



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; our businesses, business segments, strategies, partnerships, initiatives and opportunities, including, among other things, the reallocation of resources in our Design IP segment to higher growth opportunities and planned restructuring activities; industry growth and technological trends, such as artificial intelligence; business and market outlook; the macroeconomic environment and global economic conditions; the impact of current and future U.S. and foreign trade regulations, government actions and regulatory changes, such as export control restrictions and tariffs, including the anticipated impact of China export control restrictions; the Ansys integration and its expected impact, including expected synergies and the timing thereof and our ability to create joint solutions as a combined company; planned dispositions and their expected impact; our key customers, customer concentration, customer demand and market expansion; product development and our planned product releases and capabilities; the expected realization of our contracted but unsatisfied or partially unsatisfied performance obligations (backlog); planned stock repurchases; our expected tax rate; and the impact and result of pending legal, regulatory, 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 realize the benefits expected from our recent acquisition of ANSYS, Inc. (Ansys Merger) or unexpected difficulties or expenditures arising therefrom; risks related to inaccuracies in, or failures to achieve, our operational and business metrics or forecasts of growth; 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 first quarter of fiscal year 2026 are not necessarily indicative of Synopsys' operating results for any future periods. The information provided herein is as of February 25, 2026. Although these Prepared Remarks are expected to remain available on Synopsys' website through the date of the earnings results call for the second quarter of fiscal year 2026, 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 first quarter of fiscal year 2026 earnings release and financial supplement, each dated February 25, 2026 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 February 25, 2026.

Good afternoon. We're off to a strong start as we enter our 40th anniversary year with an expanded portfolio, leadership positions across the business, and the most compelling roadmap in our history. In Q1, we achieved revenue at the high end of our guidance and non-GAAP EPS exceeded guidance. 2025 was a year that transformed the company. 2026 is the year we begin delivering on the technology promise of Synopsys plus Ansys. Let me take a few minutes to address market trends shaping our opportunity and provide some highlights from the quarter. After that, Shelagh will take you through the financials in more detail.

First the market trends, starting with AI. We continue to see a tale of two markets. On the one hand, the multi-trillion-dollar AI infrastructure buildout continues, unabated. That's driving system-level and semiconductor R&D with continued, robust design start activity for AI compute. At the same time, design starts in markets like consumer, automotive and industrial remain subdued despite signals of modest recovery. AI's rapid progress is also prompting healthy debate about whether it will disrupt established software companies. Let me explain why we're different. Our deep tech solutions power the world's most complex engineering efforts. Synopsys' decades of deep domain expertise, proprietary codebases and solvers, and native foundry design technology co-optimizations deliver optimal, deterministic, silicon-proven results that probabilistic AI models do not replicate.

While AI will transform engineering software, Synopsys is already leading that transformation. We're pioneering AI driven design capabilities in our products that deliver orders of magnitude productivity gains for our customers and pave the way for AgentEngineers with increasing levels of autonomy. One highlight, among many this quarter, was receiving World Economic Forum honors for our work with AMD to advance AI-accelerated chip design. AI isn't disrupting our business; it's amplifying our strategic advantage.

Another market trend and tailwind for Synopsys is the engineering transformation away from physical testing towards digital twins. To build smarter, more connected products at pace and at scale, companies are investing in advanced design automation, simulation and digital twins as a competitive imperative. There is incredible demand for silicon-to-systems solutions that can enable holistic, software/hardware co-design to accelerate, de-risk and reduce the cost of building AI-powered products. Our combined Synopsys plus Ansys portfolio is increasingly mission critical to the innovation of industries spanning semiconductors, aerospace, mobility, energy, and advanced manufacturing. We'll have a lot more to say about this in a couple weeks at our Synopsys Converge conference.

Turning to Q1 business highlights. The global Synopsys team executed well, against the backdrop of continued geo-political and macro uncertainty as China headwinds persist. Let me share some segment highlights from the quarter.

First, Design Automation. We saw continued strength in hardware, with major competitive wins at both new and existing customers, including a marquee emulation win versus the incumbent at a leading AI/HPC customer. With growing demand for software-defined, configurable systems supporting both emulation and prototyping, as well as a strong 2026 roadmap, we're well positioned to capture the expanding digital twin opportunity across industries.

In EDA, we also saw sustained momentum across three trends: first, the application of AI across the stack. Major semi and hyperscale customers using Synopsys.ai have seen up to 50% faster knowledge assistance, up to 70% faster workflow assistance and up to 5X faster formal testbench generation. Our AgentEngineer technology is advancing rapidly, and we have several customer engagements underway with agents across design and verification. Second, leadership in multi-die. Multi-die momentum accelerated as leading semiconductor and foundry customers adopted Synopsys' 3DIC Compiler platform, leveraging automation and AI-driven optimization with our industry-leading multiphysics analysis tools to improve signal and power integrity quality of results, enhance thermal efficiency, and speed up design convergence. And third, sustained design-win momentum at advanced nodes with our digital flow (including Fusion Compiler and PrimeTime) achieving 100% usage on critical tapeouts at 2nm and below.

Moving to Ansys, which delivered a strong Q1 performance driven by robust demand for system level digital engineering, multiphysics simulation, and AI enabled design flows. We won large, multi-year agreements across aerospace, hyperscale, industrial and automotive. With Ansys as part of Synopsys, we now support more than 90% of the top 100 automotive suppliers, and at CES in January we showcased how AI-driven simulation is helping customers like Audi reduce physical prototyping and shorten development cycles. Our confidence in this business is only increasing as global demand for electrification, autonomy, digital twins, advanced semiconductor design, and mission engineering remain resilient and expanding.

Turning to Design IP, which performed in-line with expectations. As we've said, 2026 is a transitional year for the IP business and we're focused on aligning to the fastest-growing segments of the silicon market. We're making progress on this front. The planned sale of our processor IP solutions business to GlobalFoundries sharpens our focus on extending our leadership positions in interconnect and foundation

IP. As interconnect standards evolve at an unprecedented pace, customers count on Synopsys' 'one-generation-ahead' approach, and in Q1 we saw continued strong demand for high-speed protocol IP. We achieved more than 40 PCIe design wins in the quarter with HPC and automotive customers, achieved an industry-first demonstration of PCIe 8.0 and established first-to-market position with our 224G SERDES on advanced nodes at leading foundries with 10 lifetime wins. We continue to expect muted FY26 growth in IP, with sequential improvement given our roadmap and sales pipeline. Longer term, several industry trends give us conviction in the growth trajectory of the business. This includes the global expansion of foundries and accelerated node transitions; standards advancing at an unprecedented pace; and increasing demand for chiplets and subsystems.

Our 40th anniversary year is off to a great start with operational excellence, financial discipline, and the most competitive, compelling roadmap ever. Our priority for FY26 remains on driving sustainable growth and margin expansion by advancing our technology leadership with holistic, integrated silicon to system engineering solutions, by pioneering AI-driven engineering, and focusing our IP portfolio for growth and efficiently scaling to accelerate our strategy. The Ansys integration is well underway. It's great how our teams have come together at pace to solve engineering's biggest challenges. We'll have a lot more to say and show at Synopsys Converge in March. I look forward to seeing many of you there. Now over to Shelagh.

Thank you, Sassine. As Sassine noted, Q1'26 marked a strong start to the year with revenue at the upper end of our guided range, non-GAAP operating margin of 42.1% and non-GAAP EPS above guidance. These results reflect strong execution and financial discipline across the business. Backlog ended at \$11.3 billion underscoring our strong and resilient business model. As a result, we are re-iterating our full year revenue, non-GAAP operating margin and cash flow guidance, while raising our non-GAAP EPS guidance for the full year.

I'll now review our first quarter results. All comparisons are year-over-year, unless otherwise stated. As a reminder, our Q1'25 compares include the Optical Solutions Group, which was divested in Q4'25. We generated total revenue of \$2.41 billion, coming in at the high end of our guidance, primarily due to timing of Ansys deals. Ansys revenue was approximately \$886 million, reflecting our leadership simulation and analysis portfolio and exceptional execution in the seasonally strong quarter. Geographically, China grew approximately 21% year over year, due to the inclusion of Ansys. Excluding Ansys, China revenue declined slightly year over year, consistent with our outlook. Total GAAP costs and expenses were \$2.2 billion. Total non-GAAP costs and expenses were \$1.4 billion, at the low end of our guided range due to timing, resulting in non-GAAP operating margin of 42.1%. GAAP earnings per

share were \$0.34. Non-GAAP earnings per share were \$3.77, coming in ahead of expectations on revenue and expense timing, as well as lower net other and interest expense.

Now, onto our segments. Design Automation segment revenue was approximately \$2 billion. In addition to strength in Ansys, the segment saw strong growth in hardware assisted verification, partially offset by the Optical Solutions Group divestiture. Design Automation adjusted operating margin was 47.3%. Design IP segment revenue was \$407 million, down approximately 6% year over year, and flat sequentially. We continue to expect fiscal year 26 to be a transitional year for the business as our IP roadmap continues to make steady progress. Design IP adjusted operating margin was 16.2%. Free cash flow was approximately \$822 million in Q1, and we ended the quarter with cash and short-term investments of \$2.2 billion. Total debt at the end of Q1 was \$10 billion. We have repaid the entirety of the \$4.3 billion of term loans, consistent with our commitment last quarter.

Now to guidance. Our full year targets are total revenue of \$9.56 billion to \$9.66 billion. We continue to expect Ansys revenue contribution of \$2.9 billion at the mid-point, growing double digits. Total GAAP costs and expenses between \$8.46 billion and \$8.60 billion; total non-GAAP costs and expenses between \$5.69 and \$5.75 billion; resulting in non-GAAP operating margin of 40.5% at the mid-point. GAAP earnings of \$2.21 to \$2.62 per share; non-GAAP earnings of \$14.38 to \$14.46 per share, up \$0.06 from our prior guidance due to lower net other and interest expense in Q1. We still expect cash flow from operations of approximately \$2.2 billion and capex of approximately \$300 million, resulting in free cash flow of approximately \$1.9 billion. With the term loans fully paid off, and a strong cash position, our board of directors has replenished our existing stock repurchase program with authorization to purchase up to \$2.0 billion of our common stock. Our capital allocation priority will continue to be investing in the business, with the flexibility to opportunistically repurchase shares, while paying down debt. Now to the targets for the second quarter: total Revenue between \$2.225 and \$2.275 billion; total GAAP costs and expenses between \$2.02 and \$2.085 billion; total non-GAAP costs and expenses between \$1.38 and \$1.41 billion; GAAP earnings of \$0.23 to \$0.43 per share; and non-GAAP earnings of \$3.11 to \$3.17 per share. Our press release and financial supplement include additional targets and GAAP to non-GAAP reconciliations.

In conclusion, 2026 is off to a strong start and we're executing to the priorities we laid out at the beginning of the year. With our broad leadership portfolio, expansive market opportunity, and technology trends that play to our strengths, we are focused on executing with financial discipline as we solve our customers' biggest engineering challenges from silicon to systems. With that, I'll turn it over to the operator for questions.