



The following contains 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 the estimated impact of the COVID-19 pandemic on our business, operations, financial plans, expectations and objectives, and customer activity and demand. These statements involve known and unknown risks, uncertainties and other factors that could cause our actual results 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: risks from the effect of the COVID-19 pandemic and the associated economic downturn, including the ability to secure timely payment from customers, the ability to accurately estimate customer demand, reduced willingness of current and potential customers to purchase our products and services due to their own business and market uncertainties, the ability of our business partners and third-party providers to fulfill their responsibilities and commitments, the ability to secure adequate and timely supply of equipment and materials from suppliers, and any additional administrative, legislative or regulatory actions taken by the U.S. or foreign governments; 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; fluctuation of our operating results; increased variability in our revenue due to ASC 606 implementation, including the resulting increase in recognizing upfront revenue as a percentage of total revenue; our highly competitive industries and our ability to meet our customers' demand for innovative technology at lower costs; cybersecurity threats or other security breaches; our ability to protect our proprietary technology; our ability to realize the potential financial or strategic benefits of acquisitions we complete; our ability to carry out our new product and technology initiatives; investment of more resources in research and development than anticipated; product errors or defects; 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; 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, 2019 and in its latest Quarterly Report on Form 10-Q. The information provided herein is as of April 9, 2020. Although these prepared remarks are expected to remain available on Synopsys' website, their continued availability 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.

Thank you, Rick.

We're in a unique and challenging time. So, first, our thoughts are with all of those feeling the direct impact of the virus, including those risking their health to help keep us safe.

As we, our customers, and partners navigate this unprecedented situation, we are all leveraging our prior experience while also adapting, with the clear goal of emerging from this even stronger than before.

In the past several weeks, we've received a lot of questions from investors. Let me try to address some of them to give you a sense of how we're dealing with the situation.

We have three priorities: First and foremost, **WELL-BEING**: We will do everything we can to safeguard the health of our team, their families and our broader communities; Second, **SYNOPSYS INNER WORKINGS**: We will ensure effective operations, communication, and innovation supported by infrastructure and processes adapted to the new circumstances; And third, **CUSTOMER FOCUS**: We will give uncompromising attention to enable our customers' success, unimpeded by both our customers' and our own "work from home" situations.

Let's start with **WELL-BEING**. Our first priority is to protect the health of our employees, their families and communities, and also our customers and partners.

Our global Covid-19 leadership team monitors this fluid situation constantly, meets daily, and provides ongoing updates to our team.

As many of you know, we have a large presence in China, including Wuhan. Fortunately, our employees in that region are safe and are now gradually coming back into the office. The early lessons learned are now benefiting the rest of the organization: from health-care precautions, to managing stressful family situations, to how to transition to a productive virtual work environment.

Today, approximately 13,000 of our 14,500 employees around the world are working remotely. While the regional situations differ in circumstances and timelines, we are abiding by the local social distancing mandates and expect many of these to stay in place for at least the next month.

Supporting the communities in which we live and work has always been a hallmark of Synopsys. Our Synopsys Foundation is redirecting many of its programs and grants to Covid-19 relief organizations

throughout the world, and we are diligently taking necessary social precautions in our communities.

Let me now move to the SYNOPSYS INNER WORKINGS. An essential priority is to ensure that our internal infrastructure and systems continue to enable us to innovate, operate and execute on the business.

Ensuring that our people can work effectively from home is a huge operational challenge that we executed with great agility and purpose. Our IT, HR, and facilities teams have led an extraordinary effort to transition the company in a very short time frame. Operations, including financial systems to close the books and HR systems to support employees, have transitioned well.

We continue to innovate, as our R&D operations have transitioned rapidly to a work-from-home environment. Our engineers are adapting quickly. Their ability to access and manipulate huge amounts of customer data and collaborate with their peers, supports our customers well. Simultaneously innovation and development march forward as we stay on track for new and enhanced product delivery. While still in the early stages, we are encouraged.

Meanwhile, we continue to execute on the business side also. While the team is dealing with unique challenges, we are weathering the situation with less disruption than anticipated, which we're certainly thankful for!

As we continue to look for creative ways to strengthen productivity while finding a healthy and sustainable way to live this at home, everybody is learning to adapt fast. Be it by having more frequent but shorter meetings, to turning off video to save bandwidth the minute sound quality goes down, or learning how to take regular breaks while getting the kids to do their virtual homework, finding the new normal, the new work/life balance, is the essence of learning fast under new circumstances.

Which brings me to CUSTOMER FOCUS. Building on many decades-long relationships, we've been aligning closely with our customers to mitigate the impact of the new situation and "work-from-home" mandates. Initial customer feedback is that our support is very responsive.

All parties are adapting. And while each customer is different, I can generally say that: design activity has not slowed down. The level and complexity of designs has not changed since the outbreak began, and a number of customers are aiming at accelerating their own technical differentiation to come out of the downturn stronger.

We are able to ship our products, and customers are using them in their designs. Remote access to our products is nothing new. Our customers are highly global in nature, with teams located around the world, and they've been enabling remote access to our products for years.

Even our hardware products are well-suited for virtual use. It's common for engineers to access Synopsys hardware from around the world. And because our HW systems are easy to install, they're better suited than the competition to be able to ramp up remotely. We are supporting our customers well, even as the situation is rapidly changing.

We are providing robust support through multiple mechanisms, such as video calls, audio calls, and remote logins. The enhanced CRM and support system that we implemented earlier this year has been quite helpful in that effort. Providing services remotely is also a normal business model for us. Our service engagements continue, even as all parties continue to adjust their new interaction protocols. And, our sales and AE teams continue to actively engage with our partners and customers.

Our customer relationships are special. Trust is built over many years, and our history of helping our customers navigate the ups and downs of business cycles is one we are particularly proud of. While at times there may be some audio/video challenges, we've already concluded multiple virtual executive review meetings.

Stepping Back – EDA/SNPS Business Dynamics I'd like to provide a few comments on the resiliency of the EDA industry in general and Synopsys in particular. Several of you have asked how to think about our business in a recessionary environment. While we are, of course, not immune, the nature of our market and business model provides a level of stability not seen in most software companies.

Given the competitive intensity and value of semiconductors, R&D and design activity continue regardless of where a company or industry is in the business cycle.

Our experience in past downturns is that chip and system design continue throughout. This makes sense, given the relatively long timeframe for design (18-24 months), the complexity and impact of current electronics, and the necessity to have products to bring to market coming out of the downturn. AI and machine learning, 5G, IoT, servers, and cloud expansion will continue to drive advanced design at high speed. We don't see that changing.

In addition, Synopsys' time-based business model, with a high level of recurring revenue and \$4.4 billion of non-cancellable backlog, enables us to weather downturns relatively well. Granted, there is more variability today than during the '08/'09 recession. We now have hardware products with upfront revenue recognition, and a supply chain with more complexity that needs to be managed. Also, ASC 606 accounting rules make IP revenue lumpier. Nonetheless, Synopsys is in an enviable stable business position in a market that will remain both important and very active.

And lastly on the business topic, Synopsys has always maintained a strong balance sheet, which, together with healthy cash generation and access to credit, ensure a robust financial footing.

Some of you have asked about the Software Integrity market dynamics, and whether they are different from EDA and IP. While only 10% of our overall business, the model is similar: largely time-based with non-cancellable contracts that are slightly shorter than EDA contracts (approximately two years). So here, too, there is relative stability to navigate business cycles.

In an emerging industry such as this, the impact of Covid-19 is a bit harder to predict. On one hand, companies are presently consumed with the practical challenges of transitioning to a work-from-home model. On the other hand, they are increasingly concerned about the very security risks that our products could help them address.

We will continue to monitor and navigate the fluid near-term situation, with a constant eye towards the substantial long-term growth opportunity in this space.

Finally, we have another month to go in our quarter, and as is our normal protocol, we won't be updating our targets until we report next month. I will say that meanwhile, we remain focused on driving to our plan and the targets we outlined in February. We look forward to reporting our Q2 results in May.

In closing, thank you for joining our annual shareholder meeting today, and for your interest in Synopsys.

We hope you and your families stay healthy and safe. Be well!