The following prepared remarks are an excerpt from Synopsys' First Quarter Fiscal Year 2016 Earnings Call. To review the contents of the entire earnings call, please refer to the official webcast, which will remain available on Synopsys' website through the date of the second quarter fiscal year 2016 earnings call in May 2016.

These prepared remarks also contain non-GAAP financial measures as defined by the Securities and Exchange Commission in Regulation G. Reconciliations of the non-GAAP financial measures to their comparable GAAP measures are included in the first quarter fiscal year 2016 earnings release and financial supplement, each dated February 17, 2016 and available on Synopsys' website at www.synopsys.com. Additional information about such reconciliations can be found in Synopsys' Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 17, 2016..

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Good afternoon and thank you for joining us. Q1 was a very good start to the year. We delivered revenue of $569 million and non-GAAP earnings per share of 68 cents. We entered into a $200 million accelerated share buyback program and are well on-track to meeting our revenue, EPS, and operating cash flow objectives for the year. Trac will discuss these in more detail shortly.

As most of you know well, Synopsys serves the broad Electronics industry – all the way from Silicon to Software. Over the past five years this market has seen, and is seeing, dramatic changes as continued advances bring daunting complexity challenges, but also a fabulous wave of impact and business opportunities. Most notably, demand is expanding for mobile and cloud infrastructure to support the enormous potential of big data, which is accelerated by a wave of Internet of Things data generation. Internet of things, or IoT for short, itself is rapidly morphing into the next generation of smart everything – meaning digitally intelligent devices using functions such as vision, learning, and reasoning, as we're already seeing in assisted and autonomous driving. The increase in complexity of these sophisticated hardware/software systems challenges the entire value chain. Whereas the race is on again along the traditional metrics of performance, power and cost, it's also subject to growing concerns on how to deal effectively with systemic security issues.

Synopsys is uniquely focused on enabling our customers across three market segments: Semiconductor companies, who design chips and increasingly embed software in them; Systems companies, who develop products that incorporate chips while adding their own differentiating software; and Software developers across many industry segments, who focus on handling the increasing complexity and security of their code.

For Synopsys, "complexity" is in our DNA and we're well equipped to enable the next generation of opportunities. Many years of investments have made us the market and technology leader in EDA; the second largest IP company in the world; and the emerging front-runner in addressing the critical new software quality and security space.

We're consciously building our "Silicon to Software" market position with an objective to grow shareholder value through strong operating cash flow generation, solid revenue growth and expanding annual non-GAAP operating margins through a balanced capital allocation strategy featuring stock buy-backs to maintain or shrink share count, and acquisitions to expand our SAM and TAM; and through the most predictable recurring, time-based revenue model in the industry, supported by a large multi-year backlog. Our objective thus remains to drive long-term revenue and earnings growth, while continually evolving the position of Synopsys towards the sweet spot of today's and tomorrow's electronics.

Let me make a couple comments on the present landscape. In Semiconductors, the environment is essentially unchanged since we spoke in December. While consolidations are a bit of a headwind for the EDA industry, as customers rationalize their combined businesses over time, Synopsys is faring quite well in these situations. The mission-critical nature and completeness of our solutions mitigate risks and our Q1 results are very encouraging. In Systems, our strong position and focus on the intersection of hardware and software have been particularly positive, and we're seeing growth for Synopsys. For software developers, our rapidly evolving platform of quality and security solutions is getting attention, and we see increased calls to action, most notably from the security perspective.

Now to some highlights from the quarter, beginning with EDA. In Q1 we signed a significant agreement with GLOBALFOUNDRIES for design, verification and manufacturing tools. Synopsys is supporting their recently acquired IBM ASIC business by providing access to a full Synopsys flow, including IC Compiler II place and route and IC Validator physical verification. In addition, a cornerstone memory supplier increased its business with us by more than 25% per year, with particular strength in analog simulation and manufacturing.

Meanwhile, our next-generation physical design system, IC Compiler II, continues its rapid deployment as customers see excellent results. The solution is production-proven, with nearly 150 production designs supporting 19 different silicon process nodes. Demand is quite high as IC Compiler II continues the fastest ramp of a Synopsys product ever, with opportunity for further growth. Some visible successes include: November's qualification of IC Compiler II by Samsung Foundry for its 10nm production work. A collaboration with GLOBALFOUNDRIES on the industry's first 22nm FD-SOI process and reference flow that includes Synopsys synthesis, IC Compiler II, and signoff.

As the clear leader in advanced design tools, we are witnessing increased adoption of 16, 14, 10 – and even 7nm FinFET technology. Of the 286 active FinFET designs currently being tracked, Synopsys is relied on for 95% of those chips. 100% of the 10nm and 7nm tape-outs completed thus far utilized

Synopsys design tools. Notable also is Samsung already providing 10nm qualified Synopsys physical verification run-sets.

IC Validator, which works particularly well with IC Compiler II and on FinFET technologies, is seeing an increase in customers utilizing its full signoff status. We also experienced strong growth and business alignment this quarter with multiple silicon manufacturing partners in both lithography and TCAD at very advanced nodes.

Now to verification, an area where we've seen excellent growth as our vision is now being realized. A number of years ago, we recognized that existing verification approaches were woefully inadequate to deal with the upcoming complexity growth in hardware, and the systemic challenges of hardware and software. We had a vision, anchored around our market- and technology-leading VCS simulation, to deliver a complete platform of interacting verification techniques which we called the Verification Continuum. This vision and its subsequent execution were right-on, and today we're seeing excellent technical results, as well as business and market share growth. A great example in Q1 was a major enterprise-level partnership and expanded commitment to Synopsys by one of the top mobile semiconductor companies, to drive state-of-the-art technology collaboration and broadened adoption of our solution.

Both the hardware and software elements of our Verification Continuum did well this quarter. Our emulation system, ZeBu, saw excellent growth and continues to demonstrate performance and cost advantages. In prototyping, we shipped a large number of our next-generation HAPS FPGA-based systems. On the software side, our virtual prototyping solution is having solid success, particularly in the auto industry. As evidenced by a large Q1 agreement with a leading U.S. OEM, our automotive strategy is bearing fruit as the industry is massively increasing its investments towards opportunities such as Advanced Driver Assistance Systems. We expect the verification business to do well this year.

Now to our IP products, where a solid results quarter accompanied continued expansion of our already-broad portfolio. Our distinct leadership in interface IP continues. This quarter we were first to market with the new USB Type C, which supports the connector that functions with either side up or down. In Q1, we also announced our Data Fusion Subsystem for IoT devices. The many sensors on cell phones, tablets, and the like need to take data in and process it effectively. This first-of-its-kind integrated subsystem – bringing together the processors, peripherals, memories, libraries and drivers necessary – makes it easier, quicker, and lower-risk for customers to build this functionality into their chips.

We also continue to innovate in our security IP portfolio. This quarter, we announced an enhanced security package, featuring data encryption, address scrambling, and data integrity checks aimed at providing protection from system attacks and IP theft.

The theme of security naturally brings me to our Software Integrity business group. This new TAM, higher-growth area is our most recent investment and holds great promise, as testing for defects and security vulnerabilities is now a necessity in virtually every market segment, ranging from automotive, to health, to energy, to financial markets. Our objective is to provide both developers and users of software with tools to automatically check for quality and security issues, as the software is being developed or used in larger systems. The size of this tools market is approximately $2.4 billion, highly fragmented, and growing about 20% per year. Driven by a universe of 20 million-plus software developers and a cost of failure that has gone up dramatically, particularly when human safety is at stake, this market is evolving rapidly.

Last week you may have seen the President's budget proposal, in which he asked for a 35%, $5 billion increase in the U.S. cyber security budget. Another good example is automotive, where, following some widely-published hacking incidents, focus on software security and safety has become intense. As we attract some world class experts, integrate technologies from the four software security companies acquired in last eight months, and closely collaborate with the automotive industry to help drive standardization efforts addressing cyber security, we're garnering attention and building a strong brand in the new emerging area of software sign-off. I hope you see from my comments that our Silicon to Software push is both well-anchored and visionary. Last quarter we delivered excellent progress in virtually every area of our business.

In summary Q1 was a very good start to the year, and we're well on-track towards meeting our annual financial targets. Our core business is solid with areas of promising growth; we continue to invest towards broadening our TAM; and our Silicon to Software vision aligns well with where the customer base is going, and opens up brand new markets. Let me now turn the call over to Trac.

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Thanks, Aart. Good afternoon everyone. Q1 was an excellent start to the year. Building on the momentum from 2015, we continue to execute very well in a challenging environment. Q1 business levels were strong. We met or exceeded all quarterly financial targets. And we returned $200 million to shareholders through our stock buyback program. With our strong Q1 performance, we remain confident in our ability to achieve 2016 revenue, earnings and cash flow objectives.

Now to the numbers: As I talk through Q1 results and 2016 targets, all comparisons will be year-over-year unless I specify otherwise.

Total revenue was $569 million, with growth across all product platforms. Over 90 percent of revenue came from beginning-of-quarter backlog, and one customer accounted for more than 10 percent of revenue.

The duration of renewable customer license commitments averaged approximately 3.7 years, which reflects a couple of large, longer-term agreements. Duration will vary depending on customer requirements and we expect the full year 2016 to average approximately 3 years.

Total GAAP costs and expenses were $497 million. Total non-GAAP costs and expenses were $440 million, slightly below our target range, due largely to timing of expenses which included some delayed hiring.

Q1 non-GAAP operating margin was 22.5 percent, and for the year, we expect margin to increase over 2015. We will continue to drive global operational efficiency in order to expand non-GAAP operating margin to a solid mid-20s range.

GAAP earnings per share were 39 cents, and non-GAAP earnings per share were 68 cents – above our target range.

Similar to prior years, Q1 had a net operating cash outflow. The $35 million outflow was due largely to the timing of 2015 annual incentive compensation payments. We expect strong operating cash flow for 2016, with a target of at least $500 million. We ended the quarter with cash, cash equivalents and short-term investments of $706 million – with 16 percent onshore – and total debt of $228 million.

In 2016, we plan to increase buybacks to slightly reduce share count. In Q1, we initiated a $200 million ASR, which we'll complete in Q2. There is $300 million remaining on our share repurchase authorization.

In addition, we closed a couple of small acquisitions in the software security space, adding key technology to support our strategy and drive long-term growth.

DSO was 57 days, within our target range, but up from Q1 last year due to strong business levels. We ended Q1 with 10,290 employees, with more than one third in lower-cost geographies. The increase in headcount was due to planned hiring and acquisitions.

Now to second quarter and fiscal 2016 guidance, which excludes the impact of any future acquisitions. For Q2, the targets are:

- Revenue between $595 and $610 million. As we communicated in December, we expect more variability in quarterly revenue due to the timing of our hardware and consulting business;
- Total GAAP costs and expenses between $503 and $522 million;
- Total non-GAAP costs and expenses between $450 and $460 million;
- Other income between $0 and $2 million;
- A non-GAAP normalized tax rate of 19 percent;
- Outstanding shares between 153 and 156 million;
- GAAP earnings of 38 to 47 cents per share; and
- Non-GAAP earnings of 78 to 81 cents per share.

For 2016:

- Revenue of $2.35 to $2.39 billion;
- Other income between $0 and $4 million;
- A non-GAAP normalized tax rate of 19 percent;
- Outstanding shares between 153 and 156 million, a reduction of 2 million shares versus our prior guidance range.
- GAAP earnings of $1.64 to $1.79 per share;
- Non-GAAP earnings of $2.93 to $3.00 per share;
- Capital expenditures of approximately $80 million;
- And cash flow from operations of at least $500 million.

In summary, our priorities remain centered on managing the business to maximize long-term shareholder value; our predictable business model and strong cash profile provide a very solid financial foundation for this year and beyond; and with our strong Q1 performance, we remain confident in our ability to achieve 2016 revenue, earnings and cash flow objectives. With that, I'll turn it over to the operator for questions.