



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, including our development and planned commercialization thereof; business and market outlook; the potential impact of the uncertain macroeconomic environment and global economic conditions on our financial results; the impact of current and future U.S. and foreign trade regulations, government actions and regulatory changes, such as export control restrictions and tariffs; the ANSYS, Inc. ("**Ansys**") integration and its expected impact, including expected synergies and the timing thereof, our ability to create joint solutions as a combined company, and related accounting changes; planned acquisitions or divestitures, including the expected completion of the sale of the Processor IP Solutions business, and their anticipated timing and impact; our key customers, customer concentration, customer engagement, customer demand and market expansion; results and strategies related to our products, technology and services, including 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 status, expected outcome or expected impact of litigation and/or regulatory investigations. 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 the transactions we complete, including the acquisition of ANSYS 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 second quarter of fiscal year 2026 are not necessarily indicative of Synopsys' operating results for any future periods. The information provided herein represents Synopsys' expectations and beliefs as of May 27, 2026. Although these Prepared Remarks are expected to remain available on Synopsys' website through the time Synopsys announces its results for the third quarter of fiscal year 2026, their continued availability through such time 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 second quarter of fiscal year 2026 earnings release and financial supplement, each dated May 27, 2026 and available in the investor relations portion of Synopsys' corporate 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 May 27, 2026.

Good afternoon. Synopsys delivered a strong second quarter, exceeding guidance on revenue, non-GAAP operating margin, and non-GAAP EPS, driven by solid execution and continued AI-driven demand strength. This is an exceptional moment to be the leading engineering solutions provider. EDA, IP and Multiphysics simulation have emerged as essential capabilities in the AI supply chain.

AI is scaling semiconductor demand, architectural diversity and complexity of both chips and the systems they power, driving increased demand across our portfolio. Our opportunity is expanding as customers design increasingly complex systems from silicon to full-scale AI infrastructure and physical AI; requiring more integrated engineering solutions across design, simulation, and system validation. Synopsys is uniquely positioned to capture this opportunity, and our recent Synopsys Converge event showcased the depth of our expanded portfolio and the strength of our roadmap.

Zooming out, Q2 further reinforced my confidence in our strategy and trajectory. Our global team showed continued, strong execution on the Synopsys-Ansys integration, disciplined focus on higher-value IP opportunities, and engineering excellence to advance our differentiated innovation pipeline with agentic AI and Multiphysics Fusion technology. I look forward to diving deeper on these topics, along with our strategy to increase value capture and expand margins, at our Investor Day in September.

Based on our momentum, leadership roadmap, and market signals, we are raising our full-year 2026 revenue, operating margin, EPS and free cash flow guidance. I'll cover segment highlights before handing over to Shelagh for the financial details.

Design Automation delivered a strong quarter, reflecting robust AI-driven design activity and sustained demand for advanced-node and 3DIC solutions, where Synopsys EDA leads. Hardware-assisted verification remained a key growth driver, with particular demand from hyperscaler and leading semiconductor customers who are scaling emulation and prototyping for increasingly complex AI designs. This drove multiple, strategic system wins across ZS5, ZeBu and HAPS-200.

In EDA, our leadership in 3DIC is translating into production-scale adoption. For example, in Q2, a leading HPC provider successfully taped out an incredibly complex next-generation AI accelerator using Synopsys' unified, multiphysics-aware, design-to-signoff solution. This demonstrates the production-proven capability of our 3DIC Compiler platform, and we expect sustained adoption as next-generation AI designs increasingly move to multi-die and chiplet-based architectures. We also continue to

lead at advanced nodes, with over 30 full-flow technical wins in the quarter driven by our ability to deliver superior PPA for increasingly complex designs.

Across our EDA portfolio, we are extending our competitive advantage by pioneering new capabilities including Multiphysics Fusion, GPU-accelerated computing, and AI-driven automation. Early results for our forthcoming Multiphysics Fusion technology demonstrate meaningful productivity gains, including up to 3x faster design closure with higher ECO success rates, and up to 2x faster turnaround times for complex analog designs, compared to traditional flows. Multiphysics Fusion is currently in expanding trials with leading customers and will begin ramping into commercial availability in the second half of 2026.

As we deliver more value to customers, we expect to share in that value creation as contracts are renewed and expanded. For example, we're seeing early signs of monetization with GPU-accelerated EDA, a premium capability, driving both increased customer value and contract up-lift. We're also advancing AI-driven design. Our agentic EDA capabilities are gaining traction with 20 customers now evaluating solutions across more than 25 specialized AI agents spanning front-end, verification, implementation, and analog flows. This 'AgentEngineer' technology represents a meaningful long-term opportunity to further increase productivity and drive higher-value customer engagements. We are maintaining our EDA leadership position, supported by the success of recent renewals, pipeline activity and monetization trends.

Turning to Ansys, which delivered another strong quarter. Ansys extends our reach into system-level design and Multiphysics simulation, strengthening our position as the leader in engineering solutions from silicon to systems. In Q2, we saw continued demand for system-level digital engineering and physics-based simulation across industries. For example, the AI datacenter build-out is driving S&A demand, including and beyond semis, as customers use the power of Ansys simulation from chip to grid.

In aerospace and defense, customers are adopting Ansys simulation to generate physics-based synthetic data to train AI models for highly complex operating environments. And in automotive, manufacturers are increasingly digitizing engineering workflows and relying on simulation for safety-critical systems. Together, these trends reinforce our opportunity to deliver differentiated value at the intersection of silicon, systems, and physics.

Turning to Design IP. We are increasing our alignment with hyperscaler demand for custom AI silicon, where our differentiated portfolio, first-to-protocol leadership, and silicon-proven quality enable higher-

value engagements. Demand for high-speed interconnect IP continues to accelerate, driven by AI's massive data requirements. In Q2, our PCIe 7.0 IP achieved a greater than 90% win rate, with 18 new licenses and a growing pipeline. We also continued to see strong momentum in advanced connectivity technologies, including 224G, with multiple wins across leading and emerging innovators.

The shift to multi-die and chiplet architectures is driving demand for die-to-die interoperability. In Q2, we secured additional UCIe design wins and achieved a 64G tapeout on a 2nm process, bringing total UCIe lifetime wins to over 150. We're strengthening our position in memory IP with design wins across hyperscalers, AI startups, and leading semiconductor companies. In Q2, we also delivered the industry's first HBM4 IP test chip.

While we continue to expect muted IP growth for fiscal year 2026, we believe the IP segment bottomed in Q1 and has begun its recovery. We expect sequential quarterly improvement throughout the second half, supported by our roadmap, execution and pipeline. Importantly, we are focusing our IP business on the highest-value opportunities aligned to AI-driven demand and hyperscaler customization. These engagements enable us to provide greater value as they increasingly involve deeper collaboration, customized IP solutions, and even broader Synopsys participation in the design process. Also advancing our IP strategy, we expect to close the pending sale of the Processor IP Solutions business shortly. I'm increasingly confident in the long-term growth of this business and look forward to sharing more at our Investor Day.

I'm also pleased to share that today we announced a cooperation agreement with Elliott Management and the appointment of Jesse Cohn to our Board as an independent director. Jesse has deep appreciation for the company and our mission. We welcome his constructive insights, and I look forward to working with him.

In summary, the expansion of AI positions Synopsys for sustainable growth and margin expansion. As AI scales both chip complexity and system-level design requirements, our leadership portfolio of engineering solutions across EDA, IP, and Multiphysics simulation enables us to deliver differentiated value to customers and to capture a larger share of this expanding opportunity. I want to thank the Synopsys team for an impactful Q2 with disciplined execution, continued technology leadership, and engineering excellence driving our next-gen solutions.

Now over to Shelagh.

Thank you, Sassine.

As Sassine noted, we delivered a strong Q2, achieving revenue of \$2.276 billion, non-GAAP operating margin of 39.5% and non-GAAP EPS of \$3.35; all exceeding guidance. These results reflect continued strong execution and financial discipline across the business. Backlog ended at \$11 billion.

Before turning to the financials, I'll briefly outline the drivers of our revenue outperformance. Q2 revenue exceeded guidance primarily due to strong performance across the business. In addition, an accounting impact associated with recognizing Ansys channel revenue on a gross basis added \$12.5 million to revenue and an equal amount to expenses; thus neutral to EPS and cash flow. Let me provide more details on this change. Ansys integration is well underway. As we further align and improve our operations, we have deepened our understanding and experience with Ansys' significant channel partner network by enhancing oversight and pricing visibility, which requires us to recognize channel revenue on a gross basis. This also expands our reach to customers Synopsys historically did not serve, gives us clearer business insights and allows us to offer a broader portfolio of Synopsys and Ansys solutions. We will continue to update you on the quarterly impact through the rest of fiscal 2026, and I'll quantify the estimated full-year effect in our guidance shortly.

I'll now review our second quarter results. All comparisons are year-over-year, unless otherwise stated. We generated total revenue of \$2.276 billion. Ansys revenue was approximately \$652 million, including the accounting impact of \$12.5 million related to channel revenue. Total GAAP costs and expenses were \$2.156 billion, coming in higher than expectations primarily due to accelerated timing of restructuring costs. As a result, GAAP earnings per share were \$0.09. Total non-GAAP costs and expenses were \$1.376 billion, below our guided range, reflecting the progress we are making in improving efficiency and realizing synergies, resulting in a non-GAAP operating margin of 39.5%. Non-GAAP earnings per share were \$3.35 cents, ahead of our expectations on the strong operational beat.

Now, onto our segments. Design Automation segment revenue was approximately \$1.822 billion, including Ansys. As a reminder, this excludes the Optical Solutions Group, which was divested in Q4'25. Within Design Automation, Q2 EDA revenue grew slightly over 8% year-over-year with strength in hardware assisted verification solutions. Design Automation adjusted operating margin was 43.3%. Design IP segment revenue was \$454 million, down approximately 6% year over year, and up 12% sequentially. Design IP adjusted operating margin was 24.4%.

Turning to cash. Free cash flow was approximately \$575 million in Q2, and we ended the quarter with cash and short-term investments of \$2.48 billion. Total debt at the end of Q2 was approximately \$10 billion. Based on our strong cash position and early pay down of the term loans, we initiated a \$250 million accelerated share repurchase in March, under which we received an initial share delivery of approximately 513,000 shares with final settlement expected by June 1st. During the quarter, we also executed a \$50 million open market share repurchase of approximately 127,000 shares.

Now to guidance. Given the strong first half results and continued confidence across the business, we are raising our full-year revenue, operating margin, EPS and free cash flow guidance. Let me explain further. We are updating our full-year revenue guide to account for three factors. First, the strong first-half performance and increased confidence across the business, increases our previous guidance by \$35 million at the midpoint. Second, the Ansys channel accounting impact increases revenue by \$60 million, which is accompanied by an equivalent increase in expenses. And third, the previously announced divestiture of the Processor IP Solutions business is expected to close shortly, resulting in reduction of revenue of approximately \$40 million for the remainder of fiscal year 2026. This results in an updated revenue range of \$9.625 billion to \$9.705 billion. Within that, Ansys revenue contribution is expected to be approximately \$2.96 billion including the accounting impact. This is consistent with prior guidance after including the channel accounting impact.

Next expenses - We are updating our expense guidance to account for two primary factors. First, Cost discipline and accelerating synergies driving expenses down. We expect to be approximately half-way through our committed cost synergy realization by the end of fiscal year 2026. Second, a \$60 million increase in expenses due to the Ansys channel accounting impact. Thus, total GAAP costs and expenses are expected to be between \$8.469 and \$8.599 billion . Total non-GAAP costs and expenses are expected to be between \$5.675 and \$5.725 billion ; and non-GAAP operating margin of 41% at the midpoint, a 50 basis-point raise to our previous guidance. GAAP earnings is expected to be between \$2.49 to \$2.91 per share. We expect non-GAAP earnings of \$14.72 to \$14.80 per share, a \$0.34 increase at the midpoint from our prior guidance due to higher revenue and increased operational efficiency. We are raising our cash flow from operations guidance to approximately \$2.3 billion. Our capex guidance of approximately \$300 million remains unchanged, resulting in free cash flow of approximately \$2 billion, an increase of \$100 million versus our previous guidance.

Now to the targets for the third quarter. Total Revenue between \$2.410 and \$2.460 billion. Total GAAP costs and expenses between \$2.075 and \$2.125 billion . Total non-GAAP costs and expenses between \$1.440 and \$1.470 billion . GAAP earnings of \$0.84 to \$0.98 per share; and non-GAAP earnings of \$3.63

to \$3.69 cents. Our press release and financial supplement include additional targets and GAAP to non-GAAP reconciliations, as well as a full year revenue guidance breakdown outlining the factors I mentioned earlier.

Thanks to our global Synopsys team for a strong first half performance. Our disciplined execution and momentum across the business is a great set-up for an even stronger second half. At our September Investor Day, I look forward to discussing the compelling long-term opportunity we have as a mission-critical partner for our customers.

With that, I'll turn it over to the operator for questions.