Synopsys Posts Financial Results for First Quarter Fiscal Year 2010

MOUNTAIN VIEW, Calif., Feb. 17 PRNewswire-FirstCall/ -- Synopsys, Inc. (Nasdaq: SNPS), a world leader in software and IP for semiconductor design, verification and manufacturing, today reported results for its first quarter of fiscal year 2010.

For the first quarter of fiscal 2010, Synopsys reported revenue of \$330.2 million compared to \$339.8 million for the first quarter of fiscal 2009.

"Synopsys started the year with solid momentum," said Aart de Geus, chairman and CEO of Synopsys. "We met or exceeded our financial targets, and made a number of strategic moves that we believe will increase our total available market substantially in the long term."

GAAP Results

On a generally accepted accounting principles (GAAP) basis, net income for the first quarter of fiscal 2010 was \$132.8 million, or \$0.88 per share, compared to \$52.4 million, or \$0.37 per share, for the first quarter of fiscal 2009. Net income for the first quarter of fiscal 2010 includes a one-time \$91.6 million, or \$0.61 per share, tax benefit associated with the IRS settlement for fiscal years 2002-2004, announced on January 12, 2010.

Non-GAAP Results

On a non-GAAP basis, net income for the first quarter of fiscal 2010 was \$62.4 million, or \$0.41 per share, compared to non-GAAP net income of \$71.6 million, or \$0.50 per share, for the first quarter of fiscal 2009.

Financial Targets

Synopsys also provided its financial targets for the second quarter and full fiscal year 2010. These targets do not include future acquisition-related expenses that may be incurred in fiscal 2010. These targets constitute forward-looking information 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.

Second Quarter of Fiscal Year 2010 Targets:

- Revenue: \$331 million \$339 million
- GAAP expenses: \$278 million \$295 million
- Non-GAAP expenses: \$252 million \$262 million
- Other income and expense: \$0 \$3 million
- Tax rate applied in non-GAAP net income calculations: approximately 27 percent
- Fully diluted outstanding shares: 148 million 153 million
- GAAP earnings per share: \$0.22 \$0.28
- Non-GAAP earnings per share: \$0.38 \$0.40
- Revenue from backlog: greater than 90 percent

Full-Year Fiscal Year 2010 Targets:

- Revenue: approximately \$1.33 billion \$1.35 billion
- Other income and expense: \$4 million \$8 million
- Tax rate applied in non-GAAP net income calculations: approximately 27 percent
- Fully diluted outstanding shares: 149 million 154 million
- GAAP earnings per share: \$1.55 \$1.74
- Non-GAAP earnings per share: \$1.52 \$1.62
- · Cash flow from operations: \$200 million \$220 million

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 ongoing business operations and what Synopsys uses to evaluate its ongoing 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) stock compensation; (ii) the amortization of acquired intangible assets and in-process research and development charges. (iii) acquisition-related costs: (iv) other significant items, including the effect of a tax benefit from a settlement with the Internal Revenue Service, and (v) the income tax effect of non-GAAP pre-tax adjustments from the provision for income taxes; 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. Whenever Synopsys uses such 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.

Reconciliation of First Quarter Fiscal Year 2010 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 First Quarter Fiscal Year 2010 Results (unaudited and in thousands, except per share amounts)

	Three Months Ended January 31,						
	2010	2009					
GAAP net income Adjustments:	\$	132,786	\$52,429				
Amortization of intangib Stock compensation	ole assets	10,650 17,234					
In-process research an Acquisition-related cost		ment - 1,046	600				
Tax benefit from IRS se Tax effect		(91,649) 8) (7,38					
Non-GAAP net income		\$62.419	\$71.596				
	======	=====	==				
Adjustments: Amortization of intangib Stock compensation In-process research an Acquisition-related cost Tax benefit from IRS se Tax effect	ole assets d develop s ettlement	10,650 17,234 oment - 1,046 (91,649) 8) (7,38	11,808 14,143 600				

	Three Months Ended January 31,					
	2010	20	009			
GAAP net income per share Adjustments:		\$0.88		\$0.37	\$0.37	
Amortization of intangib	le assets	0	.07	0.08		
Stock compensation		0.11		0.09		
In-process research and develop			-	0.01		
Acquisition-related costs	3	0.01		-		
Tax benefit from IRS se	ttlement	((0.61)	-		
Tax effect	(0.05	i) `	(0.05)	5)		
Non-GAAP net income per share			\$0.4	1 \$0.5	50	
	=====	=	====			

150,788

142,612

Shares used in calculation

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 Second Quarter Fiscal Year 2010
                   Targets
         (in thousands, except per share amounts)
                        Range for Three Months
                         Ending April 30, 2010
                                    High
                         Low
Target GAAP expenses
                                  $278,000
                                              $295,000
Adjustment:
    Estimated impact of amortization
                                         (14,000)
    of intangible assets
                              (11,000)
    Estimated impact of stock
    compensation
                              (15,000)
                                         (19,000)
Target non-GAAP expenses
                                    $252,000
                                                $262,000
                       =======
                        Range for Three Months
                         Ending April 30, 2010
                                    High
                         Low
Target GAAP earnings per share
                                      $0.22
                                                 $0.28
Adjustment:
  Estimated impact of amortization
   of intangible assets
                                          0.07
  Estimated impact of stock
                                0.13
                                          0.10
  compensation
  Net non-GAAP tax effect
                                   (0.06)
                                             (0.05)
Target non-GAAP earnings per share
                                        $0.38
                                                   $0.40
Shares used in non-GAAP calculation
                                            150,500
(midpoint of target range)
                                150,500
    GAAP to Non-GAAP Reconciliation of Fiscal Year 2010 Targets
                        Range for Fiscal Year
                        Ending October 31, 2010
                                    High
                         Low
Target GAAP earnings per share
                                      $1.55
                                                 $1.74
Adjustment:
  Estimated impact of amortization
  of intangible assets
                                0.33
                                          0.26
  Estimated impact of stock
  compensation
                                0.45
                                          0.40
  Acquisition-related costs
                                            0.01
                                  0.01
  Tax benefit from IRS settlement
                                     (0.61)
                                               (0.61)
  Net non-GAAP tax effect
                                   (0.21)
Target non-GAAP earnings per share
                                        $1.52
Shares used in non-GAAP calculation
                                151,500
                                            151,500
(midpoint of target range)
```

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 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 145658, beginning at 4:00 p.m. Pacific Time today. A webcast replay will also be available on the website from approximately 5:30 p.m. Pacific Time today through the time Synopsys announces its results for the second quarter fiscal 2010 in May 2010. Synopsys will post copies of the prepared remarks of Aart de Geus, chairman and chief executive officer, and Brian Beattie, chief financial officer, on its website following the call. In addition, Synopsys makes additional financial information available in a financial supplement 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 (available in the Investor Relations section of Synopsys' website at 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 chief executive officer and chief financial officer made during the call and the financial supplement will remain available on Synopsys' website through the date of the second quarter fiscal 2010 earnings call in May 2010, 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 second quarter of fiscal 2010 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 first quarter fiscal 2010 in its quarterly report on Form 10-Q to be filed by March 11, 2010.

About Synopsys

Synopsys, Inc. (Nasdaq:SNPS) is a world leader in electronic design automation (EDA), supplying the global electronics market with the software, intellectual property (IP) and services used in semiconductor design, verification and manufacturing. Synopsys' comprehensive, integrated portfolio of implementation, verification, IP, manufacturing and field-programmable gate array (FPGA) solutions helps address the key challenges designers and manufacturers face today, such as power and yield management, software-to-silicon verification and time-to-results. These technology-leading solutions help give Synopsys customers a competitive edge in bringing the best products to market quickly while reducing costs and schedule risk. Synopsys is headquartered in Mountain View, California, and has more than 65 offices located throughout North America, Europe, Japan, Asia and India. Visit Synopsys online at http://www.synopsys.com.

Forward-Looking Statements

The statements made in this press release regarding projected financial results in the sections entitled "Financial Targets," and "Reconciliation of Target Operating Results" and certain statements made in the earnings conference call are forward-looking statements within the meaning of the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934. Actual results could differ materially from those described by these statements due to a number of uncertainties, including, but not limited to:

- continued uncertainty in the global economy in general, and weakness in the semiconductor and electronics industries;
- failure of customers to pay license fees as scheduled;
- lower-than-expected research and development spending by semiconductor and electronic systems companies;
- · competition in the market for Synopsys' products and services;
- lower-than-anticipated new IC design starts:
- lower-than-anticipated purchases or delays in purchases of software or consulting services by Synopsys' customers, including delays in the renewal, or non-renewal, of Synopsys' license arrangements with major customers;
- changes in the mix of time-based licenses and upfront licenses;
- lower-than-expected orders; and
- difficulties in the integration of the products and operations of acquired companies or assets into Synopsys' products and operations.

In addition, Synopsys' actual expenses, earnings per share and tax rate on a GAAP and non-GAAP basis for the fiscal quarter ending April 30, 2010 and actual expenses, earnings per share, tax rate, cash flow from operations and other projections on a GAAP and non-GAAP basis for fiscal year 2010 could differ materially from the targets stated under "Financial Targets" above for a number of reasons, including, but not limited to, (i) a determination by Synopsys that any portion of its goodwill or intangible assets have become impaired, (ii) application of the actual consolidated GAAP and non-GAAP tax rates for such periods, or judgment by management, based upon the status of pending audits and settlements to increase or decrease an income tax asset or liability, (iii) integration and other acquisition-related costs including amortization of intangible assets and costs formerly capitalized but now expensed due to new accounting guidance related to business combinations, (iv) changes in the anticipated amount of employee stock compensation expense recognized on Synopsys' financial statements, (v) actual

change in the fair value of Synopsys' non-qualified deferred compensation plan obligations, (vi) increases or decreases to estimated capital expenditures, (vii) changes driven by new accounting rules, regulations, interpretations or guidance, (viii) general economic conditions, and (ix) other risks as detailed in our SEC filings, including those described in the "Risk Factors" section in our latest Annual Report on Form 10-K for the fiscal year ended October 31, 2009. Furthermore, Synopsys' actual tax rates applied to income for the second quarter and fiscal year 2010 could differ from the targets given in this press release as a result of a number of factors, including the actual geographic mix of revenue during the quarter and year, and actions by the government. Finally, Synopsys' targets for outstanding shares in the second quarter and fiscal year 2010 could differ from the targets given in this press release as a result of higher than expected employee stock plan issuances or stock option exercises, acquisitions and the extent of Synopsys' stock repurchase activity.

Synopsys is under no obligation to (and expressly disclaims any such obligation to) update or alter any of the forward-looking statements made in this earnings release, the conference call or the financial supplement whether as a result of new information, future events or otherwise, unless otherwise required by law.

Synopsys is a registered trademark of Synopsys, Inc. Any other trademarks mentioned in this release are the property of their respective owners.

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SYNOPSYS, INC.
Unaudited Consolidated Statements of Operations (1)
(in thousands, except per share amounts)

Three Months Ended January 31,

2010 2009 (2)

Revenue:

 Time-based license
 \$272,475
 \$287,676

 Upfront license
 20,446
 15,703

 Maintenance and service
 37,246
 36,376

Total revenue 330,167 339,755

Cost of revenue:

41,214 41,823 16,510 15,579

Maintenance and service 16,510 15,579 Amortization of intangible assets 7,857 8,022

Total cost of revenue 65,581 65,424

Gross margin 264,586 274,331

Operating expenses:

97,807 Research and development 101,232 Sales and marketing 79,616 77,384 General and administrative 25,853 27,182 In-process research and development 600 2,793 Amortization of intangible assets 3.786

209,494 206,759 Total operating expenses

55,092 Operating income 67,572 2,250 Other income, net 2,099

57,342 Income before income taxes 69,671 (Benefit) provision for income taxes (75,444) 17,242

Net income \$132,786 \$52,429 ======= ======

Net income per share:

\$0.90 \$0.37 Basic Diluted \$0.88 \$0.37 ===== =====

Shares used in computing per share

amounts:

Basic 146,830 141,865 ====== ====== Diluted 150,788 142,612 ====== ======

- (1) Synopsys' first quarter ended on the Saturday nearest January 31. For presentation purposes, the Unaudited Consolidated Statements of Operations refer to a calendar month end.
- (2) For the three months ended January 31, 2009, Synopsys reclassified \$2.6 million from upfront license to time-based licensed revenue to conform to the current year presentation which had no impact on total revenue.

SYNOPSYS, INC.

Unaudited Consolidated Balance Sheets (1) (in thousands, except par value amounts)

> January 31, October 31, 2010 2009 -----

ASSETS:

Current assets:

\$701,613 Cash and cash equivalents \$626,490 465,853 Short-term investments 466,713

Total cash, cash

equivalents and

1,092,343 short-term investments 1,168,326 127,010 Accounts receivable, net 142,493 Deferred income taxes 74,285 73,453 41,806 Income taxes receivable 51,191 Prepaid and other current assets 47.594 43.820

Total current assets

1,398,521 1,463,800

Property and equipment, net 143,371 146,910 934,226 Goodwill 932,691

89,538 96,810

Intangible assets, net Long-term deferred income taxes 251,762 205,396 Other long-term assets 92,347 93,247

Total assets \$2,909,765 \$2,938,854

LIABILITIES AND STOCKHOLDERS' EQUITY:

Current liabilities:

Accounts payable and accrued

liabilities \$182,159 \$255,095

Accrued income taxes 5,508 33,590 Deferred revenue 507,435 553,990 Total current liabilities 723,184 814,593 88,553 Long-term accrued income taxes 157,354 Other long-term liabilities 87.851 88.002 Long-term deferred revenue 39,434 34,739 Total liabilities 939,022 1,094,688 Stockholders' equity: Preferred stock, \$0.01 par value: 2,000 shares authorized; none outstanding Common stock, \$0.01 par value: 400,000 shares authorized; 146,544 and 146,945 shares outstanding, respectively 1.465 1.469 Capital in excess of par value 1,511,099 1,500,166 Retained earnings 574,980 705,216 Treasury stock, at cost: 10,727 and 10,326 shares, respectively (236,935) (228,618) Accumulated other comprehensive loss (10,102) (3,831) Total stockholders' equity 1,970,743 1,844,166 -----Total liabilities and \$2,909,765 \$2,938,854 stockholders' equity

(1) Synopsys' first quarter ended on the Saturday nearest January 31. For presentation purposes, the Unaudited Consolidated Balance Sheets refer to a calendar month end.

SYNOPSYS, INC.

Unaudited Consolidated Statements of Cash Flows (1) (in thousands)

Three Months Ended January 31,

2010 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income \$132,786 \$52,429

Adjustments to reconcile net income to net cash provided by operating

activities:

Amortization and depreciation 25,652 25,418 Stock compensation 17,234 14,143 Allowance for doubtful accounts (357) 1,490 Write-down of long-term investments - 2,960

Gain on sale of investments (112) (172)
Deferred income taxes (51,676) 8,340

In-process research and

development - 600

Net changes in operating assets

and liabilities, net of

acquired assets and liabilities:

Accounts receivable (14,836) (2,911)

Prepaid and other current

assets 6,184 (2,009)

Other long-term assets (1,128) 3,181

Accounts payable and other

liabilities (73,497) (100,168)

Accrued income taxes (41,428) (5,771) Deferred revenue (44,239) (79,456)

Net cash used in operating

activities (45,417) (81,926)

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sales and maturities of short-term

investments 57,362 64,047 Purchases of short-term (58,638)(60,059)investments Purchases of property and (8,037) (8,258)equipment Cash paid for acquisitions, net of cash acquired (3,127)(27,333)Capitalization of software development costs (720)(720)Net cash used in investing activities (13,160)(32,323)CASH FLOWS FROM FINANCING ACTIVITIES: Principal payments on capital leases (492)1,152 Issuances of common stock 8,133 Purchases of treasury stock (25, 257)Net cash (used in) provided by financing activities 660 Effect of exchange rate changes on cash and cash equivalents 1,322 6,122 Net change in cash and cash (75, 123)equivalents (107,467)Cash and cash equivalents, beginning of period 701,613 577,632 Cash and cash equivalents, end of period \$626,490 \$470,165

(1) Synopsys' first quarter ended on the Saturday nearest January 31. For presentation purposes, the Unaudited Consolidated Statements of Cash Flows refer to a calendar month end.

SOURCE Synopsys, Inc.