>(69,516)</u>
Cash and cash equivalents at end of period	<u>\$ 2,786,040</u>	<u>\$ 2,644,030</u>	<u>\$ 2,777,674</u>	<u>\$ 2,822,762</u>	<u>\$ 2,753,246</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2024					2025		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Americas	46%	49%	50%	49%	49%	48%	49%	43%
China	12%	12%	13%	13%	12%	11%	9%	18%
Other Asia	20%	19%	17%	17%	18%	19%	19%	18%
Europe, Middle East and Africa	17%	14%	14%	15%	15%	16%	16%	14%
Japan	5%	6%	6%	6%	6%	6%	7%	7%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Category (% of Total Revenue)

<u>PRODUCT CATEGORY</u>	2024					2025		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Core EDA	76%	73%	70%	68%	71%	71%	71%	71%
Semiconductor IP	12%	13%	14%	13%	13%	14%	13%	14%
System Design and Analysis	12%	14%	16%	19%	16%	15%	16%	15%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of October 27, 2025
(Unaudited)

	Three Months Ending December 31, 2025 Forecast	Year Ending December 31, 2025 Forecast
GAAP operating margin as a percent of total revenue	32.5% - 33.5%	27.9% - 28.9%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	8%	9%
Amortization of acquired intangibles	2%	2%
Acquisition and integration-related costs	2%	2%
Restructuring	0%	1%
Loss related to contingent liability*	0%	2%
Non-GAAP operating margin as a percent of total revenue†	<u>44.5% - 45.5%</u>	<u>43.9% - 44.9%</u>

*Related to resolution of previously disclosed legal proceedings with the DOJ and BIS.

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its third quarter of 2025 for a further discussion of its non-GAAP measures.

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
As of October 27, 2025
(Unaudited)

	<u>Three Months Ending December 31, 2025</u> Forecast	<u>Year Ending December 31, 2025</u> Forecast
Diluted net income per share on a GAAP basis	\$1.17 to \$1.23	\$3.80 to \$3.86
Stock-based compensation expense	0.41	1.66
Amortization of acquired intangibles	0.10	0.37
Acquisition and integration-related costs	0.11	0.42
Restructuring	-	0.10
Non-qualified deferred compensation expenses	-	0.04
Special charges	-	0.01
Loss related to contingent liability*	-	0.47
Other income or expense related to foreign currency forward exchange contract associated with a pending acquisition	-	0.07
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	-	(0.12)
Income tax effect of non-GAAP adjustments	0.09	0.20
Diluted net income per share on a non-GAAP basis†	<u>\$1.88 to \$1.94</u>	<u>\$7.02 to \$7.08</u>

*Related to resolution of previously disclosed legal proceedings with the DOJ and BIS.

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its third quarter of 2025 for a further discussion of its non-GAAP measures.

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of October 27, 2025
(Unaudited)

(\$ in millions)	<u>Three Months Ending December 31, 2025</u> Forecast	<u>Year Ending December 31, 2025</u> Forecast
Net income on a GAAP basis	\$319 to \$335	\$1,040 to \$1,056
Stock-based compensation expense	113	455
Amortization of acquired intangibles	28	103
Acquisition and integration-related costs	29	115
Restructuring	-	27
Non-qualified deferred compensation expenses	-	12
Special charges	-	2
Loss related to contingent liability*	-	129
Other income or expense related to foreign currency forward exchange contract associated with a pending acquisition	-	19
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	-	(34)
Income tax effect of non-GAAP adjustments	25	55
Net income on a non-GAAP basis†	<u>\$514 to \$530</u>	<u>\$1,923 to \$1,939</u>

*Related to resolution of previously disclosed legal proceedings with the DOJ and BIS.

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its third quarter of 2025 for a further discussion of its non-GAAP measures.

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three and Nine Months Ended September 30, 2025 and September 30, 2024
(Unaudited)

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Net income on a GAAP basis	\$ 287,122	\$ 238,111	\$ 720,752	\$ 715,274
Stock-based compensation expense*	116,073	109,013	342,011	284,711
Amortization of acquired intangibles**	25,984	26,763	75,103	63,673
Acquisition and integration-related costs***	37,295	29,284	86,421	72,085
Restructuring	27,394	24,538	27,332	24,785
Non-qualified deferred compensation expenses****	5,760	4,567	11,965	10,852
Special charges*****	-	-	1,988	1,233
Loss related to contingent liability	-	-	128,545	-
Other income or expense related to foreign currency forward exchange contract associated with a pending acquisition	18,561	-	18,561	-
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	8,741	11,582	(34,175)	(75,452)
Income tax effect of non-GAAP adjustments	1,283	6,341	30,002	22,618
Net income on a non-GAAP basis +	<u>\$ 528,213</u>	<u>\$ 450,199</u>	<u>\$ 1,408,505</u>	<u>\$ 1,119,779</u>

+The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems Inc. for its third quarter of 2025 for a further discussion of its non-GAAP measures.

* Total stock-based compensation expense is reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Cost of product and maintenance	\$ 2,014	\$ 1,855	\$ 6,290	\$ 4,487
Cost of services	2,337	2,361	7,252	5,711
Marketing and sales	21,726	21,677	66,254	55,513
Research and development	70,204	67,857	210,481	175,985
General and administrative	19,792	15,263	51,734	43,015
Total stock-based compensation expense	<u>\$ 116,073</u>	<u>\$ 109,013</u>	<u>\$ 342,011</u>	<u>\$ 284,711</u>

** Total amortization of acquired intangibles is reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Cost of product and maintenance	\$ 15,751	\$ 17,615	\$ 46,744	\$ 42,451
Amortization of acquired intangibles	10,233	9,148	28,359	21,222
Total amortization of acquired intangibles	<u>\$ 25,984</u>	<u>\$ 26,763</u>	<u>\$ 75,103</u>	<u>\$ 63,673</u>

*** Total acquisition and integration-related costs are reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Cost of product and maintenance	\$ 330	\$ 1,089	\$ 2,171	\$ 1,245
Cost of services	370	1,038	1,387	2,949
Marketing and sales	2,592	5,921	11,177	14,720
Research and development	16,180	17,530	45,832	35,162
General and administrative	17,823	3,706	25,854	18,009
Total acquisition and integration-related costs	<u>\$ 37,295</u>	<u>\$ 29,284</u>	<u>\$ 86,421</u>	<u>\$ 72,085</u>

**** Cadence records operating expenses (credits) related to its non-qualified deferred compensation plan assets as those assets increase or decrease in value. An offsetting gain or loss is recorded in other income or expense, such that the net impact on Cadence's net income is not significant. The operating expenses (credits) are reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Cost of product and maintenance	\$ 41	\$ 40	\$ 92	\$ 74
Cost of services	59	58	133	107
Marketing and sales	1,268	925	2,354	2,151
Research and development	3,280	2,608	6,504	6,446
General and administrative	1,112	936	2,882	2,074
Total non-qualified deferred compensation expenses	<u>\$ 5,760</u>	<u>\$ 4,567</u>	<u>\$ 11,965</u>	<u>\$ 10,852</u>

***** Total special charges are reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Marketing and sales	\$ -	\$ -	\$ -	\$ 1,233
Research and development	-	-	825	-
General and administrative	-	-	1,163	-
Total special charges	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,988</u>	<u>\$ 1,233</u>

Cadence Design Systems, Inc.
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share
For the Three and Nine Months Ended September 30, 2025 and September 30, 2024
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
(In thousands, except per share data)				
Diluted net income per share on a GAAP basis	\$ 1.05	\$ 0.87	\$ 2.64	\$ 2.61
Stock-based compensation expense	0.42	0.40	1.25	1.04
Amortization of acquired intangibles	0.10	0.10	0.27	0.23
Acquisition and integration-related costs	0.14	0.11	0.32	0.26
Restructuring	0.10	0.09	0.10	0.09
Non-qualified deferred compensation expenses	0.02	0.01	0.04	0.04
Special charges	-	-	0.01	0.01
Loss related to contingent liability	-	-	0.47	-
Other income or expense related to foreign currency forward exchange contract associated with a pending acquisition	0.07	-	0.07	-
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	0.03	0.04	(0.13)	(0.27)
Income tax effect of non-GAAP adjustments	-	0.02	0.11	0.08
Diluted net income per share on a non-GAAP basis +	<u>\$ 1.93</u>	<u>\$ 1.64</u>	<u>\$ 5.15</u>	<u>\$ 4.09</u>
Shares used in calculation of diluted net income per share	273,798	273,958	273,440	273,679

+The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems Inc. for its third quarter of 2025 for a further discussion of its non-GAAP measures.

Cadence Design Systems, Inc.
Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures
(Unaudited)

	Three Months Ended September 30, 2025	Three Months Ended September 30, 2024
	Actual	Actual
	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 913,448	\$ 865,443
Reconciling items to non-GAAP total costs and expenses		
Stock-based compensation expense	(116,073)	(109,013)
Amortization of acquired intangibles	(25,984)	(26,763)
Acquisition and integration-related costs	(37,295)	(29,284)
Restructuring	(27,394)	(24,538)
Non-qualified deferred compensation expenses	(5,760)	(4,567)
Non-GAAP total costs and expenses†	<u>\$ 700,942</u>	<u>\$ 671,278</u>

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP.
See the earnings press release of Cadence Design Systems, Inc. for its third quarter of 2025 for a further discussion of its non-GAAP financial measures.

Cadence Design Systems, Inc.
Reconciliation of Selected GAAP Operating Expenses to Non-GAAP Operating Expenses
(Unaudited)

For the three months ended September 30, 2025

(In thousands)	Operating expenses on a GAAP basis†	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration- related costs	Non-qualified deferred compensation expenses	Operating expenses on a non-GAAP basis
Cost of product and maintenance	118,702	(2,014)	(15,751)	(330)	(41)	100,566
Cost of services	63,493	(2,337)	-	(370)	(59)	60,727
Marketing and sales	192,560	(21,726)	-	(2,592)	(1,268)	166,974
Research and development	423,031	(70,204)	-	(16,180)	(3,280)	333,367
General and administrative	78,035	(19,792)	-	(17,823)	(1,112)	39,308
Amortization of acquired intangibles	10,233	-	(10,233)	-	-	-
		<u>(116,073)</u>	<u>(25,984)</u>	<u>(37,295)</u>	<u>(5,760)</u>	

For the nine months ended September 30, 2025

(In thousands)	Operating expenses on a GAAP basis†	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration- related costs	Non-qualified deferred compensation expenses	Special charges	Operating expenses on a non-GAAP basis
Cost of product and maintenance	374,672	(6,290)	(46,744)	(2,171)	(92)	-	319,375
Cost of services	158,823	(7,252)	-	(1,387)	(133)	-	150,051
Marketing and sales	595,855	(66,254)	-	(11,177)	(2,354)	-	516,070
Research and development	1,304,190	(210,481)	-	(45,832)	(6,504)	(825)	1,040,548
General and administrative	210,162	(51,734)	-	(25,854)	(2,882)	(1,163)	128,529
Amortization of acquired intangibles	28,359	-	(28,359)	-	-	-	-
		<u>(342,011)</u>	<u>(75,103)</u>	<u>(86,421)</u>	<u>(11,965)</u>	<u>(1,988)</u>	

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP.
See the earnings press release of Cadence Design Systems, Inc. for its third quarter of 2025 for a further discussion of its non-GAAP financial measures.

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended September 30, 2025
(In thousands)
(Unaudited)

	Three Months Ended September 30, 2025		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,207,703	\$ -	\$ 1,207,703
Services	131,135	-	131,135
Total revenue	1,338,838	-	1,338,838
Costs and expenses:			
Cost of product and maintenance	118,702	(18,136) (A)	100,566
Cost of services	63,493	(2,766) (A)	60,727
Marketing and sales	192,560	(25,586) (A)	166,974
Research and development	423,031	(89,664) (A)	333,367
General and administrative	78,035	(38,727) (A)	39,308
Amortization of acquired intangibles	10,233	(10,233) (A)	-
Restructuring	27,394	(27,394)	-
Total costs and expenses	913,448	(212,506)	700,942
Income from operations	425,390	212,506	637,896
Interest expense	(29,035)	-	(29,035)
Other income (expense), net	(3,572)	27,302 (B)	23,730
Income before provision for income taxes	392,783	239,808	632,591
Provision for income taxes	105,661	(1,283) (C)	104,378
Net income	\$ 287,122	\$ 241,091	\$ 528,213

*The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its third quarter of 2025 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended September 30, 2025, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration- related costs	Non-qualified deferred compensation expenses	Total adjustments
Cost of product and maintenance	\$ 2,014	\$ 15,751	\$ 330	\$ 41	\$ 18,136
Cost of services	2,337	-	370	59	2,766
Marketing and sales	21,726	-	2,592	1,268	25,586
Research and development	70,204	-	16,180	3,280	89,664
General and administrative	19,792	-	17,823	1,112	38,727
Amortization of acquired intangibles	-	10,233	-	-	10,233
Total	\$ 116,073	\$ 25,984	\$ 37,295	\$ 5,760	\$ 185,112

(B) Other income or expense related to foreign currency forward exchange contracts associated with a pending acquisition, investments, divestitures and non-qualified deferred compensation plan assets

(C) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended September 30, 2024
(In thousands)
(Unaudited)

	Three Months Ended September 30, 2024		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,100,380	\$ -	\$ 1,100,380
Services	115,119	-	115,119
Total revenue	1,215,499	-	1,215,499
Costs and expenses:			
Cost of product and maintenance	109,593	(20,599) (A)	88,994
Cost of services	53,451	(3,457) (A)	49,994
Marketing and sales	189,763	(28,523) (A)	161,240
Research and development	407,369	(87,995) (A)	319,374
General and administrative	71,581	(19,905) (A)	51,676
Amortization of acquired intangibles	9,148	(9,148) (A)	-
Restructuring	24,538	(24,538)	-
Total costs and expenses	865,443	(194,165)	671,278
Income from operations	350,056	194,165	544,221
Interest expense	(24,495)	-	(24,495)
Other income, net	7,853	11,582 (B)	19,435
Income before provision for income taxes	333,414	205,747	539,161
Provision for income taxes	95,303	(6,341) (C)	88,962
Net income	\$ 238,111	\$ 212,088	\$ 450,199

*The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its third quarter of 2025 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended September 30, 2024, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration- related costs	Non-qualified deferred compensation expenses	Total adjustments
Cost of product and maintenance	\$ 1,855	\$ 17,615	\$ 1,089	\$ 40	\$ 20,599
Cost of services	2,361	-	1,038	58	3,457
Marketing and sales	21,677	-	5,921	925	28,523
Research and development	67,857	-	17,530	2,608	87,995
General and administrative	15,263	-	3,706	936	19,905
Amortization of acquired intangibles	-	9,148	-	-	9,148
Total	\$ 109,013	\$ 26,763	\$ 29,284	\$ 4,567	\$ 169,627

(B) Other income or expense related to investments and non-qualified deferred compensation plan assets

(C) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Nine Months Ended September 30, 2025
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2025		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 3,489,063	\$ -	\$ 3,489,063
Services	367,582	-	367,582
Total revenue	3,856,645	-	3,856,645
Costs and expenses:			
Cost of product and maintenance	374,672	(55,297) (A)	319,375
Cost of services	158,823	(8,772) (A)	150,051
Marketing and sales	595,855	(79,785) (A)	516,070
Research and development	1,304,190	(263,642) (A)	1,040,548
General and administrative	210,162	(81,633) (A)	128,529
Amortization of acquired intangibles	28,359	(28,359) (A)	-
Loss related to contingent liability	128,545	(128,545)	-
Restructuring	27,332	(27,332)	-
Total costs and expenses	2,827,938	(673,365)	2,154,573
Income from operations	1,028,707	673,365	1,702,072
Interest expense	(87,101)	-	(87,101)
Other income, net	87,476	(15,614) (B)	71,862
Income before provision for income taxes	1,029,082	657,751	1,686,833
Provision for income taxes	308,330	(30,002) (C)	278,328
Net income	\$ 720,752	\$ 687,753	\$ 1,408,505

*The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its third quarter of 2025 for a further discussion of its non-GAAP measures.

Notes:

(A) For the nine months ended September 30, 2025, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration- related costs	Non-qualified deferred compensation expenses	Special charges	Total adjustments
Cost of product and maintenance	\$ 6,290	\$ 46,744	\$ 2,171	\$ 92	\$ -	\$ 55,297
Cost of services	7,252	-	1,387	133	-	8,772
Marketing and sales	66,254	-	11,177	2,354	-	79,785
Research and development	210,481	-	45,832	6,504	825	263,642
General and administrative	51,734	-	25,854	2,882	1,163	81,633
Amortization of acquired intangibles	-	28,359	-	-	-	28,359
Total	\$ 342,011	\$ 75,103	\$ 86,421	\$ 11,965	\$ 1,988	\$ 517,488

(B) Other income or expense related to foreign currency forward exchange contracts associated with a pending acquisition, investments, divestitures and non-qualified deferred compensation plan assets

(C) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Nine Months Ended September 30, 2024
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2024		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 2,974,222	\$ -	\$ 2,974,222
Services	311,061	-	311,061
Total revenue	3,285,283	-	3,285,283
Costs and expenses:			
Cost of product and maintenance	279,351	(48,257) (A)	231,094
Cost of services	148,160	(8,767) (A)	139,393
Marketing and sales	557,077	(73,617) (A)	483,460
Research and development	1,157,067	(217,593) (A)	939,474
General and administrative	203,733	(63,098) (A)	140,635
Amortization of acquired intangibles	21,222	(21,222) (A)	-
Restructuring	24,785	(24,785)	-
Total costs and expenses	2,391,395	(457,339)	1,934,056
Income from operations	893,888	457,339	1,351,227
Interest expense	(46,092)	-	(46,092)
Other income, net	111,371	(75,452) (B)	35,919
Income before provision for income taxes	959,167	381,887	1,341,054
Provision for income taxes	243,893	(22,618) (C)	221,275
Net income	\$ 715,274	\$ 404,505	\$ 1,119,779

*The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its third quarter of 2025 for a further discussion of its non-GAAP measures.

Notes:

(A) For the nine months ended September 30, 2024, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration- related costs	Non-qualified deferred compensation expenses	Special charges	Total adjustments
Cost of product and maintenance	\$ 4,487	\$ 42,451	\$ 1,245	\$ 74	\$ -	\$ 48,257
Cost of services	5,711	-	2,949	107	-	8,767
Marketing and sales	55,513	-	14,720	2,151	1,233	73,617
Research and development	175,985	-	35,162	6,446	-	217,593
General and administrative	43,015	-	18,009	2,074	-	63,098
Amortization of acquired intangibles	-	21,222	-	-	-	21,222
Total	\$ 284,711	\$ 63,673	\$ 72,085	\$ 10,852	\$ 1,233	\$ 432,554

(B) Other income or expense related to investments and non-qualified deferred compensation plan assets

(C) Income tax effect of non-GAAP adjustments