



These Prepared Remarks contain forward-looking statements, including, but not limited to, statements regarding Synopsys, Inc.'s ("**Synopsys**", "**our**" or "**we**") short-term and long-term financial targets, expectations and objectives, including, among others, the anticipated effects of our pending acquisition of ANSYS, Inc. (the "**Ansys Merger**"); strategies related to our products, technology and services; business and market outlook, opportunities, strategies and technological trends, such as artificial intelligence; the pending Ansys Merger, including, among other things, its anticipated benefits; planned dispositions and their expected impact, such as the previously announced divestiture of our Software Integrity business (the "**Software Integrity Divestiture**"); the potential impact of the uncertain macroeconomic and geopolitical environment on our financial results; the expected impact of U.S. and foreign government actions and regulatory changes, including export control restrictions, on our financial results; customer demand and market expansion; our planned product releases and capabilities; industry growth rates; the expected realization of our contracted but unsatisfied or partially unsatisfied performance obligations (backlog); software trends; planned stock repurchases; our expected tax rate; and the impact and result of pending legal, administrative and tax proceedings. 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: macroeconomic conditions and geopolitical uncertainty in the global economy; uncertainty in the growth of the semiconductor and electronics industries; the highly competitive industry we operate in; actions by the U.S. or foreign governments, such as the imposition of additional export restrictions or tariffs; 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; failure to complete the Ansys Merger on the terms described in our filings with the SEC, if at all; failure to obtain required governmental approvals related to the Ansys Merger or the imposition of conditions to such governmental approvals that may have an adverse effect on us; failure to realize the benefits expected from the Ansys Merger; failure to complete the Software Integrity Divestiture, or the Software Integrity Divestiture disrupting our business or failing to achieve its intended benefits; 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 latest Annual Report on Form 10-K and in our latest Quarterly Report on Form 10-Q. The financial information contained in these Prepared Remarks should be read in conjunction with the consolidated financial statements and notes thereto included in Synopsys' most recent reports on Forms 10-K and 10-Q, each as may be amended from time to time. Synopsys' financial results for its third quarter of fiscal year 2024 are not necessarily indicative of Synopsys' operating results for any future periods. The information provided herein is as of August 21, 2024. Although these Prepared Remarks are expected to remain available on Synopsys' website through the date of the earnings results call for the fourth quarter and fiscal year 2024, 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 certain non-GAAP financial measures to their most closely applicable GAAP measures are included in the third quarter fiscal year 2024 earnings release and financial supplement, each dated August 21, 2024 and available on Synopsys' website at www.synopsys.com. Additional information about such reconciliations can be found in Exhibit 99.1 of Synopsys' Current Report on Form 8-K, filed with the SEC on August 21, 2024.

Good afternoon. We delivered excellent results in the third quarter, exceeding the midpoint of all our guidance targets, while setting another quarterly revenue record. We've positioned the company's portfolio with one strategic end in mind: maximizing the value that we deliver to customers in the era of pervasive intelligence. Our focus is on leading innovation in EDA and IP while deepening our differentiation in software-defined systems. Against this strategic backdrop, the Synopsys team continued its strong operational execution in the quarter and commercial momentum remains robust. Revenue was up 13% year-over-year and at the high end of our guided range, non-GAAP operating margin was 40%, up 3.6 points year-over-year, and non-GAAP EPS was up 27% year-over-year and above our guidance range. We continue to be confident in our guidance for industry-leading, double digit revenue growth. Shelagh will discuss the financials in more detail.

First, I'll give some context for our confidence, which is grounded in the continued, strong execution of our Synopsys team and industry trends, reinforced by our customers and partners. Since becoming Synopsys CEO in January, I've traveled to 8 countries, participating in more than 140 meetings with over 80 customers and partners - discussing their challenges and understanding their priorities. The message in every meeting is loud and clear: Synopsys is mission-critical to their innovation, which makes our business uniquely resilient. Our success is tied to technology innovation cycles, not end-market dynamics. In this era of pervasive intelligence, technology innovation is only accelerating - fueled by the rise of artificial intelligence, silicon proliferation, and software-defined systems. The evidence is all around us.

Our silicon customers are racing to design the many components necessary to optimize AI infrastructure. Remarkably, design cycles are contracting despite mounting complexity, and we help make this possible. This combination of pace and complexity equals good news for Synopsys. Artificial intelligence is driving incredible demand for high performance computing in data centers and new AI-powered smartphones and PCs, which are poised for an exciting refresh thanks to silicon innovation. Bottom line, AI needs more and more complex silicon. That is good for Synopsys. Finally, silicon proliferation and AI chip innovation is driving the buildout of manufacturing capacity and accelerating the transition to new, advanced nodes. Foundries count on our EDA and IP to enable each new process node - again, good for Synopsys. These trends reinforce the resiliency of Synopsys' business. Additionally, our customer set is expanding as more companies in more industries define and optimize system performance at the silicon level.

As a leading silicon to systems design solutions company, Synopsys' opportunity has never been greater. And our planned acquisition of Ansys will expand our TAM and further our mission of empowering technology innovators everywhere. The future of technology R&D requires system design solutions with

a deeper integration of electronics and physics. That's what we can provide with Ansys, and we're making good progress on closing this important transaction. The regulatory review is proceeding well. We are working cooperatively and constructively with the various regulatory agencies. We have completed all preliminary filings worldwide. Customers continue to express their overwhelming support, and we continue to expect the transaction to close in the first half of 2025.

Let's move to segment business highlights starting with Design Automation. Q3 Design Automation revenue was up 6% year-over-year versus a very strong prior Q3 as Synopsys' design automation solutions are helping customers accelerate their innovation despite growing complexity. Growing systemic complexity has turbocharged the criticality of verification in chip design, and we offer the most complete portfolio of solutions in the industry. Our next generation Verdi platform for advanced debug capabilities was adopted by a large US-based GPU company and a large US mobile SoC company reducing failure debug from days to minutes, while our flagship verification tool, VCS, displaced competition at a large US HPC customer, a large Chinese mobile customer and a large Chinese hyperscaler. Our AI verification product, VSO.ai, is also ramping aggressively, demonstrating up to 10X faster turn-around time, double digit increases in verification coverage, significant reductions in verification compute requirements and better verification quality. A marquee US GPU company deployed VSO.ai across multiple IPs with turn-around time improvements of 2X-7X and coverage improvements up to 33%. Our HW-assisted verification business had an excellent quarter as customers upgraded from HAPS-100 to our ZeBU EP product line to leverage one hardware platform for both emulation and prototyping. In Q3, we saw a significant ZeBu hardware expansion at a large US hyperscaler in a direct win versus competition. We also increased ZeBu adoption at a large European IP provider, and two large US HPC companies. Increasing demands for high-performance emulation with the opportunity for large capacity expansion were drivers in these wins. We also worked with several large US systems and hyperscaler customers on successful SW bring up workloads with our HAPS product line. Physical verification was also a point of strength in the quarter. We continued to win new designs on ICV with 20 tapeouts in Q3. Four of these tapeouts were on TSMC N3 and one was on IFS 18A where engagements are increasing rapidly. Turning to analog design where our competitive displacements continued in Q3. We now have more than 30 displacements for the year. This quarter, we completed analog full-flow wins at a leading European Tier 1 supplier, a North American IP provider and an Asian SoC vendor, and we displaced competition in analog simulation at two US AI accelerator companies and a global analog chip company. Like in verification, our analog customers are looking to Synopsys as a scale multiplier to modernize their flows and unleash the power of AI to move to more advanced process nodes. Our Synopsys.ai engine for analog, ASO.ai, now has more than 15 customers in evaluation. Transitioning to digital, where we continue to expand our leadership in digital EDA across advanced node design flows.

Fusion Compiler delivered the world's first mobile SoC tapeout on Samsung's 2nm GAA process this quarter along with a number of customer first tapeouts at TSMC N2, N3E and N5. Augmenting Fusion Compiler with our AI engine, DSO.ai, creates a powerhouse capability for customers. We are now seeing customer adoption spread to the automotive vertical where a leading Asian automotive silicon company demonstrated 30% power reduction in a design with DSO.ai.

On to Design IP, which delivered 32% revenue growth as the IP supplier of choice for leading HPC, AI, automotive and mobile chips at advanced nodes. Driven by AI bandwidth requirements, hyperscalers are pushing consortiums to pull-in specification timelines for interface protocols creating faster innovation cycles and increased opportunity for us and our customers, and we are matching this pace with our operational execution. In Q3, we announced the world's first PCIe 7.0 IP solution to enable fast and secure data transfers. We are also seeing increasing momentum in AI edge devices for mobile-optimized platforms. We secured two major smartphone customers on leading nodes to enable power-efficient mobile devices with Gen AI capabilities, while our ARC neural processing unit and DSP processors were adopted into five edge applications, including two new customers.

Turning to multi-die, where we have an outstanding line-up of products in the IP and EDA space for our customers. We continued to broaden our multi-die portfolio launching 3D-IO foundation IP, which is a specialized IO for 3D multi-die integration. In EDA, 3DIC Compiler momentum continued with the tapeout of multi-die design for an automotive application based on a CoWoS-R interposer and deployment at a major US hyperscaler. We also announced Intel Foundry EMIB, a reference flow for multi-die enabled by 3DIC Compiler to accelerate multi-die designs at all stages from silicon to systems. As the on-ramp for the world's foundries, we achieved silicon success on Samsung's SF2 and SF4X processes for a range of interface IP. We also demonstrated the industry's first HBM3 operating at 9.6 GB/S in TSMC's advanced 3nm processes and partnered with GlobalFoundries to develop new memory compilers for the 22FDX process technology targeting edge AI acceleration in automotive and industrial microcontrollers.

A couple of closing comments before we transition to Shelagh's remarks. We are working through final closing conditions for the sale of our Software Integrity business and continue to expect that we'll complete that transaction in the second half of 2024. And before closing, I want to recognize a monumental award to someone I deeply admire and am proud to call both a mentor and a friend, Synopsys founder and exec chair, Aart de Geus. Aart was selected to receive the Semiconductor Industry's highest honor, the 2024 Robert Noyce Award. We look forward to celebrating his leadership and outstanding contributions to our industry at the awards ceremony in November. In summary, we have

strong continuing momentum across the business supported by multiple secular growth drivers. We have a very resilient business model and are mission-critical to our customers' innovation. We are aligning our portfolio investment with the greatest return potential to accelerate our growth. Thank you to our employees for their passion and to our partners and customers for trusting us to ignite their future ingenuity. With that, I'll turn it over to Shelagh.

Thank you, Sassine. We had an excellent Q3 with record revenue, and non-GAAP EPS was above our guidance range. We continue to execute well, which is a testament to our strong momentum across the business, leading technology that is mission-critical to our customers, and a resilient and stable business model. I'll now review our third quarter results, which are presented on a continuing operations basis. All comparisons are year-over-year, unless otherwise stated.

We generated total revenue of \$1.53 billion, up 13%, and at the high end of our guided range. Total GAAP costs and expenses were \$1.17 billion. Total non-GAAP costs and expenses were \$915 million, resulting in non-GAAP operating margin of 40%. GAAP earnings per share were \$2.73. Non-GAAP earnings per share were \$3.43, and above our guided range. Now, onto our segments. Design Automation segment revenue was \$1.06 billion dollars, up 6%, compared to a very strong Q3 a year ago. Design Automation adjusted operating margin was 41.5%. Design IP segment revenue was \$463 million, up 32%, driven by strength in interface and foundation IP. Design IP adjusted operating margin was 36.7%. Operating cash flow including discontinued operations, was \$455 million for the quarter, and free cash flow including discontinued operations, was \$415 million. We ended the quarter with cash and short-term investments of approximately \$2 billion.

Now to guidance. Except for cash flow metrics, all targets are presented on a continuing operations basis. The full year targets for 2024 are revenue of \$6.105 to \$6.135 billion; Total GAAP costs and expenses between \$4.58 and \$4.60 billion; total non-GAAP costs and expenses between \$3.76 and \$3.77 billion; resulting in more than 2 points of non-GAAP operating margin improvement at the mid-point; non-GAAP tax rate of 15%; GAAP earnings of \$9.71 to \$9.85 per share; non-GAAP earnings of \$13.07 cents to \$13.12 per share; cash flow from operations of approximately \$1.3 billion; free cash flow of approximately \$1.1 billion. Now to the targets for the fourth quarter revenue between \$1.614 and \$1.644 billion; total GAAP costs and expenses between \$1.21 and \$1.23 billion; total non-GAAP costs and expenses between \$1.03 and \$1.04 billion; GAAP earnings of \$2.25 to \$2.39 per share; and non-GAAP earnings of \$3.27 to \$3.32 per share. Our press release and financial supplement include additional targets and GAAP to non-GAAP reconciliations. Consistent with prior years, we will provide additional comments and guidance for 2025 when we report next quarter.

In conclusion, for 2024, we expect to achieve revenue growth of approximately 15%, non-GAAP operating margin improvement of more than 2 points, and approximately 24% non-GAAP EPS growth. We continue to see strong momentum in the business, reflecting our relentless execution and leadership position across our segments, mission-critical products to enable our customers' innovation, and a stable and resilient business model. With that, I'll turn it over to the operator for questions.