

# Synopsys Posts Financial Results for Third Quarter Fiscal Year 2020

## Q3 2020 Financial Highlights

- Revenue: \$964.1 million
- GAAP earnings per share: \$1.62
- Non-GAAP earnings per share: \$1.74

MOUNTAIN VIEW, Calif., Aug. 19, 2020 /PRNewswire/ -- [Synopsys, Inc.](#) (Nasdaq: SNPS) today reported results for its third quarter fiscal year 2020. Revenue for the third quarter was \$964.1 million, compared to \$853.0 million for the third quarter of fiscal 2019.

"Synopsys again executed very well in the third quarter, delivering record revenue, non-GAAP earnings per share and operating cash flow. We saw double-digit revenue growth across all product groups and strength in all geographies. Our intense, multi-year innovation push is driving increased momentum in product successes and production adoptions," said Aart de Geus, chairman and co-CEO of Synopsys. "Even as the world navigates through the pandemic and economic challenges, global design activity and customer engagements are flourishing. Due to our very strong fiscal third quarter, confidence in our outlook and resilient business model, we are raising 2020 revenue, operating margin, non-GAAP earnings-per-share and operating cash flow targets."

## GAAP Results

On a generally accepted accounting principles (GAAP) basis, net income for the third quarter of fiscal 2020 was \$252.9 million, or \$1.62 per share, compared to \$99.9 million, or \$0.65 per share, for the third quarter of fiscal 2019.

## Non-GAAP Results

On a non-GAAP basis, net income for the third quarter of fiscal 2020 was \$271.9 million, or \$1.74 per share, compared to non-GAAP net income of \$182.5 million, or \$1.18 per share, for the third quarter of fiscal 2019.

For a reconciliation between GAAP and non-GAAP results, see "GAAP to Non-GAAP Reconciliation" and the accompanying tables below.

## Business Segments

Synopsys reports revenue and operating income in two segments: (1) Semiconductor & System Design, which includes EDA tools, IP products, system integration solutions and associated services, and (2) Software Integrity, which includes security and quality solutions for software development across many industries. Further information regarding these segments is provided at the end of this press release.

## Financial Targets

Synopsys also provided its consolidated financial targets for the fourth quarter and full fiscal year 2020. These financial targets assume that the current U.S. government "Entity List" restrictions remain in place for the rest of the fiscal year. These targets constitute forward-looking statements and are based on current expectations. For a discussion of factors that could cause actual results to differ materially from these targets, see "Forward-Looking Statements" below.

### Fourth Quarter and Fiscal Year 2020 Financial Targets (in millions except per share amounts)

|                                    | Q4 FY2020 |          | FY 2020  |          |
|------------------------------------|-----------|----------|----------|----------|
|                                    | Low       | High     | Low      | High     |
| Revenue                            | \$ 1,000  | \$ 1,030 | \$ 3,660 | \$ 3,690 |
| GAAP Expenses                      | \$ 802    | \$ 822   | \$ 3,037 | \$ 3,057 |
| Non-GAAP Expenses                  | \$ 717    | \$ 727   | \$ 2,645 | \$ 2,655 |
| Other Income (Expense)             | \$ (6)    | \$ (4)   | \$ (4)   | \$ (2)   |
| Normalized Annual Tax Rate         |           |          |          |          |
| (1)                                | 16%       | 16%      | 16%      | 16%      |
| Outstanding Shares (fully diluted) | 154       | 157      | 154      | 157      |
| GAAP EPS                           |           |          |          |          |

|                     |    |      |    |      |    |               |    |      |
|---------------------|----|------|----|------|----|---------------|----|------|
| Non-GAAP EPS        | \$ | 1.50 | \$ | 1.36 | \$ | 4.40          | \$ | 4.83 |
| Operating Cash Flow |    |      |    |      |    | approximately | \$ | 900  |

(1) Applied in non-GAAP net income calculations

## Earnings Call Open to Investors

Synopsys will hold a conference call for financial analysts and investors today at 2:00 p.m. Pacific Time. A live webcast of the call will be available on Synopsys' corporate website at [www.synopsys.com](http://www.synopsys.com). A recording of the call will be available by calling +1-866-207-1041 (+1-402-970-0847 for international callers), access code 8385903, beginning at 5:00 p.m. Pacific Time today, until 11:59 p.m. Pacific Time on August 26, 2020. A webcast replay will also be available on the website from approximately 5:30 p.m. Pacific Time today through the time Synopsys announces its results for the fourth quarter and fiscal year 2020 in December 2020. Synopsys will post copies of the prepared remarks of Aart de Geus, chairman and co-chief executive officer, and Trac Pham, chief financial officer, on its website following today's call. In addition, Synopsys makes additional information available in a financial supplement and corporate overview presentation, which are also posted on the corporate website.

## Effectiveness of Information

The targets included in this press release, the statements made during the earnings conference call and the information contained in the financial supplement and corporate overview presentation (available in the Investor Relations section of Synopsys' corporate website at [www.synopsys.com](http://www.synopsys.com)) represent Synopsys' expectations and beliefs as of the date of this release only. Although this press release, copies of the prepared remarks of the co-chief executive officer and chief financial officer made during the call, the financial supplement, and the corporate overview presentation will remain available on Synopsys' website through the date of the fourth quarter and fiscal year 2020 earnings call in December 2020, their continued availability through such date does not mean that Synopsys is reaffirming or confirming their continued validity. Synopsys does not currently intend to report on its progress during the fourth quarter of fiscal year 2020 or comment to analysts or investors on, or otherwise update, the targets given in this release.

## Availability of Final Financial Statements

Synopsys will include final financial statements for the third quarter of fiscal year 2020 in its quarterly report on Form 10-Q to be filed by September 10, 2020.

## About Synopsys

Synopsys, Inc. (Nasdaq: SNPS) is the Silicon to Software™ partner for innovative companies developing the electronic products and software applications we rely on every day. As the world's 15th largest software company, Synopsys has a long history of being a global leader in electronic design automation (EDA) and semiconductor IP and is also growing its leadership in software security and quality solutions. Whether you're a system-on-chip (SoC) designer creating advanced semiconductors, or a software developer writing applications that require the highest security and quality, Synopsys has the solutions needed to deliver innovative, high-quality, secure products. Learn more at [www.synopsys.com](http://www.synopsys.com).

## GAAP to Non-GAAP Reconciliation

Synopsys continues to provide all information required in accordance with GAAP but believes evaluating its ongoing operating results may not be as useful if an investor is limited to reviewing only GAAP financial measures. Accordingly, Synopsys presents non-GAAP financial measures in reporting its financial results to provide investors with an additional tool to evaluate Synopsys' operating results in a manner that focuses on what Synopsys believes to be its core business operations and what Synopsys uses to evaluate its business operations and for internal planning and forecasting purposes. Synopsys' management does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Synopsys' management believes it is useful for itself and investors to review, as applicable, both GAAP information that includes: (i) the amortization of acquired intangible assets, (ii) the impact of stock compensation, (iii) acquisition-related costs, (iv) restructuring charges, (v) the effects of certain settlements, final judgments and loss contingencies related to legal proceedings, and (vi) the income tax effect of non-GAAP pre-tax adjustments; and the non-GAAP measures that exclude such information in order to assess the performance of Synopsys' business and for planning and forecasting in subsequent periods.

Synopsys utilizes a normalized annual non-GAAP tax rate in the calculation of its non-GAAP measures to provide better consistency across interim reporting periods by eliminating the effects of non-recurring and period-specific items such as tax audit settlements, which can vary in size and frequency and not necessarily reflect our normal operations, and to more clearly align our tax rate with our expected geographic earnings mix. In projecting this

rate, we evaluate our historical and projected mix of U.S. and international profit before tax, excluding the non-GAAP adjustments described above. We also consider other factors including our current tax structure, our existing tax positions, and expected recurring tax incentives, such as the U.S. federal research and development tax credit. On an annual basis, we re-evaluate this rate for significant events that may materially affect our projections. Based upon our review, our projected normalized annual non-GAAP tax rate remains 16% through fiscal year 2021. We will re-evaluate this rate on an annual basis, but further regulatory guidance regarding specific parts of recent U.S. Tax reform legislation could materially change our projections.

Whenever Synopsys uses a non-GAAP financial measure, it provides a reconciliation of the non-GAAP financial measure to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure as detailed below, as well as Item 2.02 of the Current Report on Form 8-K filed on August 19, 2020 for additional information about the measures Synopsys uses to evaluate its core business operations.

#### Reconciliation of Third Quarter Fiscal Year 2020 Results

The following tables reconcile the specific items excluded from GAAP in the calculation of non-GAAP net income and earnings per share for the periods indicated below.

#### **GAAP to Non-GAAP Reconciliation of Third Quarter Fiscal Year 2020 Results <sup>(1)</sup>** ***(unaudited and in thousands, except per share amounts)***

|                                   | <b>Three Months Ended<br/>July 31,</b> |                   | <b>Nine Months Ended<br/>July 31,</b> |                   |
|-----------------------------------|----------------------------------------|-------------------|---------------------------------------|-------------------|
|                                   | <b>2020</b>                            | <b>2019</b>       | <b>2020</b>                           | <b>2019</b>       |
| GAAP net income                   | \$ 252,911                             | \$ 99,929         | \$ 466,892                            | \$ 371,653        |
| Adjustments:                      |                                        |                   |                                       |                   |
| Amortization of intangible assets | 23,649                                 | 23,714            | 70,277                                | 77,138            |
| Stock compensation                | 61,837                                 | 39,453            | 170,155                               | 114,827           |
| Acquisition-related costs         | 3,293                                  | 1,796             | 10,837                                | 3,948             |
| Restructuring charges             | (1,977)                                | 19,338            | 36,446                                | 33,746            |
| Legal matters                     | -                                      | -                 | -                                     | (18,000)          |
| Tax settlement                    | -                                      | -                 | -                                     | 17,418            |
| Tax adjustments                   | (67,767)                               | (1,772)           | (137,714)                             | (75,275)          |
| Non-GAAP net income               | <u>\$ 271,946</u>                      | <u>\$ 182,458</u> | <u>\$ 616,893</u>                     | <u>\$ 525,455</u> |

|                                       | <b>Three Months Ended<br/>July 31,</b> |                | <b>Nine Months Ended<br/>July 31,</b> |                |
|---------------------------------------|----------------------------------------|----------------|---------------------------------------|----------------|
|                                       | <b>2020</b>                            | <b>2019</b>    | <b>2020</b>                           | <b>2019</b>    |
| GAAP diluted net income per share     | \$ 1.62                                | \$ 0.65        | \$ 3.01                               | \$ 2.42        |
| Adjustments:                          |                                        |                |                                       |                |
| Amortization of intangible assets     | 0.15                                   | 0.15           | 0.45                                  | 0.50           |
| Stock compensation                    | 0.40                                   | 0.25           | 1.10                                  | 0.75           |
| Acquisition-related costs             | 0.02                                   | 0.01           | 0.07                                  | 0.03           |
| Restructuring charges                 | (0.01)                                 | 0.13           | 0.24                                  | 0.22           |
| Legal matters                         | -                                      | -              | -                                     | (0.12)         |
| Tax settlement                        | -                                      | -              | -                                     | 0.11           |
| Tax adjustments                       | (0.44)                                 | (0.01)         | (0.89)                                | (0.49)         |
| Non-GAAP diluted net income per share | <u>\$ 1.74</u>                         | <u>\$ 1.18</u> | <u>\$ 3.98</u>                        | <u>\$ 3.42</u> |

|                                                                |         |         |         |         |
|----------------------------------------------------------------|---------|---------|---------|---------|
| Shares used in computing diluted net income per share amounts: | 155,973 | 154,600 | 155,074 | 153,859 |
|----------------------------------------------------------------|---------|---------|---------|---------|

(1) Synopsys' third quarter of fiscal year 2020 and 2019 ended on August 1, 2020 and August 3, 2019, respectively. For presentation purposes, we refer to the closest calendar month end.

#### Reconciliation of 2020 Targets

The following tables reconcile the specific items excluded from GAAP in the calculation of non-GAAP targets for the periods indicated below.

#### **GAAP to Non-GAAP Reconciliation of Fourth Quarter Fiscal Year 2020 Targets <sup>(1)</sup>** **(in thousands, except per share amounts)**

|                                                       | <b>Range for Three Months<br/>Ending October 31, 2020</b> |                   |
|-------------------------------------------------------|-----------------------------------------------------------|-------------------|
|                                                       | <b>Low</b>                                                | <b>High</b>       |
| Target GAAP expenses                                  | \$ 802,000                                                | \$ 822,000        |
| Adjustments:                                          |                                                           |                   |
| Estimated impact of amortization of intangible assets | (20,000)                                                  | (25,000)          |
| Estimated impact of stock compensation                | (65,000)                                                  | (70,000)          |
| Target non-GAAP expenses                              | <u>\$ 717,000</u>                                         | <u>\$ 727,000</u> |

|                                                                | <b>Range for Three Months<br/>Ending October 31, 2020</b> |                |
|----------------------------------------------------------------|-----------------------------------------------------------|----------------|
|                                                                | <b>Low</b>                                                | <b>High</b>    |
| Target GAAP earnings per share                                 | \$ 1.10                                                   | \$ 1.21        |
| Adjustments:                                                   |                                                           |                |
| Estimated impact of amortization of intangible assets          | 0.16                                                      | 0.13           |
| Estimated impact of stock compensation                         | 0.45                                                      | 0.42           |
| Estimated impact of tax adjustments                            | (0.20)                                                    | (0.20)         |
| Target non-GAAP earnings per share                             | <u>\$ 1.51</u>                                            | <u>\$ 1.56</u> |
| Shares used in non-GAAP calculation (midpoint of target range) | 155,500                                                   | 155,500        |

#### **GAAP to Non-GAAP Reconciliation of Full Fiscal Year 2020 Targets <sup>(1)</sup>** **(in thousands, except per share amounts)**

|                                                            | <b>Range for Fiscal Year<br/>October 31, 2020</b> |                     |
|------------------------------------------------------------|---------------------------------------------------|---------------------|
|                                                            | <b>Low</b>                                        | <b>High</b>         |
| Target GAAP expenses                                       | \$ 3,037,449                                      | \$ 3,057,449        |
| Adjustments:                                               |                                                   |                     |
| Estimated impact of amortization of intangible assets      | (90,000)                                          | (95,000)            |
| Estimated impact of stock compensation                     | (235,000)                                         | (240,000)           |
| Acquisition-related costs                                  | (10,837)                                          | (10,837)            |
| Estimated impact of restructuring charges                  | (36,446)                                          | (36,446)            |
| Fair value changes in executive deferred compensation plan | (20,166)                                          | (20,166)            |
| Target non-GAAP expenses                                   | <u>\$ 2,645,000</u>                               | <u>\$ 2,655,000</u> |

| <b>Range for Fiscal Year<br/>October 31, 2020</b> |             |
|---------------------------------------------------|-------------|
| <b>Low</b>                                        | <b>High</b> |

|                                                       |    |        |    |        |
|-------------------------------------------------------|----|--------|----|--------|
| Target GAAP earnings per share                        | \$ | 4.10   | \$ | 4.21   |
| Adjustments:                                          |    |        |    |        |
| Estimated impact of amortization of intangible assets |    | 0.61   |    | 0.58   |
| Estimated impact of stock compensation                |    | 1.55   |    | 1.52   |
| Acquisition-related costs                             |    | 0.07   |    | 0.07   |
| Estimated impact of restructuring charges             |    | 0.24   |    | 0.24   |
| Impact of tax adjustments                             |    | (1.09) |    | (1.09) |
| Target non-GAAP earnings per share                    | \$ | 5.48   | \$ | 5.53   |

|                                                                |         |         |
|----------------------------------------------------------------|---------|---------|
| Shares used in non-GAAP calculation (midpoint of target range) | 155,500 | 155,500 |
|----------------------------------------------------------------|---------|---------|

(1) Synopsys' fourth fiscal quarter and fiscal year will end on October 31, 2020.

## Forward-Looking Statements

This press release contains forward-looking statements including, but not limited to, statements regarding Synopsys' short-term and long-term financial targets, expectations and objectives; business outlook, opportunities and strategies; customer demand and market expansion; strategies related to our products and technology; our planned product releases and capabilities; industry growth rates; software trends; planned acquisitions and buybacks; our expected tax rate; the expected impact of U.S. and foreign government action on our results; and the expected impact of the COVID-19 pandemic. 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 our forward-looking statements. Such risks, uncertainties and factors include, but are not limited to: risks from the effect of the COVID-19 pandemic and the associated economic downturn on our business, operations and financial condition; uncertainty in the growth of the semiconductor and electronics industries; 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 as well as actions by the U.S. or foreign governments, such as measures in response to the COVID-19 pandemic or the imposition of additional tariffs or export restrictions; macroeconomic conditions and uncertainty in the global economy; fluctuation of our operating results; increased variability in our revenue due to the adoption of ASC 606, including the resulting increase in recognizing upfront revenue as a percentage of total revenue; and more. Additional 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 Annual Report on Form 10-K for the fiscal year ended October 31, 2019 and its latest Quarterly Report on Form 10-Q. The information provided herein is as of August 19, 2020. 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.

## INVESTOR CONTACT:

Lisa L. Ewbank  
Synopsys, Inc.  
650-584-1901  
[Synopsys-ir@synopsys.com](mailto:Synopsys-ir@synopsys.com)

## EDITORIAL CONTACT:

Simone Souza  
Synopsys, Inc.  
650-584-6454  
[simone@synopsys.com](mailto:simone@synopsys.com)

## SYNOPSYS, INC.

### Unaudited Consolidated Statements of Operations <sup>(1)</sup>

*(in thousands, except per share amounts)*

|                  | Three Months Ended<br>July 31, |            | Nine Months Ended<br>July 31, |              |
|------------------|--------------------------------|------------|-------------------------------|--------------|
|                  | 2020                           | 2019       | 2020                          | 2019         |
| Revenue:         |                                |            |                               |              |
| Time-based       |                                |            |                               |              |
| products         | \$ 612,065                     | \$ 537,569 | \$ 1,758,601                  | \$ 1,649,590 |
| Upfront products | 210,931                        | 177,552    | 491,417                       | 451,466      |
| Maintenance and  |                                |            |                               |              |

|                                             |            |           |            |            |
|---------------------------------------------|------------|-----------|------------|------------|
| service                                     | 141,138    | 137,849   | 409,824    | 408,557    |
| Total revenue                               | 964,134    | 852,970   | 2,659,842  | 2,509,613  |
| Cost of revenue:                            |            |           |            |            |
| Products                                    | 118,478    | 113,533   | 344,469    | 346,163    |
| Maintenance and service                     | 60,812     | 59,496    | 184,940    | 178,113    |
| Amortization of intangible assets           | 13,718     | 13,603    | 40,732     | 45,927     |
| Total cost of revenue                       | 193,008    | 186,632   | 570,141    | 570,203    |
| Gross margin                                | 771,126    | 666,338   | 2,089,701  | 1,939,410  |
| Operating expenses:                         |            |           |            |            |
| Research and development                    | 322,602    | 284,804   | 939,456    | 846,429    |
| Sales and marketing                         | 156,456    | 157,109   | 455,511    | 471,720    |
| General and administrative                  | 73,516     | 67,382    | 204,734    | 165,794    |
| Amortization of intangible assets           | 9,931      | 10,111    | 29,545     | 31,211     |
| Restructuring charges                       | (1,977)    | 19,338    | 36,446     | 33,746     |
| Total operating expenses                    | 560,528    | 538,744   | 1,665,692  | 1,548,900  |
| Operating income                            | 210,598    | 127,594   | 424,009    | 390,510    |
| Other income (expense), net                 | 26,256     | 5,317     | 22,584     | 23,373     |
| Income before income taxes                  | 236,854    | 132,911   | 446,593    | 413,883    |
| Provision (benefit) for income taxes        | (16,057)   | 32,982    | (20,299)   | 42,230     |
| Net income                                  | \$ 252,911 | \$ 99,929 | \$ 466,892 | \$ 371,653 |
| Net income per share:                       |            |           |            |            |
| Basic                                       | \$ 1.67    | \$ 0.67   | \$ 3.10    | \$ 2.48    |
| Diluted                                     | \$ 1.62    | \$ 0.65   | \$ 3.01    | \$ 2.42    |
| Shares used in computing per share amounts: |            |           |            |            |
| Basic                                       | 151,352    | 150,123   | 150,731    | 149,708    |
| Diluted                                     | 155,973    | 154,600   | 155,074    | 153,859    |

(1) Synopsys' third quarter of fiscal year 2020 and 2019 ended on August 1, 2020 and August 3, 2019, respectively. For presentation purposes, we refer to the closest calendar month end.

**SYNOPSYS, INC.**  
**Unaudited Consolidated Balance Sheets <sup>(1)</sup>**  
*(in thousands, except par value amounts)*

|                                           | <u>July 31, 2020</u> | <u>October 31, 2019</u> |
|-------------------------------------------|----------------------|-------------------------|
| <b>ASSETS:</b>                            |                      |                         |
| Current assets:                           |                      |                         |
| Cash and cash equivalents                 | \$ 1,049,922         | \$ 728,597              |
| Accounts receivable, net                  | 638,489              | 553,895                 |
| Inventories, net                          | 159,813              | 141,518                 |
| Income taxes receivable and prepaid taxes | 20,960               | 24,855                  |
| Prepaid and other current assets          | 316,831              | 290,052                 |
| Total current assets                      | 2,186,015            | 1,738,917               |
| Property and equipment, net               | 484,529              | 429,532                 |
| Operating lease right-of-use assets, net  | 472,244              | -                       |
| Goodwill                                  | 3,356,407            | 3,171,179               |

|                         |                     |                     |
|-------------------------|---------------------|---------------------|
| Intangible assets, net  | 275,338             | 279,374             |
| Long-term prepaid taxes | 8,279               | 15,503              |
| Deferred income taxes   | 463,894             | 390,129             |
| Other long-term assets  | 416,544             | 380,526             |
| Total assets            | <u>\$ 7,663,250</u> | <u>\$ 6,405,160</u> |

#### **LIABILITIES AND STOCKHOLDERS' EQUITY:**

##### **Current liabilities:**

|                                          |                  |                  |
|------------------------------------------|------------------|------------------|
| Accounts payable and accrued liabilities | \$ 549,906       | \$ 506,459       |
| Operating lease liabilities, current     | 71,861           | -                |
| Accrued income taxes                     | 20,653           | 15,904           |
| Deferred revenue                         | 1,389,609        | 1,212,476        |
| Short-term debt                          | 24,248           | 17,614           |
| Total current liabilities                | <u>2,056,277</u> | <u>1,752,453</u> |
| Operating lease liabilities, non-current | 470,215          | -                |
| Long-term accrued income taxes           | 27,011           | 29,911           |
| Long-term deferred revenue               | 111,915          | 90,102           |
| Long-term debt                           | 107,104          | 120,093          |
| Other long-term liabilities              | 289,411          | 323,725          |
| Total liabilities                        | <u>3,061,933</u> | <u>2,316,284</u> |

##### **Stockholders' equity:**

|                                                                                                                 |                     |                     |
|-----------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Preferred stock, \$0.01 par value: 2,000 shares authorized; none outstanding                                    | -                   | -                   |
| Common stock, \$0.01 par value: 400,000 shares authorized; 151,758 and 150,331 shares outstanding, respectively | 1,519               | 1,503               |
| Capital in excess of par value                                                                                  | 1,623,586           | 1,635,455           |
| Retained earnings                                                                                               | 3,597,944           | 3,164,144           |
| Treasury stock, at cost: 5,503 and 6,930 shares, respectively                                                   | (554,304)           | (625,642)           |
| Accumulated other comprehensive income (loss)                                                                   | (72,820)            | (92,447)            |
| Total Synopsys stockholders' equity                                                                             | <u>4,595,925</u>    | <u>4,083,013</u>    |
| Non-controlling interest                                                                                        | 5,392               | 5,863               |
| Total stockholders' equity                                                                                      | <u>4,601,317</u>    | <u>4,088,876</u>    |
| Total liabilities and stockholders' equity                                                                      | <u>\$ 7,663,250</u> | <u>\$ 6,405,160</u> |

(1) Synopsys' third quarter of fiscal year 2020 ended on August 1, 2020, and its fiscal year 2019 ended on November 2, 2019. For presentation purposes, we refer to the closest calendar month end.

### **SYNOPSYS, INC.** **Unaudited Consolidated Statements of Cash Flows <sup>(1)</sup>** *(in thousands)*

|                                                                                          | <b>Nine Months Ended<br/>July 31,</b> |             |
|------------------------------------------------------------------------------------------|---------------------------------------|-------------|
|                                                                                          | <b>2020</b>                           | <b>2019</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                             |                                       |             |
| Net income                                                                               | \$ 466,892                            | \$ 371,653  |
| Adjustments to reconcile net income to net cash provided by operating activities:        |                                       |             |
| Amortization and depreciation                                                            | 159,156                               | 152,133     |
| Reduction of operating lease right-of-use assets                                         | 62,585                                | -           |
| Amortization of capitalized costs to obtain revenue contracts                            | 44,851                                | 46,230      |
| Stock compensation                                                                       | 170,155                               | 114,826     |
| Allowance for doubtful accounts                                                          | 14,875                                | 8,950       |
| (Gain) loss on sale of property and investments                                          | (1,994)                               | (4,052)     |
| Deferred income taxes                                                                    | (74,374)                              | (9,664)     |
| Net changes in operating assets and liabilities, net of acquired assets and liabilities: |                                       |             |
| Accounts receivable                                                                      | (89,667)                              | 89,370      |
| Inventories                                                                              | (17,040)                              | (39,431)    |
| Prepaid and other current assets                                                         | (21,350)                              | (38,224)    |

|                                                                               |              |            |
|-------------------------------------------------------------------------------|--------------|------------|
| Other long-term assets                                                        | (77,895)     | (114,344)  |
| Accounts payable and accrued liabilities                                      | 43,842       | (45,200)   |
| Operating lease liabilities                                                   | (57,968)     | -          |
| Income taxes                                                                  | 6,128        | (6,963)    |
| Deferred revenue                                                              | 160,966      | 53,980     |
| Net cash provided by operating activities                                     | 789,162      | 579,264    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                  |              |            |
| Proceeds from sales of long-term investments                                  | 2,151        | 6,361      |
| Purchases of long-term investments                                            | (2,762)      | -          |
| Purchases of property and equipment                                           | (120,234)    | (122,358)  |
| Cash paid for acquisitions and intangible assets, net of cash acquired        | (201,045)    | -          |
| Capitalization of software development costs                                  | (3,035)      | (2,245)    |
| Net cash used in investing activities                                         | (324,925)    | (118,242)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                  |              |            |
| Proceeds from credit facilities                                               | 276,490      | 192,897    |
| Repayment of debt                                                             | (284,218)    | (520,312)  |
| Issuances of common stock                                                     | 123,237      | 107,354    |
| Payments for taxes related to net share settlement of equity awards           | (66,985)     | (52,309)   |
| Purchase of equity forward contract                                           | -            | (20,000)   |
| Purchases of treasury stock                                                   | (200,000)    | (209,185)  |
| Other                                                                         | -            | (762)      |
| Net cash used in financing activities                                         | (151,476)    | (502,317)  |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 8,700        | 4,975      |
| Net change in cash, cash equivalents and restricted cash                      | 321,461      | (36,320)   |
| Cash, cash equivalents and restricted cash, beginning of year                 | 730,527      | 725,001    |
| Cash, cash equivalents and restricted cash, end of period                     | \$ 1,051,988 | \$ 688,681 |

(1) Synopsys' third quarter of fiscal year 2020 and 2019 ended on August 1, 2020 and August 3, 2019, respectively. For presentation purposes, we refer to the closest calendar month end.

**SYNOPSYS, INC.**  
**Business Segment Reporting <sup>(1)</sup>**  
*(in millions)*

|                                      | <b>Q3'20</b> | <b>Q3'19</b> | <b>YTD Q3'20</b> | <b>YTD Q3'19</b> |
|--------------------------------------|--------------|--------------|------------------|------------------|
| Revenue by segment                   |              |              |                  |                  |
| - Semiconductor & System Design      |              |              |                  |                  |
| \$                                   | 870.7        | \$ 769.4     | \$ 2,392.5       | \$ 2,260.3       |
| % of Total                           | 90.3%        | 90.2%        | 90.0%            | 90.1%            |
| - Software Integrity                 |              |              |                  |                  |
| \$                                   | 93.4         | \$ 83.6      | \$ 267.3         | \$ 249.3         |
| % of Total                           | 9.7%         | 9.8%         | 10.0%            | 9.9%             |
| <b>Total segment revenue</b>         | \$ 964.1     | \$ 853.0     | \$ 2,659.8       | \$ 2,509.6       |
| Adjusted operating income by segment |              |              |                  |                  |
| - Semiconductor & System             |              |              |                  |                  |

|                                                |    |       |    |       |    |       |    |       |
|------------------------------------------------|----|-------|----|-------|----|-------|----|-------|
| Design - Software                              | \$ | 308.7 | \$ | 207.8 | \$ | 697.3 | \$ | 604.5 |
| Integrity                                      | \$ | 14.8  | \$ | 8.8   | \$ | 34.6  | \$ | 22.9  |
| <b>Total adjusted segment operating income</b> | \$ | 323.6 | \$ | 216.6 | \$ | 731.9 | \$ | 627.4 |
| Adjusted operating margin by segment -         |    |       |    |       |    |       |    |       |
| Semiconductor & System Design                  |    | 35.4% |    | 27.0% |    | 29.1% |    | 26.7% |
| - Software Integrity                           |    | 15.8% |    | 10.5% |    | 12.9% |    | 9.2%  |
| <b>Total adjusted segment operating margin</b> |    | 33.6% |    | 25.4% |    | 27.5% |    | 25.0% |

**Total Adjusted Segment Operating Income Reconciliation <sup>(1)(2)</sup>**  
*(in millions)*

|                                                             | <b>Three Months Ended<br/>July 31, 2020 <sup>(3)</sup></b> | <b>Three Months Ended<br/>July 31, 2019 <sup>(3)</sup></b> | <b>Nine Months Ended<br/>July 31, 2020 <sup>(3)</sup></b> | <b>Nine Months Ended<br/>July 31, 2019 <sup>(3)</sup></b> |
|-------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| GAAP total operating income – as reported                   | \$ 210.6                                                   | \$ 127.6                                                   | \$ 424.0                                                  | \$ 390.5                                                  |
| Other expenses managed at consolidated level                |                                                            |                                                            |                                                           |                                                           |
| -Amortization of intangible assets                          | 23.6                                                       | 23.7                                                       | 70.3                                                      | 77.1                                                      |
| -Stock compensation                                         | 61.8                                                       | 39.5                                                       | 170.2                                                     | 114.8                                                     |
| -Fair value changes in executive deferred compensation plan | 26.2                                                       | 4.7                                                        | 20.2                                                      | 25.2                                                      |
| -Acquisition-related costs                                  | 3.3                                                        | 1.8                                                        | 10.8                                                      | 3.9                                                       |
| - Restructuring                                             | (2.0)                                                      | 19.3                                                       | 36.4                                                      | 33.7                                                      |
| -Legal matters                                              | -                                                          | -                                                          | -                                                         | (18.0)                                                    |
| Total adjusted segment operating income                     | <u>\$ 323.6</u>                                            | <u>\$ 216.6</u>                                            | <u>\$ 731.9</u>                                           | <u>\$ 627.4</u>                                           |

(1) Synopsys manages the business on a long-term, annual basis, and considers quarterly fluctuations of revenue and profitability as normal elements of our business. Quarterly variability, which increases as a result of ASC 606, should be expected. Amounts may not foot due to rounding.

(2) These segment results are consistent with the information required by ASC 280, *Segment Reporting*. They are presented to reflect the information that is considered by Synopsys' chief operating decision makers (CODMs) to evaluate the operating performance of its segments. The CODMs do not allocate certain operating expenses managed at a consolidated level to our reportable segments, and as a result, the reported operating income and operating margin do not include these unallocated expenses as shown in the table above. Amounts may not foot due to rounding.

(3) Synopsys' third quarter of fiscal year 2020 and 2019 ended on August 1, 2020 and August 3, 2019, respectively. For presentation purposes, we refer to the closest calendar month end.

SOURCE Synopsys, Inc.

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