

## **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 February 17, 2026, 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 February 17, 2026, 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 fourth quarter of fiscal 2025, related financial tables and CFO Commentary which was included in our Form 8-K filing on February 17, 2026, can also be found in the investor relations portion of our website.

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

Thank you, Richard. Good afternoon everyone and thank you for joining us today.

I'm pleased to report that Cadence delivered excellent results for the fourth quarter, closing an outstanding 2025 with 14% revenue growth and 45% operating margin for the year. We finished 2025 with a record backlog of \$7.8 billion, well ahead of plan, reflecting broad based portfolio strength and increasing contributions from our AI solutions.

I would like to emphasize the essential nature of Cadence's engineering software. As I've stated previously, our platform is best viewed as a 3-layer cake framework - accelerated compute being the base layer, principled simulation and optimization as the critical middle layer and AI as the top layer to drive intelligent exploration and generation. This holistic approach ensures that our AI solutions are not just fast, but physically accurate and grounded in scientific truth.

Building on this foundation, we are deploying Agentic AI workflows powered by intelligent agents that autonomously call our underlying tools. AI flows act as a force multiplier enabling our customers to significantly expand design exploration and accelerate time to market, while driving increased product usage and deeper engagement across our entire platform.

We see growing momentum on both "AI for Design" and "Design for AI" fronts.

On "AI for Design", our Cadence.AI portfolio continues to gain traction with market shaping customers. Last week, we launched ChipStack AI Super Agent, the world's first agentic-AI solution for automating chip design and verification. It is built upon our proven physically accurate products, and provides up to 10X productivity improvement for various tasks including design coding, generating testbenches and debugging. ChipStack has received compelling endorsements from Qualcomm, Nvidia, Altera and Tenstorrent, among others.

Our other AI-powered products such as Cadence Cerebrus, Verisium and Allegro X AI are proliferating at scale, and our LLM based Design Agents powered by JedAI data platform, are delivering impressive results.

On “Design for AI”, the Infrastructure AI phase is in full swing with AI architectures growing in scale and complexity. Customers are increasingly standardizing on Cadence’s full flows to address their performance, power, and time-to-market challenges. We continue to closely collaborate with market leaders on their next generation AI designs spanning training, inference, and scaling.

We deepened our long-standing partnership with Broadcom through a strategic collaboration to develop pioneering Agentic AI workflows to help design Broadcom’s next generation products.

We also expanded our footprint at multiple marquee hyperscalers across our EDA, hardware, IP, and system software solutions.

And we are particularly excited by the emerging Physical AI opportunity, and our broad-based portfolio uniquely positions us to enable autonomous driving and robotic companies to address multi-modal silicon and system challenges.

In addition, we are increasingly applying AI internally to improve efficiency across engineering, go-to-market, and operations.

In 2025, we also furthered our partnerships with leading foundries. We expanded our collaboration with TSMC to power next gen AI flows on TSMC’s N2 and A16 technologies. We strengthened our engagement with Intel Foundry by officially joining the Intel Foundry Accelerator Design Services Alliance. Rapidus made a wide-ranging commitment to our core EDA software portfolio across digital, custom analog and verification solutions. And Samsung Foundry expanded its collaboration with Cadence, leveraging our AI-driven design solutions and IP solutions.

Now turning to product highlights for Q4 and 2025. Accelerating compute demand, driven by the AI infrastructure build-out and demanding next-generation data center requirements, continue to create significant opportunities for our core EDA portfolio.

Our **core EDA business** delivered strong performance with revenue growing 13% in 2025. Our recurring software business reaccelerated to double-digit growth in Q4, a testament to the strength and durability of our model.

Our hardware business delivered another record year with over 30 new customers and substantially higher repeat demand from AI and hyperscalers. Seven out of the top ten customers in 2025 were Dynamic Duo customers, underscoring the differentiated value provided by our hardware systems. With a strong backlog entering 2026, we expect this year to be yet another record year for hardware.

Our digital portfolio delivered a strong year driven by continued proliferation of our full flow solutions as we added 25 new digital full flow logos in 2025. We expanded our footprint at a top hyperscaler, growing our AI-driven synthesis and implementation solutions including our 3D-IC platforms. A marquee hyperscaler embraced the Cadence digital full flow for its first full customer-owned tooling AI chip tapeout. Broad proliferation of Cadence Cerebrus continues, and adoption of our Cadence Cerebrus AI Studio is accelerating. Recently, Samsung US used it to tape out a SF2 Design, achieving 4x productivity improvement.

In custom and analog, our Spectre circuit simulator saw significant growth at leading AI and memory companies. Our flagship Virtuoso Studio, the industry standard for custom and mixed signal design saw continued traction in AI driven design migration across its vast installed base. A top multinational electronics and EV customer reported a 30% layout efficiency gain using our AI-driven design migration.

Our **IP business** saw strong momentum, with revenue growing nearly 25% in 2025, reflecting both the strength of our expanding IP portfolio and the critical role our star IP solutions play in the AI, HPC, and automotive verticals. We achieved both significant expansions and

meaningful competitive wins at marquee customers, demonstrating the superior performance and capabilities of our IP solutions across HBM, UCIe, PCIe, DDR, and SerDes titles.

We've seen particularly strong adoption of our industry-leading memory IP solutions, including our groundbreaking LPDDR6 memory IP, which is enabling customers to achieve the memory performance and efficiency required for next-generation AI workloads. In Q4, we launched our Tensilica HiFi iQ DSP offering up to 8X higher AI performance and more than 25% energy savings for automotive infotainment, smartphone, and home entertainment markets.

Our **System Design and Analysis** business delivered 13% revenue growth in 2025. Earlier in the year, we introduced the new Millennium M2000 AI Supercomputer, featuring NVIDIA Blackwell, which is ramping nicely and with growing customer interest across multiple end markets.

Our 3D-IC platform has become a key enabler for the industry's transition to multichip architectures, which are increasingly critical for next generation AI infrastructure, HPC, and advanced mobile applications. Adoption of our AI-driven Allegro X platform is accelerating. Earlier in Q3, Infineon standardized on Allegro X and in Q4, STMicroelectronics decided to adopt our Allegro X solution to design printed circuit boards.

Our Reality data center digital twin solution continued its strong momentum and was deployed at several leading hyperscalers and marquee AI companies. Beta CAE continues to unlock tremendous opportunities particularly in the automotive segment. With our previously announced acquisition of Hexagon's D&E business, we will be poised to accelerate our strategy around physical AI, including in autonomous vehicles and robotics.

In closing, I'm pleased with our strong performance in 2025 and I'm excited about the strong momentum across our business. As the AI era continues to accelerate, our AI-driven EDA, SDA and IP portfolio, powered by new AI agents and accelerated computing, positions Cadence extremely well to capture these massive opportunities.

Now I will turn it over to John to provide more details on the Q4 results and our 2026 outlook.

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

Thanks Anirudh, and good afternoon, everyone.

I am pleased to report that Cadence delivered an excellent finish to 2025, with broad-based momentum across all our businesses. Robust design activity, and strong customer demand, drove 14% revenue growth and 20% EPS growth for the year.

Productivity improvement across the company helped us achieve an operating margin of 44.6% for the year.

Fourth quarter bookings were exceptionally strong, and we began 2026 with a record backlog of \$7.8 billion.

**Here are some of the financial highlights from the fourth quarter and the year, starting with the P&L:**

- Total revenue was **\$1.440 billion** for the quarter and **\$5.297 billion** for the year
- GAAP operating margin was **32.2%** for the quarter and **28.2%** for the year
- Non-GAAP operating margin was **45.8%** for the quarter and **44.6%** for the year
- GAAP EPS was **\$1.42** for the quarter and **\$4.06** for the year,
- Non-GAAP EPS was **\$1.99** for the quarter and **\$7.14** for the year

## Next, turning to the balance sheet and cash flow:

- Our cash balance was **\$3.001 billion** at year-end, while the principal value of debt outstanding was **\$2.5 billion**
- Operating cash flow was **\$553 million** in the fourth quarter and **\$1.729 billion** for the full year
- DSOs were **64 days**, and
- We used **\$925 million** to repurchase Cadence shares during the year.

## Before I provide our outlook for 2026, I'd like to share that

- It contains our usual assumption that export control regulations that exist today remain substantially similar for the remainder of the year.
- And our current 2026 outlook does not include our pending acquisition of Hexagon's Design and Engineering business.

## For our outlook for 2026, we expect:

- Revenue in the range of **\$5.9 billion to \$6.0 billion**,
- GAAP operating margin in the range of **31.75% to 32.75%**,
- Non-GAAP operating margin in the range of **44.75% to 45.75%**,
- GAAP EPS in the range of **\$4.95 to \$5.05**,
- Non-GAAP EPS in the range of **\$8.05 to \$8.15**,
- Operating cash flow of approximately **\$2 billion**, and
- We expect to use approximately **50%** of our free cash flow to repurchase Cadence shares in 2026.

**For Q1, we expect:**

- Revenue in the range of **\$1.420 billion to \$1.460 billion**,
- GAAP operating margin in the range of **30% to 31%**,
- Non-GAAP operating margin in the range of **44% to 45%**,
- GAAP EPS in the range of **\$1.16 to \$1.22**, and
- Non-GAAP EPS in the range of **\$1.89 to \$1.95**, and

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 am pleased that:

- We delivered strong topline and earnings growth for 2025
- And we finished the year with a record backlog and ongoing business momentum,
- Setting ourselves up for a great 2026

As always, I'd like to thank 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 as we begin 2026 with product leadership and strong business momentum
- Our continued execution of the Intelligent System Design strategy, customer-first mindset, and our high-performance culture are driving accelerated growth.
- Great Place To Work and Fortune magazine recognized Cadence as one of the “Fortune 100 Best Companies to Work For” in 2025, ranking it #11
- And on behalf of our employees and our Board of Directors, we thank our customers, partners, and investors for their continued trust and confidence in Cadence.