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 and our dependence on a relatively small number of large customers; continued uncertainty in the global economy; our ability to realize the potential financial or strategic benefits of acquisitions we complete; 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 carry out our new product and technology initiatives; our ability to protect our proprietary technology; changes in accounting principles or standards; 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; changes in our GAAP or non-GAAP tax rate; liquidity requirements in our U.S. operations; claims that our products infringe on third-party intellectual property rights; litigation; product errors or defects; increased risks resulting from an increase in sales of our hardware products; 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 Annual Report on Form 10-K for the fiscal year ended October 31, 2016, and in its Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2017, to be filed with the SEC. The information provided herein is as of August 16, 2017. Although these Prepared Remarks are expected to remain available on Synopsys’ website through the date of the earnings results call for the fourth quarter and fiscal year 2017, their 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 third quarter of fiscal year 2017 earnings release and financial supplement, each dated August 16, 2017 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 August 16, 2017.

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Good afternoon.

I’m happy to announce that Synopsys completed another outstanding quarter. Last October, we entered fiscal 2017 with expectations for solid revenue, earnings, and cash flow. As a result of excellent execution and robust customer demand, we’re on track to substantially exceed those expectations for the year.

For Q3, we posted revenue of $695 million, with good growth across all product groups, most notably hardware and IP. Non-GAAP earnings per share were 92 cents, and we generated $280 million in operating cash flow. We completed our third share buyback of 2017, for a total of $300 million so far this year; lastly, we’re raising our revenue and non-GAAP earnings per share guidance for the year. Trac will discuss the financials in more detail.

As we look at the dynamics of the three customer groups we serve – semiconductors, systems companies and software developers – I would characterize the environment as exciting, visionary, and intensely competitive. The age of “smart everything” – some call it “digital intelligence” – is here. Following the decades driven by computation and mobility, we view “smart everything” as the third major wave of electronics impact.

In verticals such as automotive, medical devices, virtual reality, and industrial applications, “big data” and “machine learning” are quickly becoming familiar terms and early results are promising. This is good news for the semi industry, as these techniques require more and more compute power, cloud storage, and networking infrastructure to support massive data, complex software, and, to add one more challenge, the imperative of security.

Synopsys is uniquely placed at this vital intersection of hardware and software. Through our IP and design platform, we enable faster, lower power, and denser silicon chips. Through our verification and software integrity offerings, we make possible the verification of hardware-software systems and the optimization of software for security and quality.

From a business perspective, we’ve successfully grown and broadened Synopsys by building the leading position in EDA, a highly successful IP business group, and by branching out into the large adjacent TAM of software security and quality. In this context, let me provide some highlights for the quarter.

Companies continue to prioritize aggressive adoption of advanced Silicon while relying heavily on Synopsys. The evolution and use of FinFET technology continues to progress rapidly, with total designs
reaching well over 500. From 16, 14, 12, 10, down to 7nm – Synopsys is involved in 95% of designs through our design platform. For designs below 20nm, our VCS verification is the primary simulator used in nearly 90% of chips, and we’re very pleased with the growth of our emulation and prototyping solutions.

In IP, we continue to deliver the largest catalog of IP titles, now rapidly becoming available down to 7nm through close collaboration with the leading Silicon providers. Enabling the astounding next generation of 5, 3, and 2nm technology nodes, our TCAD lets our customer-partners create upfront process and transistor modeling, while giving us early access and insight towards readying our design tools for new nodes.

In this rapidly advancing and highly competitive semiconductor market, our design platform drove solid business in Q3. From synthesis, to place & route, to signoff, to physical verification, we’re engaged in the world’s most critical designs. In Q3, we announced qualification for Samsung’s 8 and 7nm LPP low power processes, as well as GLOBALFOUNDRIES’ 7nm FinFET node. At the Design Automation Conference, HiSilicon, Renesas, Samsung, and Qualcomm presented details of their successes on very demanding digital circuits ranging from 14 to 7nm. In custom design, ST, TDK-Micronas and Panasonic highlighted the significant benefits they’ve realized with Custom Compiler, while TSMC showcased their certification-collaboration with us around their 7nm technology.

Some comments now on verification, where we again delivered excellent growth. Our Verification Continuum platform – essentially the fusion of best-in-class software and hardware products into an integrated, differentiated solution – is ideally placed at the intersection of semiconductor and systems customers. Semiconductor customers want to verify that their chips implement the functionality dictated by the system house’s software requirements. Meanwhile, systems companies want to debug and optimize their software to run on the most advanced chips being designed by their semiconductor suppliers. These companies share common pressure points in time-to-market demands and growing complexity. Synopsys’ verification solution provides the bridge between the two. Over the past three quarters, technical advances have delivered substantial growth in formal verification, verification IP, and our newest VCS generation, which is rapidly proliferating its new fine-grained parallel simulation. Hardware verification products had a record Q3 and are delivering another excellent year. For example, in emulation, ZeBu was selected by Konica Minolta as their standard hardware platform for verification and early software bring-up of their multi-function printer designs. In FPGA prototyping, MediaTek standardized on our HAPS-80 for their next-generation SoCs, motivated by its scalability and performance.
Moving to IP, where we continue to generate strong results, including excellent growth in the quarter. In Q3, we further expanded our market-leading interface portfolio by introducing complete solutions for the CCIX and HBM2 standards. In addition, our IP continues its rapid adoption into the most advanced process technologies, including 7 and 10-nm processes. We see strong demand for our embedded vision processor, and announced a new generation that quadruples the performance of our Neural Network engine. Interest is coming from ADAS, video surveillance, and general AI applications. We also continued to expand our IP ecosystem, with a partnership with Morpho to optimize their machine-learning scene recognition technology for our embedded vision processor.

Now to software integrity, where we focus on security and quality testing tools as well as services for software developers in many industries. While our traditional system customers are a prime growth opportunity for us, given increasing embedded software complexity and an acute need for security, the number of companies who develop and rely on software as a critical component of their business is much larger than in EDA and IP. The compounding challenges of exponentially increasing software complexity, and, the growing risks and cost of defects associated with data safety, security, and privacy affect companies across the board. This need is clearly visible in verticals such as medical devices, financial institutions, automotive, aerospace and industrials.

At Synopsys, we’re focused on the software development process and are making excellent progress. In Q3, we announced key updates to our Software Integrity Platform, including expanded language and industry standards coverage. We’re pleased with the Q1 acquisition of Cigital, which adds high-value security consulting, enabling earlier, more strategic discussions at the CIO and CSO levels of our customers. The recognition of Synopsys in Gartner’s Magic Quadrant, combined with Cigital’s consulting practice, is generating new interest, new business, and growing brand recognition. At the popular BlackHat security industry conference in July, which drew more than 15,000 attendees, the number of inquiries by current and potential customers quadrupled over last year to more than 2,000! From a financial perspective, we’re also executing well, and, while still in the early stages of scaling this part of the business, we’ve reached critical mass and are enthusiastic about its potential.

Earlier, I mentioned the opportunities in the vertical spaces for software security and quality. Many companies are impacted by security worries, while simultaneously racing toward the promise of “smart everything.” Automotive is a prime, high-visibility example of this, and is a vertical market that touches almost everything that Synopsys does, ranging from TCAD to optical, to FinFET design, to IP, to verification, to hardware/software prototyping, all the way to code security and quality. Automotive stands out because of its sophisticated supply chain from OEMs to Tier 1 and Tier 2 suppliers, but also
because of its complex standards aimed at guaranteeing safety. Our influence and business here is evolving in many ways, including: increasing verification growth at leading car companies; new capabilities in analog simulation tools for reliability of automotive chips; competitive wins in automotive lighting software; a growing number of business wins for our 16 and 7nm IP that is qualified for the most stringent automotive safety and reliability standards; all the way to active leadership with the Society of Automotive Engineers’ Cyber Security Task Force, focused on setting new standards for software security.

In summary, we delivered another excellent quarter, and are raising revenue and non-GAAP earnings guidance for the year. Our strategy increasingly demonstrates the value of our rationale as the investments we’ve made over the years are paying off. Near-term, our strong products and customer relationships in EDA and IP are leading to very good revenue and EPS growth; longer-term, our expansion into the new software security and quality TAM is showing great promise. Let me now turn the call over to Trac.

Thanks, Aart. Good afternoon everyone.

Over the first three quarters of 2017, we’ve executed very well across the board, driving strong financial performance and reinforcing the confidence we have in our future. In Q3, we delivered double-digit revenue and non-GAAP earnings growth, and generated significant operating cash flow. In addition, we repurchased $100 million of stock, and continued to invest strategically to drive long-term growth and profitability. As we enter the final quarter of the year, we are confident in our outlook and are raising revenue and non-GAAP earnings guidance. As I talk through the specific results and targets, all comparisons will be year-over-year unless I specify otherwise.

Total revenue increased 13 percent to $695 million, driven by solid performance across all product groups, led by hardware and IP. About 90 percent of revenue came from beginning-of-quarter backlog, and one customer accounted for more than 10 percent of revenue. Largely because of record hardware sales, upfront revenue was greater than 10% of the total. Investors should expect continued variability in revenue due to the growth of our hardware products and their upfront revenue recognition. Excluding hardware, our revenue model remains at approximately 90% time-based.

The weighted average license duration was approximately 2.5 years, and we expect the 2017 average to be somewhat less than three years. Total GAAP costs and expenses were $590 million, and total non-GAAP costs and expenses were $521 million, within our target range. Non-GAAP operating margin was 25 percent for the quarter. For the year, we expect solid organic margin expansion over 2016,
moderated by the impact of the Cigital and Codiscope acquisitions. GAAP earnings per share were 75 cents, and non-GAAP earnings per share were 92 cents. We generated $280 million of operating cash flow, driven by strong collections and business levels. We ended the quarter with cash, cash equivalents and short-term investments of $1.3 billion, and total debt of $436 million. We have repurchased $300 million of stock so far this year, and have $500 million remaining on our current authorization.

Now to fourth quarter and fiscal 2017 guidance. As we indicated in May, due primarily to timing of hardware revenue and seasonally higher expenses, we expect Q4 to be the lightest quarter of the year.

Q4 targets are:

- Revenue between $642 and $657 million;
- Total GAAP costs and expenses between $586 and $602 million;
- Total non-GAAP costs and expenses between $535 and $545 million;
- Other income between negative $1 and $1 million;
- A non-GAAP normalized tax rate of 19 percent;
- Outstanding shares between 153 and 156 million;
- GAAP earnings of 26 to 33 cents per share; and
- Non-GAAP earnings of 55 to 58 cents per share.

For 2017:

- We are raising our revenue target range to $2.670 to $2.685 billion, a growth rate of 10-11 percent.
- Other income between $4 and $6 million;
- A non-GAAP normalized tax rate of 19 percent;
- Outstanding shares between 153 and 156 million;
- GAAP earnings of $1.92 to $1.99 per share;
- We’re also raising the mid-point of our non-GAAP earnings target range by 3 cents to $3.29 to $3.32 per share, a growth rate of 9 to 10 percent;
- Capital expenditures of approximately $90 million;
- And cash flow from operations of $580 to $600 million.

Finally, we are still preparing our 2018 budget, and would suggest that it’s premature to change your 2018 estimates until we provide detailed guidance in late November. Having said that, we believe that
current 2018 consensus non-GAAP EPS estimates look reasonable. This is consistent with our long-term objective of driving high-single-digit non-GAAP EPS growth.

In summary, we are executing very well on our goal to maximize long-term shareholder value. We’ve substantially increased our 2017 targets compared to initial expectations, reflecting good growth across the board, with particular strength in hardware; we continue to prudently invest in our next wave of growth – Software Integrity, while simultaneously driving ongoing EDA and IP growth and profitability; and lastly, in the first three quarters of the fiscal year, we have returned $300 million of capital to shareholders through our stock buyback program.

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