## Synopsys Posts Financial Results for Fourth Quarter and Fiscal Year 2023

#### Results Summary

- Record quarterly revenue of \$1.599 billion, up approximately 25% year over year. Record fiscal-year revenue of \$5.843 billion, up approximately 15% year over year.
- Quarterly GAAP earnings per diluted share of\$2.26; non-GAAP earnings per diluted share of\$3.17, which exceeded high end of guidance. Fiscal year GAAP earnings per diluted share of \$7.92; non-GAAP earnings per diluted share of\$11.19, which exceeded high end of guidance.

SUNNYVALE, Calif., Nov. 29, 2023 /PRNewswire/ -- Synopsys, Inc. (Nasdaq: SNPS) today reported results for its fourth quarter and fiscal year 2023. Revenue for the fourth quarter of fiscal year 2023 was \$1.599 billion, compared to \$1.284 billion for the fourth quarter of fiscal year 2022. Revenue for fiscal year 2023 was \$5.843 billion, an increase of approximately 15% from \$5.082 billion in fiscal year 2022.

"In our 37 years as a company, Synopsys has driven a roughly 10 million-fold increase in chip design productivity. This not only enabled the exponential ambition of the semiconductor industry, it, in turn, radically impacted the world," said Aart de Geus, chair and CEO of Synopsys. "Our momentum continued in 2023 as we substantially expanded our Al-driven design differentiation, our semiconductor IP portfolio, and our multi-die system solutions. We also visibly strengthened our customers' differentiation through unique and deep collaborations. Looking ahead, I have great confidence, expectations, and enthusiasm for our future as Sassine Ghazi becomes Synopsys' CEO."

"Despite global macroeconomic uncertainty, 2023 was a year of record revenue and profitability for Synopsys as silicon R&D and design-starts remain robust. I want to extend my deepest thanks to our team for their stellar execution and to our partners and customers for their commitment," said Sassine Ghazi, president and COO of Synopsys. "We start 2024 with tremendous forward momentum driven by a resilient business model, technology trends – chief among them AI – that create a rising tide for our business, and customers who continue to prioritize investments in the chips and systems that position them for the future. I am profoundly grateful for the opportunity to propel Synopsys to the next wave of growth as its CEO."

"We had strong execution and outperformed our guidance in the fourth quarter, which capped a record financial year for Synopsys. In 2023, on a non-GAAP basis, record earnings per share were up 26% year-over-year, we achieved record operating margins, and expanded our backlog to \$8.6 billion," said Synopsys CFO, Shelagh Glaser. "We are confident in our outlook for continued, double-digit revenue growth in the year ahead based on our technology leadership, strong customer momentum and the resiliency of our time-based business model."

#### **GAAP Results**

On a U.S. generally accepted accounting principles (GAAP) basis, net income for the fourth quarter of fiscal year 2023 was\$349.2 million, or \$2.26 per diluted share, compared to \$153.5 million, or \$0.99 per diluted share, for the fourth quarter of fiscal year 2022. GAAP net income for fiscal year 2023 was\$1.230 billion, or \$7.92 per diluted share, compared to \$984.6 million, or \$6.29 per diluted share, for fiscal year 2022.

## Non-GAAP Results

On a non-GAAP basis, net income for the fourth quarter of fiscal year 2023 was\$490.9 million, or \$3.17 per diluted share, compared to non-GAAP net income of \$297.7 million, or \$1.91 per diluted share, for the fourth quarter of fiscal year 2022. Non-GAAP net income for fiscal year 2023 was\$1.737 billion, or \$11.19 per diluted share, compared to non-GAAP net income of \$1.393 billion, or \$8.90 per diluted share, for fiscal year 2022.

For a reconciliation of net income, earnings per diluted share and other measures on a GAAP and non-GAAP basis, see "GAAP to Non-GAAP Reconciliation" in the accompanying tables below.

## Business Segments

Synopsys reports revenue and operating income in three segments: (1) Design Automation, which includes our advanced silicon design, verification products and services, system integration products and services, digital, custom and field programmable gate array (FPGA) IC design software, verification software and hardware products, manufacturing software products and other; (2) Design IP, which includes our Design IP products; and (3) Software Integrity, which includes solutions that test software code for security vulnerabilities and quality defects, as well as professional and managed services. Further information regarding these segments is provided at the end of this press release.

## **Financial Targets**

Synopsys also provided its consolidated financial targets for the first quarter and full fiscal year 2024. The fiscal year targets include the impact of an extra week in fiscal year 2024, which will be included in the first quarter of fiscal year 2024. These financial targets assume no further changes to export control restrictions or the current U.S. government "Entity List" restrictions. 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.

## First Quarter and Full Fiscal Year 2024 Financial Targets<sup>(1)</sup>

(in millions except per share amounts)

	Ranç	e for Three January		•	Rai	nge for Fisc October		•
	L	.ow	ı	ligh		Low	H	ligh
Revenue	\$	1,630	\$	1,660	\$	6,570	\$	6,630
GAAP Expenses	\$	1,217	\$	1,237	\$	4,995	\$	5,052
Non-GAAP Expenses	\$	1,017	\$	1,027	\$	4,140	\$	4,180
Non-GAAP Other Income (Expense)	\$	-	\$	2	\$	4	\$	8
Non-GAAP Tax Rate		15 %		15 %		15 %		15 %
Outstanding Shares (fully diluted)		155		157		155		157
GAAP EPS	\$	2.40	\$	2.50	\$	9.07	\$	9.25
Non-GAAP EPS	\$	3.40	\$	3.45	\$	13.33	\$	13.41
Operating Cash Flow						~ \$1.	,400	

(1) Synopsys' first quarter of fiscal year 2024 has one extra week and will end on February 3, 2024. Fiscal year 2024 will end on November 2, 2024. For presentation purposes, we refer to the closest calendar month end.

For a reconciliation of Synopsys' first quarter and fiscal year 2024 targets, including expenses, earnings per diluted share and other measures on a GAAP and non-GAAP basis, see "GAAP to Non-GAAP Reconciliation" in the accompanying tables below.

#### **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 on Synopsys' corporate website at <a href="https://www.investor.synopsys.com">www.investor.synopsys.com</a>. Synopsys uses its website as a tool to disclose important information about Synopsys and comply with its disclosure obligations under Regulation Fair Disclosure. A webcast replay will also be available on the corporate website from approximately 5:30 p.m. Pacific Time today through the time Synopsys announces its results for the first quarter of fiscal year 2024 in February 2024.

## **Effectiveness of Information**

The targets included in this press release, the statements made during the earnings conference call, the information contained in the financial supplement and the corporate overview presentation, each of which are available on Synopsys' corporate website at <a href="https://www.synopsys.com">www.synopsys.com</a> (collectively, the "\*Earnings Materials"), represent Synopsys' expectations and beliefs as of November 29, 2023. Although these Earnings Materials will remain available on Synopsys' website through the date of the earnings call for the first quarter of 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 or future events, or otherwise update, the targets given in this press release unless required by law.

## **Availability of Final Financial Statements**

Synopsys will include final financial statements for the fiscal year 2023 in its annual report on Form 10-K to be filed on or befor@ecember 27, 2023.

#### 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 an S&P 500 company, Synopsys has a long history of being a global leader in electronic design automation (EDA) and semiconductor IP and offers the industry's broadest portfolio of application security testing tools and services. Whether you're a system-on-chip (SoC) designer creating advanced semiconductors, or a software developer writing more secure, high-quality code, Synopsys has the solutions needed to deliver innovative products. Learn more at www.synopsys.com.

#### **GAAP to Non-GAAP Reconciliation**

Synopsys continues to provide all information required in accordance with GAAP, but acknowledges 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 budgeting and resource allocation purposes. These non-GAAP measures may be different from non-GAAP measures used by other companies. Synopsys' management does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, as superior to, 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 financial measures that include: (i) the amortization of acquired intangible assets, (ii) the impact of stock compensation, (iii) acquisition-related items, (iv) restructuring charges, (v) the effects of certain settlements, final judgments and loss contingencies related to legal proceedings, and (vi) the income tax effect of non-GAAP pre-tax adjustments, in each case as described further in Item 2.02 of Synopsys' Current Report on Form 8-K filed on November 29, 2023. In addition, the non-GAAP financial measures that exclude such information help facilitate internal comparisons to Synopsys' historical operating results and forecasted targets, planning and forecasting in subsequent periods and comparisons to competitors' operating results.

Synopsys utilizes an annual non-GAAP tax rate in calculating non-GAAP financial measures to provide better consistency across interim reporting periods by eliminating the effects of certain non-recurring and other period-specific items, which can vary in size and frequency and do not necessarily reflect Synopsys' normal operations, and to more closely align its tax rate with its expected geographic earnings mix. This annual non-GAAP tax rate is based on an evaluation of Synopsys' historical and projected mix of U.S. and international profit before tax, taking into account the impact of non-GAAP adjustments, U.S. tax law changes, as well as other factors such as our current tax structure, existing tax positions and expected recurring tax incentives. Based on these considerations, Synopsys has elected to adopt a non-GAAP tax rate of 15% for fiscal year 2024.

When possible, Synopsys provides a reconciliation of non-GAAP financial measures to their most closely applicable GAAP financial measures. 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 Item 2.02 of Synopsys' Current Report on Form 8-K filed on November 29, 2023, for additional information about the measures Synopsys uses to evaluate its core business operations. Synopsys is unable to provide a reconciliation of certain non-GAAP guidance measures to the corresponding GAAP measures on a forward-looking basis because doing so would not be possible without unreasonable effort due to, among other things, the potential variability and limited visibility of the excluded items. For the same reasons, Synopsys is unable to address the probable significance of the unavailable information.

## Reconciliation of Fourth Quarter and Fiscal Year 2023 Results

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

## GAAP to Non-GAAP Reconciliation of Fourth Quarter Fiscal Year 2023 Results<sup>(1)</sup>

(unaudited and in thousands, except per share amounts)

	Three Months Ended October 31,				nded			
		2023		2022		Octobe 2023	<i></i>	2022
GAAP net income attributed to Synopsys	\$	349,190	\$	153,500	\$	1,229,888	\$	984,594
Adjustments:								
Amortization of intangible assets		26,949		25,530		98,790		95,711
Stock compensation		140,989		125,339		561,928		458,776
Acquisition-related items		5,269		(2,063)		15,115		9,269
Restructuring charges		(1,382)		_		77,002		12,057
Tax settlement		_		_		(23,752)		_
Tax adjustments		(30,072)		(4,618)		(222,204)		(167,582)
Non-GAAP net income attributed to Synopsys	\$	490,943	\$	297,688	\$	1,736,767	\$	1,392,825

		Octobe	er 31,		Octobe	er 31,	
		2023		2022	2023	:	2022
GAAP net income per diluted share attributed to	-						
Synopsys	\$	2.26	\$	0.99	\$ 7.92	\$	6.29
Adjustments:							
Amortization of intangible assets		0.17		0.16	0.64		0.61
Stock compensation		0.91		0.80	3.62		2.93
Acquisition-related items		0.03		(0.01)	0.10		0.06
Restructuring charges		(0.01)		_	0.50		0.08
Tax settlement		_		_	(0.15)		_
Tax adjustments		(0.19)		(0.03)	(1.44)		(1.07)
Non-GAAP net income per diluted share attributed							·
to Synopsys	\$	3.17	\$	1.91	\$ 11.19	\$	8.90
Shares used in computing net income per diluted share amounts:		154,845		155,749	155,195		156,485

(1) Synopsys' fourth quarter of fiscal year 2023 and 2022 ended on October 28, 2023 and October 29, 2022, respectively. For presentation purposes, we refer to the closest calendar month end.

**Twelve Months Ended** 

## GAAP to Non-GAAP Tax Rate Reconciliation(1)

(unaudited)

	October 31, 2023
GAAP effective tax rate	6.4 %
Stock compensation	3.3 %
Tax settlement	1.8 %
Tax adjustments (2)	4.5 %
Non-GAAP effective tax rate	16.0 %

<sup>(1)</sup> Synopsys' fiscal year 2023 ended on October 28, 2023. For presentation purposes, we refer to the closest calendar month end.

## Reconciliation of 2024 Targets

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

## GAAP to Non-GAAP Reconciliation of First Quarter Fiscal Year 2024 Targets<sup>(1)</sup>

(in thousands, except per share amounts)

	r	January 31, 2024							
	<del></del>	Low	High						
Target GAAP expenses Adjustments:	\$	1,217,000 \$	1,237,000						
Amortization of intangible assets		(26,000)	(29,000)						
Stock compensation		(174,000)	(181,000)						
Target non-GAAP expenses	\$	1,017,000 \$	1,027,000						

	Range for Three Months End January 31, 2024			
		Low	High	
Target GAAP earnings per diluted share attributed to Synopsys	\$	2.40 \$	2.50	
Adjustments:				
Amortization of intangible assets		0.19	0.17	
Stock compensation		1.16	1.12	
Tax adjustments		(0.35)	(0.34)	
Target non-GAAP earnings per diluted share attributed to Synopsys	\$	3.40 \$	3.45	
Shares used in non-GAAP calculation (midpoint of target range)		156,000	156,000	

<sup>(2)</sup> The adjustments are primarily related to the differences in the tax rate effect of certain deductions, such as the deduction for foreign-derived intangible income and credits.

## Range for Fiscal Year Ending October 31, 2024

		Low	High		
Target GAAP expenses	\$	4,995,000	\$	5,052,000	
Adjustments:					
Amortization of intangible assets		(103,000)		(108,000)	
Stock compensation		(752,000)		(764,000)	
Target non-GAAP expenses	\$	4,140,000	\$	4,180,000	

## Range for Fiscal Year Ending

		October 31, 2024				
	Lo	w	Н	igh		
Target GAAP earnings per diluted share attributed to	-			<del>-</del>		
Synopsys	\$	9.07	\$	9.25		
Adjustments:						
Amortization of intangible assets		0.69		0.66		
Stock compensation		4.90		4.82		
Tax adjustments		(1.33)		(1.32)		
Target non-GAAP earnings per diluted share attributed						
to Synopsys	\$	13.33	\$	13.41		
Shares used in non-GAAP calculation (midpoint of						
target range)		156,000		156,000		

(1) Synopsys' first quarter of fiscal year 2024 has one extra week and will end on February 3, 2024. Fiscal year 2024 will end on November 2, 2024. For presentation purposes, we refer to the closest calendar month end.

## Forward-Looking Statements

This press release and the investor conference call contain forward-looking statements, including, but not limited to, statements regarding Synopsys' executive management transition, short-term and long-term financial targets, expectations and objectives; strategies related to our products, technology and services; business and market outlook, opportunities, strategies and technological trends, such as artificial intelligence; the expected impact of U.S. and foreign government actions and regulatory changes, including export control restrictions on our financial results; the potential impact of the uncertain macroeconomic and geopolitical environment on our financial results; customer demand and market expansion; our planned product releases and capabilities; industry growth rates; software trends; planned acquisitions and 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; 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 our latest Annual Report on Form 10-K and in our latest Quarterly Report on Form 10-Q. The financial information contained in this press release 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 fourth quarter and fiscal year 2023 are not necessarily indicative of Synopsys' operating results for any future periods. The information provided herein is as of November 29, 2023. Synopsys undertakes no duty to, 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 Income<sup>(1)</sup>

(in thousands, except per share amounts)

Three Months Ended

Twelve Months Ended

Three Months Ended			I welve Months Ended					
Time-based products  Upfront products  Total products revenue  Maintenance and service  Total revenue  Cost of revenue:  Products  Maintenance and service  Amortization of intangible assets  Total cost of revenue  Gross margin  Deprating expenses:		October 31,			October 31,			
		2023		2022		2023		2022
Revenue:								
Time-based products	\$	870,249	\$	808,160	\$	3,383,632	\$	2,993,786
Upfront products		449,181		253,245		1,429,330		1,226,728
Total products revenue		1,319,430		1,061,405		4,812,962		4,220,514
Maintenance and service		279,698		222,887		1,029,657		861,028
Total revenue	-	1,599,128		1,284,292		5,842,619		5,081,542
Cost of revenue:								
Products		213,586		173,617		763,494		653,783
Maintenance and service		98,779		89,313		383,835		342,978
Amortization of intangible assets		19,978		19,791		74,864		66,936
Total cost of revenue		332,343		282,721		1,222,193		1,063,697
Gross margin	-	1,266,785		1,001,571		4,620,426		4,017,845
Operating expenses:								
Research and development		488,485		461,618		1,946,813		1,680,379
Sales and marketing		228,982		208,448		889,016		779,777

112,150		107,414		410,311		353,840
8,029		6,718		28,025		29,754
(1,382)				77,002		12,057
836,264		784,198		3,351,167		2,855,807
430,521		217,373		1,269,259		1,162,038
(20,830)		(5,244)		32,523		(46,524)
409,691		212,129		1,301,782		1,115,514
63,196		60,572		83,657		137,078
346,495		151,557		1,218,125		978,436
(2,695)		(1,943)		(11,763)		(6,158)
\$ 349,190	\$	153,500	\$	1,229,888	\$	984,594
\$ 2.30	\$	1.00	\$	8.08	\$	6.44
\$ 2.26	\$	0.99	\$	7.92	\$	6.29
151,972		152,761		152,146		153,002
154,845		155,749		155,195		156,485
\$	8,029 (1,382) 836,264 430,521 (20,830) 409,691 63,196 346,495 (2,695) \$ 349,190 \$ 2.30 \$ 2.26	8,029 (1,382) 836,264 430,521 (20,830) 409,691 63,196 346,495 (2,695) \$ 349,190 \$ \$ 2.30 \$ \$ 2.26 \$	8,029       6,718         (1,382)       —         836,264       784,198         430,521       217,373         (20,830)       (5,244)         409,691       212,129         63,196       60,572         346,495       151,557         (2,695)       (1,943)         \$ 349,190       \$ 153,500         \$ 2.30       \$ 1.00         \$ 2.26       \$ 0.99         151,972       152,761	8,029       6,718         (1,382)       —         836,264       784,198         430,521       217,373         (20,830)       (5,244)         409,691       212,129         63,196       60,572         346,495       151,557         (2,695)       (1,943)         \$ 349,190       \$ 153,500         \$       2.26         \$ 0.99       \$         151,972       152,761	8,029       6,718       28,025         (1,382)       —       77,002         836,264       784,198       3,351,167         430,521       217,373       1,269,259         (20,830)       (5,244)       32,523         409,691       212,129       1,301,782         63,196       60,572       83,657         346,495       151,557       1,218,125         (2,695)       (1,943)       (11,763)         \$ 349,190       \$ 153,500       \$ 1,229,888         \$ 2.30       \$ 1.00       \$ 8.08         \$ 2.26       \$ 0.99       \$ 7.92         151,972       152,761       152,146	8,029       6,718       28,025         (1,382)       —       77,002         836,264       784,198       3,351,167         430,521       217,373       1,269,259         (20,830)       (5,244)       32,523         409,691       212,129       1,301,782         63,196       60,572       83,657         346,495       151,557       1,218,125         (2,695)       (1,943)       (11,763)         \$ 349,190       \$ 153,500       \$ 1,229,888         \$ 2.30       \$ 0.99       \$ 7.92         \$ 2.26       \$ 0.99       \$ 7.92         \$ 151,972       152,761       152,146

<sup>(1)</sup> Synopsys' fourth quarter of fiscal year 2023 and 2022 ended on October 28, 2023 and October 29, 2022, respectively. For presentation purposes, we refer to the closest calendar month end.

# SYNOPSYS, INC. Unaudited Consolidated Balance Sheets<sup>(1)</sup>

(in thousands, except par value amounts)

	Octo	ber 31, 2023	Octo	ber 31, 2022
ASSETS:				
Current assets:				
Cash and cash equivalents	\$	1,438,913	\$	1,417,608
Short-term investments		151,639		147,913
Total cash, cash equivalents and short-term investments		1,590,552		1,565,521
Accounts receivable, net		946,967		796,091
Inventories		325,590		211,927
Prepaid and other current assets		567,515		439,130
Total current assets		3,430,624		3,012,669
Property and equipment, net		557,261		483,300
Operating lease right-of-use assets, net		568,829		559,090
Goodwill		4,070,336		3,842,234
Intangible assets, net		374,194		386,446
Deferred income taxes		860,914		670,653
Other long-term assets		470,973		463,695
Total assets	\$	10,333,131	\$	9,418,087
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST AND STOCKHOLDERS' EQUITY: Current liabilities:				
Accounts payable and accrued liabilities	\$	1,123,761	\$	809,403
Operating lease liabilities		85,690		54,274
Deferred revenue		1,776,000		1,910,822
Total current liabilities		2,985,451		2,774,499
Long-term operating lease liabilities		584,035		581,273
Long-term deferred revenue		175,128		154,472
Long-term debt		18,078		20,824
Other long-term liabilities		386,138		327,829
Total liabilities		4,148,830		3,858,897
Redeemable non-controlling interest		31,043		38,664
Stockholders' equity:				
Preferred stock, \$0.01 par value: 2,000 shares authorized; none outstanding		_		_
Common stock, \$0.01 par value: 400,000 shares authorized; 152,053 and 152,375 shares				
outstanding, respectively		1,521		1,524
Capital in excess of par value		1,276,152		1,487,126
Retained earnings		6,741,699		5,534,307
Treasury stock, at cost: 5,207 and 4,886 shares, respectively		(1,675,650)		(1,272,955)
Accumulated other comprehensive income (loss)		(196,414)		(234,277)
Total Synopsys stockholders' equity		6,147,308		5,515,725
Non-controlling interest		5,950		4,801

Total stockholders' equity	 6,153,258	5,520,526
Total liabilities, redeemable non-controlling interest and stockholders' equity	\$ 10,333,131	\$ 9,418,087

(1) Synopsys' fiscal year 2023 and 2022 ended on October 28, 2023 and October 29, 2022, respectively. For presentation purposes, we refer to the closest calendar month end.

# SYNOPSYS, INC. Unaudited Condensed Consolidated Statements of Cash Flows<sup>(1)</sup>

(in thousands)

	Twelve Months Ended October			October 31,
	-	2023		2022
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$	1,218,125	\$	978,436
Adjustments to reconcile net income to net cash provided by operating activities:				
Amortization and depreciation		247,120		228,405
Reduction of operating lease right-of-use assets		97,705		89,541
Amortization of capitalized costs to obtain revenue contracts		82,190		73,026
Stock-based compensation		563,292		459,029
Allowance for credit losses		19,932		(3,477
Deferred income taxes		(211,045)		(36,913
Other non-cash		13,295		10,188
Net changes in operating assets and liabilities, net of acquired assets and assumed liabilities:				
Accounts receivable		(178,432)		(251,390
Inventories		(123,752)		1,320
Prepaid and other current assets		(106,396)		(89,983
Other long-term assets		(100,618)		(15,283
Accounts payable and accrued liabilities		170,496		(34,066
Operating lease liabilities		(73,281)		(85,828
Income taxes		198,078		1,644
Deferred revenue		(113,435)		414,251
Net cash provided by operating activities		1,703,274		1,738,900
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of short-term investments		130,435		93,696
Purchases of short-term investments		(131,079)		(97,245
Proceeds from sales of long-term investments		8,492		582
Purchases of long-term investments		(435)		(7,000
Purchases of property and equipment		(189,618)		(136,589
Acquisitions, net of cash acquired		(297,692)		(422,374
Capitalization of software development costs		(2,204)		(2,493
Other		· _		(1,200
Net cash used in investing activities	-	(482,101)		(572,623
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayment of debt		(2,603)		(76,838
Issuances of common stock		252,986		237,956
Payments for taxes related to net share settlement of equity awards		(241,408)		(174,005
Purchase of equity forward contract		(45,000)		_
Purchases of treasury stock		(1,160,724)		(1,100,000
Other		(122)		(3,413
Net cash used in financing activities		(1,196,871)		(1,116,300
Effect of exchange rate changes on cash, cash equivalents and restricted cash		(2,979)		(65,296
Net change in cash, cash equivalents and restricted cash		21,323		(15,319
Cash, cash equivalents and restricted cash, beginning of year		1,419,864		1,435,183
Cash, cash equivalents and restricted cash, end of period	\$	1,441,187	\$	1,419,864

<sup>(1)</sup> Synopsys' fiscal year 2023 and 2022 ended on October 28, 2023 and October 29, 2022, respectively. For presentation purposes, we refer to the closest calendar month end.

# SYNOPSYS, INC. Business Segment Reporting (1)(2)

(in millions)

	Three Months Ended		Three Months Ended		Twelve Months Ended		Twelve Months Ended	
	October 31, 2023		October 31, 2022		October 31, 2023		October 31, 2022	
Revenue by segment - Design Automation	\$	953.7	\$	862.1	\$	3,775.3	\$	3,300.2

% of Total	59.7 %	67.1 %	64.6 %	64.9 %
- Design IP	\$ 513.7	\$ 295.2	\$ 1,542.7	\$ 1,315.5
% of Total	32.1 %	23.0 %	26.4 %	25.9 %
- Software Integrity	\$ 131.7	\$ 127.1	\$ 524.6	\$ 465.8
% of Total	8.2 %	9.9 %	9.0 %	9.2 %
Total segment revenue	\$ 1,599.1	\$ 1,284.3	\$ 5,842.6	\$ 5,081.5
Adjusted operating income by segment				
- Design Automation	\$ 317.9	\$ 294.7	\$ 1,439.7	\$ 1,206.6
- Design IP	\$ 241.4	\$ 48.1	\$ 532.1	\$ 421.5
- Software Integrity	\$ 20.0	\$ 10.7	\$ 76.3	\$ 47.0
Total adjusted segment operating income	\$ 579.4	\$ 353.4	\$ 2,048.0	\$ 1,675.1
Adjusted operating margin by segment				
- Design Automation	33.3 %	34.2 %	38.1 %	36.6 %
- Design IP	47.0 %	16.3 %	34.5 %	32.0 %
- Software Integrity	15.2 %	8.4 %	14.5 %	10.1 %
Total adjusted segment operating margin	36.2 %	27.5 %	35.1 %	33.0 %

## Total Adjusted Segment Operating Income Reconciliation (1)(2)(3)

(in millions)

	Three Months Ended October 31, 2023		Three Months Ended October 31, 2022		Twelve Months Ended October 31, 2023		Twelve Months Ended October 31, 2022	
GAAP total operating income – as reported	\$	430.5	\$	217.4	\$	1,269.3	\$	1,162.0
Other expenses managed at consolidated level								
-Amortization of intangible assets (4)		28.0		26.5		102.9		96.7
-Stock compensation (4)		141.3		125.6		563.3		459.0
-Non-qualified deferred compensation plan		(24.4)		(18.8)		20.5		(68.8)
-Acquisition-related items (5)		5.3		2.7		15.1		14.1
-Restructuring charges		(1.4)		_		77.0		12.1
Total adjusted segment operating income	\$	579.4	\$	353.4	\$	2,048.0	\$	1,675.1

- (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) Synopsys' fourth quarter of fiscal year 2023 and 2022 ended on October 28, 2023 and October 29, 2022, respectively. For presentation purposes, we refer to the closest calendar month end.
- (3) These segments results are consistent with the information required by ASC 280, Segment Reporting. Synopsys' chief operating decision maker (CODM) is our Chief Executive Officer. The CODM does 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.
- (4) The adjustment includes non-GAAP expenses attributable to non-controlling interest and redeemable non-controlling interest.
- (5) The adjustment excludes the gains from the mark-up of a cost method investment to fair value upon obtaining control through the acquisition recorded in other income (expense).

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Additional assets available online: