



These Prepared Remarks contain forward-looking statements, including, but not limited to, statements regarding Synopsys, Inc.'s ("**Synopsys**") short-term and long-term financial targets, expectations and objectives; strategies related to our products and technology; business and market outlook, opportunities and strategies; customer demand and market expansion; our planned product releases and capabilities; industry growth rates; software trends; planned acquisitions and stock repurchases; our expected tax rate; the expected impact of U.S. and foreign government actions and regulatory changes on our financial results; and the continued 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 such forward-looking statements. Such risks, uncertainties and factors include, but are not limited to: risks from the continued impact of the COVID-19 pandemic on the global economy and on our business, operations and financial condition; macroeconomic conditions and uncertainty in the global economy; uncertainty in the growth of the semiconductor and electronics industries; the highly competitive industry we operate in; 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 the imposition of additional export restrictions or tariffs; and more. Additional information on potential risks, uncertainties and other factors that could affect Synopsys' results is included in filings we make with the Securities and Exchange Commission (the "**SEC**") from time to time, including in the sections entitled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended October 31, 2021, and in our latest Quarterly Report on Form 10-Q. The information provided herein is as of August 17, 2022. Although these Prepared Remarks are expected to remain available on Synopsys' website through the date of the earnings results call for the fourth quarter of fiscal year 2022, their continued availability through such date does not mean that Synopsys is reaffirming or confirming their continued validity. Synopsys undertakes no duty, and does not intend to update any forward-looking statement, whether as a result of new information, future events or otherwise, unless required by law.

These Prepared Remarks also contain non-GAAP financial measures as defined by the SEC in Regulation G. Reconciliations of the non-GAAP financial measures to their comparable GAAP measures are included in the third quarter fiscal year 2022 earnings release and financial supplement, each dated August 17, 2022, 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 SEC on August 17, 2022.

Good afternoon. We delivered another excellent quarter, with enduring, broad-based strength. Revenue for the quarter was \$1.25 billion. GAAP earnings per share were \$1.43, with non-GAAP earnings at \$2.10. We generated \$440 million of operating cash flow. Notwithstanding the normal ebb and flow of the semiconductor market, design activity remains robust. In addition, our business model sets us apart by adding a solid level of stability and resilience to the accelerated growth we're seeing. Based on this strength and confidence in our business, we are raising guidance for the full year. We expect to grow fiscal '22 revenue approximately 21% and pass the \$5 billion milestone. We continue to drive notable ops margin expansion, and we intend to grow non-GAAP earnings per share by approximately 29%. In the process, we expect to generate \$1.6 to \$1.65 billion in operating cash flow. Trac will discuss the financials in more detail.

Over the last five-or-so decades, semiconductor chips and software have transformed every aspect of our world – from traditional computers, to networks, to mobile devices, from entertainment systems, to home security, to medical wonder machines. Every vertical market is affected . . . and expecting more! As a result, not only does the world demand more chips, more chips are being designed by an expanded group of semiconductor and systems companies. Those chips are much more complex, they need to be designed faster due to time-to-market pressure, and with increasingly constrained engineering talent resources. For the last 35 years, Synopsys has been privileged to grow as an essential catalyst of this transformation, delivering 10,000,000-X in productivity. Today, Synopsys uniquely sits at the intersection of the dual system forces of semiconductors and software, enabling both, with the bold ambition to catalyze another 1,000x this decade. We partner and collaborate with the most advanced companies in the entire supply chain, and while the technical challenges are huge, so are the opportunities! On top of this, security, safety, and reliability are now a must for markets such as robotics, automotive, and aerospace. Meanwhile, more and more system companies – from large hyperscalers to AI startups, to verticals like automotive – have decided to “own their destiny” and design their own chips and systems to accelerate their differentiation. Today, Synopsys is successfully bridging technologies from “Silicon to Software to Systems” as we engage with all of these companies.

In the last few years, we have delivered a number of groundbreaking innovations that are making tremendous impact. For example: in chip design, we are automating not only individual design steps, but entire sub-flows. Our pre-configured IP blocks not only speed up chip design, but also let architects rapidly explore new market-specific chip and system configurations. Our emulation and prototyping solutions are now essential to verify and optimize the interplay between hardware and software in the system. And, in addition, we continue to grow our solutions that enable high-quality and more-secure software, as well as, provide security IP blocks.

Leading the way is our award-winning DSO.ai artificial intelligence design solution, which we believe is revolutionizing chip design. First to market over two years ago with technology that is still unmatched today, it delivers outstanding productivity improvements that are already driving substantial increases in customer commitments. The technical results are truly groundbreaking. Customers are seeing tremendous benefits from DSO.ai's ability to learn from prior designs. For example, two of the largest, most advanced semiconductor companies in the world achieved a 25% reduction in turnaround time and compute resources. DSO.ai is also driving very significant low power improvements, exemplified by a large automotive chip maker, achieving a 30% power reduction. These compelling outcomes are driving a high pace of adoption for production tape-outs across verticals and a broad set of process nodes. Examples this quarter include long-term business commitments at a marquee U.S. hyperscaler and top consumer chip company. Our entire market-leading Digital Design Solution both empowers and benefits from DSO.ai. This highly differentiated combination led to a competitive displacement at a large automotive chip company in Q3. Our Fusion Compiler product continues to drive accelerated growth and competitive wins across market verticals and a broad swath of technology nodes. This quarter, we expect to pass the 1,000 tape-out milestone, with successes in many different customer categories. Fusion Compiler is generating notable runtime and PPA improvements at top graphics processor providers, and we've gained majority positions at one of the largest mobile SoC providers and at multiple leading hyperscalers.

Excellent progress and strong demand also for our modern custom design solutions. This area of growth is fueled by key market segments that include hyperscalers, high-performance compute, and AI/machine learning. In custom design, long dominated by older products, we've already surpassed last year's new logos, with 36 additional year-to-date, including high-profile semiconductor and hyperscaler customers. Companies driving Smart Everything continue to innovate at breathtaking speed and are now embracing migration to multi-die system designs for next-generation systems. Our multi-die system solution that includes our 3DIC Compiler platform and die-to-die IP portfolio, is seeing strong demand. Not surprisingly, the key markets are high-performance compute, datacenter, and mobile. While we continue to expand deployment at a marquee U.S. IDM, we also experienced increased traction at prominent high-performance-compute and hyperscaler customers for complex 3D multi-die and chiplet designs. In mobile, we achieved plan-of-record at leading semiconductor companies for their next-generation multi-die processors. In high-performance compute, multi-die systems incorporate a new interconnect IP standard – UCIE which stands for Universal Chiplet Interconnect Express. As the term "express" captures, it is all about speed, and Synopsys is seeing great traction in this area with a healthy pipeline and multiple wins at 3nm.

More broadly, IP blocks are a must-have to meet intense time-to-market pressures. Our unique breadth and scale of our high-quality IP portfolio, with early availability at advanced processes, continue to drive strong momentum. Demand is particularly high in markets such as high-performance compute, AI/machine learning, automotive and mobile, where systems are fueled by smart everything, high-speed and secure connectivity, and advanced process geometries. In this context, our ARC Vision Processor IP was named Best Automotive AI Solution by the Edge AI & Vision Alliance. Meanwhile, our industry-leading ARC NPX and VPX processor cores that accelerate neural networks, continue to see strong adoption in augmented and virtual reality, automotive, and consumer applications with multiple wins in the quarter. In automotive, we closed significant transactions with large traditional and new OEMs, Tier 1s, and semiconductor vendors. Security remains front and center across all market segments. We are gaining strong adoption of our security solutions for interfaces such as PCIexpress, CXL, and DDR, with more than 30 design wins across all major market segments.

Now moving to the crucial intersection of hardware and software – in other words, “verifying that the chips and system will do what was intended.” Our market-leading emulation and prototyping hardware products are a unique strength and clear differentiator for Synopsys. With the fastest engines, highest capacity, and lowest cost of ownership: we are doing very well! Our products not only verify hardware-software correctness, but also help find ways to reduce power consumption – one of the most vital metrics of any system. High demand continues for our ZeBu emulation and HAPS-100 prototyping systems – growing with many of the largest semiconductor and hyperscaler customers in the world. We are on pace for yet another record year of hardware revenue.

With Smart Everything entering every vertical market, requirements for security and safety continue to expand. Our Software Integrity business is a key enabler of modern software security. Our leading portfolio of products and consulting is unique in its ability to provide high value for developers, the DevOps group, and the corporate security team. This business is rapidly approaching the half-billion-dollar TTM revenue mark. This quarter, we again saw many multi-year, multi-million-dollar commitments in both renewals and new business. Business touched a broad set of verticals, including financial institutions, semiconductors, government, medical, and enterprise software. Our channel partner program progressed well this quarter, with notable new logos and expansions into new customer divisions. We also continue to increase business in new countries that we have never sold to before, and repeat business with partners that opened new markets as recently as the past 12 months. Finally, we further strengthened our broad product and consulting portfolio with the acquisition of WhiteHat Security and its leading solution in dynamic application security testing. We’re excited to have the outstanding

WhiteHat team part of Synopsys and while it's only been a few weeks, the integration is going well, and customer response has been enthusiastic.

In summary: we delivered another excellent quarter, and we are raising our outlook for fiscal '22. Multiple, game-changing innovations are driving outstanding technical and business results – reflected in our accelerated growth. Notwithstanding economic choppiness, customers continue to invest heavily in critical chips, system designs, and immense amounts of software. Against this backdrop, our technology vision and execution drive growth, while our resilient business model provides a level of stability that stands out in the software industry. As we prepare to imminently cross the \$5 billion revenue mark, I want to thank our employees around the world for their ongoing efforts and commitment. With that, I'll turn it over to Trac.

Thanks, Aart. Good afternoon everyone. Q3 was another excellent quarter. We delivered revenue and EPS above our targets and achieved cash flow above our plan. For the full year, we are raising our outlook and are on-track to deliver over 20% revenue growth, an increase in non-GAAP operating margin of approximately 250 basis points, non-GAAP earnings per share growth of approximately 29%, and \$1.6-\$1.65 billion in operating cash flow. We continue to execute well, which is a testament to our innovative technology portfolio, ongoing design activity by our customers, who continue to invest through semiconductor cycles, financial discipline, and the stability and resilience of our time-based business model.

I'll now review our third quarter results. All comparisons are year-over-year, unless otherwise stated. We generated total revenue of \$1.25 billion, up 18% over the prior year, with broad-based strength. Total GAAP costs and expenses were \$1.01 billion. Total non-GAAP costs and expenses were \$856 million, resulting in a non-GAAP operating margin of 31.4%. GAAP earnings per share were \$1.43. Non-GAAP earnings per share were \$2.10, up 16% over the prior year. Semiconductor & System Design segment revenue was \$1.13 billion, up 18%, driven by continued strength in EDA and IP. Trailing-twelve-month Semiconductor & System Design adjusted operating margin was 35.8%. Software Integrity segment revenue was \$118 million, up 21%, with trailing-twelve-month adjusted operating margin of 11%. We continue to expect Software Integrity to deliver 15-20% growth with expanded adjusted operating margin in 2022. Turning to cash, we generated \$440 million in operating cash flow. We used \$257 million of our cash for buybacks, and have repurchased \$972 million of stock over the past twelve months. In addition, we paid \$330 million to acquire WhiteHat Security. Our balance sheet remains very strong. We ended the quarter with cash and short-term investments of \$1.53 billion, and debt of \$22 million.

Now to guidance. We are raising our full-year outlook for revenue, earnings, and cash flow. For fiscal year 2022, the full year targets are: revenue of \$5.06 to \$5.09 billion, which represents 20-21% growth; total GAAP costs and expenses between \$3.978 and \$3.998 billion; total non-GAAP costs and expenses between \$3.395 and \$3.405 billion; resulting in non-GAAP operating margin improvement of approximately 250 basis points; non-GAAP tax rate of 18%; GAAP earnings of \$6.37 to \$6.49 per share; non-GAAP earnings of \$8.80 to \$8.85 per share, representing approximately 29% growth; cash flow from operations of \$1.6 to \$1.65 billion; capital expenditures of approximately \$145 million. Now to the targets for the fourth quarter: revenue between \$1.263 and \$1.293 billion; total GAAP costs and expenses between \$1.076 and \$1.096 billion; total non-GAAP costs and expenses between \$919 and \$929 million; GAAP earnings of \$1.06 to \$1.18 per share; and non-GAAP earnings of \$1.80 to \$1.85 per share. Consistent with prior years, we will provide additional comments and guidance for 2023 when we report next quarter.

In conclusion, we again delivered revenue and non-GAAP earnings above our targets. Based on our excellent results year-to-date and strong outlook, we are again raising our targets for the full year. We continue to see strong momentum in the business and are executing well with our robust portfolio and resilient business model. With that, I'll turn it over to the operator for questions.