
**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): April 27, 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 April 27, 2026 Cadence Design Systems, Inc. (“Cadence”) issued a press release announcing its financial results for the quarter ended March 31, 2026.

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 ended March 31, 2026 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

Exhibit No.	Description
99.01	Press Release issued by Cadence Design Systems, Inc. on April 27, 2026.
99.02	CFO Commentary on Results of Quarter Ended March 31, 2026.
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: April 27, 2026

CADENCE DESIGN SYSTEMS, INC.

By: /s/ John M. Wall

John M. Wall

Senior Vice President and Chief Financial Officer

Cadence Reports First Quarter 2026 Financial Results

*Record Backlog of \$8.0 Billion
Raising 2026 Revenue Outlook to ~17% YoY Growth*

SAN JOSE, Calif. — April 27, 2026 — Cadence (Nasdaq: CDNS) today announced results for the first quarter of 2026.

First Quarter 2026 Financial Results

- Revenue of \$1.474 billion, compared to revenue of \$1.242 billion in Q1 2025
- GAAP operating margin of 29.3%, compared to 29.1% in Q1 2025
- Non-GAAP operating margin of 44.7%, compared to 41.7% in Q1 2025
- GAAP diluted net income per share of \$1.23, compared to \$1.00 in Q1 2025
- Non-GAAP diluted net income per share of \$1.96, compared to \$1.57 in Q1 2025
- Quarter-end backlog was \$8.0 billion and revenue expected to be recognized in the next 12 months from remaining performance obligations was \$4.0 billion

“Cadence had a strong start to 2026, delivering a solid Q1 with accelerating AI demand and record backlog, reflecting strong customer commitment to our AI-driven portfolio,” said Anirudh Devgan, president and chief executive officer. “Cadence is leading the agentic AI transformation in semiconductor and system design, pioneering the industry’s most advanced and comprehensive agentic AI full-flow platform, AgentStack, integrated with ChipStack, ViraStack, and InnoStack Super Agents.”

“Cadence delivered excellent results for the first quarter of 2026, with broad-based strength across all our businesses,” said John Wall, senior vice president and chief financial officer. “With robust design activity and solid execution, we are raising our 2026 revenue outlook to 17% year-over-year growth.”

CFO Commentary

Commentary on the first quarter of 2026 financial results by John Wall, senior vice president and chief financial officer, is available at www.cadence.com/cadence/investor_relations.

Business Outlook

For fiscal year 2026, the company expects:

- 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 diluted net income per share in the range of \$4.39 to \$4.49
- Non-GAAP diluted net income per share in the range of \$7.85 to \$7.95

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

- Launched AgentStack, an orchestration framework for Cadence's AI Super Agents that enables knowledge sharing and extensibility from chips to 3D-IC and systems
- Launched ViraStack AI Super Agent for analog and custom design and the InnoStack AI Super Agent for digital implementation and signoff. Along with the ChipStack AI Super Agent for RTL and verification, Cadence now provides agentic AI solutions spanning the entire chip design spectrum
- Core EDA revenue grew 18% year-over-year, driven by expanding customer adoption of Cadence's AI-driven solutions, with continued strength in advanced digital implementation, custom, and verification at leading AI infrastructure and semiconductor customers
- Hardware delivered a record quarter, led by strong demand from AI and high-performance computing customers, along with growing adoption in automotive and robotics markets
- IP business achieved 22% year-over-year growth, fueled by robust demand from AI infrastructure, HPC, and automotive workloads and continued adoption of Cadence's Star IP portfolio, including HBM, LPDDR, PCIe, SerDes, and foundation IP
- System Design and Analysis revenue increased 18% year-over-year. With the close of the Hexagon D&E acquisition, Cadence added leading structural and multibody dynamics technologies and is well positioned to capitalize on the emerging Physical AI opportunity

Audio Webcast Scheduled

Anirudh Devgan, president and chief executive officer, and John Wall, senior vice president and chief financial officer, will host the first quarter 2026 financial results audio webcast today, April 27, 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 April 27, 2026 at 5 p.m. (Pacific) and ending June 16, 2026 at 5 p.m. (Pacific). Webcast access is available at 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.

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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, customer adoption and demand, strategic relationships, impact of Cadence's 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 repay debt or access capital and debt markets in the future; (vii) legislative or regulatory requirements; (viii) Cadence’s pending acquisitions, acquisition of the D&E business and other companies, businesses or technologies or the failure to successfully integrate and operate them; (ix) 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. 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 and settlement associated with an 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	
	March 31, 2026	March 31, 2025
GAAP operating margin as a percent of total revenue	29.3%	29.1%
Reconciling items to non-GAAP operating margin as a percent of total revenue:	(unaudited)	
Stock-based compensation expense	9.4%	8.7%
Amortization of acquired intangibles	3.4%	2.0%
Acquisition and integration-related costs	2.8%	1.8%
Restructuring	0.0%	0.0%
Non-qualified deferred compensation credits	(0.2)%	(0.1)%
Special charges	0.0%	0.2%
Non-GAAP operating margin as a percent of total revenue	44.7%	41.7%

Net Income Reconciliation

	Three Months Ended	
	March 31, 2026	March 31, 2025
(in thousands)	(unaudited)	
Net income on a GAAP basis	\$ 335,660	\$ 273,579
Stock-based compensation expense	138,183	107,613
Amortization of acquired intangibles	50,949	25,416
Acquisition and integration-related costs	41,258	23,105
Restructuring	(5)	(109)
Non-qualified deferred compensation credits	(2,826)	(1,573)
Special charges	—	1,988
Other income or expense related to foreign currency forward exchange contract and settlement associated with an acquisition	(3,135)	—
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	(11,177)	3,332
Income tax effect of non-GAAP adjustments	(13,380)	(2,939)
Net income on a non-GAAP basis	<u>\$ 535,527</u>	<u>\$ 430,412</u>

Diluted Net Income Per Share Reconciliation

	Three Months Ended	
	March 31, 2026	March 31, 2025
(in thousands, except per share data)	(unaudited)	
Diluted net income per share on a GAAP basis	\$ 1.23	\$ 1.00
Stock-based compensation expense	0.50	0.39
Amortization of acquired intangibles	0.19	0.09
Acquisition and integration-related costs	0.15	0.09
Restructuring	—	—
Non-qualified deferred compensation credits	(0.01)	(0.01)
Special charges	—	0.01
Other income or expense related to foreign currency forward exchange contract and settlement associated with an acquisition	(0.01)	—
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	(0.04)	0.01
Income tax effect of non-GAAP adjustments	(0.05)	(0.01)
Diluted net income per share on a non-GAAP basis	<u>\$ 1.96</u>	<u>\$ 1.57</u>
Shares used in calculation of diluted net income per share	273,725	273,631

For more information, please contact:

Cadence Investor Relations
 408-944-7100
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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
March 31, 2026 and December 31, 2025
(In thousands)
(Unaudited)

	March 31, 2026	December 31, 2025
Current assets:		
Cash and cash equivalents	\$ 1,406,668	\$ 3,001,317
Receivables, net	1,033,814	944,939
Inventories	317,951	303,545
Prepaid expenses and other	421,967	419,872
Total current assets	3,180,400	4,669,673
Property, plant and equipment, net	536,903	517,004
Goodwill	4,929,581	2,749,143
Acquired intangibles, net	1,933,262	718,223
Deferred taxes	843,209	917,733
Other assets	674,999	581,372
Total assets	\$ 12,098,354	\$ 10,153,148
Current liabilities:		
Revolving credit facility	\$ 425,000	\$ —
Accounts payable and accrued liabilities	863,910	856,856
Current portion of deferred revenue	873,598	778,435
Total current liabilities	2,162,508	1,635,291
Long-term liabilities:		
Long-term portion of deferred revenue	146,574	155,997
Long-term debt	2,481,170	2,480,150
Other long-term liabilities	746,639	407,529
Total long-term liabilities	3,374,383	3,043,676
Stockholders' equity	6,561,463	5,474,181
Total liabilities and stockholders' equity	\$ 12,098,354	\$ 10,153,148

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three Months Ended March 31, 2026 and March 31, 2025
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	March 31, 2026	March 31, 2025
Revenue:		
Product and maintenance	\$ 1,348,922	\$ 1,110,850
Services	125,298	131,516
Total revenue	<u>1,474,220</u>	<u>1,242,366</u>
Costs and expenses:		
Cost of product and maintenance	153,312	116,672
Cost of services	61,235	50,461
Marketing and sales	211,485	202,700
Research and development	508,437	439,102
General and administrative	88,217	63,098
Amortization of acquired intangibles	20,210	8,922
Restructuring	(5)	(109)
Total costs and expenses	<u>1,042,891</u>	<u>880,846</u>
Income from operations	431,329	361,520
Interest expense	(31,613)	(29,118)
Other income, net	28,387	23,290
Income before provision for income taxes	428,103	355,692
Provision for income taxes	92,443	82,113
Net income	<u>\$ 335,660</u>	<u>\$ 273,579</u>
Net income per share - basic	<u>\$ 1.23</u>	<u>\$ 1.01</u>
Net income per share - diluted	<u>\$ 1.23</u>	<u>\$ 1.00</u>
Weighted average common shares outstanding - basic	<u>272,061</u>	<u>271,973</u>
Weighted average common shares outstanding - diluted	<u>273,725</u>	<u>273,631</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Three Month Ended March 31, 2026 and March 31, 2025
(In thousands)
(Unaudited)

	Three Month Ended	
	March 31, 2026	March 31, 2025
Cash and cash equivalents at beginning of period	\$ 3,001,317	\$ 2,644,030
Cash flows from operating activities:		
Net income	335,660	273,579
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	84,622	52,916
Stock-based compensation	138,183	107,613
(Gain) loss on divestitures and investments, net	(13,925)	1,791
Deferred income taxes	73,128	(1,861)
ROU asset amortization and change in operating lease liabilities	(250)	(1,446)
Other non-cash items	1,629	862
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(18,548)	102,136
Inventories	(31,376)	15,018
Prepaid expenses and other	9,100	10,316
Other assets	(1,870)	12,237
Accounts payable and accrued liabilities	(232,568)	(69,621)
Deferred revenue	20,422	(14,377)
Other long-term liabilities	(8,425)	(2,142)
Net cash provided by operating activities	<u>355,782</u>	<u>487,021</u>
Cash flows from investing activities:		
Purchases of investments	(29,064)	(11,469)
Proceeds from the sale and maturity of investments	40,443	1,246
Proceeds from the sale of IP and other assets	—	11,500
Purchases of property, plant and equipment	(48,820)	(23,061)
Cash paid in business combinations, net of cash acquired	(2,074,534)	—
Net cash used for investing activities	<u>(2,111,975)</u>	<u>(21,784)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	425,000	—
Proceeds from issuance of common stock	72,610	76,789
Stock received for payment of employee taxes on vesting of restricted stock	(123,094)	(72,566)
Payments for repurchases of common stock	(200,000)	(350,007)
Net cash provided by (used for) financing activities	<u>174,516</u>	<u>(345,784)</u>
Effect of exchange rate changes on cash and cash equivalents	(12,972)	14,191
Increase (decrease) in cash and cash equivalents	<u>(1,594,649)</u>	<u>133,644</u>
Cash and cash equivalents at end of period	<u>\$ 1,406,668</u>	<u>\$ 2,777,674</u>

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of April 27, 2026
(Unaudited)

	Three Months Ending June 30, 2026	Year Ending December 31, 2026
	Forecast	Forecast
GAAP operating margin as a percent of total revenue	28.5% - 29.5%	27.5% - 28.5%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	9%	9%
Amortization of acquired intangibles	5%	5%
Acquisition and integration-related costs	2%	2%
Non-GAAP operating margin as a percent of total revenue [†]	44.5% - 45.5%	43.5% - 44.5%

† **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 April 27, 2026
(Unaudited)

	Three Months Ending June 30, 2026	Year Ending December 31, 2026
	Forecast	Forecast
Diluted net income per share on a GAAP basis	\$1.07 to \$1.13	\$4.39 to \$4.49
Stock-based compensation expense	0.54	2.06
Amortization of acquired intangibles	0.29	1.04
Acquisition and integration-related costs	0.10	0.40
Non-qualified deferred compensation credits	—	(0.01)
Other income or expense related to foreign currency forward exchange contract and settlement associated with an acquisition	—	(0.01)
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	—	(0.04)
Income tax effect of non-GAAP adjustments	0.02	0.02
Diluted net income per share on a non-GAAP basis†	<u>\$2.02 to \$2.08</u>	<u>\$7.85 to \$7.95</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.

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of April 27, 2026
(Unaudited)

(\$ in millions)	Three Months Ending June 30, 2026	Year Ending December 31, 2026
	Forecast	Forecast
Net income on a GAAP basis	\$296 to \$312	\$1,212 to \$1,239
Stock-based compensation expense	148	569
Amortization of acquired intangibles	79	286
Acquisition and integration-related costs	28	111
Non-qualified deferred compensation credits	—	(3)
Other income or expense related to foreign currency forward exchange contract and settlement associated with an acquisition	—	(3)
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	—	(11)
Income tax effect of non-GAAP adjustments	6	6
Net income on a non-GAAP basis†	<u>\$557 to \$573</u>	<u>\$2,167 to \$2,194</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.

CADENCE REPORTS FIRST QUARTER 2026

CADENCE DESIGN SYSTEMS, INC.

CFO COMMENTARY

Key Takeaways

- Exceeded Q1 revenue and EPS guidance
- Record backlog of ~\$8.0 billion
- Raising 2026 revenue growth outlook to ~17% at the midpoint

Q2 2026 Outlook

- Revenue: \$1.555 billion - \$1.595 billion
- GAAP operating margin: 28.5% - 29.5%
- Non-GAAP operating margin: 44.5% - 45.5%
- GAAP EPS: \$1.07 - \$1.13
- Non-GAAP EPS: \$2.02 - \$2.08
- Expect to use approximately \$200 million to repurchase Cadence shares in Q2

FY 2026 Outlook

- Revenue: \$6.125 billion - \$6.225 billion
- GAAP operating margin: 27.5% - 28.5%
- Non-GAAP operating margin: 43.5% - 44.5%
- GAAP EPS: \$4.39 - \$4.49
- Non-GAAP EPS: \$7.85 - \$7.95
- Operating cash flow: \$1.875 billion - \$1.975 billion
- Expect to use approximately 50% of free cash flow to repurchase Cadence shares for the year

Financial Results Webcast

Our Q1 2026 financial results webcast will begin April 27, 2026 at 2:00 p.m. (Pacific). The webcast may be accessed at www.cadence.com/cadence/investor_relations. An archive of the webcast will be available on April 27, 2026 until 5:00 p.m. (Pacific) on June 16, 2026.

Q1 2026 KEY METRICS

- Revenue: \$1.474 billion
- GAAP operating margin: 29.3%
- Non-GAAP operating margin: 44.7%
- GAAP EPS: \$1.23
- Non-GAAP EPS: \$1.96
- Operating cash flow: \$356 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	\$6,125- \$6,225
Revenue growth	11%	19%	15%	13%	14%	16% - 18%
3-year CAGR*	12%	15%	15%	16%	14%	~15%
GAAP operating expenses	\$ 2,209	\$ 2,488	\$ 2,839	\$ 3,291	\$ 3,805	\$4,421
GAAP operating expense growth	8%	13%	14%	16%	16%	~16%
Non-GAAP operating expenses	\$ 1,877	\$ 2,125	\$ 2,373	\$ 2,667	\$ 2,935	\$3,458
Non-GAAP operating expense growth	8%	13%	12%	12%	10%	~18%
GAAP operating margin	26.1%	30.1%	30.6%	29.1%	28.2%	27.5% - 28.5%
Non-GAAP operating margin	37.2%	40.3%	42.0%	42.5%	44.6%	43.5% - 44.5%
Rule of 40 Metric**	48.6%	59.5%	56.8%	56.0%	58.7%	~61%
GAAP earnings per share	\$ 2.50	\$ 3.09	\$ 3.82	\$ 3.85	\$ 4.06	\$4.39 - \$4.49
Non-GAAP earning per share	\$ 3.29	\$ 4.27	\$ 5.15	\$ 5.97	\$ 7.14	\$7.85 - \$7.95
Non-GAAP EPS growth*	18%	30%	21%	16%	20%	11 %
3-year Non-GAAP EPS CAGR*	21%	25%	23%	22%	19%	15 %
Weighted average diluted shares outstanding	278.9	275.0	272.7	273.8	273.3	275 - 277
Cash flow from operations	1,101	1,242	1,349	1,261	1,729	\$1,875 - \$1,975
Capital expenditures	65	123	102	143	142	~\$240

* At midpoint of outlook.

** Rule of 40 Metric = Revenue growth % + Non-GAAP operating margin %.

Profitability Trends

(In Millions)	2021	2022	2023	2024	2025	2026E*
Revenue	\$ 2,988	\$ 3,562	\$ 4,090	\$ 4,641	\$ 5,297	\$ 6,175
Revenue Growth	11%	19%	15%	13%	14%	17%
3-Year Revenue Growth CAGR	12%	15%	15%	16%	14%	15%
GAAP operating margin	26.1%	30.1%	30.6%	29.1%	28.2%	28%
Non-GAAP operating margin	37.2%	40.3%	42.0%	42.5%	44.6%	44.0%
Stock-based compensation	(7.0)%	(7.6)%	(8.0)%	(8.4)%	(8.6)%	(9.2)%
Non-GAAP operating margin adjusted for stock-based compensation	30.2%	32.7%	34.0%	34.1%	36.0%	34.8%
GAAP operating income	\$ 779	\$ 1,074	\$ 1,251	\$ 1,351	\$ 1,492	\$ 1,754
Non-GAAP operating income	\$ 1,111	\$ 1,436	\$ 1,717	\$ 1,974	\$ 2,361	\$ 2,717
Non-GAAP operating income adjusted for stock-based compensation	\$ 901	\$ 1,166	\$ 1,391	\$ 1,583	\$ 1,906	\$ 2,148

At midpoint of outlook.

Second Quarter 2026 Financial Outlook

	Q2 2025	Q1 2026	Q2 2026E
Total Revenue (\$ Millions)	\$ 1,275	\$ 1,474	\$1,555 - \$1,595
Q/Q Growth		2%	5% - 8%
Y/Y Growth		19%	22% - 25%
GAAP Operating Margin	19.0%	29.3%	28.5% - 29.5%
Non-GAAP Operating Margin	42.8%	44.7%	44.5% - 45.5%
GAAP EPS	\$ 0.59	\$ 1.23	\$1.07 - \$1.13
Non-GAAP EPS	\$ 1.65	\$ 1.96	\$2.02 - \$2.08

Fiscal Year 2026 Financial Outlook

	FY 2025	Previous FY 2026E	Current FY 2026E
Recurring Revenue	80%	~80%	~80%
Total Revenue (\$ Millions)	\$ 5,297	\$5,900 - \$6,000	\$6,125 - \$6,225
Y/Y Growth	14%	11% - 13%	16% - 18%
Revenue from Beginning Backlog	~69%	~67%	~66%
GAAP Operating Margin	28.2%	31.75% - 32.75%	27.5% - 28.5%
Non-GAAP Operating Margin	44.6%	44.75% - 45.75%	43.5% - 44.5%
GAAP Other Income & Expense (\$ Millions)	\$ 30	\$(43) - \$(33)	\$(101) - \$(81)
Non-GAAP Other Income & Expense (\$ Millions)	\$ (24)	\$(43) - \$(33)	\$(115) - \$(95)
GAAP Tax Rate	27.1%	~27%	~26%
Non-GAAP Tax Rate	16.5%	16.5%	16.5%
Weighted Average Diluted Shares Outstanding (Millions)	273.3	272.5 - 274.5	275 - 277
GAAP EPS	\$ 4.06	\$4.95 - \$5.05	\$4.39 - \$4.49
Y/Y Growth	5%	22% - 24%	8% - 11%
Non-GAAP EPS	\$ 7.14	\$8.05 - \$8.15	\$7.85 - \$7.95
Y/Y Growth	20%	13% - 14%	10% - 11%
Cash Flow from Operations (\$ Millions)	\$ 1,729	~\$2,000	\$1,875 - \$1,975
DSO	64	~55	~65
Capital Expenditures (\$ Millions)	\$ 142	~\$210	~\$240

First Quarter Financial Results**Backlog**

(In Billions)	2022	2023	2024	2025	Q1 2026
Backlog	\$ 5.8	\$ 6.0	\$ 6.8	\$ 7.8	\$ 8.0

Revenue

(In Millions)	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Product and Maintenance	\$ 1,111	\$ 1,170	\$ 1,208	\$ 1,332	\$ 1,349
Services	131	105	131	108	125
Total Revenue	\$ 1,242	\$ 1,275	\$ 1,339	\$ 1,440	\$ 1,474

Recurring and Up-Front Revenue

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Revenue Recognized Over Time	77 %	73 %	78 %	77 %	73 %
Other Recurring Revenue	5 %	5 %	4 %	2 %	4 %
Recurring Revenue	82 %	78 %	82 %	79 %	77 %
Up-Front Revenue	18 %	22 %	18 %	21 %	23 %
Total Revenue	100 %	100 %	100 %	100 %	100 %

Trailing Twelve Months Recurring and Up-Front Revenue

	Trailing Twelve Months Ended				Q1 2026
	Q1 2025	Q2 2025	Q3 2025	Q4 2025	
Recurring Revenue	82 %	80 %	80 %	80 %	79 %
Up-Front Revenue	18 %	20 %	20 %	20 %	21 %
Total	100 %	100 %	100 %	100 %	100 %

Revenue Mix by Geography

(% of Total Revenue)	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Americas	48 %	49 %	43 %	47 %	45 %
China	11 %	9 %	18 %	12 %	13 %
Other Asia	19 %	19 %	18 %	20 %	20 %
Europe, Middle East and Africa	16 %	16 %	14 %	14 %	16 %
Japan	6 %	7 %	7 %	7 %	6 %
Total	100 %	100 %	100 %	100 %	100 %

Revenue Mix by Product Category

(% of Total Revenue)	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Core EDA	71 %	71 %	71 %	69 %	71 %
Semiconductor IP	14 %	13 %	14 %	15 %	14 %
System Design and Analysis	15 %	16 %	15 %	16 %	15 %
Total	100 %	100 %	100 %	100 %	100 %

Gross Margin

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
GAAP Gross Margin	86.5 %	85.6 %	86.4 %	86.9 %	85.4 %
Non-GAAP Gross Margin	88.4 %	87.2 %	88.0 %	88.5 %	88.0 %

Total Costs and Expenses

(In Millions)	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Total GAAP Costs and Expenses	\$ 881	\$ 1,034	\$ 913	\$ 977	\$ 1,043
Total Non-GAAP Costs and Expenses	\$ 724	\$ 729	\$ 701	\$ 781	\$ 815

Operating Margin

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
GAAP Operating Margin	29.1 %	19.0 %	31.8 %	32.2 %	29.3 %
Non-GAAP Operating Margin	41.7 %	42.8 %	47.6 %	45.8 %	44.7 %

Net Income Per Share

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
GAAP Net Income Per Share	\$ 1.00	\$ 0.59	\$ 1.05	\$ 1.42	\$ 1.23
Non-GAAP Net Income Per Share	\$ 1.57	\$ 1.65	\$ 1.93	\$ 1.99	\$ 1.96

Total DSO

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
DSO	44	51	55	64	67

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

(In Millions)	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Net Cash from Operating Activities	\$ 487	\$ 378	\$ 311	\$ 553	\$ 356
Capital Expenditures	23	44	34	41	49
Free Cash Flow	\$ 464	\$ 334	\$ 277	\$ 512	\$ 307

Cash and Cash Equivalents

(In Millions)	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Cash and Cash Equivalents	\$ 2,778	\$ 2,823	\$ 2,753	\$ 3,001	\$ 1,407

- Approximately 21 percent of our cash and cash equivalents were in the U.S. at quarter-end.

Debt

(In Millions)	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Debt (principal value)	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,925

Share Repurchase

(In Millions)	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Share Repurchase	\$ 350	\$ 175	\$ 200	\$ 200	\$ 200
Number of Shares	1.361	0.607	0.584	0.613	0.671

Employees

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Headcount	12,837	13,152	13,693	13,800	15,110

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, customer adoption and demand, strategic relationships, impact of Cadence's 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 repay debt or access capital and debt markets in the future; (vii) legislative or regulatory requirements; (viii) Cadence's pending acquisitions, acquisition of the D&E business and other companies, businesses or technologies or the failure to successfully integrate and operate them; (ix) 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. 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.

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APPENDIX I

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

Reconciliation of GAAP Total Expenses to Non-GAAP Total Expenses

(In Millions)	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
GAAP total costs and expenses	\$ 881	\$ 1,034	\$ 913	\$ 977	\$ 1,043
Reconciling items to non-GAAP total costs and expenses					
Stock-based compensation expense	(108)	(118)	(116)	(113)	(138)
Amortization of acquired intangibles	(25)	(24)	(26)	(30)	(51)
Acquisition and integration-related costs	(23)	(26)	(37)	(49)	(41)
Restructuring	—	—	(27)	(2)	—
Non-qualified deferred compensation (expenses) credits	2	(8)	(6)	(2)	3
Special charges	(2)	—	—	—	—
Loss related to contingent liability*	—	(129)	—	—	—
Non-GAAP total costs and expenses**	\$ 724	\$ 729	\$ 701	\$ 781	\$ 815

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	\$ 4,421
Reconciling items to non-GAAP total costs and expenses						
Stock-based compensation expense	(210)	(270)	(326)	(391)	(455)	(569)
Amortization of acquired intangibles	(67)	(60)	(62)	(90)	(105)	(286)
Acquisition and integration-related costs	(23)	(41)	(56)	(96)	(135)	(111)
Restructuring	1	—	(11)	(24)	(29)	—
Non-qualified deferred compensation (expenses) credits	(6)	8	(11)	(11)	(14)	3
Special charges*	(27)	—	—	(3)	(2)	—
Loss related to contingent liability**	—	—	—	(8)	(129)	—
Non-GAAP total costs and expenses***	\$ 1,877	\$ 2,125	\$ 2,373	\$ 2,667	\$ 2,935	\$ 3,458

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	\$ 1,754
Reconciling items to non-GAAP operating income						
Stock-based compensation expense	210	270	326	391	455	569
Amortization of acquired intangibles	67	60	62	90	105	286
Acquisition and integration-related costs	23	41	56	96	135	111
Restructuring	(1)	—	11	24	29	—
Non-qualified deferred compensation expenses (credits)	6	(8)	11	11	14	(3)
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>\$ 2,717</u>
Stock-based compensation expense	<u>(210)</u>	<u>(270)</u>	<u>(326)</u>	<u>(391)</u>	<u>(455)</u>	<u>(569)</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>\$ 2,148</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

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
GAAP gross margin as a percent of total revenue	86.5%	85.6%	86.4%	86.9%	85.4%
Reconciling items to non-GAAP gross margin as a percent of total revenue					
Stock-based compensation expense	0.4%	0.4%	0.3%	0.3%	0.4%
Amortization of acquired intangibles	1.4%	1.1%	1.2%	1.3%	2.1%
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%	0.0%	0.1%
Non-GAAP gross margin as a percent of total revenue*	<u>88.4%</u>	<u>87.2%</u>	<u>88.0%</u>	<u>88.5%</u>	<u>88.0%</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.

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

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026E
GAAP operating margin as a percent of total revenue	29.1%	19.0%	31.8%	32.2%	29.3%	28.5% - 29.5%
Reconciling items to non-GAAP operating margin as a percent of total revenue						
Stock-based compensation expense	8.7%	9.3%	8.7%	7.9%	9.4%	9%
Amortization of acquired intangibles	2.0%	1.8%	1.9%	2.1%	3.4%	5%
Acquisition and integration-related costs	1.8%	2.0%	2.8%	3.4%	2.8%	2%
Restructuring	0.0%	0.0%	2.0%	0.1%	0.0%	0%
Non-qualified deferred compensation expenses (credits)	(0.1)%	0.6%	0.4%	0.1%	(0.2)%	0%
Special charges	0.2%	0.0%	0.0%	0.0%	0.0%	0%
Loss related to contingent liability*	0.0%	10.1%	0.0%	0.0%	0.0%	0%
Non-GAAP operating margin as a percent of total revenue**	41.7%	42.8%	47.6%	45.8%	44.7%	44.5% - 45.5%

* 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%	27.5% - 28.5%
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%	5%
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>43.5% - 44.5%</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>	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026E
Diluted net income per share on a GAAP basis	\$ 1.00	\$ 0.59	\$ 1.05	\$ 1.42	\$ 1.23	\$1.07 - \$1.13
Stock-based compensation expense	0.39	0.43	0.42	0.41	0.50	0.54
Amortization of acquired intangibles	0.09	0.09	0.10	0.11	0.19	0.29
Acquisition and integration-related costs	0.09	0.09	0.14	0.18	0.15	0.10
Restructuring	—	—	0.10	0.01	—	—
Non-qualified deferred compensation expenses (credits)	(0.01)	0.03	0.02	0.01	(0.01)	—
Special charges	0.01	—	—	—	—	—
Loss related to contingent liability*	—	0.47	—	—	—	—
Other income or expense related to foreign currency forward exchange contract and settlement associated with an acquisition	—	—	0.07	0.04	(0.01)	—
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	0.01	(0.17)	0.03	(0.18)	(0.04)	—
Income tax effect of non-GAAP adjustments	(0.01)	0.12	—	(0.01)	(0.05)	0.02
Diluted net income per share on a non-GAAP basis**	<u>\$ 1.57</u>	<u>\$ 1.65</u>	<u>\$ 1.93</u>	<u>\$ 1.99</u>	<u>\$ 1.96</u>	<u>\$2.02 - \$2.08</u>
Shares used in calculation of diluted net income per share	273,631	272,899	273,798	272,932	273,725	

* 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	\$4.39 - \$4.49
Stock-based compensation expense	0.75	0.98	1.19	1.43	1.67	2.06
Amortization of acquired intangibles	0.24	0.22	0.23	0.33	0.38	1.04
Acquisition and integration-related costs	0.08	0.15	0.21	0.35	0.49	0.40
Restructuring	—	—	0.04	0.09	0.11	—
Non-qualified deferred compensation expenses (credits)	0.02	(0.03)	0.04	0.04	0.05	(0.01)
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 and settlement associated with an acquisition	—	—	—	—	0.11	(0.01)
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)	(0.04)
Income tax effect of non-GAAP adjustments	(0.37)	(0.19)	(0.21)	0.06	0.10	0.02
Diluted net income per share on a non-GAAP basis***	\$ 3.29	\$ 4.27	\$ 5.15	\$ 5.97	\$ 7.14	\$7.85 - \$7.95
Shares used in calculation of diluted net income per share	278,858	275,011	272,748	273,833	273,312	275 - 277M

* 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	\$(101) - \$(81)
Reconciling items to non-GAAP total income and expense			
Other income or expense related to foreign currency forward exchange contract and settlement associated with an acquisition	—	29	(3)
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	(61)	(83)	(11)
Non-GAAP total other income and expense*	<u>\$ (16)</u>	<u>\$ (24)</u>	<u>\$(115) - \$(95)</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.