SYNOPSYS®

These Prepared Remarks contain forward-looking statements, including, but not limited to, statements regarding Synopsys, Inc.'s ("***Synopsys***", "***our***" or "***we***") short-term and long-term financial targets, expectations and objectives, including, among others, our long-term financial objectives, which include the anticipated effects of our pending acquisition of ANSYS, Inc. (the "***Ansys Merger***"); strategies related to our products, technology and services; business and market outlook, opportunities, strategies and technological trends, such as artificial intelligence; the Ansys Merger, including, among other things, its anticipated benefits; planned dispositions and their expected impact, such as the previously announced divestiture of our Software Integrity business (the "***Software Integrity Divestiture***"); the potential impact of the uncertain macroeconomic and geopolitical environment on our financial results; the expected impact of U.S. and foreign government actions and regulatory changes, including export control restrictions, on our financial results; customer demand and market expansion; our planned product releases and capabilities; industry growth rates; the expected realization of our contracted but unsatisfied or partially unsatisfied performance obligations (backlog); software trends; planned stock repurchases; our expected tax rate; and the impact and result of pending legal, administrative and tax proceedings. These statements involve risks, uncertainties and other factors that could cause our actual results, time frames or achievements to differ materially from those expressed or implied in such forward-looking statements. Such risks, uncertainties and factors include, but are not limited to: macroeconomic conditions and geopolitical uncertainty in the global economy; uncertainty in the growth of the semiconductor and electronics industries; the highly competitive industry we operate in; actions by the U.S. or foreign governments, such as the imposition of additional export restrictions or tariffs; consolidation among our customers and our dependence on a relatively small number of large customers; risks and compliance obligations relating to the global nature of our operations; failure to complete the Ansys Merger on the terms described in our filings with the SEC, if at all; failure to obtain required governmental approvals related to the Ansys Merger or the imposition of conditions to such governmental approvals that may have an adverse effect on us; failure to realize the benefits expected from the Ansys Merger; failure to complete the Software Integrity Divestiture, or the Software Integrity Divestiture disrupting our business or failing to achieve its intended benefits; and more. Additional information on potential risks, uncertainties and other factors that could affect Synopsys' results is included in filings we make with the Securities and Exchange Commission (the "***SEC***") from time to time, including in the sections entitled "Risk Factors" in our latest Annual Report on Form 10-K and in our latest Quarterly Report on Form 10-Q. The financial information contained in these Prepared Remarks should be read in conjunction with the consolidated financial statements and notes thereto included in Synopsys' most recent reports on Forms 10-K and 10-Q, each as may be amended from time to time. Synopsys' financial results for its fourth quarter and fiscal year 2024 are not necessarily indicative of Synopsys' operating results for any future periods. The information provided herein is as of December 4, 2024. Although these Prepared Remarks are expected to remain available on Synopsys' website through the date of the earnings results call for the first quarter fiscal year 2025, their continued availability through such date does not mean that Synopsys is reaffirming or confirming their continued validity. Synopsys undertakes no duty, and does not intend, to update any forward-looking statement, whether as a result of new information, future events or otherwise, unless required by law.

These Prepared Remarks also contain non-GAAP financial measures as defined by the SEC in Regulation G. Reconciliations of certain non-GAAP financial measures to their most closely applicable GAAP measures are included in the third quarter fiscal year 2024 earnings release and financial supplement, each dated December 4, 2024 and available on Synopsys' website at www.synopsys.com. Additional information about such reconciliations can be found in Exhibit 99.1 of Synopsys' Current Report on Form 8-K, filed with the SEC on December 4, 2024.

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Good afternoon. We delivered a strong finish to the year, exceeding the midpoint of our Q4 guidance targets, which caps another record revenue year for Synopsys. A big thank you to our customers, partners and the entire Synopsys team. In FY24, we grew revenue 15% year-over-year and crossed the $6 billion mark only three years after crossing the $4 billion mark. This is a big achievement considering it took us 35 years to achieve $4 billion. We've also expanded the bottom line, with EPS growing at a 24% CAGR over the last 5 years.

FY24 was also a transformational year for the company. We sharpened our focus on growth segments with the successful sale of our Software Integrity business, and we doubled down on our Silicon to Systems strategy with the pending acquisition of Ansys. Let me take a few minutes to share some business highlights, and then Shelagh will discuss the financials in more detail.

Technology is at a strategic inflection point that presents unprecedented opportunity for Synopsys - from silicon to systems. We are operating in an era of pervasive intelligence, which fuels our momentum and is underpinned by multiple secular growth drivers: the megatrend of AI, silicon proliferation, and software-defined systems.

Unlike the broader semiconductor market, which can be cyclical in nature, Synopsys' success is tied to technology innovation cycles. The AI-driven reinvention of compute is accelerating the pace, scale and systemic complexity of technology R&D, which in turn expands our opportunity. AI and HPC chip design starts continue at a relentless pace, while end-demand in industries like industrial, auto, and consumer electronics are recovering more slowly. However, all industries are investing for their AI-future and Synopsys will be a strategic partner in helping them realize their ambitions.

Our planned acquisition of Ansys will further our growth into new, adjacent areas. Together, we can deliver on the engineering need for new AI-powered design solutions that fuse electronics and physics, giving R&D teams unprecedented insight into products under development.

The regulatory review process is proceeding as expected. I'm pleased to announce that this week the HSR waiting period has expired, and we are working cooperatively with the FTC staff to conclude the investigation and their review of our proposed remedies. This marks an important milestone towards close, which we continue to expect in the first half of 2025. We're also making strong progress with other regulatory agencies, and customers remain overwhelmingly supportive of this pro-competitive deal.

Looking ahead to 2025, at a high-level, we expect to deliver double digit revenue growth and 40% operating margin. We will remain focused on execution excellence and operating discipline while balancing our guidance with pragmatism, given we are readying our company for the largest acquisition in our history, and continue to manage macro uncertainties in some geographies. Shelagh will discuss the guidance in more detail.

Let's move to segment business highlights starting with Design Automation. Q4 Design Automation revenue was up 17% year-over-year and full-year revenue was up 12% vs 2023. Our unparalleled Design Automation portfolio provides holistic insight across the flow and includes our industry-leading Fusion Compiler. Fusion Compiler leadership was evident in Q4 as a leading US HPC customer leveraged Fusion Compiler to deliver their first TSMC N2 production tapeout, and a leading hyperscaler taped out a novel new SoC on TSMC N4.

Since 2020, we've been the pioneers in adding AI optimization engines to our products. We now have Synopsys.ai solutions across the design flow that are delivering extraordinary customer results. Customers have now used DSO.ai to optimize over 700 cumulative tapeouts and have deployed DSO.ai in up to 90% of SoC blocks on some chips. VSO.ai deployments are also accelerating, with one customer seeing up to 4X improvement in hardware utilization and another achieving 2X faster turnaround time. We are also augmenting the capability of Synopsys.ai by bringing the power of generative AI to our platform. We've now expanded coverage of co-pilot knowledge assistants to eleven EDA products with our customers seeing 30 to 60% faster time-to-results versus traditional approaches on our flagship products with both hosted commercial large language models and on-prem deployments with open source LLMs. We and our customers are reskilling and redefining workflow using AI, but this is only the beginning. AI is evolving from "a discrete capability" to becoming an essential and ubiquitous part of everything we do.

We are also on the cusp of a massive architectural revolution in semiconductors…multi-die. Acceleration in multi-die designs opens a new frontier in chip architecture, but also ushers in daunting complexities that require the integration of design and multi-physics to solve. Today, multi-die is the domain of a small group of customers, but third parties estimate that by 2027, 90% of HPC/AI designs and 70% of PC designs will be multi-die. Multi-die adoption is also increasing the use of advanced manufacturing nodes, a positive trend for Synopsys. We're partnering with ecosystem leaders like TSMC to improve predictability and yield for multi-die designs. In Q4, TSMC completed a multi-die test chip tapeout, demonstrating the industry's only end-to-end unified solution comprising of 3DIC compiler, silicon life cycle management, Synopsys test solutions, UCI-e and Synopsys.ai. In this case, AI-driven analysis using 3DSO.ai was deployed to address thermal and power integrity challenges for CoWoS interposer packaging. The real game-changer for multi-die will be a design environment that fuses design automation and multi-physics simulation in a unified platform. That's a key part of the value proposition for Ansys, and why our customers are so supportive of that transaction.

Closing out on design automation, we had another record year in our hardware business with exceptional momentum on both HAPS and ZeBu product lines. During Q4, we had over 50 repeat HAPS customers and more than 10 new customers. Notable among those wins, a US hyperscaler deployed a large HAPS implementation for PCIe 6 software bring-up for AI workloads. ZeBu EP momentum also continued with customers seeing value in the reconfigurability of our system to enable all emulation and prototyping use cases. In the quarter, we saw 7 repeat customers and 8 new customers for ZeBu EP, with a key IP customer deploying ZeBu because of the unique reconfigurability of the platform.

On to Design IP**,** which was roughly flat in Q4 against a very strong prior year compare. For the full-year, Design IP delivered 24% revenue growth with five points of adjusted operating margin accretion. Design activity continued to be robust for high-performance computing customers with seven PCIe 6 design wins spanning hyperscaler and semiconductor accounts. Protecting data over high-speed interfaces continues to be a critical need and in Q4, we saw another seven wins for security integrity and data encryption over PCIe 6 and CXL 3. We also continue to push technology differentiation in our Ethernet products. In Q4, we achieved the industry's first multi-vendor 800G Ethernet demonstration at ECOC 2024, proving the robustness and interoperability of our IP.

With the rapid acceleration of multi-die designs, there is significant demand for increased throughput and this quarter we announced the industry's only complete 40G UCIe solution that includes controller, PHY and our verification IP. This IP offers 25% higher bandwidth than the UCIe spec with no impact on energy efficiency or area. We secured two 40G UCIe design wins in the quarter and ended the year with more than 20 die-to-die design wins. We also saw strength in automotive in the fourth quarter as electrification, infotainment and ADAS features continue to drive strong demand for our comprehensive automotive IP portfolio with wins at multiple leading automotive SoC vendors. In an industry first, we achieved the third-party certification of 40Gbps USB4 IP, an IP title which is vital for automotive and mobile markets.

Switching to manufacturing, where we take great pride in our role as the IP technology on-ramp to the world's foundries. We were proud to receive TSMC's 2024 partner of the year award for Interface IP, acknowledging our collaborative success for Synopsys interface IP on TSMC's most advanced processes.

Before closing out I want to highlight the power of our technology portfolio with a key company-wide design win. This quarter we strengthened our decades-long partnership with Arm, aligning our roadmaps to the needs of our mutual customers. As a key partner in Arm Total Design, we are integrating Arm Compute Subsystems with our industry leading IP, AI-driven EDA solutions and industry-leading hardware accelerated verification solutions. Together, Arm and Synopsys deliver differentiated solutions delivering the next generation of chiplets, SoCs and systems across AI/HPC, Automotive, Mobile/PC and IoT.

A few closing comments before we transition to Shelagh's remarks. We have strong momentum across the business supported by multiple secular growth drivers. We have a very resilient business model, and are mission-critical to our customers' innovation. We are aligning our portfolio investment with the greatest return potential and aligning our operations to accelerate our growth. Thank you to our employees and partners for a transformative 2024. We look forward to igniting our customers' ingenuity in 2025 and beyond. With that, I'll turn it over to Shelagh.

Thank you, Sassine. 2024 was an excellent year highlighted by record revenue, record non-GAAP operating margin, and record earnings. We continue our strong execution with financial discipline and are confident in our business heading into 2025 – driven by our strong momentum across the business, leading technology that is mission-critical to our customers, and a resilient and stable business model, with non-cancellable backlog of $8.1 billion.

As we look into 2025, I want to highlight a few changes compared to 2024. In 2024, we had the benefit of an extra week or approximately $70.5 million in revenue. Also, as mentioned in the 8-K filed last week, we are changing our fiscal year from a 52/53-week period ending on the Saturday nearest to October 31st to end on October 31st of each year.

While design activity remains robust, we are taking a balanced view in 2025 given the impact of the fiscal periods, macro uncertainties, and a pragmatic view of China. For 2025, we expect to: grow revenue 10.1-11.1%, or 11.5-12.5% excluding the impact of the extra week and calendar year change, expand non-GAAP operating margin by approximately 150 basis points, and drive non-GAAP EPS growth of approximately 13%.

Let me provide some highlights of our full-year 2024 results, which are presented on a continuing operations basis. We generated total revenue of $6.13 billion, up 15% over the prior year, with double-digit growth across all products and geographies. Total GAAP costs and expenses were $4.77 billion, and total non-GAAP costs and expenses were $3.77 billion, resulting in non-GAAP operating margin of 38.5%. GAAP earnings per share were $9.25, and non-GAAP earnings per share were $13.20, up 25% year over year.

Now, onto our segments. Design Automation segment revenue was $4.22 billion, up 12%, driven by strength in EDA software and hardware. Design Automation adjusted operating margin was 38.7%. Design IP segment revenue was $1.91 billion, up 24%, driven by broad-based strength. Design IP adjusted operating margin was 38.3%. Turning to cash, operating cash flow for the year was $1.4 billion, and free cash flow was $1.28 billion. We ended the year with cash and short-term investments of $4.05 billion, and total debt of $15.6 million.

Now to our targets. We expect the first half/second half split of roughly 45%/55% for revenue, which is more second half weighted vs. 2024's 48/52 mix based on two drivers: the first driver is ten fewer days in first half of 2025 vs. 2024 due to the extra week and fiscal calendar change, an impact of approximately $100 million; and the second driver is our current assessment of the timing of IP and hardware deliveries. Similarly, we expect the first half/second half split of non-GAAP EPS to be 40%/60% based on our current assumptions for expenses.

In 2025, the full year targets are: revenue of $6.745 to $6.805 billion; total GAAP costs and expenses between $4.93 and $4.98 billion; total non-GAAP costs and expenses between $4.05 and $4.09 billion resulting in non-GAAP operating margin of 40% at the mid-point; non-GAAP tax rate of 16%, one point higher than the rate in 2024; GAAP earnings of $10.42 to $10.63 per share; non-GAAP earnings of $14.88 to $14.96 per share; cash flow from operations of approximately $1.8 billion, and free cash flow of approximately $1.6 billion. Our guidance for cash flow includes the impact of approximately $100 million for deal related costs and approximately $130 million of cash taxes from the sale of our Software Integrity business.

Now to the targets for the first quarter: revenue between $1.435 and $1.465 billion; total GAAP costs and expenses between $1.14 and $1.16 billion; total non-GAAP costs and expenses between $945 and $955 million; GAAP earnings of $1.81 to $1.95 per share; and non-GAAP earnings of $2.77 to $2.82 per share. Our press release and financial supplement include additional targets and GAAP to non-GAAP reconciliations.

Building on a record 2024, we are well positioned entering 2025 driven by relentless execution and leadership position across our segments, mission-critical products to enable our customers' innovation, and a stable and resilient business model. With that, I'll turn it over to the operator for questions