These prepared remarks contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Any statements that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding Synopsys' business, projected business results, business objectives, acquisitions, products, technologies, business model, new markets, customer demand for our technology, and our planned stock repurchase activity. These statements involve known and unknown risks, uncertainties and other factors that could cause our actual results, time frames or achievements to differ materially from those expressed or implied in our forward-looking statements. Accordingly, we caution stockholders and prospective investors not to place undue reliance on these statements. Such risks, uncertainties and factors include, but are not limited to: uncertainty in the growth of the semiconductor and electronics industry; consolidation among our customers; continued uncertainty in the global economy; our ability to realize the potential financial or strategic benefits of acquisitions we complete; changes in accounting principles or standards; fluctuation of our operating results; our highly competitive industries and our ability to meet our customers' demand for innovative technology at lower costs; our ability to protect our proprietary technology; application of the actual consolidated GAAP tax rate, or our decision to change our non-GAAP normalized tax rate, as a result of a number of factors, including the actual geographic mix of revenue during the quarter and year, tax law changes, actions by government authorities, or judgment by management, based upon the status of pending audits and settlements, to increase or decrease an income tax asset or liability; investments of more resources in research and development than anticipated; risks and compliance obligations relating to the global nature of our operations; cybersecurity threats or other security breaches; liquidity requirements in our U.S. operations; claims that our products infringe on third-party intellectual property rights; product errors or defects; litigation; the ability to obtain licenses to third-party software and intellectual property on reasonable terms or at all; the ability to timely recruit and retain senior management and key employees; evolving corporate governance and public disclosure regulations; the inherent limitations on the effectiveness of our controls and compliance programs; the impairment of our investment portfolio by the deterioration of capital markets and the change in the fair value of our non-qualified deferred compensation obligations; the accuracy of certain assumptions, judgments and estimates that affect amounts reported in our financial statements; and the impact of catastrophic events. More information on potential risks, uncertainties and other factors that could affect Synopsys' results is included in filings it makes with the Securities and Exchange Commission from time to time, including in the sections entitled "Risk Factors" in its Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2016 and in its Annual Report on Form 10-K for the fiscal quarter and year ended October 31, 2016 to be filed with the SEC. The information provided herein is as of November 30, 2016. Although this Webcast is expected to remain available on Synopsys' website through the date of the earnings results call for the first quarter of fiscal year 2017, its continued availability through such date does not mean that Synopsys is reaffirming or confirming its 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 Securities and Exchange Commission in Regulation G. Reconciliations of the non-GAAP financial measures to their comparable GAAP measures are included in the fourth quarter and fiscal year 2016 earnings release and financial supplement, each dated November 30, 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 November 30, 2016.

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Good afternoon, and thank you for joining us. We are happy to report a strong fourth quarter finish to an outstanding fiscal year for Synopsys, as we enter 2017 with a very solid foundation. We again delivered excellent financial results, while successfully balancing investments for the short- and long-term. We made very good progress in digital design and verification. Our IP business delivered strong results. And we further scaled our Software Integrity solutions, including the acquisitions we announced earlier this month.

Summarizing our financial results for the year: We delivered revenue of $2.42 billion – an 8% increase, reflecting strength across all product groups; We reported non-GAAP earnings per share of $3.02, or 9% growth; Our three-year backlog remained very strong at $3.54 billion; We generated $587 million in operating cash flow; We bought back $400 million of our stock, and reduced share count.

Building on our strong year-end position, and including the impact of the just-closed acquisitions, we're setting a 2017 revenue target of $2.57 - 2.6 billion, a non-GAAP EPS objective of $3.16 to $3.23, reflecting high-single-digit organic growth, with modest near-term dilution from the acquisitions, and an operating cash flow goal of approximately $500 million. Trac will discuss the financials in more detail.

As we head into 2017, we see varying technical and business dynamics for the three customer segments we serve: Semiconductors, Systems, and Software Developers across multiple industries. Semiconductor companies sell chips that they may or may not manufacture, and where design, verification, and in some cases, embedded software drive differentiation. From a technology perspective, many push state-of-the-art silicon design non-stop. This means optimizing for performance, power, area and yield, using advanced manufacturing processes, and pushing our tools to the limit. While the cost of Moore's law is tightening the race, the quest for still more complex chips delivering still more performance continues. At the same time, whether to drive efficiency through size or to scale up into vertical segments, some companies are divesting parts of their businesses or combining with others to better position themselves for their next wave of growth. While these consolidations initially are a headwind for the EDA industry, Synopsys has thus far successfully navigated some large M&A combinations – in a number of cases even expanding our customer relationships. Our multi-year business model, combined with our technology, platforms, and market leadership, provides an excellent backdrop to help our customers through these transitions.

System houses, which contribute about 40% of our revenue, develop products that incorporate multiple chips – their own or someone else's – as well as their own or third party software. Their differentiation manifests itself in terms of product capabilities and time to market. This opportunity space is great, with exciting new applications such as digital intelligence, machine learning, smart IoT, 5G mobile networks, virtual and assisted reality, and massive cloud-based computing, to name just a few. Many of these are already visible in newly energized verticals, such as automotive, industrial, and health. The challenges at the complex intersection of hardware and software are substantial, yet this is exactly where Synopsys excels.

Finally, software developers in many industries grapple with acutely growing security vulnerabilities. These exposures can have a dramatic impact on security, safety, and even health, with potentially staggering financial implications. We're enthusiastic about the step-by-step scaling of our software integrity solutions, which is happening at just the right time to help these organizations take their security strategies to the next level. For Synopsys, our unique position reaching literally from Silicon to Software enables us to help all of these customers, and positions us well for high impact and growth in the years to come.

In that context, let me provide you some highlights, starting with the roots of Silicon. The push towards bringing smaller, faster, lower-power chips to market sooner is unrelenting, and FinFET technology continues to advance. Our FinFET-proven flow begins with the earliest TCAD and lithography simulation models – key enablers of Moore's law. During FY16, we announced a new solution that brings TCAD into the up-stream research phase to help manufacturers reduce process development time. We are already involved in 3nm and even initial 2nm research! Our unique position in TCAD is a differentiator that grants us early understanding and access to key models, giving us a head start in terms of product readiness.

As the clear leader in advanced FinFET design, we continue to see rapid adoption of 16, 14, 10nm, and test chips at 7nm nodes. The statistics are compelling. The cumulative number of completed FinFET designs is approaching 300, with Synopsys relied on for more than 95% of those chips. Meanwhile 48 of the 49 leading-edge tape-outs at 10nm and below are using our design tools. During the year, we announced broad foundry certification, including from TSMC and Samsung, for our digital and custom/analog tools at the most advanced processes.

In digital design, IC Compiler II continues to proliferate, and progress technically, to help customers with their most advanced designs. Leading adopters, including Intel, Samsung, TSMC, Broadcom, NVIDIA, Qualcomm, Toshiba, Socionext, Infineon and Huawei, shared some of their most intriguing challenges and IC Compiler II successes during the year. It's the fastest-ramping product in our history, including a record second half, and has been used in approximately 250 production designs on over 25 different foundry processes.

In custom/analog design, this year we introduced a brand new product: Custom Compiler. The result of several years of development, it features an innovative approach that accelerates key parts of design from weeks to days, targeted specifically at FinFET. While still in the early stages, it has generated considerable interest, now converting into adoption, by customers including ST, GSI Technologies and AK Microdevices, with support from leading FinFET foundries.

Now to verification, an immense challenge that is only getting more difficult, with highly complex systems featuring sophisticated silicon and increasing amounts of embedded software. Our Verification Continuum platform, born out of an early vision and collaboration with our customers, is making a big impact. Built around the fastest simulation, emulation, and prototyping engines, it delivered an outstanding year of growth. We made great progress on all elements of the platform and integration, yielding significant competitive displacements in leading customers. One example was a major enterprise-level partnership and expanded commitment to Synopsys by one of the world's top mobile semiconductor companies. This year we also unveiled a breakthrough innovation enabling massive parallelism to speed up our franchise VCS simulation product. In addition, the SpyGlass technology from Atrenta has exceeded our expectations.

Our hardware verification products had a very strong year, with record orders for our ZeBu emulation and HAPS prototyping solutions. We're the fastest-growing emulation vendor in the industry. An excellent example of our momentum is NXP, which selected Synopsys as its primary SoC verification and emulation solution for its next-generation automotive, secure connectivity, and smart connected products.

In IP, we saw growing business momentum through the year and significantly expanded our portfolio and vertical market reach. We're seeing very good demand for our comprehensive interface IP portfolio. Continuously at the forefront of new standard development, we offer customers high-quality titles as soon as a new standard is released. TSMC recognized us as Interface IP Partner of the Year for the sixth year in a row, and we were named SMIC's Interface Vendor of the Year for the third year straight. We were first to market with the new USB Type C, and are the only IP company with USB 3.1 certification. We delivered the latest PCI Express 4.0 IP, targeting advanced data-intensive cloud computing applications. We continue to drive the state of the art in the most advanced nodes, winning several important 10 and 7nm projects. Lastly, our embedded vision solution provides a leading-edge, and easy-to-use, processor / neural network combo that leverages machine learning, one of the hottest applications out there.

Another key focus for us not only in IP, but across our entire Silicon to Software product spectrum, is automotive. We've expanded our automotive portfolio, and in FY16 made accelerated progress. We delivered several advancements for next-generation automated driving and infotainment, including our newest embedded vision processor. We drove key design wins at major automotive semiconductor companies, thanks to having grown the broadest portfolio of automotive-certified IP in the industry. Enabling software development 15 months prior to silicon, we delivered our virtual prototyping solution to a leading supplier of driver assistance systems. We also signed a large agreement with a leading U.S. automotive OEM. Our digital and custom design tools added new design and analysis capabilities focused on ensuring the extreme reliability required for automotive applications. Key tools throughout our EDA, IP and Software Integrity portfolio are certified for the most stringent level of automotive safety measures defined by the ISO 26262 safety standard. Our focus on automotive software security is becoming increasingly well-known. In fact, we've teamed up with leading OEMs, Tier 1s and semiconductor companies to drive software cybersecurity standards for automotive through SAE, the Society of Automotive Engineers. Our reach continues to expand to include new entrants as well as traditional leaders such as Bosch, Delphi and Continental. Stay tuned for continued product advances and new technology milestones this year.

Next, to our Software Integrity group, which provides products and services to build quality and security into the software development lifecycle and across the cyber supply chain. Building on the acquisition of Coverity a couple of years ago, we've added key technologies both organically and via acquisition, while simultaneously unifying the sales organization. Our go-forward strategy is three-fold: First, continue to broaden and deploy our Software Sign-off Platform as the foundation of our offering. Second, accelerate our penetration of key verticals in both the embedded and enterprise spaces. And third, drive demand creation, with ecosystem partners, certification projects, and services.

To that end, we just today completed the acquisitions of Cigital, which specializes in security consulting services, and Codiscope, a spinoff of Cigital with related developer tools. We're very excited about this combination, as it will accelerate our ability to reach customers and expand our market in new segments. The companies are strategically aligned with a shared vision, and bring complementary elements to the table. Synopsys leads with best-in-class products; Cigital attacks security problems from a service angle. Synopsys has a very strong presence in the embedded space, including automotive, medical devices and IoT; Cigital is a leader in serving enterprise customers, with particular strength in financial services. And finally, Cigital brings a demand creation element, with customer touchpoints earlier in the security strategy development process. Cigital and Synopsys are both named in Gartner's Magic Quadrant for application security testing. In this highly fragmented, emerging market, the combination will enable us to provide the most comprehensive portfolio available in the market today.

From an overall company financial perspective, our primary long-term objective remains to drive high-single-digit, non-GAAP earnings-per-share growth on a multi-year basis, through a mix of the following: One, grow traditional EDA revenue generally in the low-to-mid single digit range; Two, grow revenue in IP/Systems and Software Integrity generally in the low double-digits; Three, actively explore TAM-expanding R&D and M&A opportunities; Four, focus on global operational efficiency to deliver solid non-GAAP operating margin in the mid-20s range; And five, optimize the use of our strong cash flow, through a balance of stock buybacks, M&A, and debt repayment. While the results in any given period may vary, based on acquisitions or other near-term priorities, our long-term driving principles remain consistent.

To summarize, Synopsys delivered another excellent year, even in the context of a challenging semiconductor landscape. In terms of both total and EDA-related revenue growth, we outpaced the competition in 2016. We continue to invest in the short- and long-term, organically and via acquisitions, operationally and with share buybacks, all to drive long-term shareholder value. Lastly, we're making good progress in building our software security platform and market segment position. Let me now turn the call over to Trac.

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Thanks, Aart. Good afternoon everyone. As I reflect on the past year, I'm pleased with our results. We again delivered on our near-term financial goals, while investing for sustainable long-term growth. This strategy is paying off. Our EDA and IP solutions are doing well, offering a combination of healthy growth and profitability. We're also building out a new, higher-growth software security platform, which is gaining critical mass. This diverse product and customer portfolio positions us very well, and supports our near- and long-term objective of driving high-single-digit non-GAAP EPS growth.

In 2016, we achieved substantially better financial results than we originally anticipated. The entire Synopsys team executed very well, and Q4 was a strong finish to an outstanding year. We delivered high-single-digit revenue and non-GAAP earnings growth, and generated significant operating cash flow. We bought back $400 million of stock to reduce the share count. And earlier this month we announced two acquisitions to further scale our software security platform. We enter 2017 with a solid foundation and are confident in our ability to achieve our financial objectives.

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

We delivered total revenue of $634 million in Q4 and $2.42 billion for the year, an annual growth rate of 8 percent. There was strength across all product groups, including record hardware sales. Over 90 percent of Q4 revenue came from beginning-of-quarter backlog, and one customer accounted for more than 10 percent of Q4 and 2016 revenue.

The weighted average license duration was approximately 2.7 years for the quarter and 3 years for 2016. We expect the 2017 average to be about 3 years. Our three-year backlog remains strong at $3.54 billion, and reflects good business growth and the timing of large contract renewals. Importantly, approximately 80 percent of our 2017 revenue target is already in hand, which provides stability and predictability.

Total GAAP costs and expenses were $551 million for the quarter and $2.1 billion for the year. Total non-GAAP costs and expenses were $488 million for the quarter and $1.85 billion for the year. 2016 expenses increased due largely to higher costs associated with employee compensation, acquisitions and cost of goods sold for hardware sales.

We delivered solid non-GAAP operating margins: 22.9 percent for the quarter and 23.5 percent for the year.

GAAP earnings per share were 47 cents in Q4 and $1.73 for the year. Non-GAAP earnings were 77 cents in Q4 and $3.02 for the year, an annual growth rate of 9 percent.

We generated $148 million of operating cash flow for the quarter and $587 million for the year. We exceeded our original 2016 target due to strong collections and business levels throughout the year. We ended the quarter with cash, cash equivalents and short-term investments of $1.1 billion – with 15 percent onshore – and total debt of $205 million. Earlier this week, we renewed and expanded our credit facility to $650 million and took out a $150 million term loan, providing excellent flexibility to support our strategic goals.

In 2016, we used about 80 percent of our free cash flow for buybacks. As a result, we reduced share count by 3.3 million shares, and intend to slightly reduce it again in 2017. We have $435 million remaining on our current authorization.

Operating cash flow is expected to be strong in 2017, with a target of approximately $500 million, even with an outflow associated with the recent acquisitions. We expect the quarterly profile to be similar to prior years, with a net outflow during Q1, driven largely by 2016 annual incentive compensation payments.

Before moving onto 2017 guidance, let me briefly comment on some of the details of the Cigital and Codiscope acquisitions, which were funded using a combination of U.S. cash and debt. They are expected to be modestly dilutive to 2017 non-GAAP EPS, and reach breakeven on a non-GAAP basis by the second half of 2018.

Now to first quarter and fiscal 2017 guidance, which includes the impact of Cigital and Codiscope. For Q1, the targets are:

- Revenue between $630 and $645 million;
- Total GAAP costs and expenses between $540 and $558 million;
- Total non-GAAP costs and expenses between $485 and $495 million;
- Other income between $0 and $2 million;
- A non-GAAP normalized tax rate of 19 percent;
- Outstanding shares between 152 and 155 million;
- GAAP earnings of 43 to 50 cents per share; and
- Non-GAAP earnings of 77 to 80 cents per share.

For 2017:

- Revenue of $2.57 to $2.6 billion, a growth rate of 6 to 7 percent. Keep in mind as you model 2017, that hardware sales add variability to revenue, driven by the timing of customer requirements and shipments.
- Other income between $0 and $4 million;
- A non-GAAP normalized tax rate of 19 percent;
- Outstanding shares between 152 and 155 million;
- GAAP earnings of $1.92 to $2.06 per share;
- Non-GAAP earnings of $3.16 to $3.23 per share, high-single-digit growth when the modest dilution from Cigital and Codiscope is excluded;
- Capital expenditures of about $100 million;

- And cash flow from operations of approximately $500 million.

To help in your modeling, we expect second half revenue to be slightly higher than the first half, with Q4 the largest revenue quarter; total non-GAAP expenses to skew slightly toward the second half of the year; and second half non-GAAP EPS to be slightly higher than the first half, with Q2 the lowest EPS quarter.

In summary, we continue to evolve our company to maximize long-term shareholder value. Our active diversification and investment strategies are working. We delivered very solid growth in revenue and profitability, and significant cash flow in 2016. We returned $400 million to shareholders in the form of buybacks. And we made the appropriate investments to drive sustainable, high-single-digit, non-GAAP EPS growth. With that, I'll turn it over to the operator for questions.