

# Synopsys Posts Financial Results for Third Quarter Fiscal Year 2018

## Q3 2018 Financial Highlights

- Revenue: \$779.7 million
- GAAP earnings per share: \$0.52
- Non-GAAP earnings per share: \$0.95

MOUNTAIN VIEW, Calif., Aug. 22, 2018 /PRNewswire/ -- Synopsys, Inc. (Nasdaq: SNPS) today reported results for its third quarter of fiscal year 2018. Revenue was \$779.7 million, compared to \$695.4 million for the third quarter of fiscal year 2017, an increase of 12.1 percent.

"Synopsys delivered another outstanding quarter and is raising revenue and non-GAAP earnings per share guidance for the year. The age of digital intelligence is driving significant investments by traditional and new semiconductor and systems companies, as well as software developers across many industries. Our strategic investments over the past several years are paying off. Strong products and customer relationships in EDA and IP, as well as our rapid growth in software security and quality, are leading to double-digit revenue and non-GAAP earnings growth in 2018," said Aart de Geus, chairman and co-CEO of Synopsys. "This backdrop provides a solid foundation for continued growth and increased operating leverage in the business."

## *GAAP Results*

On a generally accepted accounting principles (GAAP) basis, net income for the third quarter of fiscal 2018 was \$79.4 million, or \$0.52 per share, compared to \$116.8 million, or \$0.75 per share, for the third quarter of fiscal 2017. These results reflect a \$26 million charge related to the settlement of Mentor Graphics patent litigation.

## *Non-GAAP Results*

For the third quarter of fiscal 2018, on a non-GAAP basis, net income was \$145.6 million, or \$0.95 per share, compared to non-GAAP net income of \$141.6 million, or \$0.92 per share, for the third quarter of fiscal 2017.

A reconciliation between GAAP and non-GAAP results is provided at the end of this press release.

## **Financial Targets**

Synopsys also provided its financial targets for the fourth quarter and full fiscal year 2018, which do not include any impact of future acquisition-related activities or costs. These targets constitute forward-looking statements and are based on current expectations. For a discussion of factors that could cause actual results to differ materially from these targets, see "Forward-Looking Statements" below.

## Fourth Quarter of Fiscal Year 2018 Targets:

- Revenue: \$774 million - \$804 million
- GAAP expenses: \$722 million - \$738 million
- Non-GAAP expenses: \$655 million - \$665 million

- Other income and expense: (\$3) million – (\$1) million
- Normalized annual tax rate applied in non-GAAP net income calculations: 13 percent
- Fully diluted outstanding shares: 153 million - 156 million
- GAAP earnings per share: \$0.39 - \$0.47
- Non-GAAP earnings per share: \$0.76 - \$0.80

#### Full Fiscal Year 2018 Targets:

- Revenue: \$3.10 billion - \$3.13 billion
- Other income and expense: (\$5) million – (\$3) million
- Normalized annual tax rate applied in non-GAAP net income calculations: 13 percent
- Fully diluted outstanding shares: 153 million - 156 million
- GAAP earnings per share: \$1.55 - \$1.63
- Non-GAAP earnings per share: \$3.89 - \$3.93
- Cash flow from operations: \$460 million - \$500 million

#### **GAAP Reconciliation**

Synopsys continues to provide all information required in accordance with GAAP but believes evaluating its ongoing operating results may not be as useful if an investor is limited to reviewing only GAAP financial measures. Accordingly, Synopsys presents non-GAAP financial measures in reporting its financial results to provide investors with an additional tool to evaluate Synopsys' operating results in a manner that focuses on what Synopsys believes to be its core business operations and what Synopsys uses to evaluate its business operations and for internal planning and forecasting purposes. Synopsys' management does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Synopsys' management believes it is useful for itself and investors to review, as applicable, both GAAP information that includes: (i) the amortization of acquired intangible assets, (ii) the impact of stock compensation, (iii) acquisition-related costs, (iv) restructuring charges, (v) the effects of certain settlements, final judgments and loss contingencies related to legal proceedings, (vi) the impact of a one-time transition tax resulting from U.S. tax reform (referred to as the "income tax related to transition tax"), (vii) the impact of a reduction in value of deferred tax assets caused by a reduction of the U.S. corporate tax rate (referred to as the "income tax related to tax rate change"), and (viii) the income tax effect of non-GAAP pre-tax adjustments; and the non-GAAP measures that exclude such information in order to assess the performance of Synopsys' business and for planning and forecasting in subsequent periods. In fiscal 2016, Synopsys began utilizing a normalized annual non-GAAP tax rate in the calculation of its non-GAAP measures that is based on our projected annual tax rate through fiscal 2018 and included tax rates then in effect. In projecting this rate, we evaluated our historical and projected mix of U.S. and international profit before tax, excluding the impact of stock-based compensation, the amortization of purchased intangibles and other non-GAAP adjustments described above. We also considered other factors including our current tax structure, our existing tax positions, and expected recurring tax incentives, such as the U.S. federal research and development tax credit. On an annual basis we re-evaluate this rate for significant events that may materially affect our projections and, as a result of U.S. tax reform in December 2017, which lowered the U.S. statutory rate from 35% to 21%, we adjusted our normalized annual non-GAAP tax rate from 19% to 13% for fiscal 2018. We will re-evaluate this rate again for fiscal 2019, but we expect that our normalized annual non-GAAP tax rate will exceed 13%, but be below 19%, for fiscal 2019.

Whenever Synopsys uses a non-GAAP financial measure, it provides a reconciliation of the non-GAAP financial measure to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure as detailed below, as well as in Item 2.02 of the

Current Report on Form 8-K filed on August 22, 2018 for additional information about the measures Synopsys uses to evaluate its core business operations.

### Reconciliation of Third Quarter Fiscal Year 2018 Results

The following tables reconcile the specific items excluded from GAAP in the calculation of non-GAAP net income and earnings per share for the periods indicated below.

#### **GAAP to Non-GAAP Reconciliation of Third Quarter and Fiscal Year 2018 Results**

*(unaudited and in thousands, except per share amounts)*

|                                       | <b>Three Months Ended</b> |             | <b>Nine Months Ended</b> |             |
|---------------------------------------|---------------------------|-------------|--------------------------|-------------|
|                                       | <b>July 31,</b>           |             | <b>July 31,</b>          |             |
|                                       | <b>2018</b>               | <b>2017</b> | <b>2018</b>              | <b>2017</b> |
| GAAP net income                       | \$ 79,409                 | \$ 116,751  | \$ 178,190               | \$ 256,645  |
| Adjustments:                          |                           |             |                          |             |
| Amortization of intangible assets     | 30,805                    | 26,520      | 90,538                   | 83,526      |
| Stock compensation                    | 37,252                    | 28,301      | 102,540                  | 79,697      |
| Acquisition-related costs             | 1,402                     | 1,232       | 19,622                   | 6,253       |
| Restructuring charges                 | 23                        | 6,026       | 1,917                    | 31,038      |
| Legal matters                         | 26,000                    | -           | 26,000                   | 38,000      |
| Income tax related to transition tax  | -                         | -           | 73,434                   | -           |
| Income tax related to tax rate change | -                         | -           | 45,636                   | -           |
| Tax adjustments                       | (29,275)                  | (37,185)    | (57,714)                 | (72,593)    |
| Non-GAAP net income                   | \$ 145,616                | \$ 141,645  | \$ 480,163               | \$ 422,566  |

|                                       | <b>Three Months Ended</b> |             | <b>Nine Months Ended</b> |             |
|---------------------------------------|---------------------------|-------------|--------------------------|-------------|
|                                       | <b>July 31,</b>           |             | <b>July 31,</b>          |             |
|                                       | <b>2018</b>               | <b>2017</b> | <b>2018</b>              | <b>2017</b> |
| GAAP net income per share             | \$ 0.52                   | \$ 0.75     | \$ 1.16                  | \$ 1.66     |
| Adjustments:                          |                           |             |                          |             |
| Amortization of intangible assets     | 0.20                      | 0.17        | 0.59                     | 0.54        |
| Stock compensation                    | 0.24                      | 0.18        | 0.67                     | 0.51        |
| Acquisition-related costs             | 0.01                      | 0.01        | 0.13                     | 0.04        |
| Restructuring charges                 | -                         | 0.04        | 0.01                     | 0.20        |
| Legal matters                         | 0.17                      | -           | 0.17                     | 0.25        |
| Income tax related to transition tax  | -                         | -           | 0.48                     | -           |
| Income tax related to tax rate change | -                         | -           | 0.30                     | -           |
| Tax adjustments                       | (0.19)                    | (0.23)      | (0.37)                   | (0.47)      |
| Non-GAAP net income per share         | \$ 0.95                   | \$ 0.92     | \$ 3.14                  | \$ 2.73     |

|   |         |         |         |         |
|---|---------|---------|---------|---------|
| Shares used in computing per share amounts: | 152,614 | 154,683 | 153,118 | 154,787 |
|---|---------|---------|---------|---------|

### Reconciliation of Target Non-GAAP Operating Results

The following tables reconcile the specific items excluded from GAAP in the calculation of target non-GAAP operating results for the periods indicated below.

## GAAP to Non-GAAP Reconciliation of Fourth Quarter Fiscal Year 2018 Targets

*(in thousands, except per share amounts)*

|   | <b>Range for Three Months<br/>Ending October 31, 2018 (1)</b> |             |
|---|---|-------------|
|   | <b>Low</b>  | <b>High</b> |
|   |   |             |
| Target GAAP expenses                                  | \$ 722,000  | \$ 738,000  |
| Adjustments:  |   |             |
| Estimated impact of amortization of intangible assets | (28,000)  | (31,000)    |
| Estimated impact of stock compensation                | (39,000)  | (42,000)    |
| Target non-GAAP expenses                              | \$ 655,000  | \$ 665,000  |

|  | <b>Range for Three Months<br/>Ending October 31, 2018 (1)</b> |             |
|--|---|-------------|
|  | <b>Low</b>  | <b>High</b> |
|  |   |             |
| Target GAAP earnings per share                                 | \$ 0.39   | \$ 0.47     |
| Adjustments:   |   |             |
| Estimated impact of amortization of intangible assets          | 0.20  | 0.18        |
| Estimated impact of stock compensation                         | 0.27  | 0.25        |
| Estimated impact of tax adjustments                            | (0.10)  | (0.10)      |
| Target non-GAAP earnings per share                             | \$ 0.76   | \$ 0.80     |
| Shares used in non-GAAP calculation (midpoint of target range) | 154,500   | 154,500     |

## GAAP to Non-GAAP Reconciliation of Full Fiscal Year 2018 Targets

|  | <b>Range for Fiscal Year<br/>Ending October 31, 2018 (1)</b> |             |
|--|--|-------------|
|  | <b>Low</b>   | <b>High</b> |
|  |  |             |
| Target GAAP earnings per share                                 | \$ 1.55  | \$ 1.63     |
| Adjustments:   |  |             |
| Estimated impact of amortization of intangible assets          | 0.79   | 0.77        |
| Estimated impact of stock compensation                         | 0.94   | 0.92        |
| Acquisition-related costs                                      | 0.13   | 0.13        |
| Restructuring charges  | 0.01   | 0.01        |
| Legal matters  | 0.17   | 0.17        |
| Income tax related to transition tax                           | 0.48   | 0.48        |
| Income tax related to tax rate change                          | 0.30   | 0.30        |
| Estimated impact of tax adjustments                            | (0.48)   | (0.48)      |
| Target non-GAAP earnings per share                             | \$ 3.89  | \$ 3.93     |
| Shares used in non-GAAP calculation (midpoint of target range) | 154,500  | 154,500     |

(1) Synopsys' fourth quarter and fiscal year end on November 3, 2018. For presentation purposes, we refer to the closest calendar month end. The first quarter of fiscal 2018 included an extra week.

### Earnings Call Open to Investors

Synopsys will hold a conference call for financial analysts and investors today at 2:00 p.m. Pacific Time. A live webcast of the call will be available at Synopsys' corporate website at [www.synopsys.com](http://www.synopsys.com). A recording of the call will be available by calling +1-800-475-6701 (+1-320-365-3844 for international callers), access code 452792, beginning at 4:00 p.m. Pacific Time today, until 11:59 p.m. Pacific Time on August 29, 2018. A webcast replay will also be available on the website from approximately 4:30 p.m. Pacific Time today through the time Synopsys announces its results for the fourth quarter and fiscal year 2018 in December 2018. Synopsys will post copies of the prepared remarks of Aart de Geus, chairman and co-chief executive officer, and Trac Pham, chief financial officer, on its website following the call. In addition, Synopsys makes additional information available in a financial supplement and corporate overview presentation, also posted on the corporate website.

## **Effectiveness of Information**

The targets included in this release, the statements made during the earnings conference call and the information contained in the financial supplement and corporate overview presentation (available in the Investor Relations section of Synopsys' website at [www.synopsys.com](http://www.synopsys.com)) represent Synopsys' expectations and beliefs as of the date of this release only. Although this press release, copies of the prepared remarks of the co-chief executive officer and chief financial officer made during the call, the financial supplement, and corporate overview presentation will remain available on Synopsys' website through the date of the fourth quarter and fiscal year 2018 earnings call in December 2018, their continued availability through such date does not mean that Synopsys is reaffirming or confirming their continued validity. Synopsys does not currently intend to report on its progress during the fourth quarter of fiscal year 2018 or comment to analysts or investors on, or otherwise update, the targets given in this earnings release.

## **Availability of Final Financial Statements**

Synopsys will include final financial statements for the third quarter of fiscal year 2018 in its quarterly report on Form 10-Q to be filed by September 13, 2018.

## **About Synopsys**

Synopsys, Inc. (Nasdaq: SNPS) is the Silicon to Software™ partner for innovative companies developing the electronic products and software applications we rely on every day. As the world's 15th largest software company, Synopsys has a long history of being a global leader in electronic design automation (EDA) and semiconductor IP and is also growing its leadership in software security and quality solutions. Whether you're a system-on-chip (SoC) designer creating advanced semiconductors, or a software developer writing applications that require the highest security and quality, Synopsys has the solutions needed to deliver innovative, high-quality, secure products. Learn more at [www.synopsys.com](http://www.synopsys.com).

## **Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, including, but not limited to, information in the sections titled "Financial Targets" and "GAAP to Non-GAAP Reconciliation" as well as statements related to our revenue and non-GAAP earnings growth, and increased operating leverage. These statements involve known and unknown risks, uncertainties and other factors that could cause actual results 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: 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; 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; 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; evolving corporate governance and public disclosure regulations; 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 its latest Quarterly Report on Form 10-Q. The information provided herein is as of August 22, 2018. 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.

## SYNOPSYS, INC.

### Unaudited Consolidated Statements of Operations (1)

*(in thousands, except per share amounts)*

|                                      | <b>Three Months Ended</b> |                | <b>Nine Months Ended</b> |                  |
|--------------------------------------|---------------------------|----------------|--------------------------|------------------|
|                                      | <b>July 31,</b>           |                | <b>July 31,</b>          |                  |
|                                      | <b>2018</b>               | <b>2017</b>    | <b>2018</b>              | <b>2017</b>      |
| Revenue:                             |                           |                |                          |                  |
| Time-based products                  | \$ 570,053                | \$ 503,530     | \$ 1,697,756             | \$ 1,493,991     |
| Upfront products                     | 99,579                    | 100,251        | 291,143                  | 263,310          |
| Maintenance and service              | 110,082                   | 91,600         | 337,077                  | 270,935          |
| Total revenue                        | <u>779,714</u>            | <u>695,381</u> | <u>2,325,976</u>         | <u>2,028,236</u> |
| Cost of revenue:                     |                           |                |                          |                  |
| Products                             | 115,437                   | 107,104        | 335,030                  | 304,982          |
| Maintenance and service              | 49,790                    | 43,828         | 150,674                  | 122,618          |
| Amortization of intangible assets    | 20,154                    | 18,614         | 59,612                   | 59,720           |
| Total cost of revenue                | <u>185,381</u>            | <u>169,546</u> | <u>545,316</u>           | <u>487,320</u>   |
| Gross margin                         | 594,333                   | 525,835        | 1,780,660                | 1,540,916        |
| Operating expenses:                  |                           |                |                          |                  |
| Research and development             | 277,402                   | 228,663        | 793,947                  | 664,326          |
| Sales and marketing                  | 157,953                   | 131,520        | 455,653                  | 395,242          |
| General and administrative           | 84,336                    | 46,350         | 199,517                  | 170,654          |
| Amortization of intangible assets    | 10,651                    | 7,906          | 30,926                   | 23,806           |
| Restructuring charges                | 23                        | 6,026          | 1,917                    | 31,038           |
| Total operating expenses             | <u>530,365</u>            | <u>420,465</u> | <u>1,481,960</u>         | <u>1,285,066</u> |
| Operating income                     | 63,968                    | 105,370        | 298,700                  | 255,850          |
| Other income (expense), net          | 7,925                     | 7,421          | 12,595                   | 27,322           |
| Income before income taxes           | 71,893                    | 112,791        | 311,295                  | 283,172          |
| Provision (benefit) for income taxes | <u>(7,516)</u>            | <u>(3,960)</u> | <u>133,105</u>           | <u>26,527</u>    |

|   |                  |                   |                   |                   |
|---|------------------|-------------------|-------------------|-------------------|
| Net income                                  | <u>\$ 79,409</u> | <u>\$ 116,751</u> | <u>\$ 178,190</u> | <u>\$ 256,645</u> |
| Net income per share:                       |                  |                   |                   |                   |
| Basic                                       | \$ 0.53          | \$ 0.78           | \$ 1.20           | \$ 1.71           |
| Diluted                                     | \$ 0.52          | \$ 0.75           | \$ 1.16           | \$ 1.66           |
| Shares used in computing per share amounts: |                  |                   |                   |                   |
| Basic                                       | <u>148,490</u>   | <u>150,214</u>    | <u>148,760</u>    | <u>150,460</u>    |
| Diluted                                     | <u>152,614</u>   | <u>154,683</u>    | <u>153,118</u>    | <u>154,787</u>    |

(1) Synopsys' third quarter of fiscal year 2018 and 2017 ended on August 4, 2018 and July 29, 2017, respectively. The first quarter of fiscal 2018 included an extra week. For presentation purposes, we refer to the closest calendar month end.

**SYNOPSYS, INC.**  
**Unaudited Consolidated Balance Sheets (1)**  
*(in thousands, except par value amounts)*

|  | <u>July 31, 2018</u> | <u>October 31, 2017</u> |
|--|----------------------|-------------------------|
| <b>ASSETS:</b>                               |                      |                         |
| Current assets:                              |                      |                         |
| Cash and cash equivalents                    | \$ 741,236           | \$ 1,048,356            |
| Accounts receivable, net                     | 501,331              | 451,144                 |
| Income taxes receivable and prepaid taxes    | 44,378               | 48,257                  |
| Prepaid and other current assets             | <u>178,638</u>       | <u>134,836</u>          |
| Total current assets                         | 1,465,583            | 1,682,593               |
| Property and equipment, net                  | 290,446              | 266,014                 |
| Goodwill                                     | 3,138,666            | 2,706,974               |
| Intangible assets, net                       | 394,485              | 253,843                 |
| Long-term prepaid taxes                      | 86,405               | 20,157                  |
| Long-term deferred income taxes              | 167,427              | 243,989                 |
| Other long-term assets                       | <u>252,203</u>       | <u>222,844</u>          |
| Total assets                                 | <u>\$ 5,795,215</u>  | <u>\$ 5,396,414</u>     |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b> |                      |                         |
| Current liabilities:                         |                      |                         |
| Accounts payable and accrued liabilities     | \$ 449,037           | \$ 499,846              |
| Accrued income taxes                         | 6,909                | 39,811                  |
| Deferred revenue                             | 1,129,651            | 1,064,528               |
| Short-term debt                              | <u>497,808</u>       | <u>9,924</u>            |
| Total current liabilities                    | 2,083,405            | 1,614,109               |
| Long-term accrued income taxes               | 36,704               | 33,239                  |
| Long-term deferred revenue                   | 113,842              | 83,252                  |
| Long-term debt                               | 123,750              | 134,063                 |
| Other long-term liabilities                  | <u>273,512</u>       | <u>252,027</u>          |
| Total liabilities                            | 2,631,213            | 2,116,690               |
| Stockholders' equity:                        |                      |                         |

|   |                     |                     |
|---|---------------------|---------------------|
| Preferred stock, \$0.01 par value: 2,000 shares authorized;<br>none outstanding                                       | -                   | -                   |
| Common stock, \$0.01 par value: 400,000 shares authorized;<br>148,559 and<br>150,445 shares outstanding, respectively | 1,486               | 1,505               |
| Capital in excess of par value  | 1,591,293           | 1,622,429           |
| Retained earnings   | 2,296,546           | 2,143,873           |
| Treasury stock, at cost: 8,701 and 6,817 shares, respectively   | (636,533)           | (426,208)           |
| Accumulated other comprehensive income (loss)   | (94,653)            | (65,979)            |
| Total Synopsys stockholders' equity   | <u>3,158,139</u>    | <u>3,275,620</u>    |
| Non-controlling interest  | <u>5,863</u>        | <u>4,104</u>        |
| Total stockholders' equity  | <u>3,164,002</u>    | <u>3,279,724</u>    |
| Total liabilities and stockholders' equity  | <u>\$ 5,795,215</u> | <u>\$ 5,396,414</u> |

(1) Synopsys' third quarter of fiscal 2018 ended on August 4, 2018, and its fiscal year 2017 ended on October 28, 2017. For presentation purposes, we refer to the closest calendar month end.

**SYNOPSYS, INC.**  
**Unaudited Consolidated Statements of Cash Flows (1)**  
*(in thousands)*

|  | <b>Nine Months Ended July 31,</b> |                |
|--|-----------------------------------|----------------|
|  | <b>2018</b>                       | <b>2017</b>    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                                   |                |
| Net income   | \$ 178,190                        | \$ 256,645     |
| Adjustments to reconcile net income to net cash provided by operating activities:        |                                   |                |
| Amortization and depreciation  | 150,245                           | 144,112        |
| Stock compensation   | 102,540                           | 79,697         |
| Allowance for doubtful accounts  | 3,368                             | 1,289          |
| (Gain) loss on sale of investments   | 4                                 | (1)            |
| (Gain) loss on sale of property and equipment  | (97)                              | —              |
| Write-down of long-term investments  | —                                 | 1,300          |
| Deferred income taxes  | 5,509                             | (10,960)       |
| Net changes in operating assets and liabilities, net of acquired assets and liabilities: |                                   |                |
| Accounts receivable  | (41,695)                          | 42,413         |
| Prepaid and other current assets   | (58,409)                          | (13,636)       |
| Other long-term assets   | (31,659)                          | (33,416)       |
| Accounts payable and accrued liabilities   | (56,491)                          | 36,129         |
| Income taxes   | (35,014)                          | (19,169)       |
| Deferred revenue   | 76,780                            | (34,692)       |
| Net cash provided by operating activities  | <u>293,271</u>                    | <u>449,711</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                                   |                |
| Proceeds from sales and maturities of short-term investments                             | 12,449                            | 130,529        |
| Purchases of short-term investments  | —                                 | (137,486)      |
| Proceeds from sales of long-term investments   | 494                               | 839            |



|  |                  |                  |
|--|------------------|------------------|
| Purchases of long-term investments                                     | (645)            | —                |
| Proceeds from sales of property and equipment                          | 1,662            | —                |
| Purchases of property and equipment                                    | (70,469)         | (50,227)         |
| Cash paid for acquisitions and intangible assets, net of cash acquired | (646,687)        | (187,624)        |
| Capitalization of software development costs                           | (2,714)          | (3,130)          |
| Other  | —                | 2,100            |
| Net cash used in investing activities                                  | <u>(705,910)</u> | <u>(244,999)</u> |

**CASH FLOWS FROM FINANCING ACTIVITIES:**

|   |                   |                     |
|---|-------------------|---------------------|
| Proceeds from credit facility                                       | 615,000           | 270,000             |
| Repayment of debt   | (137,500)         | (38,750)            |
| Issuances of common stock   | 72,722            | 78,718              |
| Payments for taxes related to net share settlement of equity awards | (42,636)          | (35,376)            |
| Purchase of equity forward contract                                 | (33,000)          | —                   |
| Purchases of treasury stock   | (367,000)         | (300,000)           |
| Other   | 1,759             | (482)               |
| Net cash provided by (used in) financing activities                 | <u>109,345</u>    | <u>(25,890)</u>     |
| Effect of exchange rate changes on cash and cash equivalents        | <u>(3,826)</u>    | <u>(456)</u>        |
| Net change in cash and cash equivalents                             | <u>(307,120)</u>  | <u>178,366</u>      |
| Cash and cash equivalents, beginning of the year                    | <u>1,048,356</u>  | <u>976,620</u>      |
| Cash and cash equivalents, end of the period                        | <u>\$ 741,236</u> | <u>\$ 1,154,986</u> |

(1) Synopsys' third quarter of fiscal year 2018 and 2017 ended on August 4, 2018 and July 29, 2017, respectively. For presentation purposes, we refer to the closest calendar month end.

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