

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 April 27, 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 April 27, 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 first quarter of fiscal 2026, related financial tables and CFO Commentary which was included in our Form 8-K filing on April 27, 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 had a strong start to 2026, with accelerating AI demand and disciplined execution delivering one of the best Q1s in company history. Our record backlog of \$8 billion was ahead of plan, reflecting strong customer confidence in our AI-driven portfolio, and its pivotal role in enabling delivery of their increasingly complex chip and system design roadmaps. Given the accelerating momentum of our business, we are raising our 2026 revenue growth outlook to 17% and expect to achieve the "Rule of 60" for the first time. John will provide more details in a moment.

The Agentic AI era is here, and Cadence is leading the transformation of semiconductor and system design. At CadenceLIVE Silicon Valley 2026, we took a major step towards fully autonomous chip design, pioneering the industry's most advanced and comprehensive agentic full flow platform. We introduced AgentStack, the head agent framework for our AI Super Agents, which enables knowledge sharing across the design flow and extends autonomous design from chips to 3DIC to systems.

Building on our revolutionary ChipStack AI Super Agent for RTL design and verification, we introduced two new breakthrough AI Super Agents - ViraStack for analog and custom design and InnoStack for digital implementation and signoff. Together, these solutions span the entire chip design flow, creating a connected, continuous, learning platform that brings the industry closer to more automation.

As the industry begins transitioning to agentic AI, the need for physically accurate and highly mathematical EDA solutions becomes even more critical. Our agentic AI solutions are built on decades of domain expertise, proprietary data, and tightly integrated physically accurate engines delivering high-fidelity results. We continue to view our platform as a three-layer cake with accelerated compute and data as the base layer, principled simulation and optimization as the critical middle layer and Agentic AI as the top layer. As I have said before, we believe the greatest value comes from the tight coupling of these layers, reinforcing each other to

deliver much better results. As these Super Agents invoke our simulation, verification, and implementation engines at scale, we expect them to materially expand EDA consumption and drive higher usage across our platforms.

We announced a strategic collaboration with Google to optimize the ChipStack AI Super Agent with Gemini on Google Cloud. By combining LLM reasoning with GCP scalable compute, this collaboration delivers a cloud native platform for next-generation chip development.

In Q1, we furthered our long-standing partnership with MediaTek through a wide-ranging expansion across our new agentic AI offerings and core EDA, 3D-IC and system analysis solutions.

Physical AI is emerging as the next big wave of intelligence, as AI moves into autonomous systems, autos, drones and robotics, and Cadence is uniquely positioned to lead this transition. The addition of Hexagon's D&E leading structural and multibody dynamics technologies transforms our system analysis portfolio to a leadership position in physical AI, enabling customers to build richer AI world models and narrow the critical sim2real gap.

At CadenceLIVE Silicon Valley, we announced an expanded partnership on AI and robotics with NVIDIA. By combining our agentic AI-driven solutions with NVIDIA's advanced technologies, we are accelerating engineering workflows and boosting productivity across chip design, physical AI systems and hyperscale AI factories.

Now, let me provide an update on our businesses.

Our **IP business** continued its strong momentum with 22% year-over-year revenue growth, driven by accelerating demand of AI, HPC and automotive workloads. Growing complexity of advanced node designs and chiplet based architectures is driving strong demands of our differentiated Star IP portfolio across interface, memory and foundation IP. We achieved meaningful competitive wins and customer expansions at marquee accounts, reflecting the breadth of our portfolio and more importantly, the differentiated performance of our solutions.

We closed a record deal with a leading global foundry, marking our largest IP engagement with this customer to date, and reinforcing our leadership at the most advanced nodes.

With strong market tailwinds, focused strategy and expanding customer proliferation, we remain very well positioned for continued growth in IP.

Our **Core EDA business** delivered another strong quarter, with revenue growing 18% year-over-year, driven by increasing proliferation of our solutions at market-shaping customers. Our AI-driven solutions, and increasingly our Agentic offerings, are becoming an important part of customer renewals and expansions.

Demand for our hardware accelerated in Q1, resulting in our best quarter ever, led by AI/HPC customers and increasing demand in automotive and robotics. Palladium Z3 continues to be the gold standard for emulation and drove multiple competitive displacements. Momentum on verification software grew, particularly in Xcelium and Verisium SimAI, and ChipStack generated tremendous customer interest, with a large number of evaluations underway.

Led by our AI-driven Cadence Cerebrus solution, our digital platform continues to gain share, especially at the most advanced nodes. A global semiconductor design leader significantly increased their Innovus usage and adopted our digital sign-off solutions, and a marquee AI infrastructure company expanded their usage of our sign-off solutions in their leading-edge ASIC designs.

In custom and analog, our AI-driven Virtuoso Studio continued its strong momentum in design migration and layout automation, as it gets increasingly deployed by analog and mixed signal leaders seeking greater productivity.

Our **System Design and Analysis** business delivered 18% year-over-year revenue growth, as AI-driven multiphysics simulation and 3D-IC, become essential to addressing growing system challenges. We have strong momentum in 3D-IC, where our unified multi-die,

integrated design-to-analysis flow is helping customers address their rising chiplet and advanced packaging complexity.

We also saw strong momentum in Sigrity and Clarity, with multiple memory and advanced IC packaging customers expanding deployments as they move to higher-speed interfaces. Customer adoption is increasing as they look to address signal integrity, power integrity and thermal challenges earlier in the design flow, through deployment of a full Cadence signoff flow.

In closing, I'm pleased with our strong execution and the broad-based momentum of our business. As the Agentic AI era unfolds, Cadence is leading the charge to realizing much higher design productivity. Increasing design complexity and the growing need for productivity is creating a compelling long-term opportunity for Cadence. With our differentiated solutions and expanding Agentic AI portfolio, I believe we are well positioned to lead this transition and continue delivering meaningful innovation and value to our customers.

Now, I will turn it over to John to provide more details on the Q1 results and our updated 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 excellent results for the first quarter of 2026, with accelerating momentum and broad-based strength across all our businesses.

Robust design activity, coupled with our solid execution, drove 19% year-over-year revenue growth and 45% operating margin for Q1. First quarter bookings were ahead of expectations, resulting in a record backlog of \$8 billion.

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

- Total revenue was **\$1.474 billion**
- GAAP operating margin was **29.3%**
- Non-GAAP operating margin was **44.7%**
- GAAP EPS was **\$1.23**
- Non-GAAP EPS was **\$1.96**

Next, turning to the balance sheet and cash flow:

- Our cash balance was **\$1.407 billion**, while the principal value of debt outstanding was **\$2.925 billion**
- Operating cash flow was **\$356 million**
- DSOs were **67 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.

For our updated outlook for 2026, we expect:

- Revenue in the range of **\$6.125 billion to \$6.225 billion**,
- GAAP operating margin in the range of **27.5% to 28.5%**,
- Non-GAAP operating margin in the range of **43.5% to 44.5%**,
- GAAP EPS in the range of **\$4.39 to \$4.49**,
- Non-GAAP EPS in the range of **\$7.85 to \$7.95**,
- Operating cash flow in the range of **\$1.875 billion to \$1.975 billion**, and
- We expect to use approximately **50%** of our free cash flow to repurchase Cadence shares in 2026.

With that in mind, for Q2, we expect:

- Revenue in the range of **\$1.555 billion to \$1.595 billion**,
- GAAP operating margin in the range of **28.5% to 29.5%**,
- Non-GAAP operating margin in the range of **44.5% to 45.5%**,
- GAAP EPS in the range of **\$1.07 to \$1.13**, and
- Non-GAAP EPS in the range of **\$2.02 to \$2.08**, 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, Cadence is off to a strong start to the year. We are raising our 2026 revenue outlook to ~17% year-over-year growth.

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
- 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.