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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' short-term and long-term financial targets, expectations and objectives, business objectives and outlook, future acquisitions, customer demand, strategies related to our products and technology, our planned stock repurchase activity, our expected tax rate, the financial impact of the acquisition of Black Duck Software, and the expected impact resulting from our adoption of Accounting Standard Topic 606. 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: our ability to operate or integrate Black Duck Software's business and technologies with our own successfully; our ability to estimate and predict customer usage patterns as we continue to assess the impact of Accounting Standard Topic 606; 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; uncertainty in the global economy; our ability to realize the potential financial or strategic benefits of acquisitions we complete; fluctuation of our operating results; increased variability in our revenue due to the adoption of ASC 606; 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; cybersecurity threats or other security breaches; risks and compliance obligations relating to the global nature of our operations; our ability to protect our proprietary technology; investments of more resources in research and development than anticipated; increased risks resulting from an increase in sales of our hardware products, including increased variability in upfront revenue; changes in accounting principles or standards; changes in our effective 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; 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; the inherent limitations on the effectiveness of our controls and compliance programs; the impairment of our investment portfolio by the deterioration of capital markets; 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, 2017 and in its latest Quarterly Report on Form 10-Q. The information provided herein is as of December 5, 2018. Although these Prepared Remarks are expected to remain available on Synopsys' website through the date of the earnings results call for the first quarter of fiscal year 2019, 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 fourth quarter and fiscal year 2018 earnings release and financial supplement, each dated December 5, 2018, 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 December 6, 2018.

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Good afternoon.

I'm pleased to report another excellent quarter, and with it an outstanding year for Synopsys.

In fiscal 2018: We crossed the $3 billion mark, with revenue of $3.12 billion, and delivered non-GAAP earnings per share of $3.91 – both record results with strong double-digit growth. Our three-year backlog grew by approximately $300 million to $4 billion. Our business was comprehensively strong with very good growth across all product groups and all geographies. We repurchased $400 million of our stock, and simultaneously made targeted investments to drive long-term growth, both organically and through the acquisition of Black Duck. Our diversification into Software Security and Quality progressed very well, as we passed the quarter-billion-dollar annual revenue mark. Notwithstanding some turbulence in the market, Synopsys is in a strong position, and we're increasing our long-term financial objectives.

Trac will discuss the financials in more detail.

The excellent fiscal 2018 results highlight a five-year unparalleled period of technology innovation, market share growth, TAM expansion, and strong financial execution for Synopsys.

Early on, we envisioned a world of "smart everything," where complex, connected chips and systems, combined with enormous software content, would launch the age of AI-powered electronics.

Our strategy flowed from there, as we shifted our center of gravity to the critical intersection of hardware and software. Our investments were targeted at not only advanced EDA tools and platforms, but at broadening our mission-critical IP portfolio, and entering a new business aimed at solving high-impact software security challenges.

Our vision turned out to be on point, and our execution puts us in an excellent position.

As we look to our next phase of growth to $4 billion and beyond, our strategy is three-fold: One, sustain and grow our EDA and IP technology and market leadership. Two, continue to scale Software Integrity, driving substantial growth from a diverse customer base, while steadily moving to solid profitability. And three, further drive operational excellence towards multi-year operating margin expansion through continued revenue growth and prudent expense management.

In that context, let me expand on each of these, beginning with EDA.

Notwithstanding inevitable swings in the semiconductor market, EDA growth is driven by continued chip and system complexity. In 2018, we delivered a stream of innovations aimed squarely at enabling the most complex designs ever, and those products are in the very early stages of a multi-year upgrade cycle.

Specifically, our digital design tools generated their highest revenue growth in several years, with strong performance across all elements of our new Fusion Design Platform.

The word "fusion" captures the advantages of a single, or fused, data model for synthesis, place & route, and signoff, enabling us to now share optimization engines across product boundaries. This results in very measurable productivity improvements for our customers.

While we introduced the "fusion" concept in March, we formally launched the Fusion Design Platform and two significant new products last month: Most notably, Fusion Compiler, the only single product on the market that integrates synthesis, place & route and the key elements of our gold-standard signoff technology. Built on a unified data model with shared code among the different functions, it eliminates the need to move between tools. Through a simultaneous multi-year development effort, we massively upgraded our synthesis capabilities with a brand-new engine built from the ground up – resulting in notably higher capacity and performance. The combination is quite powerful, with 2X faster time-to-results and significantly fewer design iterations, along with a 20% improvement in quality-of-results. These are impressive numbers! Customers such as Toshiba, Samsung, Socionext and others have already reported excellent results, and we see great promise for demand going forward.

For customers who use our franchise Design Compiler product separately, we also launched a significantly upgraded Design Compiler NXT, which delivers 2X faster runtime and cloud-ready distributed synthesis that boosts performance even further. Stay tuned for more fusion-related capabilities to be rolled out during 2019.

Verification, too, had another outstanding year of growth and share gains.

With the exploding requirements of today's leading technology trends, including automotive, IoT, AI, and others, verification is THE biggest bottleneck for customers. We developed our Verification Continuum Platform, which integrates the fastest, market-leading hardware and software tools available, to not only drive state-of-the-art chip verification, but to enable the simulation of these highly complex systems.

Across the board, we've generated a large number of competitive wins and have built significant new customer relationships.

Particularly impactful has been our hardware-based ZeBu emulation system, which saw another record year, making us the market leader. In 2018, we launched ZeBu Server 4 – the fastest, largest-capacity emulator available today. It hits the sweet spot of not only accelerating chip verification, but, importantly, early software bring-up and system validation. Customer success has been quite broad-based, from very large, big-volume semi and system companies, all the way to small, aggressive AI start-ups.

Emulation is an area that lends itself to delivery on the cloud, which is helpful to some customers as they seek sufficient compute capacity during periods of peak utilization. While we have offered cloud hosting for EDA tools for many years, we officially launched a broader cloud solution in the summer – partnering with public cloud providers including Amazon, Microsoft Azure, Google, and Alibaba cloud. We expect that continued growth in complexity will sustain strong demand for our solutions.

Turning to semiconductor IP, we had another excellent year of double-digit growth, reaching record levels at slightly more than 20% of total Synopsys revenue. Over the past 15+ years, we've built the broadest and highest-quality portfolio of logic libraries, embedded memories, interfaces, processors, and security IP. Our offering has evolved from being initially cost-effective building blocks to now, state-of-the-art, sophisticated subsystems serving high-impact markets and leading-edge customers. Nowhere is this more visible than in cutting-edge verticals like cloud, AI, 5G, and autonomous driving. Our ARC processors, for example, generated very good growth in 2018, notably with our innovative Embedded Vision processor targeted at AI applications including drones, surveillance, and digital imaging products.

Today's automotive chips must meet stringent functional safety and reliability standards. Over the past several years, we've developed the broadest portfolio of ISO 26262-certified IP for ADAS, infotainment, embedded microcontrollers, and more.

Our unmatched portfolio of IP interfaces ranges from USB, to PCI-Express, to DDR, HDMI, MIPI, high-speed SerDes and more. We are by far the broadest one-stop-shop for high-quality blocks in all key manufacturing processes down to 7nm and below.

As customers trust our IP for their most demanding new designs, we expect continued strength going forward.

While Synopsys is fortunate to lead in a number of areas, we continually evolve our strategy to stay ahead of emerging opportunities. Our entry into Software Integrity almost five years ago is a prime example of this. In this new market, we offer solutions to identify and address security vulnerabilities and quality defects early in the software development cycle: that is, while code is being written.

Through both organic investments and key acquisitions, we have built a new market position – one that is nicely adjacent to EDA, but also constitutes a major new TAM. For Synopsys, that means a higher-growth industry and diversification of our customer base, reaching software developers in key verticals such as financial services, automotive, and medical devices.

The most recent acquisitions – Cigital and Black Duck – have been very successful in enabling higher-level strategic engagements with customers, demand creation, cross-selling, and significantly increased brand recognition.

In 2019, we plan to deliver a comprehensive Software Integrity Platform, which is designed to provide a streamlined, more robust solution in what has been a highly fragmented market – delivering high value for our customers.

Software Integrity is poised to reach roughly 10% of our total revenue in fiscal '19, while progressing towards profitability. We are evaluating the best way to manage the business and report its results, and will make a decision in Q1.

Rounding things out, a few comments about the economic landscape: Following two years of very strong revenue growth in the semiconductor industry, analysts are forecasting continued growth, albeit at a more modest pace.

Design activity, however, continues unabated. Learning from past experience, customers prioritize electronic design through all parts of the business cycle. In addition, exciting new verticals, many new AI entrants, and unabated complexity growth are bolstering the demand for our solutions.

With a portfolio of products and services aimed directly at the most critical electronic challenges in the world, we're confident in our position and feel a great deal of vitality in our outlook.

Furthermore, our solid financial foundation, recurring revenue business model, and diversified customer base augments that confidence and sense of momentum.

As a result, we're raising our financial ambitions with the intent to drive double-digit non-GAAP EPS growth over the next several years.

In closing, Fiscal 2018 was an excellent year for Synopsys. We delivered double-digit revenue and non-GAAP earnings growth, with strength across all product groups and all geographies. We are poised for the next phase of growth – leveraging a number of game-changing new products in EDA, delivering on a strong pipeline of advanced IP cores, and continuing to scale revenue and profitability in software security.

I want to thank our employees, customers, partners, and investors for their hard work, support and confidence.

Let me now turn the call over to Trac.

Thanks Aart. Good afternoon everyone.

To echo Aart's comments, we had an outstanding year – financially, operationally, and strategically.

Not only did we surpass the $3 billion revenue mark and report our best non-GAAP earnings to date, but we also delivered on our multi-year initiative to drive sustainable, long-term growth through targeted investments and strategic diversification. These investments contributed to what was a record year across the board. We saw strength throughout our portfolio, and each of our geographies generated double-digit growth.

As we enter the next phase, and look to $4 billion, we're confident in our long-term prospects. To reflect this confidence, we are raising our long-term financial objectives, which I'll describe in greater detail momentarily.

First, I'll review the fourth quarter and fiscal 2018 results; all comparisons will be year-over-year unless I specify otherwise.

We generated total revenue of $795 million in Q4 and $3.12 billion for the year, reflecting growth of 14 percent and 15 percent respectively.

Our three-year backlog grew more than $300 million to $4 billion, which – along with our recurring revenue model – provides a level of stability and predictability not often seen in enterprise software companies.

Total GAAP costs and expenses were $734 million for the quarter and $2.76 billion for the year. Total non-GAAP costs and expenses were $658 million for the quarter and $2.43 billion for the year.

The resulting non-GAAP operating margin for the year was 22.1 percent, as we made targeted investments to further strengthen our business, while continuing to deliver strong earnings growth.

GAAP earnings per share were $1.66 for the quarter and $2.82 for the year. Non-GAAP earnings per share were 78 cents for the quarter and $3.91 for the year, an increase of 13 percent and 14 percent respectively.

We generated $131 million of operating cash flow in the quarter and $424 million for the year. This was below our historical levels due to approximately $230 million of one-time items which are detailed in our Financial Supplement.

We ended the year with a cash balance of $723 million, with total debt of $469 million.

We completed the $165 million dollar accelerated share repurchase, begun in May of this year, bringing the total buybacks to $400 million in 2018. Over the last 3 years, we've repurchased $1.2 billion dollars of our stock, reducing the share count by 5 million shares.

We also used our cash to acquire Black Duck, adding the market leader in open source security testing to our Software Integrity group. Black Duck came in at the high end of our plan, with $60 million in revenue, and was slightly less dilutive than we expected at approximately 10 cents for 2018. Black Duck remains on track to reach breakeven in the second half of 2019. Now that the Black Duck acquisition is largely integrated, we will no longer report its individual results.

The combined Software Integrity business has maintained its rapid pace of growth, reaching approximately $280 million in 2018, and approaching sufficient scale to progress towards solid profitability. Given this change, we're evaluating how best to manage the operations and the visibility provided to investors going forward. We will make a decision in Q1.

Before moving to our outlook, I'd like to note that our Financial Supplement includes a summary of certain discrete operating items that we've referenced this quarter and earlier in the year.

Turning now to guidance, I'll start with a brief description of what to expect from our transition from ASC 605 to ASC 606. It's important to note that this is an accounting transition only, and will not affect cash generation or how we manage the business.

While revenue recognition for the rest of the business will remain largely unchanged, we will see an impact on the timing of revenue associated with our multi-year IP license contracts. Under 605 rules, the affected contracts were recognized ratably. Under 606 rules, these non-cancellable contracts are still recognized over time, but revenue will now be recognized when the customer requests delivery of specific titles. This change has no impact on the total value of our contracts, but will contribute to greater quarter-to-quarter variability with respect to IP revenue.

During this transition year, there is a one-time recast of our backlog under the new 606 rules. This will cause a portion of our backlog that would have been recognized under 605 rules in 2019 and beyond, to be directly recorded as retained earnings under 606 rules.

We expect the transition to ASC 606 to result in a reduction to 2019 revenue of approximately $40 million, with the impact declining to neutral within two years. Our Financial Supplement contains additional details on the transition to ASC 606.

Before providing our official targets for 2019, let me provide some apples-to-apples comparisons under 605 rules.

Under ASC 605:

- Revenue for fiscal 2019 is expected to be between $3.34 and $3.37 billion, an increase of 7 to 8 percent, or approximately 9 percent excluding the extra week in 2018.
- GAAP earnings are expected to be $3.01 to $3.11 per share;
- with non-GAAP earnings at $4.40 to $4.47 per share,
- implying a non-GAAP operating margin at the midpoint of just over 24 percent, an increase of approximately 200 basis points.

These numbers reflect an outlook for another strong year with double-digit earnings growth and solid margin expansion, consistent with the financial objectives we've previously communicated.

I will now provide our official full-year and first quarter guidance under the new ASC 606 rules.
For 2019, the full-year targets are:

- Revenue of $3.29 to $3.34 billion;
- total GAAP costs and expenses between $2.787 and $2.817 billion;
- total non-GAAP costs and expenses between $2.53 and $2.55 billion;
- resulting in a non-GAAP operating margin at the midpoint of approximately 23.5 percent.
- Other income and expense between minus $14 million and minus $10 million;
- a non-GAAP normalized tax rate of 16 percent;
- outstanding shares between 153 and 156 million;
- GAAP earnings of $2.80 to $2.90 per share;
- non-GAAP earnings of $4.20 to $4.27 per share;
- cash flow from operations of approximately $700 million;
- and capital expenditures of approximately $270 million. This includes the buildout of a facility in China and the relocation of some Silicon Valley offices. We expect capex to drop roughly in half in 2020.

For the first quarter, the targets are:

- Revenue between $775 and $810 million;
- total GAAP costs and expenses between $677 and $693 million;
- total non-GAAP costs and expenses between $612 and $622 million;
- other income and expense between minus $5 million and minus $3 million;
- a non-GAAP normalized tax rate of 16 percent;
- outstanding shares between 153 and 156 million;
- GAAP earnings of 56 to 64 cents per share;
- and Non-GAAP earnings of $0.95 to $1.00 per share.

I'll close with an update to our long-term financial objectives. Based on the strong positions we've built across the portfolio, we are now setting a goal to drive annual double-digit non-GAAP EPS growth, through a mix of: High-single-digit total revenue growth, consisting of EDA at mid-to-high single digits; IP/Systems in the low double-digits; and Software Integrity growth of around 20%. Simultaneously, we intend to expand non-GAAP operating margins to the high 20s over time, with a goal of 26% by 2021.

We plan to accomplish this through a mix of revenue growth, prudent expense management, and continued scaling of Software Integrity. Our capital allocation strategy remains a balance of organic investments, M&A, and buybacks.

To wrap up: This quarter closed out a great year for Synopsys. Because of the decisions and investments we've made, the business is well-positioned to continue on this path through 2019 and beyond. The updated financial objectives we've laid out today reflect confidence in our ability to continue to deliver strong profitable growth as we move toward $4 billion in revenue.

And with that, I'll turn it over to the operator for questions.