

---

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

---

**FORM 8-K**

---

**CURRENT REPORT PURSUANT TO  
SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

---

**Date of report (Date of earliest event reported): February 17, 2026**

**CADENCE DESIGN SYSTEMS, INC.**

(Exact Name of Registrant as Specified in its Charter)

---

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**000-15867**  
(Commission File Number)

**00-000000**  
(I.R.S. Employer  
Identification No.)

**2655 Seely Avenue, San Jose, California 95134**  
(Address of Principal Executive Offices) (Zip Code)

**(408) 943-1234**  
(Registrant's telephone number, including area code)

---

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	CDNS	Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

---

---

**Item 2.02. Results of Operations and Financial Condition.**

On February 17, 2026 Cadence Design Systems, Inc. (“Cadence”) issued a press release announcing its financial results for the quarter and fiscal year ended December 31, 2025.

A copy of the press release is attached hereto as Exhibit 99.01 and a copy of the commentary by the Chief Financial Officer of Cadence regarding Cadence's financial results for the quarter and fiscal year ended December 31, 2025 is attached hereto as Exhibit 99.02, and the press release and the commentary are incorporated herein by reference.

The information contained in this Current Report shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">99.01</a>	<a href="#">Press Release issued by Cadence Design Systems, Inc. on February 17, 2026.</a>
<a href="#">99.02</a>	<a href="#">CFO Commentary on Results of Quarter and Fiscal Year Ended December 31, 2025.</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

---

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: February 17, 2026

CADENCE DESIGN SYSTEMS, INC.

By: /s/ John M. Wall

John M. Wall

Senior Vice President and Chief Financial Officer

## Cadence Reports Fourth Quarter and Fiscal Year 2025 Financial Results

*14% Revenue Growth and ~45% Non-GAAP Operating Margin for 2025*

*Record Backlog of \$7.8 Billion*

SAN JOSE, Calif. — February 17, 2026 — Cadence (Nasdaq: CDNS) today announced results for the fourth quarter and fiscal year 2025.

### Fourth Quarter 2025 Financial Results

- Revenue of \$1.440 billion, compared to revenue of \$1.356 billion in Q4 2024
- GAAP operating margin of 32.2%, compared to 33.7% in Q4 2024
- Non-GAAP operating margin of 45.8%, compared to 46.0% in Q4 2024
- GAAP diluted net income per share of \$1.42, compared to \$1.24 in Q4 2024
- Non-GAAP diluted net income per share of \$1.99, compared to \$1.88 in Q4 2024

### Fiscal Year 2025 Financial Results

- Revenue of \$5.297 billion, compared to revenue of \$4.641 billion in 2024
- GAAP operating margin of 28.2%, compared to 29.1% in 2024
- Non-GAAP operating margin of 44.6%, compared to 42.5% in 2024
- GAAP diluted net income per share of \$4.06, compared to \$3.85 in 2024
- Non-GAAP diluted net income per share of \$7.14, compared to \$5.97 in 2024
- Year-end backlog was \$7.8 billion and revenue expected to be recognized in the next 12 months from remaining performance obligations was \$3.8 billion

“Cadence delivered excellent results for the fourth quarter, closing an outstanding 2025 with over 14% revenue growth and 20% non-GAAP EPS growth,” said Anirudh Devgan, president and chief executive officer. “Strong customer demand for our expanding AI-driven product portfolio and the essential nature of Cadence’s engineering software position us well to capture the massive opportunities in the AI era.”

“Cadence closed 2025 with a strong finish and broad-based strength across the business,” said John Wall, senior vice president and chief financial officer. “We delivered a 44.6% non-GAAP operating margin, reflecting continued productivity-driven profitability improvement. With strong Q4 bookings, we began 2026 with a record backlog of \$7.8 billion and excellent momentum.”

### CFO Commentary

Commentary on the fourth quarter and fiscal year 2025 financial results by John Wall, senior vice president and chief financial officer, is available at [www.cadence.com/cadence/investor\\_relations](http://www.cadence.com/cadence/investor_relations).

### Business Outlook

Cadence's outlook does not include the impact of its pending acquisition of Hexagon's design and engineering business.

For fiscal year 2026, the company expects:

- 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 diluted net income per share in the range of \$4.95 to \$5.05
- Non-GAAP diluted net income per share in the range of \$8.05 to \$8.15

The company utilizes a long-term projected non-GAAP tax rate, which reflects currently available information, as well as other factors and assumptions. The non-GAAP tax rate is subject to change for a variety of reasons, including the rapidly evolving global tax environment, significant changes in the company’s geographic earnings mix, or other changes to the company’s strategy or business operations. The company expects to use the current

---

normalized non-GAAP tax rate through fiscal 2026 but will re-evaluate this rate periodically for significant items that may materially affect its projections.

Reconciliations of the financial results and business outlook from GAAP operating margin, GAAP net income and GAAP diluted net income per share to non-GAAP operating margin, non-GAAP net income and non-GAAP diluted net income per share, respectively, are included in this press release. Revenue growth outlook is based on the midpoint of the range.

### **Business Highlights**

- The Cadence.ai portfolio continued gaining momentum with market shaping customers. Cadence introduced ChipStack, a groundbreaking agentic AI Super Agent for chip design and verification, built upon Cadence's foundational EDA platform. By leveraging intelligent agents that autonomously call the underlying Cadence tools, ChipStack is enabling faster design convergence and significantly improved engineering productivity
- Cadence's Core EDA business grew 13% in 2025 driven by broad hyperscaler adoption, expanding digital full-flow deployments, and growing proliferation of its AI-driven products
- Hardware delivered another record year, adding more than 30 new customers, with seven of the top ten customers purchasing both Palladium Z3 and Protium X3 systems, reflecting strong AI and hyperscale demand
- Cadence's IP business grew nearly 25% year-over-year in 2025, driven by the superior performance and expanding adoption of its IP portfolio, including HBM, UCIe, PCIe, DDR, and SerDes
- The System Design and Analysis business grew 13% in 2025, supported by strong demand for Cadence's 3D-IC platform and simulation solutions that are increasingly critical for AI infrastructure, high-performance computing, and advanced mobile applications

### **Audio Webcast Scheduled**

Anirudh Devgan, president and chief executive officer, and John Wall, senior vice president and chief financial officer, will host the fourth quarter and fiscal year 2025 financial results audio webcast today, February 17, 2026, at 2 p.m. (Pacific) / 5 p.m. (Eastern). Attendees are asked to register at the website at least 10 minutes prior to the scheduled webcast. An archive of the webcast will be available starting February 17, 2026 at 5 p.m. (Pacific) and ending March 17, 2026 at 5 p.m. (Pacific). Webcast access is available at [www.cadence.com/cadence/investor\\_relations](http://www.cadence.com/cadence/investor_relations).

### **About Cadence**

Cadence is a market leader in AI and digital twins, pioneering the application of computational software to accelerate innovation in the engineering design of silicon to systems. Our design solutions, based on Cadence's Intelligent System Design™ strategy, are essential for the world's leading semiconductor and systems companies to build their next-generation products from chips to full electromechanical systems that serve a wide range of markets, including hyperscale computing, mobile communications, automotive, aerospace, industrial, life sciences and robotics. In 2024, Cadence was recognized by the Wall Street Journal as one of the world's top 100 best-managed companies. Cadence solutions offer limitless opportunities—learn more at [www.cadence.com](http://www.cadence.com).

© 2026 Cadence Design Systems, Inc. All rights reserved worldwide. Cadence, the Cadence logo and the other Cadence marks found at [www.cadence.com/go/trademarks](http://www.cadence.com/go/trademarks) are trademarks or registered trademarks of Cadence Design Systems, Inc. All other trademarks are the property of their respective owners.

---

This press release contains forward-looking statements, including Cadence’s outlook on future operating results, financial condition, strategic objectives, business model and prospects, technology and product developments, strategic relationships, pending acquisition of Hexagon's design and engineering (“D&E”) business, backlog, industry trends, market growth, tax rates and other statements using words such as “anticipates,” “believes,” “expects,” “intends,” “plans,” “will,” and words of similar import and the negatives thereof. Forward-looking statements are subject to a number of risks, uncertainties and other factors, many of which are outside Cadence’s control, and which may cause actual results to differ materially from expectations expressed or implied in the forward-looking statements, including, among others: (i) Cadence’s ability to compete successfully in the highly competitive industries in which it operates and realize the benefits of its investments in research and development, including opportunities presented by AI; (ii) the success of Cadence’s efforts to maintain and improve operational efficiency and growth; (iii) the mix of products and services sold, the timing of orders and deliveries and the ability to develop, install or deliver Cadence’s products or services; (iv) changes in customer demands or supply constraints that could result in delays in purchases, development, installations or deliveries of Cadence’s products or services, including those resulting from consolidation, restructurings and other operational efficiency improvements of Cadence’s customers; (v) economic, geopolitical and industry conditions, including export controls, tariffs, other trade restrictions and other government regulations, as well as rising tensions and armed conflicts around the world; (vi) changes in tax laws, interest rate and currency exchange rate fluctuations, inflation rates, Cadence’s increased debt levels and obligations and Cadence’s ability to access capital and debt markets in the future; (vii) legislative or regulatory requirements; (viii) Cadence’s pending acquisitions, the acquisition of other companies, businesses or technologies or the failure to successfully integrate and operate them; (ix) potential harm caused by compromises in cybersecurity and cybersecurity attacks; (x) capital expenditure requirements and events that affect cash flow, liquidity or reserves, or estimates Cadence may take from time to time with respect to accounts receivable, taxes and tax examinations, litigation, regulatory or other matters; (xi) the effects of any litigation, regulatory, tax or other proceedings to which Cadence is or may become a party or to which Cadence or its products, services, technologies or properties are subject, including Cadence’s ongoing compliance, cooperation, audit and other obligations under its July 2025 settlement agreements with the U.S. Department of Justice (“DOJ”) and Bureau of Industry and Security (“BIS”), any further inquiries or adverse actions by the DOJ, BIS or other U.S. or foreign governmental authorities and any impact of the settlements on Cadence’s operations and business dealings in China, U.S. government contracting business and other customer relationships; and (xii) Cadence’s ability to successfully meet any environmental, social and governance targets and practices. Cadence’s pending D&E acquisition remains subject to certain closing conditions, which may not be satisfied in a timely manner or at all. Cadence may not successfully integrate the D&E business or realize the anticipated benefits of the acquisition. The acquisition and its effects on Cadence are subject to additional risks and uncertainties including fluctuations in the trading price of Cadence shares and in currency exchange and interest rates; Cadence’s ability to repay debt incurred to fund the acquisition; Cadence’s ability to motivate and retain key personnel; and the acquisition’s impact on relationships with third parties, including customers, partners and governmental authorities. In addition, the timing and amount of Cadence’s repurchases of its common stock are subject to business and market conditions, corporate and regulatory requirements, stock price, acquisition opportunities and other factors.

For a detailed discussion of these and other cautionary statements related to Cadence and its business, please refer to Cadence’s filings with the U.S. Securities and Exchange Commission, including its most recent report on Form 10-K, subsequent reports on Form 10-Q and future filings.

All forward-looking statements in this press release are based on management's expectations as of the date of this press release and, except as required by law, Cadence disclaims any obligation to update these forward-looking statements to reflect future events or circumstances.

---

## GAAP to Non-GAAP Reconciliation

Non-GAAP financial measures should not be considered as a substitute for or superior to measures of financial performance prepared in accordance with generally accepted accounting principles, or GAAP. Investors are encouraged to review the reconciliation of non-GAAP measures contained within this press release with their most directly comparable GAAP results. Investors are also encouraged to look at the GAAP results as the best measure of financial performance.

To supplement Cadence's financial results presented on a GAAP basis, Cadence management uses non-GAAP measures that it believes are helpful in understanding Cadence's performance. One such measure is non-GAAP net income, which is a financial measure not calculated under GAAP. Non-GAAP net income is calculated by Cadence management by taking GAAP net income and excluding, as applicable, amortization of intangible assets, stock-based compensation expense, acquisition and integration-related costs including retention expenses, income or expenses related to foreign currency forward exchange contract associated with a pending acquisition, investments, divestitures and Cadence's non-qualified deferred compensation plan, restructuring, loss related to contingent liability and other significant items not directly related to Cadence's core business operations, and the income tax effect of non-GAAP pre-tax adjustments.

Cadence management uses non-GAAP net income because it excludes items that are generally not directly related to the performance of Cadence's core business operations and therefore provides supplemental information to Cadence management and investors regarding the performance of the business operations, facilitates comparisons to the historical operating results and allows the review of Cadence's business from the same perspective as Cadence management, including forecasting and budgeting.

The following tables reconcile the specific items excluded from GAAP operating margin, GAAP net income and GAAP net income per diluted share in the calculation of non-GAAP operating margin, non-GAAP net income and non-GAAP net income per diluted share for the periods shown below:

### Operating Margin Reconciliation

	Three Months Ended	
	December 31, 2025	December 31, 2024
GAAP operating margin as a percent of total revenue	32.2%	33.7%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	7.9%	7.9%
Amortization of acquired intangibles	2.1%	2.0%
Acquisition and integration-related costs	3.4%	1.7%
Restructuring	0.1%	(0.1)%
Non-qualified deferred compensation expenses	0.1%	0.0%
Special charges	0.0%	0.2%
Loss related to contingent liability*	0.0%	0.6%
Non-GAAP operating margin as a percent of total revenue	45.8%	46.0%

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

Operating Margin Reconciliation

	Years Ended	
	December 31, 2025	December 31, 2024
	(unaudited)	
GAAP operating margin as a percent of total revenue	28.2%	29.1%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	8.6%	8.4%
Amortization of acquired intangibles	2.0%	2.0%
Acquisition and integration-related costs	2.5%	2.1%
Restructuring	0.6%	0.5%
Non-qualified deferred compensation expenses	0.3%	0.2%
Special charges	0.0%	0.0%
Loss related to contingent liability*	2.4%	0.2%
Non-GAAP operating margin as a percent of total revenue	44.6%	42.5%

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

Net Income Reconciliation

(in thousands)	Three Months Ended	
	December 31, 2025	December 31, 2024
	(unaudited)	
Net income on a GAAP basis	\$ 388,136	\$ 340,210
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
Other income or expense related to foreign currency forward exchange contract associated with a pending acquisition	10,666	—
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	(49,111)	14,654
Income tax effect of non-GAAP adjustments	(2,505)	(5,456)
Net income on a non-GAAP basis	\$ 543,157	\$ 515,666

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

Net Income Reconciliation

(in thousands)	Years Ended	
	December 31, 2025	December 31, 2024
	(unaudited)	
Net income on a GAAP basis	\$ 1,108,888	\$ 1,055,484
Stock-based compensation expense	455,175	391,219
Amortization of acquired intangibles	105,332	90,449
Acquisition and integration-related costs	135,073	95,562
Restructuring	29,194	23,765
Non-qualified deferred compensation expenses	14,029	11,145
Special charges	1,988	3,135
Loss related to contingent liability*	128,545	8,322
Other income or expense related to foreign currency forward exchange contract associated with a pending acquisition	29,227	—
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	(83,286)	(60,798)
Income tax effect of non-GAAP adjustments	27,497	17,162
Net income on a non-GAAP basis	<u>\$ 1,951,662</u>	<u>\$ 1,635,445</u>

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

Diluted Net Income Per Share Reconciliation

(in thousands, except per share data)	Three Months Ended	
	December 31, 2025	December 31, 2024
	(unaudited)	
Diluted net income per share on a GAAP basis	\$ 1.42	\$ 1.24
Stock-based compensation expense	0.41	0.39
Amortization of acquired intangibles	0.11	0.10
Acquisition and integration-related costs	0.18	0.08
Restructuring	0.01	—
Non-qualified deferred compensation expenses	0.01	—
Special charges	—	0.01
Loss related to contingent liability*	—	0.03
Other income or expense related to foreign currency forward exchange contract associated with a pending acquisition	0.04	—
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	(0.18)	0.05
Income tax effect of non-GAAP adjustments	(0.01)	(0.02)
Diluted net income per share on a non-GAAP basis	<u>\$ 1.99</u>	<u>\$ 1.88</u>
Shares used in calculation of diluted net income per share	272,932	274,292

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

## Diluted Net Income Per Share Reconciliation

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

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

For more information, please contact:

Cadence Investor Relations  
408-944-7100  
[investor\\_relations@cadence.com](mailto:investor_relations@cadence.com)

Cadence Newsroom  
408-944-7039  
[newsroom@cadence.com](mailto:newsroom@cadence.com)

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

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
<b>Current assets:</b>		
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	4,669,673	4,016,079
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
<b>Total assets</b>	<b>\$ 10,153,148</b>	<b>\$ 8,974,482</b>
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 856,856	\$ 632,692
Current portion of deferred revenue	778,435	737,413
Total current liabilities	1,635,291	1,370,105
<b>Long-term liabilities:</b>		
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	3,043,676	2,930,799
Stockholders' equity	5,474,181	4,673,578
<b>Total liabilities and stockholders' equity</b>	<b>\$ 10,153,148</b>	<b>\$ 8,974,482</b>

**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
<b>Revenue:</b>				
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>
<b>Costs and expenses:</b>				
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.**  
**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	38,004	(26,796)
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.**  
**Impact of Non-GAAP Adjustments on Forward Looking Operating Margin**  
**As of February 17, 2026**  
**(Unaudited)**

	<b>Three Months Ending March 31, 2026</b>	<b>Year Ending December 31, 2026</b>
	<b>Forecast</b>	<b>Forecast</b>
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 <sup>†</sup>	44% - 45%	44.75% - 45.75%

† **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)**

	<b>Three Months Ending March 31, 2026</b>	<b>Year Ending December 31, 2026</b>
	<b>Forecast</b>	<b>Forecast</b>
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	—	0.24
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)**

<b>(\$ in millions)</b>	<b>Three Months Ending March 31, 2026</b>	<b>Year Ending December 31, 2026</b>
	<b>Forecast</b>	<b>Forecast</b>
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 REPORTS FOURTH QUARTER AND FISCAL YEAR 2025

CADENCE DESIGN SYSTEMS, INC.

## CFO COMMENTARY

### Key Takeaways for 2025

- Revenue growth of over 14% and non-GAAP EPS growth of ~20% year-over-year
- Achieved FY 2025 non-GAAP operating margin of ~45%
- Record backlog of ~\$7.8 billion

### FY 2026 Outlook

- Revenue: \$5.9 billion - \$6.0 billion
- GAAP operating margin: 31.75% - 32.75%
- Non-GAAP operating margin: 44.75% - 45.75%
- GAAP EPS: \$4.95 - \$5.05
- Non-GAAP EPS: \$8.05 - \$8.15
- Operating cash flow: ~\$2.0 billion
- Expect to use approximately 50% of free cash flow to repurchase Cadence shares for the year

### Q1 2026 Outlook

- Revenue: \$1.420 billion - \$1.460 billion
- GAAP operating margin: 30% - 31%
- Non-GAAP operating margin: 44% - 45%
- GAAP EPS: \$1.16 - \$1.22
- Non-GAAP EPS: \$1.89 - \$1.95
- Expect to use approximately \$200 million to repurchase Cadence shares in Q1

### Financial Results Webcast

Our Q4 2025 financial results webcast will begin February 17, 2026 at 2:00 p.m. (Pacific). The webcast may be accessed at [www.cadence.com/cadence/investor\\_relations](http://www.cadence.com/cadence/investor_relations). An archive of the webcast will be available on February 17, 2026 until 5:00 p.m. (Pacific) on March 17, 2026.

### Q4 2025 KEY METRICS

- Revenue: \$1.440 billion
- GAAP operating margin: 32.2%
- Non-GAAP operating margin: 45.8%
- GAAP EPS: \$1.42
- Non-GAAP EPS: \$1.99
- Operating cash flow: \$553 million

### FY 2025 KEY METRICS

- Revenue: \$5.297 billion
- GAAP operating margin: 28.2%
- Non-GAAP operating margin: 44.6%
- GAAP EPS: \$4.06
- Non-GAAP EPS: \$7.14
- Operating cash flow: \$1,729 million

**Financial Metrics**

(In Millions, except per share data)	2021	2022	2023	2024	2025	2026E
Revenue	\$ 2,988	\$ 3,562	\$ 4,090	\$ 4,641	\$ 5,297	\$5,900- \$6,000
Revenue growth	11%	19%	15%	13%	14%	11% - 13%
3-year CAGR*	12%	15%	15%	16%	14%	~13%
GAAP operating expenses	\$ 2,209	\$ 2,488	\$ 2,839	\$ 3,291	\$ 3,805	\$4,040
GAAP operating expense growth	8%	13%	14%	16%	16%	~6%
Non-GAAP operating expenses	\$ 1,877	\$ 2,125	\$ 2,373	\$ 2,667	\$ 2,935	\$3,258
Non-GAAP operating expense growth	8%	13%	12%	12%	10%	~11%
GAAP operating margin	26.1%	30.1%	30.6%	29.1%	28.2%	31.75% - 32.75%
Non-GAAP operating margin	37.2%	40.3%	42.0%	42.5%	44.6%	44.75% - 45.75%
GAAP earnings per share	\$ 2.50	\$ 3.09	\$ 3.82	\$ 3.85	\$ 4.06	\$4.95 - \$5.05
Non-GAAP earning per share	\$ 3.29	\$ 4.27	\$ 5.15	\$ 5.97	\$ 7.14	\$8.05 - \$8.15
Non-GAAP EPS growth*	18%	30%	21%	16%	20%	13 %
3-year Non-GAAP EPS CAGR*	21%	25%	23%	22%	19%	16 %
Weighted average diluted shares outstanding	278.9	275.0	272.7	273.8	273.3	272.5 - 274.5
Cash flow from operations	1,101	1,242	1,349	1,261	1,729	~\$2,000
Capital expenditures	65	123	102	143	142	~\$210

\* At midpoint of outlook.

**Profitability Trends**

(In Millions)	2021	2022	2023	2024	2025	2026E*
Revenue	\$ 2,988	\$ 3,562	\$ 4,090	\$ 4,641	\$ 5,297	\$ 5,950
Revenue Growth	11%	19%	15%	13%	14%	12%
3-Year Revenue Growth CAGR	12%	15%	15%	16%	14%	13%
GAAP operating margin	26.1%	30.1%	30.6%	29.1%	28.2%	32.25%
Non-GAAP operating margin	37.2%	40.3%	42.0%	42.5%	44.6%	45.25%
Stock-based compensation	(7.0)%	(7.6)%	(8.0)%	(8.4)%	(8.6)%	(9.4)%
Non-GAAP operating margin adjusted for stock-based compensation	30.2%	32.7%	34.0%	34.1%	36.0%	35.9%
GAAP operating income	\$ 779	\$ 1,074	\$ 1,251	\$ 1,351	\$ 1,492	\$ 1,910
Non-GAAP operating income	\$ 1,111	\$ 1,436	\$ 1,717	\$ 1,974	\$ 2,361	\$ 2,692
Non-GAAP operating income adjusted for stock-based compensation	\$ 901	\$ 1,166	\$ 1,391	\$ 1,583	\$ 1,906	\$ 2,135

At midpoint of outlook.

**First Quarter 2026 Financial Outlook**

	Q1 2025	Q4 2025	Q1 2026E
Total Revenue (\$ Millions)	\$ 1,242	\$ 1,440	\$1,420 - \$1,460
Q/Q Growth		8%	(1)% - 1%
Y/Y Growth		6%	14% - 18%
GAAP Operating Margin	29.1%	32.2%	30% - 31%
Non-GAAP Operating Margin	41.7%	45.8%	44% - 45%
GAAP EPS	\$ 1.00	\$ 1.42	\$1.16 - \$1.22
Non-GAAP EPS	\$ 1.57	\$ 1.99	\$1.89 - \$1.95

**Fiscal Year 2026 Financial Outlook**

	FY 2025	FY 2026E
Recurring Revenue	80%	~80%
Total Revenue (\$ Millions)	\$ 5,297	\$5,900 - \$6,000
Y/Y Growth	14%	11% - 13%
Revenue from Beginning Backlog	~69%	~67%
GAAP Operating Margin	28.2%	31.75% - 32.75%
Non-GAAP Operating Margin	44.6%	44.75% - 45.75%
GAAP Other Income & Expense (\$ Millions)	\$ 30	\$(43) - \$(33)
Non-GAAP Other Income & Expense (\$ Millions)	\$ (24)	\$(43) - \$(33)
GAAP Tax Rate	27.1%	~27%
Non-GAAP Tax Rate	16.5%	16.5%
Weighted Average Diluted Shares Outstanding (Millions)	273.3	272.5 - 274.5
GAAP EPS	\$ 4.06	\$4.95 - \$5.05
Y/Y Growth	5%	22% - 24%
Non-GAAP EPS	\$ 7.14	\$8.05 - \$8.15
Y/Y Growth	20%	13% - 14%
Cash Flow from Operations (\$ Millions)	\$ 1,729	~\$2,000
DSO	64	~55
Capital Expenditures (\$ Millions)	\$ 142	~\$210

**Fourth Quarter and Fiscal Year Financial Results****Backlog**

(In Billions)	2021	2022	2023	2024	2025
Backlog	\$ 4.4	\$ 5.8	\$ 6.0	\$ 6.8	\$ 7.8

**Revenue**

(In Millions)	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Product and Maintenance	\$ 1,239	\$ 1,111	\$ 1,170	\$ 1,208	\$ 1,332
Services	117	131	105	131	108
Total Revenue	\$ 1,356	\$ 1,242	\$ 1,275	\$ 1,339	\$ 1,440

(In Millions)	2021	2022	2023	2024	2025
Product and Maintenance	\$ 2,813	\$ 3,340	\$ 3,834	\$ 4,213	\$ 4,822
Services	175	222	256	428	475
Total Revenue	\$ 2,988	\$ 3,562	\$ 4,090	\$ 4,641	\$ 5,297

**Recurring and Up-Front Revenue**

	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Revenue Recognized Over Time	72 %	77 %	73 %	78 %	77 %
Other Recurring Revenue	4 %	5 %	5 %	4 %	2 %
Recurring Revenue	76 %	82 %	78 %	82 %	79 %
Up-Front Revenue	24 %	18 %	22 %	18 %	21 %
Total Revenue	100 %	100 %	100 %	100 %	100 %

	2021	2022	2023	2024	2025
Revenue Recognized Over Time	85 %	83 %	81 %	80 %	76 %
Other Recurring Revenue	3 %	2 %	3 %	3 %	4 %
Recurring Revenue	88 %	85 %	84 %	83 %	80 %
Up-Front Revenue	12 %	15 %	16 %	17 %	20 %
Total Revenue	100 %	100 %	100 %	100 %	100 %

**Trailing Twelve Months Recurring and Up-Front Revenue**

	Trailing Twelve Months Ended				
	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Recurring Revenue	83 %	82 %	80 %	80 %	80 %
Up-Front Revenue	17 %	18 %	20 %	20 %	20 %
Total	100 %	100 %	100 %	100 %	100 %

## Revenue Mix by Geography

(% of Total Revenue)	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Americas	49 %	48 %	49 %	43 %	47 %
China	13 %	11 %	9 %	18 %	12 %
Other Asia	17 %	19 %	19 %	18 %	20 %
Europe, Middle East and Africa	15 %	16 %	16 %	14 %	14 %
Japan	6 %	6 %	7 %	7 %	7 %
Total	100 %	100 %	100 %	100 %	100 %

(% of Total Revenue)	2021	2022	2023	2024	2025
Americas	45 %	46 %	43 %	49 %	47 %
China	13 %	15 %	17 %	12 %	13 %
Other Asia	19 %	18 %	19 %	18 %	19 %
Europe, Middle East and Africa	17 %	16 %	16 %	15 %	15 %
Japan	6 %	5 %	5 %	6 %	6 %
Total	100 %	100 %	100 %	100 %	100 %

## Revenue Mix by Product Category

(% of Total Revenue)	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Core EDA	68 %	71 %	71 %	71 %	69 %
Semiconductor IP	13 %	14 %	13 %	14 %	15 %
System Design and Analysis	19 %	15 %	16 %	15 %	16 %
Total	100 %	100 %	100 %	100 %	100 %

(% of Total Revenue)	2021	2022	2023	2024	2025
Core EDA	76 %	76 %	76 %	71 %	70 %
Semiconductor IP	13 %	12 %	12 %	13 %	14 %
System Design and Analysis	11 %	12 %	12 %	16 %	16 %
Total	100 %	100 %	100 %	100 %	100 %

## 3 Year Revenue CAGR by Product Category

	2021	2022	2023	2024	2025
Core EDA	10 %	14 %	15 %	13 %	11 %
Semiconductor IP	16 %	15 %	8 %	15 %	19 %
System Design and Analysis	19 %	24 %	22 %	30 %	25 %
Total 3 Year CAGR	12 %	15 %	15 %	16 %	14 %

## Gross Margin

	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
GAAP Gross Margin	83.8 %	86.5 %	85.6 %	86.4 %	86.9 %
Non-GAAP Gross Margin	85.5 %	88.4 %	87.2 %	88.0 %	88.5 %

	2021	2022	2023	2024	2025
GAAP Gross Margin	89.7 %	89.6 %	89.4 %	86.0 %	86.4 %
Non-GAAP Gross Margin	91.7 %	91.0 %	90.7 %	87.8 %	88.0 %

**Total Costs and Expenses**

<i>(In Millions)</i>	Q4 2024		Q1 2025		Q2 2025		Q3 2025		Q4 2025	
Total GAAP Costs and Expenses	\$	899	\$	881	\$	1,034	\$	913	\$	977
Total Non-GAAP Costs and Expenses	\$	733	\$	724	\$	729	\$	701	\$	781

<i>(In Millions)</i>	2021		2022		2023		2024		2025	
Total GAAP Costs and Expenses	\$	2,209	\$	2,488	\$	2,839	\$	3,291	\$	3,805
Total Non-GAAP Costs and Expenses	\$	1,877	\$	2,125	\$	2,373	\$	2,667	\$	2,935

**Operating Margin**

	Q4 2024		Q1 2025		Q2 2025		Q3 2025		Q4 2025	
GAAP Operating Margin		33.7 %		29.1 %		19.0 %		31.8 %		32.2 %
Non-GAAP Operating Margin		46.0 %		41.7 %		42.8 %		47.6 %		45.8 %

	2021		2022		2023		2024		2025	
GAAP Operating Margin		26.1 %		30.1 %		30.6 %		29.1 %		28.2 %
Non-GAAP Operating Margin		37.2 %		40.3 %		42.0 %		42.5 %		44.6 %

**Net Income Per Share**

	Q4 2024		Q1 2025		Q2 2025		Q3 2025		Q4 2025	
GAAP Net Income Per Share	\$	1.24	\$	1.00	\$	0.59	\$	1.05	\$	1.42
Non-GAAP Net Income Per Share	\$	1.88	\$	1.57	\$	1.65	\$	1.93	\$	1.99

	2021		2022		2023		2024		2025	
GAAP Net Income Per Share	\$	2.50	\$	3.09	\$	3.82	\$	3.85	\$	4.06
Non-GAAP Net Income Per Share	\$	3.29	\$	4.27	\$	5.15	\$	5.97	\$	7.14

**Total DSO**

	Q4 2024		Q1 2025		Q2 2025		Q3 2025		Q4 2025	
DSO		48		44		51		55		64

**Balance Sheet and Cash Review****Free Cash Flow**

<i>(In Millions)</i>	Q4 2024		Q1 2025		Q2 2025		Q3 2025		Q4 2025	
Net Cash from Operating Activities	\$	441	\$	487	\$	378	\$	311	\$	553
Capital Expenditures		37		23		44		34		41
Free Cash Flow	\$	404	\$	464	\$	334	\$	277	\$	512

<i>(In Millions)</i>	2021		2022		2023		2024		2025	
Net Cash from Operating Activities	\$	1,101	\$	1,242	\$	1,349	\$	1,261	\$	1,729
Capital Expenditures		65		123		102		143		142
Free Cash Flow	\$	1,036	\$	1,119	\$	1,247	\$	1,118	\$	1,587

**Cash and Cash Equivalents**

<i>(In Millions)</i>	<b>Q4 2024</b>	<b>Q1 2025</b>	<b>Q2 2025</b>	<b>Q3 2025</b>	<b>Q4 2025</b>
Cash and Cash Equivalents	\$ 2,644	\$ 2,778	\$ 2,823	\$ 2,753	\$ 3,001

<i>(In Millions)</i>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Cash and Cash Equivalents	\$ 1,089	\$ 882	\$ 1,008	\$ 2,644	\$ 3,001

- Approximately 71 percent of our cash and cash equivalents were in the U.S. at quarter-end.

**Debt**

<i>(In Millions)</i>	<b>Q4 2024</b>	<b>Q1 2025</b>	<b>Q2 2025</b>	<b>Q3 2025</b>	<b>Q4 2025</b>
Debt (principal value)	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500

<i>(In Millions)</i>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Debt (principal value)	\$ 350	\$ 750	\$ 650	\$ 2,500	\$ 2,500

- In September 2024, Cadence issued \$2.5 billion of Senior Notes at a weighted average interest rate of 4.44%.

**Share Repurchase**

<i>(In Millions)</i>	<b>Q4 2024</b>	<b>Q1 2025</b>	<b>Q2 2025</b>	<b>Q3 2025</b>	<b>Q4 2025</b>
Share Repurchase	\$ 150	\$ 350	\$ 175	\$ 200	\$ 200
Number of Shares	0.519	1.361	0.607	0.584	0.613

<i>(In Millions)</i>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Share Repurchase	\$ 612	\$ 1,050	\$ 700	\$ 550	\$ 925
Number of Shares	4.401	6.602	3.145	1.930	3.165

**Employees**

	<b>Q4 2024</b>	<b>Q1 2025</b>	<b>Q2 2025</b>	<b>Q3 2025</b>	<b>Q4 2025</b>
Headcount	12,705	12,837	13,152	13,693	13,800

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Headcount	9,298	10,228	11,226	12,705	13,800

## Forward Looking Statements

This CFO Commentary contains forward-looking statements, including Cadence's outlook on future operating results, financial condition, strategic objectives, business model and prospects, technology and product developments, strategic relationships, pending acquisition of Hexagon's design and engineering ("D&E") business, backlog, industry trends, market growth, tax rates and other statements using words such as "anticipates," "believes," "expects," "intends," "plans," "will," and words of similar import and the negatives thereof. Forward-looking statements are subject to a number of risks, uncertainties and other factors, many of which are outside Cadence's control and which may cause actual results to differ materially from expectations expressed or implied in the forward-looking statements, including, among others: (i) Cadence's ability to compete successfully in the highly competitive industries in which it operates and realize the benefits of its investments in research and development, including opportunities presented by AI; (ii) the success of Cadence's efforts to maintain and improve operational efficiency and growth; (iii) the mix of products and services sold, the timing of orders and deliveries and the ability to develop, install or deliver Cadence's products or services; (iv) changes in customer demands or supply constraints that could result in delays in purchases, development, installations or deliveries of Cadence's products or services, including those resulting from consolidation, restructurings and other operational efficiency improvements of Cadence's customers; (v) economic, geopolitical and industry conditions, including export controls, tariffs, other trade restrictions and other government regulations, as well as rising tensions and armed conflicts around the world; (vi) changes in tax laws, interest rate and currency exchange rate fluctuations, inflation rates, Cadence's increased debt levels and obligations and Cadence's ability to access capital and debt markets in the future; (vii) legislative or regulatory requirements; (viii) Cadence's pending acquisitions, the acquisition of other companies, businesses or technologies or the failure to successfully integrate and operate them; (ix) potential harm caused by compromises in cybersecurity and cybersecurity attacks; (x) capital expenditure requirements and events that affect cash flow, liquidity or reserves, or estimates Cadence may take from time to time with respect to accounts receivable, taxes and tax examinations, litigation, regulatory or other matters; (xi) the effects of any litigation, regulatory, tax or other proceedings to which Cadence is or may become a party or to which Cadence or its products, services, technologies or properties are subject, including Cadence's ongoing compliance, cooperation, audit and other obligations under its July 2025 settlement agreements with the U.S. Department of Justice ("DOJ") and Bureau of Industry and Security ("BIS"), any further inquiries or adverse actions by the DOJ, BIS or other U.S. or foreign governmental authorities and any impact of the settlements on Cadence's operations and business dealings in China, U.S. government contracting business and other customer relationships; and (xii) Cadence's ability to successfully meet any environmental, social and governance targets and practices. Cadence's pending D&E acquisition remains subject to certain closing conditions, which may not be satisfied in a timely manner or at all. Cadence may not successfully integrate the D&E business or realize the anticipated benefits of the acquisition. The acquisition and its effects on Cadence are subject to additional risks and uncertainties including fluctuations in the trading price of Cadence shares and in currency exchange and interest rates; Cadence's ability to repay debt incurred to fund the acquisition; Cadence's ability to motivate and retain key personnel; and the acquisition's impact on relationships with third parties, including customers, partners and governmental authorities. In addition, the timing and amount of Cadence's repurchases of its common stock are subject to business and market conditions, corporate and regulatory requirements, stock price, acquisition opportunities and other factors.

For a detailed discussion of these and other cautionary statements related to Cadence and its business, please refer to Cadence's filings with the U.S. Securities and Exchange Commission, including its most recent report on Form 10-K, subsequent reports on Form 10-Q and future filings.

All forward-looking statements in this document are based on management's expectations as of the date of this document and, except as required by law, Cadence disclaims any obligation to update these forward-looking statements to reflect future events or circumstances.

## GAAP to Non-GAAP Reconciliation

Non-GAAP financial measures should not be considered as a substitute for or superior to measures of financial performance prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of non-GAAP financial measures contained within this CFO Commentary with their most directly comparable GAAP financial results. Investors are also encouraged to look at the GAAP results as the best measure of financial performance. See our earnings press release issued today for further discussion of our non-GAAP financial measures, as well as the reconciliation provided in the Appendix to this CFO Commentary.

Cadence's management uses non-GAAP net income because it excludes items that are generally not directly related to the performance of the company's core business operations and therefore provides supplemental information to Cadence's management and investors regarding the performance of the business operations, facilitates comparisons to the historical operating results and allows the review of Cadence's business from the same perspective as Cadence's management, including forecasting and budgeting.

**© 2026 Cadence Design Systems, Inc. All rights reserved worldwide. Cadence, the Cadence logo and the other Cadence marks found at [www.cadence.com/go/trademarks](http://www.cadence.com/go/trademarks) are trademarks or registered trademarks of Cadence Design Systems, Inc. All other trademarks are the property of their respective owners.**

## APPENDIX I

### Reconciliation of GAAP to Non-GAAP Financial Measures (Unaudited)

#### Reconciliation of GAAP Total Expenses to Non-GAAP Total Expenses

(In Millions)	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
GAAP total costs and expenses	\$ 899	\$ 881	\$ 1,034	\$ 913	\$ 977
Reconciling items to non-GAAP total costs and expenses					
Stock-based compensation expense	(107)	(108)	(118)	(116)	(113)
Amortization of acquired intangibles	(27)	(25)	(24)	(26)	(30)
Acquisition and integration-related costs	(23)	(23)	(26)	(37)	(49)
Restructuring	1	—	—	(27)	(2)
Non-qualified deferred compensation (expenses) credits	—	2	(8)	(6)	(2)
Special charges	(2)	(2)	—	—	—
Loss related to contingent liability*	(8)	—	(129)	—	—
Non-GAAP total costs and expenses**	<u>\$ 733</u>	<u>\$ 724</u>	<u>\$ 729</u>	<u>\$ 701</u>	<u>\$ 781</u>

Table may not foot due to rounding

\* 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.**

#### Reconciliation of GAAP Total Expenses to Non-GAAP Total Expenses

(In Millions)	2021	2022	2023	2024	2025	2026E
GAAP total costs and expenses	\$ 2,209	\$ 2,488	\$ 2,839	\$ 3,291	\$ 3,805	\$ 4,040
Reconciling items to non-GAAP total costs and expenses						
Stock-based compensation expense	(210)	(270)	(326)	(391)	(455)	(557)
Amortization of acquired intangibles	(67)	(60)	(62)	(90)	(105)	(125)
Acquisition and integration-related costs	(23)	(41)	(56)	(96)	(135)	(100)
Restructuring	1	—	(11)	(24)	(29)	—
Non-qualified deferred compensation (expenses) credits	(6)	8	(11)	(11)	(14)	—
Special charges*	(27)	—	—	(3)	(2)	—
Loss related to contingent liability**	—	—	—	(8)	(129)	—
Non-GAAP total costs and expenses***	<u>\$ 1,877</u>	<u>\$ 2,125</u>	<u>\$ 2,373</u>	<u>\$ 2,667</u>	<u>\$ 2,935</u>	<u>\$ 3,258</u>

Table may not foot due to rounding

\* 2021 includes costs related to a voluntary retirement program.

\*\* 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.**

### Reconciliation of GAAP Operating Income to Non-GAAP Operating Income and Non-GAAP Operating Income Adjusted for Stock-based Compensation

<i>(In Millions)</i>	2021	2022	2023	2024	2025	2026E
GAAP operating income	\$ 779	\$ 1,074	\$ 1,251	\$ 1,351	\$ 1,492	\$ 1,910
Reconciling items to non-GAAP operating income						
Stock-based compensation expense	210	270	326	391	455	557
Amortization of acquired intangibles	67	60	62	90	105	125
Acquisition and integration-related costs	23	41	56	96	135	100
Restructuring	(1)	—	11	24	29	—
Non-qualified deferred compensation expenses (credits)	6	(8)	11	11	14	—
Special charges*	27	—	—	3	2	—
Loss related to contingent liability**	—	—	—	8	129	—
Non-GAAP operating income***	<u>\$ 1,111</u>	<u>\$ 1,436</u>	<u>\$ 1,717</u>	<u>\$ 1,974</u>	<u>\$ 2,361</u>	<u>\$ 2,692</u>
Stock-based compensation expense	<u>(210)</u>	<u>(270)</u>	<u>(326)</u>	<u>(391)</u>	<u>(455)</u>	<u>(557)</u>
Non-GAAP operating income adjusted for stock-based compensation***	<u>\$ 901</u>	<u>\$ 1,166</u>	<u>\$ 1,391</u>	<u>\$ 1,583</u>	<u>\$ 1,906</u>	<u>\$ 2,135</u>

Table may not foot due to rounding

\* 2021 includes costs related to a voluntary retirement program.

\*\* 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.**

## Reconciliation of GAAP Gross Margin as a Percent of Total Revenue to Non-GAAP Gross Margin as a Percent of Total Revenue

	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
GAAP gross margin as a percent of total revenue	83.8%	86.5%	85.6%	86.4%	86.9%
Reconciling items to non-GAAP gross margin as a percent of total revenue					
Stock-based compensation expense	0.3%	0.4%	0.4%	0.3%	0.3%
Amortization of acquired intangibles	1.3%	1.4%	1.1%	1.2%	1.3%
Non-qualified deferred compensation expenses (credits)	0.0%	0.0%	0.0%	0.0%	0.0%
Acquisition and integration-related costs	0.1%	0.1%	0.1%	0.1%	0.0%
Non-GAAP gross margin as a percent of total revenue*	<u>85.5%</u>	<u>88.4%</u>	<u>87.2%</u>	<u>88.0%</u>	<u>88.5%</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.

	2021	2022	2023	2024	2025
GAAP gross margin as a percent of total revenue	89.7%	89.6%	89.4%	86.0%	86.4%
Reconciling items to non-GAAP gross margin as a percent of total revenue					
Stock-based compensation expense	0.3%	0.2%	0.2%	0.3%	0.3%
Amortization of acquired intangibles	1.6%	1.2%	1.1%	1.3%	1.2%
Non-qualified deferred compensation expenses (credits)	0.0%	0.0%	0.0%	0.0%	0.0%
Acquisition and integration-related costs	0.0%	0.0%	0.0%	0.2%	0.1%
Special charges*	0.1%	0.0%	0.0%	0.0%	0.0%
Non-GAAP gross margin as a percent of total revenue**	<u>91.7%</u>	<u>91.0%</u>	<u>90.7%</u>	<u>87.8%</u>	<u>88.0%</u>

\* 2021 includes costs related to a voluntary retirement program.

\*\* 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.

## Reconciliation of GAAP Operating Margin as a Percent of Total Revenue to Non-GAAP Operating Margin as a Percent of Total Revenue

	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026E
GAAP operating margin as a percent of total revenue	33.7%	29.1%	19.0%	31.8%	32.2%	30% - 31%
Reconciling items to non-GAAP operating margin as a percent of total revenue						
Stock-based compensation expense	7.9%	8.7%	9.3%	8.7%	7.9%	10%
Amortization of acquired intangibles	2.0%	2.0%	1.8%	1.9%	2.1%	2%
Acquisition and integration-related costs	1.7%	1.8%	2.0%	2.8%	3.4%	2%
Restructuring	(0.1)%	0.0%	0.0%	2.0%	0.1%	0%
Non-qualified deferred compensation expenses (credits)	0.0%	(0.1)%	0.6%	0.4%	0.1%	0%
Special charges	0.2%	0.2%	0.0%	0.0%	0.0%	0%
Loss related to contingent liability*	0.6%	0.0%	10.1%	0.0%	0.0%	0%
Non-GAAP operating margin as a percent of total revenue**	46.0%	41.7%	42.8%	47.6%	45.8%	44% - 45%

\* 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.**

## Reconciliation of GAAP Operating Margin as a Percent of Total Revenue to Non-GAAP Operating Margin as a Percent of Total Revenue

	2021	2022	2023	2024	2025	2026E
GAAP operating margin as a percent of total revenue	26.1%	30.1%	30.6%	29.1%	28.2%	31.75% - 32.75%
Reconciling items to non-GAAP operating margin as a percent of total revenue						
Stock-based compensation expense	7.0%	7.6%	8.0%	8.4%	8.6%	9%
Amortization of acquired intangibles	2.2%	1.7%	1.5%	2.0%	2.0%	2%
Acquisition and integration-related costs	0.8%	1.1%	1.4%	2.1%	2.5%	2%
Restructuring	0.0%	0.0%	0.3%	0.5%	0.6%	0%
Non-qualified deferred compensation expenses (credits)	0.2%	(0.2)%	0.2%	0.2%	0.3%	0%
Special charges*	0.9%	0.0%	0.0%	0.0%	0.0%	0%
Loss related to contingent liability**	0.0%	0.0%	0.0%	0.2%	2.4%	0%
Non-GAAP operating margin as a percent of total revenue***	<u>37.2%</u>	<u>40.3%</u>	<u>42.0%</u>	<u>42.5%</u>	<u>44.6%</u>	<u>44.75% - 45.75%</u>

\* 2021 includes costs related to a voluntary retirement program.

\*\* 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.**

## Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share

<i>(In Thousands, Except Per Share Data)</i>	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026E
Diluted net income per share on a GAAP basis	\$ 1.24	\$ 1.00	\$ 0.59	\$ 1.05	\$ 1.42	\$1.16 - \$1.22
Stock-based compensation expense	0.39	0.39	0.43	0.42	0.41	0.50
Amortization of acquired intangibles	0.10	0.09	0.09	0.10	0.11	0.12
Acquisition and integration-related costs	0.08	0.09	0.09	0.14	0.18	0.11
Restructuring	—	—	—	0.10	0.01	—
Non-qualified deferred compensation expenses (credits)	—	(0.01)	0.03	0.02	0.01	—
Special charges	0.01	0.01	—	—	—	—
Loss related to contingent liability*	0.03	—	0.47	—	—	—
Other income or expense related to foreign currency forward exchange contract associated with a pending acquisition	—	—	—	0.07	0.04	—
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	0.05	0.01	(0.17)	0.03	(0.18)	—
Income tax effect of non-GAAP adjustments	(0.02)	(0.01)	0.12	—	(0.01)	—
Diluted net income per share on a non-GAAP basis**	<u>\$ 1.88</u>	<u>\$ 1.57</u>	<u>\$ 1.65</u>	<u>\$ 1.93</u>	<u>\$ 1.99</u>	<u>\$1.89 - \$1.95</u>
Shares used in calculation of diluted net income per share	274,292	273,631	272,899	273,798	272,932	

\* 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.**

## Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share

<i>(In Thousands, Except Per Share Data)</i>	2021	2022	2023	2024	2025	2026E
Diluted net income per share on a GAAP basis	\$ 2.50	\$ 3.09	\$ 3.82	\$ 3.85	\$ 4.06	\$4.95 - \$5.05
Stock-based compensation expense	0.75	0.98	1.19	1.43	1.67	2.04
Amortization of acquired intangibles	0.24	0.22	0.23	0.33	0.38	0.46
Acquisition and integration-related costs	0.08	0.15	0.21	0.35	0.49	0.36
Restructuring	—	—	0.04	0.09	0.11	—
Non-qualified deferred compensation expenses (credits)	0.02	(0.03)	0.04	0.04	0.05	—
Special charges*	0.10	—	—	0.01	0.01	—
Loss related to contingent liability**	—	—	—	0.03	0.47	—
Other income or expense related to foreign currency forward exchange contract associated with a pending acquisition	—	—	—	—	0.11	—
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	(0.03)	0.05	(0.17)	(0.22)	(0.31)	—
Income tax effect of non-GAAP adjustments	(0.37)	(0.19)	(0.21)	0.06	0.10	0.24
Diluted net income per share on a non-GAAP basis***	<u>\$ 3.29</u>	<u>\$ 4.27</u>	<u>\$ 5.15</u>	<u>\$ 5.97</u>	<u>\$ 7.14</u>	<u>\$8.05 - \$8.15</u>
Shares used in calculation of diluted net income per share	278,858	275,011	272,748	273,833	273,312	272.5 - 274.5M

\* 2021 includes costs related to a voluntary retirement program.

\*\* 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.**

## Reconciliation of GAAP Total Other Income and Expense to Non-GAAP Total Other Income and Expense

(In Millions)	2024	2025	2026E
GAAP total other income and expense	\$ 45	\$ 30	\$(43) - \$(33)
Reconciling items to non-GAAP total income and expense			
Other income or expense related to foreign currency forward exchange contract associated with a pending acquisition	—	29	—
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	(61)	(83)	—
Non-GAAP total other income and expense*	<u>\$ (16)</u>	<u>\$ (24)</u>	<u>\$(43) - \$(33)</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.