

TABLE OF CONTENTS

Condensed Consolidated Balance Sheets, December 31, 2025 and December 31, 2024.....	1
Trended Condensed Consolidated Balance Sheets.....	2
Condensed Consolidated Income Statements for the Three Months and Years Ended December 31, 2025 and December 31, 2024.....	3
Trended Condensed Income Statements.....	4
Condensed Consolidated Statements of Cash Flows for the Years Ended December 31, 2025 and December 31, 2024.....	5
Trended Condensed Consolidated Statements of Cash Flows.....	6
Revenue Mix by Geography.....	7
Revenue Mix by Product Category.....	7
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin, as of February 17, 2026.....	8
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share, as of February 17, 2026.....	9
Impact of Non-GAAP Adjustments on Forward Looking Net Income, as of February 17, 2026.....	9
Reconciliation of GAAP Net Income to Non-GAAP Net Income, for the Three Months and Years Ended December 31, 2025 and December 31, 2024.....	10
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share, for the Three Months and Years Ended December 31, 2025 and December 31, 2024.....	11
Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures.....	12
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Three Months Ended December 31, 2025.....	13
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Three Months Ended December 31, 2024.....	14
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Year Ended December 31, 2025.....	15
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Year Ended December 31, 2024.....	16

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

	December 31, 2025	December 31, 2024
Current assets:		
Cash and cash equivalents	\$ 3,001,317	\$ 2,644,030
Receivables, net	944,939	680,460
Inventories	303,545	257,711
Prepaid expenses and other	419,872	433,878
Total current assets	<u>4,669,673</u>	<u>4,016,079</u>
 Property, plant and equipment, net	517,004	458,200
Goodwill	2,749,143	2,378,671
Acquired intangibles, net	718,223	594,734
Deferred taxes	917,733	982,057
Other assets	581,372	544,741
Total assets	<u>\$ 10,153,148</u>	<u>\$ 8,974,482</u>
 Current liabilities:		
Accounts payable and accrued liabilities	\$ 856,856	\$ 632,692
Current portion of deferred revenue	778,435	737,413
Total current liabilities	<u>1,635,291</u>	<u>1,370,105</u>
 Long-term liabilities:		
Long-term portion of deferred revenue	155,997	115,168
Long-term debt	2,480,150	2,476,183
Other long-term liabilities	407,529	339,448
Total long-term liabilities	<u>3,043,676</u>	<u>2,930,799</u>
 Stockholders' equity	5,474,181	4,673,578
Total liabilities and stockholders' equity	<u>\$ 10,153,148</u>	<u>\$ 8,974,482</u>

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

	December 31, 2024	March 31, 2025	June 30, 2025	September 30, 2025	December 31, 2025
Current assets:					
Cash and cash equivalents	\$ 2,644,030	\$ 2,777,674	\$ 2,822,762	\$ 2,753,246	\$ 3,001,317
Receivables, net	680,460	580,887	670,166	755,265	944,939
Inventories	257,711	225,621	226,162	286,193	303,545
Prepaid expenses and other	433,878	413,905	503,453	492,336	419,872
Total current assets	4,016,079	3,998,087	4,222,543	4,287,040	4,669,673
Property, plant and equipment, net	458,200	466,322	482,131	494,701	517,004
Goodwill	2,378,671	2,419,717	2,599,798	2,644,910	2,749,143
Acquired intangibles, net	594,734	584,228	618,952	672,508	718,223
Deferred taxes	982,057	986,191	980,223	892,568	917,733
Other assets	544,741	558,941	605,051	607,544	581,372
Total assets	\$ 8,974,482	\$ 9,013,486	\$ 9,508,698	\$ 9,599,271	\$ 10,153,148
Current liabilities:					
Accounts payable and accrued liabilities	\$ 632,692	\$ 570,197	\$ 766,636	\$ 631,273	\$ 856,856
Current portion of deferred revenue	737,413	730,570	729,929	775,284	778,435
Total current liabilities	1,370,105	1,300,767	1,496,565	1,406,557	1,635,291
Long-term liabilities:					
Long-term portion of deferred revenue	115,168	110,702	154,448	130,060	155,997
Long-term debt	2,476,183	2,477,159	2,478,145	2,479,142	2,480,150
Other long-term liabilities	339,448	348,601	373,002	384,510	407,529
Total long-term liabilities	2,930,799	2,936,462	3,005,595	2,993,712	3,043,676
Stockholders' equity:					
Common stock and capital in excess of par value	4,181,737	4,327,187	4,445,872	4,605,230	4,719,443
Treasury stock, at cost	(5,309,579)	(5,693,200)	(5,888,804)	(6,126,147)	(6,344,213)
Retained earnings	5,991,868	6,265,447	6,425,498	6,712,620	7,100,756
Accumulated other comprehensive income (loss)	(190,448)	(123,177)	23,972	7,299	(1,805)
Total stockholders' equity	4,673,578	4,776,257	5,006,538	5,199,002	5,474,181
Total liabilities and stockholders' equity	\$ 8,974,482	\$ 9,013,486	\$ 9,508,698	\$ 9,599,271	\$ 10,153,148

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three Months and Years Ended December 31, 2025 and December 31, 2024
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Years Ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Revenue:				
Product and maintenance	\$ 1,332,526	\$ 1,239,287	\$ 4,821,589	\$ 4,213,509
Services	107,588	116,694	475,170	427,755
Total revenue	<u>1,440,114</u>	<u>1,355,981</u>	<u>5,296,759</u>	<u>4,641,264</u>
Costs and expenses:				
Cost of product and maintenance	144,001	157,249	518,673	436,600
Cost of services	44,753	62,742	203,576	210,902
Marketing and sales	206,778	200,406	802,633	757,483
Research and development	464,582	392,026	1,768,772	1,549,093
General and administrative	103,225	70,228	313,387	273,961
Amortization of acquired intangibles	11,578	9,153	39,937	30,375
Loss related to contingent liability	-	8,322	128,545	8,322
Restructuring	1,862	(1,020)	29,194	23,765
Total costs and expenses	<u>976,779</u>	<u>899,106</u>	<u>3,804,717</u>	<u>3,290,501</u>
Income from operations	463,335	456,875	1,492,042	1,350,763
Interest expense	(29,440)	(29,907)	(116,541)	(75,999)
Other income, net	59,066	9,684	146,542	121,055
Income before provision for income taxes	492,961	436,652	1,522,043	1,395,819
Provision for income taxes	104,825	96,442	413,155	340,335
Net income	<u>\$ 388,136</u>	<u>\$ 340,210</u>	<u>\$ 1,108,888</u>	<u>\$ 1,055,484</u>
Net income per share - basic	<u>\$ 1.43</u>	<u>\$ 1.25</u>	<u>\$ 4.09</u>	<u>\$ 3.89</u>
Net income per share - diluted	<u>\$ 1.42</u>	<u>\$ 1.24</u>	<u>\$ 4.06</u>	<u>\$ 3.85</u>
Weighted average common shares outstanding - basic	<u>270,924</u>	<u>272,069</u>	<u>271,333</u>	<u>271,212</u>
Weighted average common shares outstanding - diluted	<u>272,932</u>	<u>274,292</u>	<u>273,312</u>	<u>273,833</u>

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

	Three Months Ended				
	December 31, 2024	March 31, 2025	June 30, 2025	September 30, 2025	December 31, 2025
Revenue:					
Product and maintenance	\$ 1,239,287	\$ 1,110,850	\$ 1,170,510	\$ 1,207,703	\$ 1,332,526
Services	116,694	131,516	104,931	131,135	107,588
Total revenue	1,355,981	1,242,366	1,275,441	1,338,838	1,440,114
Costs and expenses:					
Cost of product and maintenance	157,249	116,672	139,298	118,702	144,001
Cost of services	62,742	50,461	44,869	63,493	44,753
Marketing and sales	200,406	202,700	200,595	192,560	206,778
Research and development	392,026	439,102	442,057	423,031	464,582
General and administrative	70,228	63,098	69,029	78,035	103,225
Amortization of acquired intangibles	9,153	8,922	9,204	10,233	11,578
Loss related to contingent liability	8,322	-	128,545	-	-
Restructuring	(1,020)	(109)	47	27,394	1,862
Total costs and expenses	899,106	880,846	1,033,644	913,448	976,779
Income from operations	456,875	361,520	241,797	425,390	463,335
Interest expense	(29,907)	(29,118)	(28,948)	(29,035)	(29,440)
Other income (expense), net	9,684	23,290	67,758	(3,572)	59,066
Income before provision for income taxes	436,652	355,692	280,607	392,783	492,961
Provision for income taxes	96,442	82,113	120,556	105,661	104,825
Net income	\$ 340,210	\$ 273,579	\$ 160,051	\$ 287,122	\$ 388,136
Net income per share - basic	\$ 1.25	\$ 1.01	\$ 0.59	\$ 1.06	\$ 1.43
Net income per share - diluted	\$ 1.24	\$ 1.00	\$ 0.59	\$ 1.05	\$ 1.42
Weighted average common shares outstanding - basic	272,069	271,973	271,294	271,152	270,924
Weighted average common shares outstanding - diluted	274,292	273,631	272,899	273,798	272,932

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Years Ended December 31, 2025 and December 31, 2024
(In thousands)
(Unaudited)

	Years Ended	
	December 31, 2025	December 31, 2024
Cash and cash equivalents at beginning of year	\$ 2,644,030	\$ 1,008,152
Cash flows from operating activities:		
Net income	1,108,888	1,055,484
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	227,828	196,935
Stock-based compensation	455,175	391,219
Gain on divestitures and investments, net	(69,089)	(49,593)
Deferred income taxes	66,048	(128,737)
ROU asset amortization and change in operating lease liabilities	6,016	(1,920)
Other non-cash items	7,166	6,138
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(274,894)	(180,287)
Inventories	(91,029)	(82,771)
Prepaid expenses and other	43,382	(81,529)
Other assets	(18,569)	11,866
Accounts payable and accrued liabilities	184,897	33,676
Deferred revenue	69,411	66,478
Other long-term liabilities	13,551	23,592
Net cash provided by operating activities	<u>1,728,781</u>	<u>1,260,551</u>
Cash flows from investing activities:		
Purchases of investments	(40,895)	(4,982)
Proceeds from the sale and maturity of investments	140,281	47,980
Proceeds from the sale of IP and other assets	11,500	-
Purchases of property, plant and equipment	(141,871)	(142,542)
Cash paid in business combinations, net of cash acquired	(429,538)	(737,574)
Net cash used for investing activities	<u>(460,523)</u>	<u>(837,118)</u>
Cash flows from financing activities:		
Proceeds from issuance of debt	-	3,196,595
Payments of debt	-	(1,350,000)
Payments of debt issuance costs	-	(23,828)
Proceeds from issuance of common stock	145,901	204,237
Stock received for payment of employee taxes on vesting of restricted stock	(169,842)	(237,737)
Payments for repurchases of common stock	(925,034)	(550,026)
Net cash provided by (used for) financing activities	<u>(948,975)</u>	<u>1,239,241</u>
Effect of exchange rate changes on cash and cash equivalents	<u>38,004</u>	<u>(26,796)</u>
Increase in cash and cash equivalents	<u>357,287</u>	<u>1,635,878</u>
Cash and cash equivalents at end of year	<u>\$ 3,001,317</u>	<u>\$ 2,644,030</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended December 31, 2025
(In thousands)
(Unaudited)

	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Cash and cash equivalents at beginning of period	\$ 2,786,040	\$ 2,644,030	\$ 2,777,674	\$ 2,822,762	\$ 2,753,246
Cash flows from operating activities:					
Net income	340,210	273,579	160,051	287,122	388,136
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	54,683	52,916	53,676	56,677	64,559
Stock-based compensation	106,508	107,613	118,325	116,073	113,164
(Gain) loss on divestitures and investments, net	14,865	1,791	(38,445)	14,519	(46,954)
Deferred income taxes	(123,655)	(1,861)	5,102	86,515	(23,708)
ROU asset amortization and change in operating lease liabilities	(820)	(1,446)	4,075	(927)	4,314
Other non-cash items	2,324	862	2,640	1,211	2,453
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(135,521)	102,136	(113,347)	(79,455)	(184,228)
Inventories	56,408	15,018	(7,490)	(68,386)	(30,171)
Prepaid expenses and other	33,256	10,316	(34,517)	9,367	58,216
Other assets	20,625	12,237	2	(6,428)	(24,380)
Accounts payable and accrued liabilities	11,818	(69,621)	185,224	(138,840)	208,134
Deferred revenue	59,798	(14,377)	36,201	22,632	24,955
Other long-term liabilities	860	(2,142)	6,106	10,582	(995)
Net cash provided by operating activities	<u>441,359</u>	<u>487,021</u>	<u>377,603</u>	<u>310,662</u>	<u>553,495</u>
Cash flows from investing activities:					
Purchases of investments	(2,887)	(11,469)	(10,127)	(13,586)	(5,713)
Proceeds from the sale and maturity of investments	2,324	1,246	743	1,504	136,788
Proceeds from the sale of IP and other assets	-	11,500	-	-	-
Purchases of property, plant and equipment	(37,202)	(23,061)	(44,085)	(33,684)	(41,041)
Cash paid in business combinations, net of cash acquired	(2,247)	-	(122,146)	(128,549)	(178,843)
Net cash used for investing activities	<u>(40,012)</u>	<u>(21,784)</u>	<u>(175,615)</u>	<u>(174,315)</u>	<u>(88,809)</u>
Cash flows from financing activities:					
Payments of debt	(350,000)	-	-	-	-
Payments of debt issuance costs	(1,159)	-	-	-	-
Proceeds from issuance of common stock	10,304	76,789	1,533	59,747	7,832
Stock received for payment of employee taxes on vesting of restricted stock	(20,275)	(72,566)	(21,768)	(53,796)	(21,712)
Payments for repurchases of common stock	(150,008)	(350,007)	(175,009)	(200,009)	(200,009)
Net cash used for financing activities	<u>(511,138)</u>	<u>(345,784)</u>	<u>(195,244)</u>	<u>(194,058)</u>	<u>(213,889)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(32,219)</u>	<u>14,191</u>	<u>38,344</u>	<u>(11,805)</u>	<u>(2,726)</u>
Increase (decrease) in cash and cash equivalents	<u>(142,010)</u>	<u>133,644</u>	<u>45,088</u>	<u>(69,516)</u>	<u>248,071</u>
Cash and cash equivalents at end of period	<u>\$ 2,644,030</u>	<u>\$ 2,777,674</u>	<u>\$ 2,822,762</u>	<u>\$ 2,753,246</u>	<u>\$ 3,001,317</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	Q4	Year
Americas	46%	49%	50%	49%	49%	48%	49%	43%	47%	47%
China	12%	12%	13%	13%	12%	11%	9%	18%	12%	13%
Other Asia	20%	19%	17%	17%	18%	19%	19%	18%	20%	19%
Europe, Middle East and Africa	17%	14%	14%	15%	15%	16%	16%	14%	14%	15%
Japan	5%	6%	6%	6%	6%	6%	7%	7%	7%	6%
Total	100%									

Revenue Mix by Product Category (% of Total Revenue)

<u>PRODUCT CATEGORY</u>	2024					2025				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Core EDA	76%	73%	70%	68%	71%	71%	71%	71%	69%	70%
Semiconductor IP	12%	13%	14%	13%	13%	14%	13%	14%	15%	14%
System Design and Analysis	12%	14%	16%	19%	16%	15%	16%	15%	16%	16%
Total	100%									

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of February 17, 2026
(Unaudited)

	Three Months Ending March 31, 2026 <hr/> Forecast	Year Ending December 31, 2026 <hr/> Forecast
GAAP operating margin as a percent of total revenue	30% - 31%	31.75% - 32.75%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	10%	9%
Amortization of acquired intangibles	2%	2%
Acquisition and integration-related costs	2%	2%
Non-GAAP operating margin as a percent of total revenue†	<hr/> 44% - 45% <hr/>	<hr/> 44.75% - 45.75% <hr/>

†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.

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
As of February 17, 2026
(Unaudited)

	Three Months Ending March 31, 2026	Year Ending December 31, 2026
	Forecast	Forecast
Diluted net income per share on a GAAP basis	\$1.16 to \$1.22	\$4.95 to \$5.05
Stock-based compensation expense	0.50	2.04
Amortization of acquired intangibles	0.12	0.46
Acquisition and integration-related costs	0.11	0.36
Income tax effect of non-GAAP adjustments	0.00	0.24
Diluted net income per share on a non-GAAP basis†	\$1.89 to \$1.95	\$8.05 to \$8.15

†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.

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of February 17, 2026
(Unaudited)

(\$ in millions)	Three Months Ending March 31, 2026	Year Ending December 31, 2026
	Forecast	Forecast
Net income on a GAAP basis	\$317 to \$333	\$1,355 to \$1,382
Stock-based compensation expense	137	557
Amortization of acquired intangibles	32	125
Acquisition and integration-related costs	31	100
Income tax effect of non-GAAP adjustments	1	66
Net income on a non-GAAP basis†	\$518 to \$534	\$2,203 to \$2,230

†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.

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three Months and Years Ended December 31, 2025 and December 31, 2024
(Unaudited)

(In thousands)	Three Months Ended		Years Ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Net income on a GAAP basis	\$ 388,136	\$ 340,210	\$ 1,108,888	\$ 1,055,484
Stock-based compensation expense*	113,164	106,508	455,175	391,219
Amortization of acquired intangibles**	30,229	26,776	105,332	90,449
Acquisition and integration-related costs***	48,652	23,477	135,073	95,562
Restructuring	1,862	(1,020)	29,194	23,765
Non-qualified deferred compensation expenses****	2,064	293	14,029	11,145
Special charges*****	-	1,902	1,988	3,135
Loss related to contingent liability	-	8,322	128,545	8,322
Other income or expense related to foreign currency forward exchange contract associated with a pending acquisition	10,666	-	29,227	-
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	(49,111)	14,654	(83,286)	(60,798)
Income tax effect of non-GAAP adjustments	(2,505)	(5,456)	27,497	17,162
Net income on a non-GAAP basis +	\$ 543,157	\$ 515,666	\$ 1,951,662	\$ 1,635,445

+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 fourth quarter and fiscal year 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		Years Ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Cost of product and maintenance	\$ 1,926	\$ 1,915	\$ 8,216	\$ 6,402
Cost of services	2,246	2,438	9,498	8,149
Marketing and sales	20,896	21,682	87,150	77,195
Research and development	68,008	65,745	278,489	241,730
General and administrative	20,088	14,728	71,822	57,743
Total stock-based compensation expense	\$ 113,164	\$ 106,508	\$ 455,175	\$ 391,219

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

(In thousands)	Three Months Ended		Years Ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Cost of product and maintenance	\$ 18,651	\$ 17,623	\$ 65,395	\$ 60,074
Amortization of acquired intangibles	11,578	9,153	39,937	30,375
Total amortization of acquired intangibles	\$ 30,229	\$ 26,776	\$ 105,332	\$ 90,449

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

(In thousands)	Three Months Ended		Years Ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Cost of product and maintenance	\$ 331	\$ 954	\$ 2,502	\$ 2,199
Cost of services	347	920	1,734	3,869
Marketing and sales	2,726	6,100	13,903	20,820
Research and development	30,448	12,520	76,280	47,682
General and administrative	14,800	2,983	40,654	20,992
Total acquisition and integration-related costs	\$ 48,652	\$ 23,477	\$ 135,073	\$ 95,562

**** 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		Years Ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Cost of product and maintenance	\$ 16	(11)	\$ 108	\$ 63
Cost of services	24	(16)	157	91
Marketing and sales	398	140	2,752	2,291
Research and development	1,073	431	7,577	6,877
General and administrative	553	(251)	3,435	1,823
Total non-qualified deferred compensation expenses	\$ 2,064	\$ 293	\$ 14,029	\$ 11,145

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

(In thousands)	Three Months Ended		Years Ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31,

Cadence Design Systems, Inc.
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share
For the Three Months and Years Ended December 31, 2025 and December 31, 2024
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Years Ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Diluted net income per share on a GAAP basis	\$ 1.42	\$ 1.24	\$ 4.06	\$ 3.85
Stock-based compensation expense	0.41	0.39	1.67	1.43
Amortization of acquired intangibles	0.11	0.10	0.38	0.33
Acquisition and integration-related costs	0.18	0.08	0.49	0.35
Restructuring	0.01	-	0.11	0.09
Non-qualified deferred compensation expenses	0.01	-	0.05	0.04
Special charges	-	0.01	0.01	0.01
Loss related to contingent liability	-	0.03	0.47	0.03
Other income or expense related to foreign currency forward exchange contract associated with a pending acquisition	0.04	-	0.11	-
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	(0.18)	0.05	(0.31)	(0.22)
Income tax effect of non-GAAP adjustments	(0.01)	(0.02)	0.10	0.06
Diluted net income per share on a non-GAAP basis +	\$ 1.99	\$ 1.88	\$ 7.14	\$ 5.97
Shares used in calculation of diluted net income per share	272,932	274,292	273,312	273,833

+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 fourth quarter and fiscal year 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	Three Months Ended
	December 31, 2025	December 31, 2024
	Actual	Actual
	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 976,779	\$ 899,106
Reconciling items to non-GAAP total costs and expenses		
Stock-based compensation expense	(113,164)	(106,508)
Amortization of acquired intangibles	(30,229)	(26,776)
Acquisition and integration-related costs	(48,652)	(23,477)
Restructuring	(1,862)	1,020
Non-qualified deferred compensation expenses	(2,064)	(293)
Special charges	-	(1,902)
Loss related to contingent liability	-	(8,322)
Non-GAAP total costs and expenses†	<u>\$ 780,808</u>	<u>\$ 732,848</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 fourth quarter and fiscal year 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)

(In thousands)	For the three months ended December 31, 2025					
	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	144,001	(1,926)	(18,651)	(331)	(16)	123,077
Cost of services	44,753	(2,246)	-	(347)	(24)	42,136
Marketing and sales	206,778	(20,896)	-	(2,726)	(398)	182,758
Research and development	464,582	(68,008)	-	(30,448)	(1,073)	365,053
General and administrative	103,225	(20,088)	-	(14,800)	(553)	67,784
Amortization of acquired intangibles	11,578	-	(11,578)	-	-	-
	<u>(113,164)</u>	<u>(30,229)</u>	<u>(48,652)</u>	<u>(2,064)</u>		
(In thousands)	For the year ended December 31, 2025					
	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
Cost of product and maintenance	518,673	(8,216)	(65,395)	(2,502)	(108)	-
Cost of services	203,576	(9,498)	-	(1,734)	(157)	-
Marketing and sales	802,633	(87,150)	-	(13,903)	(2,752)	-
Research and development	1,768,772	(278,489)	-	(76,280)	(7,577)	(825)
General and administrative	313,387	(71,822)	-	(40,654)	(3,435)	(1,163)
Amortization of acquired intangibles	39,937	-	(39,937)	-	(14,029)	(1,988)
	<u>(455,175)</u>	<u>(105,332)</u>	<u>(135,073)</u>	<u>(14,029)</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 fourth quarter and fiscal year 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 December 31, 2025
(In thousands)
(Unaudited)

	Three Months Ended December 31, 2025		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,332,526	\$ -	\$ 1,332,526
Services	<u>107,588</u>	<u>-</u>	<u>107,588</u>
Total revenue	<u><u>1,440,114</u></u>	<u><u>-</u></u>	<u><u>1,440,114</u></u>
Costs and expenses:			
Cost of product and maintenance	144,001	(20,924) (A)	123,077
Cost of services	44,753	(2,617) (A)	42,136
Marketing and sales	206,778	(24,020) (A)	182,758
Research and development	464,582	(99,529) (A)	365,053
General and administrative	103,225	(35,441) (A)	67,784
Amortization of acquired intangibles	11,578	(11,578) (A)	-
Restructuring	<u>1,862</u>	<u>(1,862)</u>	<u>-</u>
Total costs and expenses	<u><u>976,779</u></u>	<u><u>(195,971)</u></u>	<u><u>780,808</u></u>
Income from operations	463,335	195,971	659,306
Interest expense	(29,440)	-	(29,440)
Other income, net	<u>59,066</u>	<u>(38,445) (B)</u>	<u>20,621</u>
Income before provision for income taxes	492,961	157,526	650,487
Provision for income taxes	<u>104,825</u>	<u>2,505 (C)</u>	<u>107,330</u>
Net income	<u><u>\$ 388,136</u></u>	<u><u>\$ 155,021</u></u>	<u><u>\$ 543,157</u></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 fourth quarter and fiscal year 2025 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended December 31, 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	\$ 1,926	\$ 18,651	\$ 331	\$ 16	\$ 20,924
Cost of services	2,246	-	347	24	2,617
Marketing and sales	20,896	-	2,726	398	24,020
Research and development	68,008	-	30,448	1,073	99,529
General and administrative	20,088	-	14,800	553	35,441
Amortization of acquired intangibles	-	11,578	-	-	11,578
Total	<u>\$ 113,164</u>	<u>\$ 30,229</u>	<u>\$ 48,652</u>	<u>\$ 2,064</u>	<u>\$ 194,109</u>

(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 December 31, 2024
(In thousands)
(Unaudited)

	Three Months Ended December 31, 2024		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,239,287	\$ -	\$ 1,239,287
Services	<u>116,694</u>	<u>-</u>	<u>116,694</u>
Total revenue	<u>1,355,981</u>	<u>-</u>	<u>1,355,981</u>
Costs and expenses:			
Cost of product and maintenance	157,249	(20,481) (A)	136,768
Cost of services	62,742	(3,342) (A)	59,400
Marketing and sales	200,406	(27,922) (A)	172,484
Research and development	392,026	(79,696) (A)	312,330
General and administrative	70,228	(18,362) (A)	51,866
Amortization of acquired intangibles	9,153	(9,153) (A)	-
Loss related to contingent liability	8,322	(8,322)	-
Restructuring	<u>(1,020)</u>	<u>1,020</u>	<u>-</u>
Total costs and expenses	<u>899,106</u>	<u>(166,258)</u>	<u>732,848</u>
Income from operations	456,875	166,258	623,133
Interest expense	(29,907)	-	(29,907)
Other income, net	<u>9,684</u>	<u>14,654</u> (B)	<u>24,338</u>
Income before provision for income taxes	436,652	180,912	617,564
Provision for income taxes	<u>96,442</u>	<u>5,456</u> (C)	<u>101,898</u>
Net income	<u>\$ 340,210</u>	<u>\$ 175,456</u>	<u>\$ 515,666</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 fourth quarter and fiscal year 2025 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended December 31, 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	\$ 1,915	\$ 17,623	\$ 954	\$ (11)	\$ -	\$ 20,481
Cost of services	2,438	-	920	(16)	-	3,342
Marketing and sales	21,682	-	6,100	140	-	27,922
Research and development	65,745	-	12,520	431	1,000	79,696
General and administrative	14,728	-	2,983	(251)	902	18,362
Amortization of acquired intangibles	-	9,153	-	-	-	9,153
Total	\$ 106,508	\$ 26,776	\$ 23,477	\$ 293	\$ 1,902	\$ 158,956

(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 Year Ended December 31, 2025
(In thousands)
(Unaudited)

	Year Ended December 31, 2025		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance services	\$ 4,821,589	\$ -	\$ 4,821,589
	<u>475,170</u>	<u>-</u>	<u>475,170</u>
Total revenue	<u>5,296,759</u>	<u>-</u>	<u>5,296,759</u>
Costs and expenses:			
Cost of product and maintenance	518,673	(76,221) (A)	442,452
Cost of services	203,576	(11,389) (A)	192,187
Marketing and sales	802,633	(103,805) (A)	698,828
Research and development	1,768,772	(363,171) (A)	1,405,601
General and administrative	313,387	(117,074) (A)	196,313
Amortization of acquired intangibles	39,937	(39,937) (A)	-
Loss related to contingent liability	128,545	(128,545)	-
Restructuring	<u>29,194</u>	<u>(29,194)</u>	<u>-</u>
Total costs and expenses	<u>3,804,717</u>	<u>(869,336)</u>	<u>2,935,381</u>
Income from operations	1,492,042	869,336	2,361,378
Interest expense	(116,541)	-	(116,541)
Other income, net	<u>146,542</u>	<u>(54,059) (B)</u>	<u>92,483</u>
Income before provision for income taxes	1,522,043	815,277	2,337,320
Provision for income taxes	<u>413,155</u>	<u>(27,497) (C)</u>	<u>385,658</u>
Net income	<u>\$ 1,108,888</u>	<u>\$ 842,774</u>	<u>\$ 1,951,662</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 fourth quarter and fiscal year 2025 for a further discussion of its non-GAAP measures.

Notes:

(A) For the year ended December 31, 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	\$ 8,216	\$ 65,395	\$ 2,502	\$ 108	\$ -	\$ 76,221
Cost of services	9,498	-	1,734	157	-	11,389
Marketing and sales	87,150	-	13,903	2,752	-	103,805
Research and development	278,489	-	76,280	7,577	825	363,171
General and administrative	71,822	-	40,654	3,435	1,163	117,074
Amortization of acquired intangibles	-	39,937	-	-	-	39,937
Total	<u>\$ 455,175</u>	<u>\$ 105,332</u>	<u>\$ 135,073</u>	<u>\$ 14,029</u>	<u>\$ 1,988</u>	<u>\$ 711,597</u>

(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 Year Ended December 31, 2024
(In thousands)
(Unaudited)

	Year Ended December 31, 2024		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance Services	\$ 4,213,509	\$ -	\$ 4,213,509
	<u>427,755</u>	<u>-</u>	<u>427,755</u>
Total revenue	<u>4,641,264</u>	<u>-</u>	<u>4,641,264</u>
Costs and expenses:			
Cost of product and maintenance	436,600	(68,738) (A)	367,862
Cost of services	210,902	(12,109) (A)	198,793
Marketing and sales	757,483	(101,539) (A)	655,944
Research and development	1,549,093	(297,289) (A)	1,251,804
General and administrative	273,961	(81,460) (A)	192,501
Amortization of acquired intangibles	30,375	(30,375) (A)	-
Loss related to contingent liability	8,322	(8,322)	-
Restructuring	<u>23,765</u>	<u>(23,765)</u>	<u>-</u>
Total costs and expenses	<u>3,290,501</u>	<u>(623,597)</u>	<u>2,666,904</u>
Income from operations	1,350,763	623,597	1,974,360
Interest expense	(75,999)	-	(75,999)
Other income, net	<u>121,055</u>	<u>(60,798) (B)</u>	<u>60,257</u>
Income before provision for income taxes	1,395,819	562,799	1,958,618
Provision for income taxes	<u>340,335</u>	<u>(17,162) (C)</u>	<u>323,173</u>
Net income	<u>\$ 1,055,484</u>	<u>\$ 579,961</u>	<u>\$ 1,635,445</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 fourth quarter and fiscal year 2025 for a further discussion of its non-GAAP measures.

Notes:

(A) For the year ended December 31, 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	\$ 6,402	\$ 60,074	\$ 2,199	\$ 63	\$ -	\$ 68,738
Cost of services	8,149	-	3,869	91	-	12,109
Marketing and sales	77,195	-	20,820	2,291	1,233	101,539
Research and development	241,730	-	47,682	6,877	1,000	297,289
General and administrative	57,743	-	20,992	1,823	902	81,460
Amortization of acquired intangibles	-	30,375	-	-	-	30,375
Total	<u>\$ 391,219</u>	<u>\$ 90,449</u>	<u>\$ 95,562</u>	<u>\$ 11,145</u>	<u>\$ 3,135</u>	<u>\$ 591,510</u>

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

(C) Income tax effect of non-GAAP adjustments