

FINANCIAL SUPPLEMENT Q4 FY2021

December 1, 2021

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I. FISCAL YEAR 2022 SELECTED FINANCIAL TARGETS ^{(1) (2)}

	Q1 FY2022	FY2022
Revenue (million)	\$1,250 - \$1,280	\$4,725 - \$4,775
GAAP Expenses (million)	\$934 - \$964	\$3,778 - \$3,835
Non-GAAP Expenses (million)	\$802 - \$812	\$3,225 - \$3,255
Other Income and Expense Net (million)	(\$5) - (\$3)	(\$11) - (\$7)
Non-GAAP Tax Rate	18%	18%
Fully Diluted Outstanding Shares (million)	156 - 159	157 - 160
GAAP Operating Margin		Midpoint: ~19.9%
Non-GAAP Operating Margin		Midpoint: ~31.8%
GAAP Earnings Per Share	\$1.75 - \$1.92	\$5.39 - \$5.65
Non-GAAP Earnings Per Share	\$2.35 - \$2.40	\$7.73 - \$7.80
Cash Flow from Operations (million)		\$1,400 - \$1,500
Capital Expenditures (million)		~\$120

II. LONG-TERM FINANCIAL OBJECTIVES ⁽¹⁾ (EFFECTIVE DECEMBER 2021)

While the results in any given period will vary due to timing of product deliverables, acquisitions or other near-term priorities, our long-term, multi-year objectives are:

Revenue
Annual double-digit revenue growth

- EDA: double-digits
- IP: mid-teens
- SIG: 15-20%

Margin
Annual non-GAAP operating margin expansion of more than 100 bps

Earnings
Annual non-GAAP EPS growth in the mid-teens range

Utilize our strong cash flow for organic investments, M&A and share buybacks.

(1) These targets and multi-year objectives are provided as of December 1, 2021.

(2) These targets and multi-year objectives assume there are no further changes to the current U.S. government "Entity List" restrictions.

III. REVENUE BY PRODUCT GROUP (Unaudited)

(\$ millions)	Q120	Q220	Q320	Q420	FY20	Q121	Q221	Q321	Q421	FY21
EDA	492.6	511.4	531.8	580.5	2,116.3	536.2	587.6	590.3	617.2	2,331.3
<i>% of Revenue</i>	59%	59%	55%	57%	57%	55%	57%	56%	54%	56%
IP & System Integration	255.1	260.0	335.7	351.9	1,202.6	339.6	339.3	363.8	420.6	1,463.3
<i>% of Revenue</i>	31%	30%	35%	34%	33%	35%	33%	34%	36%	35%
Software Integrity	85.6	88.3	93.4	90.8	358.1	92.0	93.9	98.0	110.0	393.8
<i>% of Revenue</i>	10%	10%	10%	9%	10%	9%	9%	9%	10%	9%
Other	1.1	1.7	3.2	2.3	8.3	2.6	3.5	5.0	4.7	15.8
<i>% of Revenue</i>	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	834.4	861.3	964.1	1,025.4	3,685.3	970.3	1,024.3	1,057.1	1,152.4	4,204.2

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.

IV. REVENUE BY GEOGRAPHIC REGION (Unaudited)

(\$ millions)	Q120	Q220	Q320	Q420	FY20	Q121	Q221	Q321	Q421	FY21
North America	415.4	405.8	443.7	536.9	1,801.9	474.2	479.2	487.0	545.3	1,985.7
<i>% of Revenue</i>	50%	47%	46%	52%	49%	49%	47%	46%	47%	47%
Europe	94.4	89.3	94.3	107.3	385.3	105.2	106.2	112.9	116.3	440.5
<i>% of Revenue</i>	11%	10%	10%	10%	10%	11%	10%	11%	10%	10%
Korea	89.5	105.3	96.3	97.8	389.0	98.3	105.4	110.5	113.7	427.8
<i>% of Revenue</i>	11%	12%	10%	10%	11%	10%	10%	10%	10%	10%
China	67.3	81.1	160.2	112.2	420.8	115.8	125.5	164.2	157.3	562.7
<i>% of Revenue</i>	8%	9%	17%	11%	11%	12%	12%	16%	14%	13%
Other	167.8	179.8	169.5	171.1	688.3	176.9	208.1	182.6	220.0	787.5
<i>% of Revenue</i>	20%	21%	18%	17%	19%	18%	20%	17%	19%	19%
Total	834.4	861.3	964.1	1,025.4	3,685.3	970.3	1,024.3	1,057.1	1,152.4	4,204.2

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.

V. SELECTED FINANCIAL AND OPERATING METRICS

	Q120	Q220	Q320	Q420	FY20	Q121	Q221	Q321	Q421	FY21
Revenue License Type (millions) ⁽¹⁾										
- Time-based Products	\$556.4	\$590.1	\$612.1	\$606.6	\$2,365.2	\$631.3	\$648.8	\$665.6	\$688.1	\$2,633.8
- Upfront Products	\$150.7	\$129.8	\$210.9	\$244.2	\$735.6	\$174.4	\$209.1	\$203.3	\$274.3	\$861.1
- Maintenance and Service ⁽²⁾	\$127.2	\$141.5	\$141.1	\$174.7	\$584.5	\$164.7	\$166.4	\$188.3	\$190.0	\$709.4
Recurring Revenue (% of Total Revenue) ⁽³⁾	87%	90%	87%	79%	86%	87%	86%	86%	81%	85%
Non-GAAP Operating Margin ⁽⁴⁾	22.4%	25.7%	33.6%	29.2%	28.0%	29.6%	31.0%	31.9%	29.5%	30.5%
Cash, Cash Equivalents & Short-term Investments (millions)	\$700	\$856	\$1,050	\$1,236		\$1,023	\$1,458	\$1,530	\$1,581	
- % held in U.S.	31%	36%	37%	48%		40%	54%	56%	49%	
Outstanding Debt	\$331	\$236	\$131	\$128		\$123	\$116	\$107	\$100	
Operating Cash Flow ^{(1),(5)}	\$10	\$380	\$399	\$202	\$991	\$174	\$526	\$422	\$371	\$1,493
Capital Expenditures ⁽¹⁾	\$55	\$26	\$40	\$34	\$155	\$28	\$16	\$23	\$27	\$94
Share Repurchases (millions) ⁽¹⁾										
- Number of Shares	0.6	0.8	-	0.2	1.6	0.8	0.8	0.5	0.7	2.8
- Gross Share Repurchases	(\$100)	(\$100)	-	(\$42)	(\$242)	(\$253)	(\$145)	(\$175)	(\$215)	(\$788)
- Remaining Repurchase Authorization	\$300	\$200	\$500	\$458	\$458	\$205	\$60	\$325	\$110	\$110
DSO	87	67	59	69		74	54	50	45	
Employee Headcount	-14,280	-14,500	-14,800	-15,040		-15,355	-15,555	-15,870	-16,360	
Revenue by Segment (millions) ^{(6),(7)}										
- Semiconductor & System Design	\$748.8	\$773.0	\$870.7	\$934.6	\$3,327.2	\$878.3	\$930.4	\$959.1	\$1,042.4	\$3,810.4
% of Total	90%	90%	90%	91%	90%	91%	91%	91%	90%	91%
- Software Integrity	\$85.6	\$88.3	\$93.4	\$90.8	\$358.1	\$92.0	\$93.9	\$98.0	\$110.0	\$393.8
% of Total	10%	10%	10%	9%	10%	9%	9%	9%	10%	9%
Adjusted Op Income by Segment (millions) ^{(6),(7)}										
- Semiconductor & System Design	\$178.9	\$209.7	\$308.7	\$293.5	\$990.8	\$278.9	\$308.8	\$328.7	\$326.6	\$1,243.1
- Software Integrity	\$8.1	\$11.7	\$14.8	\$6.2	\$40.8	\$7.9	\$8.4	\$8.7	\$13.3	\$38.3
Adjusted Operating Margin by Segment ^{(6),(7)}										
- Semiconductor & System Design	23.9%	27.1%	35.4%	31.4%	29.8%	31.8%	33.2%	34.3%	31.3%	32.6%
- Software Integrity	9.4%	13.3%	15.8%	6.8%	11.4%	8.6%	9.0%	8.8%	12.1%	9.7%

- (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) Should be read in conjunction with our Form 8-K filed with the Securities and Exchange Commission (SEC) on December 1, 2021 and the reconciliations of the non-GAAP financial measures to their comparable GAAP measures found in this financial supplement to our Q4 fiscal 2021 report (Supplement).
- (5) 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.
- (6) 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.
- (7) These segment results are consistent with the information required by Accounting Standards Codification (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.

VI. RECONCILIATIONS AND ADJUSTMENTS

SUPPLEMENTAL GAAP TO NON-GAAP INFORMATION ⁽¹⁾

(Unaudited and in thousands, except per share amounts)

	Three Months Ended October 31, 2021		
	GAAP	Adjustments ⁽²⁾	Non-GAAP
Cost of revenue:			
Products	\$ 152,437	\$ (10,780)	\$ 141,657
Maintenance and service	68,992	(3,817)	65,175
Amortization of intangible assets	13,297	(13,297)	-
Operating expenses:			
Research and development	\$ 413,864	\$ (52,505)	\$ 361,359
Sales and marketing	197,681	(18,802)	178,879
General and administrative	88,960	(23,544)	65,416
Amortization of intangible assets	8,646	(8,646)	-
Restructuring charges	18,254	(18,254)	-
Operating income	\$ 190,288	\$ 149,645	\$ 339,933
Other income (expense), net	\$ 8,790	\$ (8,906)	\$ (116)
Provision (benefit) for income taxes	\$ (2,059)	\$ 56,430	\$ 54,371
Net income (loss) attributed to non-controlling interest	\$ (310)	\$ -	\$ (310)
Net income attributed to Synopsys	\$ 201,447	\$ 84,309	\$ 285,756
Net income per share (diluted)	\$ 1.28	\$ 0.54	\$ 1.82

Shares used in computing per share amounts:

Diluted	157,243	157,243
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(1) Synopsys' fourth quarter of fiscal year 2021 ended on October 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 \$96.7 million, amortization of intangible assets of \$21.9 million, restructuring charges of \$18.3 million, acquisition-related costs of \$3.8 million, changes in the fair value of the non-qualified deferred compensation plan of \$8.9 million, and tax effect of non-GAAP adjustments of (\$56.4) million.

GAAP TO NON-GAAP OPERATING MARGIN RECONCILIATION ⁽¹⁾

(Unaudited)

	Three Months Ended October 31, 2021
GAAP operating margin	16.5%
Amortization of intangible assets	1.9%
Stock compensation	8.4%
Acquisition-related costs	0.3%
Restructuring charges	1.6%
Legal matters	0.0%
Non-qualified deferred compensation plan	0.8%
Non-GAAP operating margin	<u>29.5%</u>

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

SUPPLEMENTAL GAAP TO NON-GAAP INFORMATION ⁽¹⁾

(Unaudited and in thousands, except per share amounts)

	Twelve Months Ended October 31, 2021		
	GAAP	Adjustments ⁽²⁾	Non-GAAP
Cost of revenue:			
Products	\$ 542,114	\$ (43,775)	\$ 498,339
Maintenance and service	271,202	(15,338)	255,864
Amortization of intangible assets	48,461	(48,461)	-
Operating expenses:			
Research and development	\$ 1,504,823	\$ (214,865)	\$ 1,289,958
Sales and marketing	712,491	(77,234)	635,257
General and administrative	322,988	(79,602)	243,386
Amortization of intangible assets	33,919	(33,919)	-
Restructuring charges	33,405	(33,405)	-
Operating income	\$ 734,790	\$ 546,599	\$ 1,281,389
Other income (expense), net	\$ 70,724	\$ (71,603)	\$ (879)
Provision (benefit) for income taxes	\$ 49,155	\$ 155,727	\$ 204,882
Net income (loss) attributed to non-controlling interest	\$ (1,157)	\$ -	\$ (1,157)
Net income attributed to Synopsys	\$ 757,516	\$ 319,269	\$ 1,076,785
Net income per share (diluted)	\$ 4.81	\$ 2.03	\$ 6.84

Shares used in computing per share amounts:

Diluted	157,340	157,340
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(1) Synopsys' fiscal year 2021 ended on October 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 \$345.3 million, amortization of intangible assets of \$82.4 million, restructuring charges of \$33.4 million, acquisition-related costs of \$15.4 million, legal matter of (\$1.5) million, changes in the fair value of the non-qualified deferred compensation plan of \$71.6 million, and tax effect of non-GAAP adjustments of (\$155.7) million.

GAAP TO NON-GAAP OPERATING MARGIN RECONCILIATION ⁽¹⁾

(Unaudited)

	Twelve Months Ended October 31, 2021
GAAP operating margin	17.5%
Amortization of intangible assets	2.0%
Stock compensation	8.2%
Acquisition-related costs	0.4%
Restructuring charges	0.8%
Legal matters	0.0%
Non-qualified deferred compensation plan	1.6%
Non-GAAP operating margin	<u>30.5%</u>

(1) Synopsys' fourth quarter of fiscal year 2021 ended on October 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 October 31, 2021 ⁽³⁾	Twelve Months Ended October 31, 2021 ⁽³⁾
GAAP total operating income – as reported	\$ 190.3	\$ 734.8
Other expenses managed at consolidated level		
-Amortization of intangible assets	21.9	82.4
-Stock compensation	96.7	345.3
-Non-qualified deferred compensation plan	8.9	71.6
-Acquisition-related costs	3.8	15.4
-Restructuring	18.3	33.4
-Legal matters	-	(1.5)
Total adjusted segment operating income	<u>\$ 339.9</u>	<u>\$ 1,281.4</u>

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

GAAP TO NON-GAAP RECONCILIATION OF FIRST QUARTER FISCAL YEAR 2022 TARGETS ⁽¹⁾

(in thousands, except per share amounts)

	Range for Three Months	
	January 31, 2022	
	Low	High
Target GAAP expenses	\$ 934,000	\$ 964,000
Adjustments:		
Amortization of intangible assets	(22,000)	(25,000)
Stock compensation	(102,000)	(107,000)
Restructuring charges	(8,000)	(20,000)
Target non-GAAP expenses	\$ 802,000	\$ 812,000
	Range for Three Months	
	January 31, 2022	
	Low	High
Target GAAP earnings per share	\$ 1.75	\$ 1.92
Adjustments:		
Amortization of intangible assets	0.16	0.14
Stock compensation	0.68	0.65
Restructuring charges	0.13	0.05
Tax adjustments	(0.37)	(0.36)
Target non-GAAP earnings per share	\$ 2.35	\$ 2.40
Shares used in non-GAAP calculation (midpoint of target range)	157,500	157,500

GAAP TO NON-GAAP RECONCILIATION OF FULL FISCAL YEAR 2022 TARGETS ⁽¹⁾

(in thousands, except per share amounts)

	Range for Fiscal Year	
	October 31, 2022	
	Low	High
Target GAAP expenses	\$ 3,778,000	\$ 3,835,000
Adjustments:		
Amortization of intangible assets	(80,000)	(85,000)
Stock compensation	(465,000)	(475,000)
Restructuring charges	(8,000)	(20,000)
Target non-GAAP expenses	\$ 3,225,000	\$ 3,255,000
	Range for Fiscal Year	
	October 31, 2022	
	Low	High
Target GAAP earnings per share	\$ 5.39	\$ 5.65
Adjustments:		
Amortization of intangible assets	0.54	0.50
Stock compensation	3.00	2.93
Restructuring charges	0.13	0.05
Tax adjustments	(1.33)	(1.33)
Target non-GAAP earnings per share	\$ 7.73	\$ 7.80
Shares used in non-GAAP calculation (midpoint of target range)	158,500	158,500

(1) Synopsys' first fiscal quarter and fiscal year will end on January 29, 2022 and October 29, 2022, 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 2022 TARGETS ⁽¹⁾⁽²⁾

	Twelve Months Ended October 31, 2022
At midpoint of revenue and expense guidance ranges	
GAAP operating margin	19.9%
Amortization of intangible assets	1.7%
Stock compensation	9.9%
Restructuring charges	0.3%
Target non-GAAP operating margin	<u>31.8%</u>

(1) Synopsys' fiscal year will end on October 29, 2022. For presentation purposes, we refer to the closest calendar month end.

(2) These numbers represent the midpoint of targets in the prepared remarks provided on December 1, 2021, and do not represent official guidance for fiscal year 2022.



VII. NOTICE TO INVESTORS

GAAP TO NON-GAAP RECONCILIATIONS

Please see our Current Report on Form 8-K filed with the SEC on December 1, 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 stockholders 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 fourth quarter and 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 December 1, 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 continued impact and duration 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 continued impact of the COVID-19 pandemic on the global economy and on our business, operations and financial condition; uncertainty in the growth of the semiconductor and electronics industries; macroeconomic conditions and uncertainty in the global economy; 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; fluctuation of our operating results; and more. Additional information on potential risks, uncertainties and other factors that could affect Synopsys' results is included in filings we make with the SEC 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 December 1, 2021. Although this Supplement will remain available on Synopsys' website through the date of the first quarter of fiscal year 2022 earnings call in February 2022, 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 first quarter of fiscal year 2022 or comment to analysts or investors on, or otherwise update, the information contained in this Supplement.