

FINANCIAL SUPPLEMENT Q1 FY2021

February 17, 2021

CONTENTS

- I. Financial Targets
- II. Revenue by Product Group
- III. Revenue by Geographic Region
- IV. Selected Financial and Operating Metrics
- V. Reconciliations and Adjustments
- VI. Notice to Investors

USEFUL LINKS

- [Press Release](#)
- [Webcast](#)
- [Form 10-K FY2020](#)
- [Form 10-Q FY2021](#)

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I. FISCAL YEAR 2021 SELECTED FINANCIAL TARGETS ^{(1) (2)}

| | Q2FY2021 | FY2021 |
|--|-----------------|-------------------|
| Revenue (million) | \$970 - \$1,000 | \$4,000 - \$4,050 |
| GAAP Expenses (million) | \$801 - \$819 | \$3,234 - \$3,279 |
| Non-GAAP Expenses (million) | \$697 - \$707 | \$2,825 - \$2,855 |
| Other Income and Expense Net (million) | (\$4) - (\$2) | (\$11) - (\$7) |
| Annual Non-GAAP Tax Rate | 16% | 16% |
| Fully Diluted Outstanding Shares (million) | 156 - 159 | 156 - 159 |
| GAAP Operating Margin | | ~19% |
| Non-GAAP Operating Margin | | 29% - 30% |
| GAAP Earnings Per Share | \$0.93 - \$1.02 | \$4.29 - \$4.45 |
| Non-GAAP Earnings Per Share | \$1.50 - \$1.55 | \$6.23 - \$6.30 |
| Cash Flow from Operations (million) | | \$1,200 - \$1,300 |
| Capital Expenditures (million) | | ~\$100 |
| Average Renewable License Duration | | 2.5 - 3 years |

(1) These targets were provided by Synopsys as of February 17, 2021.

(2) These targets assume there are no further changes to the current U.S. government "Entity List" restrictions for fiscal 2021.

RECENT ACQUISITIONS

Moortec

- Closed November 2020.
- Terms not disclosed; not material.
- Enhances Synopsys' industry-first Silicon Lifecycle Management (SLM) platform.
- Moortec's sensors feed data into the platform's data analytics engines, providing detailed visibility into a chip's performance and allowing for optimization at each stage of the semiconductor lifecycle, from design to in-field operation.

Light Tec

- Closed November 2020.
- Terms not disclosed; not material.
- Global provider of optical measurement solutions.
- Augments Synopsys' optical design software tools, expanding our solutions for imaging and illumination optics applications.

II. REVENUE BY PRODUCT GROUP (Unaudited)

| (\$ millions) | FY19 | Q120 | Q220 | Q320 | Q420 | FY20 | Q121 |
|-------------------------|----------------|--------------|--------------|--------------|----------------|----------------|--------------|
| EDA | 1,964.3 | 492.6 | 511.4 | 531.8 | 580.5 | 2,116.3 | 536.2 |
| <i>% of Revenue</i> | 58% | 59% | 59% | 55% | 57% | 57% | 55% |
| IP & System Integration | 1,056.6 | 255.1 | 260.0 | 335.7 | 351.9 | 1,202.6 | 339.6 |
| <i>% of Revenue</i> | 31% | 31% | 30% | 35% | 34% | 33% | 35% |
| Software Integrity | 334.6 | 85.6 | 88.3 | 93.4 | 90.8 | 358.1 | 92.0 |
| <i>% of Revenue</i> | 10% | 10% | 10% | 10% | 9% | 10% | 9% |
| Other | 5.2 | 1.1 | 1.7 | 3.2 | 2.3 | 8.3 | 2.6 |
| Total | 3,360.7 | 834.4 | 861.3 | 964.1 | 1,025.4 | 3,685.3 | 970.3 |

Revenue from our products and services is categorized into four groups:

- EDA, which includes digital and custom integrated circuit (IC) design software, verification products, manufacturing-related products, and field-programmable gate array (FPGA) design software;
- IP & System Integration, which includes our DesignWare® IP portfolio, system-level design products, prototyping products, and general professional services;
- Software Integrity, which includes solutions that test software code for security vulnerabilities and quality defects, as well as professional and managed services; and
- Other, which includes university programs and the impact of gains and losses from foreign currency hedges.

Note: Amounts included in the table above may not foot due to rounding. Product revenue data for multi-product transactions reflect internal allocations based upon certain assumptions and management's methodology. In addition, we allocate maintenance revenue to the products to which those maintenance services relate.

III. REVENUE BY GEOGRAPHIC REGION (Unaudited)

| (\$ millions) | FY19 | Q120 | Q220 | Q320 | Q420 | FY20 | Q121 |
|---------------------|----------------|--------------|--------------|--------------|----------------|----------------|--------------|
| North America | 1,712.5 | 415.4 | 405.8 | 443.7 | 536.9 | 1,801.9 | 474.2 |
| <i>% of Revenue</i> | 51% | 50% | 47% | 46% | 52% | 49% | 49% |
| Europe | 349.0 | 94.4 | 89.3 | 94.3 | 107.3 | 385.3 | 105.2 |
| <i>% of Revenue</i> | 10% | 11% | 10% | 10% | 10% | 10% | 11% |
| Korea | 353.4 | 89.5 | 105.3 | 96.3 | 97.8 | 389.0 | 98.3 |
| <i>% of Revenue</i> | 11% | 11% | 12% | 10% | 10% | 11% | 10% |
| China* | 321.8 | 67.3 | | | | 420.8 | 115.8 |
| <i>% of Revenue</i> | 10% | 8% | | | | 11% | 12% |
| Other* | 624.1 | 167.8 | | | | 688.3 | 176.9 |
| <i>% of Revenue</i> | 19% | 20% | | | | 19% | 18% |
| Total | 3,360.7 | 834.4 | 861.3 | 964.1 | 1,025.4 | 3,685.3 | 970.3 |

* Beginning in the first quarter of fiscal 2021, we updated our disclosure of revenue by geographic regions. Revenue in these geographic regions is reported for the first quarter of fiscal 2020 for comparative purposes.

Note: Amounts included in the table above may not foot due to rounding. Geographic revenue data for multi-regional, multi-product transactions reflect internal allocations and are based upon certain assumptions and management's methodology.

IV. SELECTED FINANCIAL AND OPERATING METRICS

| | FY19 | Q120 | Q220 | Q320 | Q420 | FY20 | Q121 |
|--|-----------|---------|---------|---------|---------|-----------|---------|
| Revenue License Type (millions) ⁽¹⁾ | | | | | | | |
| - Time-based Products | \$2,198.0 | \$556.4 | \$590.1 | \$612.1 | \$606.6 | \$2,365.2 | \$631.3 |
| - Upfront Products | \$619.8 | \$150.7 | \$129.8 | \$210.9 | \$244.2 | \$735.6 | \$174.4 |
| - Maintenance and Service ⁽²⁾ | \$542.9 | \$127.2 | \$141.5 | \$141.1 | \$174.7 | \$584.5 | \$164.7 |
| Recurring Revenue (% of Total Revenue) ⁽³⁾ | 89% | 87% | 90% | 87% | 79% | 86% | 87% |
| Avg Renewable License Duration (yrs) ⁽⁴⁾ | -2.7 | -2.5 | -3.2 | -2.4 | -2.6 | -2.7 | -2.3 |
| Non-GAAP Operating Margin ⁽⁵⁾ | 25.0% | 22.4% | 25.7% | 33.6% | 29.2% | 28.0% | 29.6% |
| Cash, Cash Equivalents & Short-term Investments (millions) | | \$700 | \$856 | \$1,050 | \$1,236 | | \$1,023 |
| - % held in U.S. | | 31% | 36% | 37% | 48% | | 40% |
| Outstanding Debt | | \$331 | \$236 | \$131 | \$128 | | \$123 |
| Operating Cash Flow ^{(1),(6)} | \$801 | \$10 | \$380 | \$399 | \$202 | \$991 | \$174 |
| Capital Expenditures ⁽¹⁾ | \$198 | \$55 | \$26 | \$40 | \$34 | \$155 | \$28 |
| Share Repurchases (millions) ⁽¹⁾ | | | | | | | |
| - Number of Shares | 2.7 | 0.6 | 0.8 | - | 0.2 | 1.6 | 0.8 |
| - Gross Share Repurchases | (\$329) | (\$100) | (\$100) | - | (\$42) | (\$242) | (\$253) |
| - Remaining Repurchase Authorization | \$400 | \$300 | \$200 | \$500 | \$458 | \$458 | \$205 |
| DSO | | 87 | 67 | 59 | 69 | | 74 |
| Employee Headcount | | ~14,280 | ~14,500 | ~14,800 | ~15,040 | | ~15,355 |
| Revenue by Segment (millions) ⁽⁷⁾⁽⁸⁾ | | | | | | | |
| - Semiconductor & System Design | \$3,026.1 | \$748.8 | \$773.0 | \$870.7 | \$934.6 | \$3,327.2 | \$878.3 |
| % of Total | 90% | 90% | 90% | 90% | 91% | 90% | 91% |
| - Software Integrity | \$334.6 | \$85.6 | \$88.3 | \$93.4 | \$90.8 | \$358.1 | \$92.0 |
| % of Total | 10% | 10% | 10% | 10% | 9% | 10% | 9% |
| Adjusted Op Income by Segment (millions) ⁽⁷⁾⁽⁸⁾ | | | | | | | |
| - Semiconductor & System Design | \$806.6 | \$178.9 | \$209.7 | \$308.7 | \$293.5 | \$990.8 | \$278.9 |
| - Software Integrity | \$32.2 | \$8.1 | \$11.7 | \$14.8 | \$6.2 | \$40.8 | \$7.9 |
| Adjusted Operating Margin by Segment ⁽⁷⁾⁽⁸⁾ | | | | | | | |
| - Semiconductor & System Design | 26.7% | 23.9% | 27.1% | 35.4% | 31.4% | 29.8% | 31.8% |
| - Software Integrity | 9.6% | 9.4% | 13.3% | 15.8% | 6.8% | 11.4% | 8.6% |

- (1) Amounts may not foot due to rounding.
- (2) Includes maintenance on term and perpetual licenses.
- (3) We define recurring revenue as revenue generated from time-based products, multi-period IP contracts, and maintenance and services, for which revenue is recognized over time.
- (4) Weighted average duration of the license arrangements closed in the period reported.
- (5) Should be read in conjunction with our Form 8-K filed with the SEC on February 17, 2021 and the reconciliations of the non-GAAP financial measures to their comparable GAAP measures found in this Financial Supplement.
- (6) Typically tracks earnings before interest, taxes, depreciation and amortization (EBITDA) over time (less cash taxes). It is important to look at multi-year averages, as operating cash flow is inherently lumpy.
- (7) We manage the business on a long-term, annual basis, and consider quarterly fluctuations of revenue and profitability as a normal element of our business.
- (8) These segment results are consistent with the information required by ASC 280. 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. Such unallocated expenses consist of stock-based compensation expense, amortization of intangible assets, restructuring, litigation and acquisition-related costs. Management excludes these same expenses to arrive at non-GAAP measures used to evaluate and make decisions about Synopsys as a whole.

V. RECONCILIATIONS AND ADJUSTMENTS

SUPPLEMENTAL GAAP TO NON-GAAP INFORMATION ⁽¹⁾

(Unaudited and in thousands, except per share amounts)

| | Three Months Ended January 31, 2021 | | |
|--|-------------------------------------|----------------------------|------------|
| | GAAP | Adjustments ⁽²⁾ | Non-GAAP |
| Cost of revenue: | | | |
| Products | \$ 127,347 | \$ (11,698) | \$ 115,649 |
| Maintenance and service | 68,766 | (3,985) | 64,781 |
| Amortization of intangible assets | 11,886 | (11,886) | - |
| Operating expenses: | | | |
| Research and development | \$ 357,468 | \$ (59,810) | \$ 297,658 |
| Sales and marketing | 170,628 | (21,752) | 148,876 |
| General and administrative | 77,488 | (20,951) | 56,537 |
| Amortization of intangible assets | 8,390 | (8,390) | - |
| Restructuring charges | - | - | - |
| Operating income | \$ 148,348 | \$ 138,472 | \$ 286,820 |
| Other income (expense), net | \$ 28,756 | \$ (30,866) | \$ (2,110) |
| Provision (benefit) for income taxes | \$ 15,076 | \$ 30,478 | \$ 45,554 |
| Net income (loss) attributed to non-controlling interest | \$ (317) | \$ - | \$ (317) |
| Net income attributed to Synopsys | \$ 162,345 | \$ 77,128 | \$ 239,473 |
| Net income per share (Diluted) | \$ 1.03 | \$ 0.49 | \$ 1.52 |

Shares used in computing per share amounts:

| | | |
|---------|---------|---------|
| Diluted | 157,277 | 157,277 |
|---------|---------|---------|

(1) Synopsys' first quarter of fiscal year 2021 ended on January 30, 2021. For presentation purposes, we refer to the closest calendar month end.

(2) The adjustments to the various line items resulted from excluding the following from non-GAAP measures: stock compensation of \$83.8 million, amortization of intangible assets of \$20.3 million, acquisition-related costs of \$3.5 million, changes in the fair value of the non-qualified deferred compensation plan of \$30.9 million, and tax effect of non-GAAP adjustments of (\$30.5) million.

GAAP TO NON-GAAP OPERATING MARGIN RECONCILIATION ⁽¹⁾

(Unaudited)

| | <u>Three Months Ended</u> <u>January 31, 2021</u> |
|--|--|
| GAAP operating margin | 15.3% |
| Amortization of intangible assets | 2.1% |
| Stock compensation | 8.6% |
| Acquisition-related costs | 0.4% |
| Restructuring charges | 0.0% |
| Change in value of non-qualified deferred compensation | 3.2% |
| Non-GAAP operating margin | <u>29.6%</u> |

(1) Synopsys' first quarter of fiscal year 2021 ended on January 30, 2021. For presentation purposes, we refer to the closest calendar month end.



TOTAL ADJUSTED SEGMENT OPERATING INCOME RECONCILIATION ^{(1) (2)}

(in millions)

| | Three Months Ended | |
|---|--|-------|
| | January 31, 2021 ⁽³⁾ | |
| GAAP total operating income – as reported | \$ | 148.3 |
| Other expenses managed at consolidated level | | |
| -Amortization of intangible assets | | 20.3 |
| -Stock compensation | | 83.8 |
| -Fair value changes in executive deferred compensation plan | | 30.9 |
| -Acquisition-related costs | | 3.5 |
| -Restructuring | | - |
| Total adjusted segment operating income | \$ | 286.8 |

(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. 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' first quarter of fiscal year 2021 ended on January 30, 2021. For presentation purposes, we refer to the closest calendar month end.

GAAP TO NON-GAAP RECONCILIATION OF SECOND QUARTER FISCAL YEAR 2021 TARGETS ⁽¹⁾

(in thousands, except per share amounts)

| | Range for Three Months | |
|---|------------------------|------------|
| | April 30, 2021 | |
| | Low | High |
| Target GAAP expenses | \$ 801,000 | \$ 819,000 |
| Adjustments: | | |
| Estimated impact of amortization of intangible assets | (19,000) | (22,000) |
| Estimated impact of stock compensation | (85,000) | (90,000) |
| Target non-GAAP expenses | \$ 697,000 | \$ 707,000 |

| | Range for Three Months | |
|---|------------------------|---------|
| | April 30, 2021 | |
| | Low | High |
| Target GAAP earnings per share | \$ 0.93 | \$ 1.02 |
| Adjustments: | | |
| Estimated impact of amortization of intangible assets | 0.14 | 0.12 |
| Estimated impact of stock compensation | 0.57 | 0.54 |
| Estimated impact of tax adjustments | (0.14) | (0.13) |
| Target non-GAAP earnings per share | \$ 1.50 | \$ 1.55 |

Shares used in non-GAAP calculation (midpoint of target range) 157,500 157,500

GAAP TO NON-GAAP RECONCILIATION OF FULL FISCAL YEAR 2021 TARGETS ⁽¹⁾

(in thousands, except per share amounts)

| | Range for Fiscal Year | |
|---|-----------------------|--------------|
| | October 31, 2021 | |
| | Low | High |
| Target GAAP expenses | \$ 3,233,548 | \$ 3,278,548 |
| Adjustments: | | |
| Estimated impact of amortization of intangible assets | (75,000) | (80,000) |
| Estimated impact of stock compensation | (330,000) | (340,000) |
| Acquisition-related costs | (3,548) | (3,548) |
| Target non-GAAP expenses | \$ 2,825,000 | \$ 2,855,000 |

| | Range for Fiscal Year | |
|---|-----------------------|---------|
| | October 31, 2021 | |
| | Low | High |
| Target GAAP earnings per share | \$ 4.29 | \$ 4.45 |
| Adjustments: | | |
| Estimated impact of amortization of intangible assets | 0.51 | 0.48 |
| Estimated impact of stock compensation | 2.16 | 2.10 |
| Acquisition-related costs | 0.02 | 0.02 |
| Estimated impact of tax adjustments | (0.75) | (0.75) |
| Target non-GAAP earnings per share | \$ 6.23 | \$ 6.30 |

Shares used in non-GAAP calculation (midpoint of target range) 157,500 157,500

(1) Synopsys' second fiscal quarter and fiscal year will end on May 1, 2021 and October 30, 2021, respectively. For presentation purposes, we refer to the closest calendar month end.



GAAP TO NON-GAAP RECONCILIATION OF OPERATING MARGIN AT MIDPOINT OF FULL FISCAL YEAR 2021 TARGETS ⁽¹⁾

| | <u>Twelve Months Ended</u> <u>October 31, 2021</u> ⁽²⁾ |
|--|--|
| At midpoint of revenue and expense guidance ranges | |
| GAAP operating margin | 19.1% |
| Amortization of intangible assets | 1.9% |
| Stock compensation | 8.3% |
| Acquisition-related costs | 0.1% |
| Restructuring charges | 0.0% |
| Change in value of non-qualified deferred compensation | 0.0% |
| Target non-GAAP operating margin | <u>29.4%</u> |

(1) These numbers represent the midpoint of targets in the prepared remarks provided on February 17, 2021, and do not represent official guidance for fiscal year 2021.

(2) Synopsys' fiscal year will end on October 30, 2021. For presentation purposes, we refer to the closest calendar month end.

GAAP TO NON-GAAP RECONCILIATIONS

Please see our Current Report on Form 8-K filed with the SEC on February 17, 2021 available at <http://www.sec.gov> for the reasons why Synopsys believes that the presentation of non-GAAP financial measures provides useful information to our shareholders regarding our financial condition and results of operations and the purposes for which management uses such non-GAAP financial measures. Certain non-GAAP data used by management, as well as the reconciliation of such data to its most directly comparable GAAP measures, is contained in the first quarter of fiscal year 2021 earnings release available on Synopsys' website at <https://www.synopsys.com/company/investor-relations/financial-news.html> and our Current Report on Form 8-K filed with the SEC on February 17, 2021. In addition to the adjustments described in the Current Report on Form 8-K, the non-GAAP financial measures provided in this Supplement also exclude changes in the fair value of our non-qualified deferred compensation plans since such changes typically do not require current cash settlement and because they are not used by us in assessing the profitability of our business operations.

FORWARD-LOOKING STATEMENTS

This Supplement 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 financial results; and the expected impact of the COVID-19 pandemic. These statements involve risks, uncertainties and other factors that could cause our actual results, timeframes 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 impact 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 we make 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, 2020 and in its latest Quarterly Report on Form 10-Q.

EFFECTIVENESS OF INFORMATION

The information provided herein is as of February 17, 2021. Although this Supplement will remain available on Synopsys' website through the date of the second quarter of fiscal year 2021 earnings call in May 2021, its continued availability through such date does not mean that Synopsys is reaffirming or confirming its continued validity. Synopsys does not currently intend to, and assumes no obligation to, report on its progress during the second quarter of fiscal year 2021 or comment to analysts or investors on, or otherwise update, the information contained in this Supplement.