Risk Factors Comparison 2024-02-14 to 2023-02-13 Form: 10-K

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Our operations and financial results are subject to various risks and uncertainties, including those described in the sections below, that could adversely affect our business, financial condition, results of operations, cash flows, liquidity, revenue, growth, prospects, demand **for our products and services** , reputation ~~,~~ and the trading price of our common stock, and make an investment in us speculative or risky. The following does not summarize all of the risks that we face, and there may be additional risks or uncertainties that are currently unknown or not believed to be material that occur or become material. Business and Operational Risks We have experienced varied operating results, and our operating results for any particular fiscal period are affected by the timing of revenue recognition, particularly for our emulation and prototyping hardware and IP products. Historical results of operations should not be viewed as reliable indicators of our future performance. Various factors affect our operating results, and some of them are not within our control. Our operating results for any period are affected by the mix of products and services sold in a given period and the timing of revenue recognition, particularly for our emulation and prototyping hardware and IP products. In addition, we have recorded net losses in the past and may record net losses in the future. Also, our cash flows from operating activities have and will continue to fluctuate due to a number of factors, including the timing of our billings, collections, disbursements and tax payments. A substantial portion of the product revenue related to our hardware business and our IP offerings is recognized upon delivery, and our forecasted revenue results are based, in part, on our expectations of hardware and IP to be delivered in a particular quarter. Therefore, changes in hardware and IP bookings or deliveries relative to expectations will have a more immediate impact on our revenue than changes in software or services bookings, for which revenue is generally recognized over time. As we continue to expand our IP offerings, a portion of the revenue related to our IP bookings will be deferred until we complete and deliver the licensed IP to our customers. As a result, costs related to the research and development of ~~the~~ IP may be incurred prior to the recognition of the related revenue. Revenue related to our hardware and IP products is inherently difficult to predict because sales of our hardware and IP products depend on the commencement of new projects for the design and development of complex ICs and systems by our customers, our customers' willingness to expend capital to deploy our new and existing hardware or IP products in those projects and the availability of our new and existing hardware or IP products for delivery. Therefore, our hardware or IP sales may be delayed or may decrease if our customers delay or cancel projects because their spending is constrained or if there are problems or delays with the supply, delivery or installation of our hardware or IP products or our hardware suppliers. Moreover, the **market environment for** hardware and IP **is** ~~markets are~~ highly competitive, and our customers may choose to purchase a competitor' s hardware or IP product based on cost, performance or other factors. These factors may result in lower revenue, which would have an adverse effect on our business, results of operations ~~or~~ **and** cash flows. A substantial proportion of our software licenses yield revenue recognized over time, which may make it difficult for us to rapidly increase our revenue in future fiscal periods ~~,~~ and means that a decrease in orders in a given period would negatively affect our revenue in future periods. We plan our operating expenses based on forecasted revenue, expected business needs and other factors such as inflation. These expenses and the effect of long- term commitments are relatively fixed in the short term. Bookings and the related revenue are harder to forecast in a difficult economic environment. If we experience a shortfall in bookings, our operating results could differ from our expectations because we may not be able to quickly reduce our expenses in response to short- term business changes. Our operating expenses are also impacted by economic conditions, such as inflation. Unexpected increases in inflation could cause our expenses to increase at a rate faster than our product pricing to recover such increases. The methods, estimates and judgments that we use in applying our accounting policies have a significant impact on our results of operations (see " Critical Accounting Estimates " under Part II, Item 7, " Management' s Discussion and Analysis of Financial Condition and Results of Operations "). Such methods, estimates and judgments are subject to substantial risks, uncertainties and assumptions, and factors may arise over time that may lead us to change our methods, estimates and judgments. Changes in those methods, estimates and judgments could significantly affect our results of operations. ~~Any periods of uncertainty~~ **Uncertainty** in the global economy and **instability within** international ~~trade~~ relations, **including** changes in governmental policies relating to technology, and any potential downturn in the semiconductor and electronics industries, may negatively impact our business and reduce our bookings levels and revenue. Purchases of our products and services are dependent upon the commencement of new design projects by IC manufacturers and electronics systems companies. The IC and electronics systems industries are cyclical and are characterized by constant and rapid technological change, rapid product obsolescence and price erosion, evolving standards, short product life cycles and wide fluctuations in product supply and demand. The IC and electronics systems industries have also experienced significant downturns in connection with, or in anticipation of, maturing product cycles of both these industries' and their customers' products. The current outlook for the global economy is uncertain and may result in a decrease in spending on our products and services despite recent growth. Uncertainty caused by the recent challenging global political and economic conditions, including the effects of the ~~recent~~ rise in inflation and interest rates, **bank failures, U. S. deficit concerns,** the Russian invasion of Ukraine and the ~~continuing COVID- 19 pandemic~~ **conflict in the Middle East** , adverse changes to international ~~trade~~ relationships ~~between~~ **among** countries in which we **or our customers operate or** do business, protectionist measures or ~~future~~ decline in corporate or consumer spending could negatively impact our customers' businesses, reducing the number of new chip designs and their overall research and development spending, including their spending on our products and services, and as a result decrease demand for our products and services. **Adverse developments that affect financial institutions, transactional counterparties or other third parties, such as bank failures and protracted U. S.**

federal debt ceiling negotiations, or concerns or speculation about any similar events or risks, have led and could lead to further credit downgrades and market- wide liquidity problems, which in turn may cause customers and other third parties to become unable to meet their obligations under various types of financial arrangements as well as general disruptions or instability in the financial markets. Public health emergencies, like the COVID- 19 pandemic, and reactionary measures by governments and businesses have also had, and could in the future have, the effect of curtailing economic activity and causing substantial volatility and disruption in global markets. Decreased bookings for our products and services, customer bankruptcies, consolidation among our customers, or problems or delays with our hardware suppliers or with the supply or delivery of our hardware products could also adversely affect our ability to grow our business or adversely affect our future revenue and financial results. ~~Our~~ **There is inherent risk, based on the complex relationships between certain countries and within regions, that political, diplomatic or military events could result in trade disruptions and other disruptions in the markets and industries we serve and our supply chain. A significant disruption in any area where we or our customers operate or do** business could ~~also be~~ **reduce customer demand, make our products and services more expensive or unavailable for customers, increase the cost of our products and services, have a negative** ~~impacted~~ -- **impact** ~~by~~ **on customer spending, make our products less competitive, or otherwise have a materially adverse impact on our future revenue and profits, our customers' and suppliers' businesses, and our results of operations. For example, the ongoing** ~~political~~ **geopolitical** ~~,~~ **and** economic **uncertainty between the United States and China, where we have derived** ~~and~~ - **an increased percentage of** ~~legal actions and conditions in regions in which our suppliers or~~ **our revenue** ~~customers operate~~ , ~~including~~ **the unknown impact of current and future U. S. and Chinese trade regulations, and geopolitical risks with respect to** Taiwan, which serves as a central hub for the technology industry supply chain **, could, directly or indirectly, materially harm our business, financial condition and results of operations** . Our future business and financial results, including demand for our products and services, are subject to considerable uncertainties that could impact our stock price. If economic conditions or international ~~trade~~ relationships ~~between~~ **among** countries in which we do business deteriorate ~~in the future~~ , or, in particular, if semiconductor or electronics systems industry revenues do not grow, including as a result of **a** ~~the current~~ global semiconductor shortage ~~extending or intensifying~~ , the ability to export or import products or services by the semiconductor or electronics systems industry is adversely restricted, or our supplies of hardware components and products are subject to problems or delays, we may be adversely affected. Further ~~, while our ability to do business has not been materially affected~~ , political or economic conflicts between various global actors, and responsive measures that have been or could be taken, have created and can further create significant global economic uncertainty that could prolong or expand such conflicts, which could have a lasting impact on regional and global economies and harm our business and operating results. We are subject to governmental export and import controls that could subject us to liability or impair our ability to compete in global markets as well as a variety of other laws and regulations. We must comply with regulations of the United States and of certain other countries in selling or shipping our products and transferring our technology outside the United States, to foreign nationals **(including foreign nationals within the United States)** or across borders. Changes in these regulations or restrictions due to changes in trade relationships with the United States, including new tariffs, trade protection measures, import or export licensing requirements, sanctions, trade embargoes and other trade barriers, could harm our business, operating results ~~or~~ **and** financial condition. For example, the BIS maintains and frequently updates the " Entity List, " which limits our ability to deliver products and services to these entities, some of which are our customers. When customers are on the Entity List or are subject to new or expanded trade restrictions **, such as the recent implementation of controls on advanced computing ICs, computer commodities that contain such ICs, and certain semiconductor manufacturing items, as well as controls on transactions involving items for supercomputer and semiconductor manufacturing end- users** , it has a negative effect on our ability to sell products and provide services to these customers. In addition, the issuance of new or expanded trade restrictions, such as the continued expansion of the military end- user and military end- use rule, the foreign- produced direct product rules, or any other rule that prevents a class of **commodities, software or** technology from export to any specific country or countries without a license, could increase our costs or expenses. Anticipated or actual changes in trade restrictions could also affect customer purchasing behaviors. Entity List restrictions and other trade restrictions may also encourage customers to seek substitute products from our competitors, including a growing class of foreign competitors and open source alternatives, that are not subject to these restrictions or to develop their own solutions, thereby decreasing our long- term competitiveness. In particular, China' s stated national policy to be a global leader in all segments of the semiconductor industry by 2030 has resulted in and may continue to cause increased competitive capability in China. In addition, although customers **on the Entity List** are not prohibited from paying (and we are not restricted from collecting) for products we previously delivered to them **(in compliance with applicable law)** , the credit risks associated with outstanding receivables from customers on the Entity List – including receivables from anti- piracy enforcement efforts and litigation settlements – and other trade restrictions could increase. We cannot predict whether or when any changes will be made that eliminate or decrease these limitations on our ability to sell products and provide services to these Entity List customers or other customers impacted by other trade restrictions. We are unable to predict the duration of the export restrictions imposed with respect to any particular customer, technology, country or region or the long- term effects on our business or our customers' businesses. In addition, there may be indirect impacts to our business which we cannot reasonably quantify, including that a country- specific export control may limit or prevent our employees who are nationals of the restricted country from performing their duties unless a license can be obtained. Additionally **,** our business may also be impacted by other trade restrictions that may be imposed by the **United States** ~~U. S.~~ , China, or other countries. Restrictions on our ability to sell and ship our products to customers on the Entity List have had, and may continue to have, an adverse effect on our business, results of operations or financial condition. Failure to obtain export licenses **when required** or restrictions on trade imposed by the United States or other countries could harm our business by rendering us unable to sell or ship products and transfer our technology outside of the United States or across borders. Although we have implemented **risk- based** policies and procedures **that are reasonably designed** to ~~help us~~ comply with all applicable trade restrictions, we and governmental authorities have had and may in the future have reason to inquire into particular sales. **Specifically** ~~For example~~, in February 2021, we received an administrative subpoena from BIS requesting the production of records in connection with certain sales to **our customers in China. In November 2023, we received a related subpoena from the U. S. Department of Justice (" DOJ ") that also requested information regarding our business activity in** China. We have been **and will continue** cooperating with BIS and **DOJ in** responding to the ~~subpoena~~ **subpoenas and their ongoing reviews**. ~~Such inquiries~~ **These matters** are subject to uncertainties and the outcomes of ~~this~~ **these** and other proceedings that may occur are difficult to predict. The laws and policies of the United States and other countries in this area are evolving and changing, and we have experienced and may continue to experience challenges in complying with new rules as they become effective. The application and interpretation of these laws and policies can also be uncertain and change over time, and we may need to adjust our policies and procedures accordingly. Any failure or alleged failure to comply with these laws and policies could have negative consequences, including significant legal costs, government investigations, penalties, denial of export privileges and debarment from participation in U. S. government contracts, any of which could have a material adverse effect on our operations, reputation and financial condition. In addition to export control laws, our global operations are subject to numerous U. S. and foreign laws and regulations, including those related to anti- corruption, anti- bribery, tax, corporate governance, financial and other disclosures, competition, antitrust, data privacy, data protection and employment. These laws and regulations are complex and may have differing or conflicting legal standards, making compliance difficult and costly, and changes to these laws may require us to make significant changes to our business operations that may adversely affect our business overall. The policies and procedures we have implemented to assist our compliance with these laws and regulations do not provide complete assurance that our employees, contractors, agents or partners will not violate such laws and regulations. Any violation individually or in the aggregate could have a material adverse effect on our operations, reputation and financial condition. As we **continue to** acquire and invest in companies or technologies, we may not realize the expected business or financial benefits and these acquisitions could prove difficult to integrate, disrupt our business, dilute stockholder value and adversely affect our operating results and the market value of our common stock. As part of our business strategy, we invest in, and acquire complementary businesses, joint ~~venture~~ **ventures**, services and technologies and **IP** ~~intellectual property~~ rights **, some of which may be material to our financial condition and operating results**. We continue to **engage in investments and acquisitions and** evaluate such opportunities and expect to continue to make such investments and acquisitions in the future **. There can be no guarantee that we will be able to find and identify desirable investment or acquisition targets, and we may not be successful in entering into an agreement with any particular target**. Acquisitions and other transactions, arrangements and investments involve numerous risks and **potential** ~~could create unforeseen~~ operating difficulties and expenditures, including: • the failure to realize, or a delay in realizing, anticipated benefits **or synergies, including as a result of any conditions placed upon approvals from governmental authorities**; • the failure to complete transactions on a timely basis or at all, including ~~as~~ **due to** a ~~result of regulatory~~ **failure to obtain required** ~~approval~~ **approvals** ~~dynamics~~ **on a timely basis, or at all, from governmental authorities**; • potential identified or unknown security vulnerabilities in acquired companies, technologies or products that expose us to additional security risks or delay our ability to integrate them into our organization and offerings; • brand or reputational harm **; • in the case of acquisitions with large greenhouse gas emissions, the failure or perceived failure to achieve our publicly disclosed greenhouse gas emissions reduction target**; • the failure to understand, compete and operate effectively in markets where we have limited experience or where competitors may have stronger market positions; • the failure to integrate, combine or manage acquired products, infrastructure, technologies and businesses effectively ~~and~~ **or to obtain** customer acceptance of multiple platforms on a temporary or permanent basis; • difficulties in integrating and assimilating acquired employees, which may lead to retention risk with respect to both acquired and existing employees **; • the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries**; • diversion of financial resources and management' s attention from day- to- day business; • overlapping customers and product sets that impact our ability to maintain revenue at historical rates; • unanticipated costs or assumed liabilities, including those ~~incurred~~ **related** to ~~remediate issues of~~ an acquired company **' s disclosure controls and procedures, internal control over financial reporting, cybersecurity and other compliance programs, whether** discovered during due diligence or thereafter ~~, such that we cannot realize the anticipated value of the acquisition~~; • contingent payments in connection with acquisitions in the future where we may be required to make certain contingent payments without deriving the value we expect to derive from an acquisition in excess of such payments **or at all**; • unwillingness of customers **, suppliers or other business partners** of an acquired business to continue licensing or ~~buying products from~~ **do business with** us **,** or delays in ~~customer purchases~~ **such activities**; • difficulties managing any strategic investment or collaboration that we do not control or for which we do not have sole decision- making authority; • impairment charges or other adverse accounting outcomes related to acquisitions or strategic investments; • the failure or cessation of operations by entities in which we made strategic investments or collaboration agreements; • the loss of some or all of the value of our investment; • additional stock- based compensation issued or assumed in connection with the acquisition, including the impact on stockholder dilution and our results of operations; and • the tax effects of any such acquisitions including related integration and business operation changes, and assessment of the impact on the realizability of our future tax assets or liabilities Any of these risks could harm our business or negatively impact our results of operations. In addition, to facilitate ~~future~~ acquisitions or investments, we may seek additional equity or debt financing, which may not be available on terms favorable to us or at all, which may affect our ability to complete subsequent acquisitions or investments, and which may affect the risks of owning our common stock. For example, if we finance acquisitions or investments by issuing equity or convertible ~~or other debt~~ securities **,** or ~~loans~~ **use such securities as consideration**, our existing stockholders may be diluted ~~,~~ **. If we finance acquisitions** or **investments through debt financing,** we could face constraints related to the terms

(including restrictive covenants) of, and repayment obligation related to, the incurrence of indebtedness ~~that could affect the market price of our common stock~~ . ~~Future acquisitions~~ **Acquisitions** or investments may also require the expenditure of substantial cash resources. These arrangements may impact our liquidity, financial position and results of operations or increase dilution of our stockholders' equity interests in the company **, all of which could adversely affect the market price of our common stock. Acquisitions are also often dilutive to margins and earnings, at least initially. In addition, in certain cases we may be required to consolidate one or more of our strategic investee' s financial results into ours. Fluctuations in any such investee' s financial results, due to general market conditions, bank failures or otherwise, could negatively affect our consolidated financial condition, results of operations, cash flows or the price of our common stock** . Our ability to acquire other businesses or technologies, make strategic investments or integrate acquired businesses effectively may be impaired by trade tensions and increased global scrutiny of foreign investments and acquisitions and investments in the technology sector. **The United States** ~~For example, the U. S.~~ and several other countries have adopted, or are considering adopting **,** restrictions on transactions involving foreign investments. Antitrust authorities in **the United States and** a number of countries have also reviewed acquisitions and investments in the technology industry with increased scrutiny. Governments may continue to adopt or tighten restrictions of this nature, some of which may apply to acquisitions, investments or integrations of businesses by us, and such restrictions or government actions could negatively impact our business and financial results. ~~The effect of foreign exchange rate fluctuations may adversely impact our revenue, expenses, cash flows and financial condition. We have significant operations outside the United States. Our revenue from international operations as a percentage of total revenue has historically exceeded 50 %, and we expect that revenue from our international operations will continue to account for a significant portion of our total revenue. We also transact business in various foreign currencies, although the majority of our revenue contracts worldwide are denominated in U. S. dollars. Approximately one third of our total costs and expenses are transacted in foreign currencies. Volatility of currencies in countries where we conduct business, most notably the U. S. dollar, Chinese renminbi, Japanese yen, European Union euro, British pound and Indian rupee, have had and may in the future have an effect on our revenue or operating results. Fluctuations in the exchange rate between the U. S. dollar and other currencies could seriously affect our business, operating results or financial condition, including due to inflation, devaluations and currency controls. For example, if we price our products and services in a non- U. S. market in the local currency, we receive fewer U. S. dollars when the local currency declines in value relative to the U. S. dollar. If we price our products and services in a non- U. S. market in U. S. dollars, a decrease in value of the local currency relative to the U. S. dollar could result in our prices being uncompetitive in that market. On the other hand, when a foreign currency increases in value relative to the U. S. dollar, it takes more U. S. dollars to purchase the same amount of the foreign currency. As we use the foreign currency to fund payroll costs and other operating expenses in our international operations, this results in an increase in operating expenses. Our attempts to reduce the effect of foreign currency fluctuations may be unsuccessful, and exchange rate movements may adversely impact our results of operations as expressed in U. S. dollars.~~ We could suffer serious harm to our business because of the infringement ~~of our~~ - **or** ~~intellectual property~~ **misappropriation of our IP** rights by third parties ~~or because of our infringement of the intellectual property rights of third parties, as well as any associated efforts to enforce such rights, including through intellectual property litigation~~ . There are numerous patents relating to our business and ecosystem. New patents are being issued at a rapid rate and are owned by computational software companies as well as entities and individuals outside the computational software field, including parties whose income is primarily derived from infringement- related licensing and litigation. It is not always practicable or possible to determine in advance whether a product or any of its components infringes the patent rights of others. As a result, from time to time, we **have been and** may **continue to** be compelled to respond to **IP** ~~or assert intellectual property~~ infringement claims to protect our rights or defend a customer' s rights ~~. For example, some customers have requested we defend and indemnify them against claims asserted in various legal proceedings by Bell Semiconductor LLC (" Bell Semi "), a patent monetization entity, based on Bell Semi' s allegation that the customers' use of one or more features of certain Cadence products infringe one or more of six patents held by Bell Semi. We have offered to defend some of our customers~~ consistent with the terms of our license agreements. **IP** ~~Intellectual property~~ infringement **and misappropriation** claims, including contractual defense reimbursement obligations related to third- party claims against our customers, regardless of merit, could consume valuable management time, result in costly litigation or cause product shipment delays, all of which could seriously harm our business, operating results ~~or~~ **and** financial condition. **IP** ~~We have been subject to intellectual property infringement~~ claims **or** ~~and actions alleging that Cadence products and technologies infringe others' intellectual property rights. Intellectual property~~ litigation **has compelled and** could compel us to do one or more of the following: • pay damages (including the potential for treble damages), license fees or royalties (including royalties for past periods); • stop licensing products or providing services that use the challenged ~~intellectual property~~ **IP and potentially refund customers** ; • obtain a license to sell or use the relevant technology, which license may not be available on reasonable terms ~~, or at all~~ ; or • redesign the challenged technology, which could be time consuming and costly, or impossible. If we were compelled to take any of these actions, our business, reputation ~~or~~ **and** operating results might suffer. **We rely on** ~~If our security measures are breached or vulnerabilities are discovered in our products and services, and an unauthorized party obtains access to customer data, financial data or assets or~~ our proprietary ~~business information, our information systems and products and services may be perceived as being unsecure, we could experience business or financial harm, and our business and reputation could be harmed. Our products and services involve storage, including cloud- based storage, and transmission of our proprietary information and that of our customers. Despite our security measures, our information~~ technology ~~and infrastructure~~ , as well as **software** ~~our products~~ and **other IP rights licensed** ~~services, may be vulnerable~~ to **us** ~~cyber attacks~~ by ~~unauthorized~~ third parties ~~(~~ **, and we cannot assure that the precautions taken to protect our rights will be adequate or that we will continue to be able to adequately secure such IP rights from third parties. Our success depends, in part, upon our proprietary technology and our ability to secure, protect and enforce our IP rights in our proprietary technology. We generally rely on a combination of patent, copyright**

and trademark law, trade secret protection and confidentiality or licenses agreements with our employers, contractors, customers, business partners and others to establish and protect our proprietary rights in technology and products. Despite the precautions we may take to protect our IP rights, from time to time third parties challenge, invalidate or circumvent these safeguards. Our patents and other IP rights may not provide us with sufficient competitive advantages. Patents may not be issued on any of our pending applications and our issued patents may not be sufficiently broad to protect every feature of our technology. In addition, we believe that the protection of our trademark rights is an important factor in product recognition, protecting our brand and maintaining goodwill, and if we do not adequately protect our rights in our trademarks from infringement, any goodwill that we have developed in those trademarks could be lost or impaired, which could harm our ~~may include nation- states and~~ brand ~~individuals sponsored by~~ and our business. Furthermore, ~~them~~ - the ~~)~~ laws of foreign countries may not protect ~~or~~ our ~~breaches due~~ proprietary rights in those countries to ~~employee error~~ the same extent as applicable law protects these rights in the United States , ~~malfeasance~~ and we may encounter difficulties in ~~or~~ our ~~other vulnerabilities~~ attempts to protect ~~or~~ our ~~disruptions~~ IP in foreign jurisdictions, particularly with respect to trade secret rights and including as a result of impacts from changes in international trade relationships. The protection of our IP may require the expenditure of significant financial and managerial resources. Moreover, the steps we take to protect our IP may not adequately protect our rights, or deter or prevent third parties from infringing or misappropriating our proprietary rights. Litigation brought to protect and enforce our IP rights could be costly, time consuming and distracting to management. Furthermore, our efforts to enforce our IP rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our IP rights , which could result in ~~unauthorized disclosure~~ the impairment or loss of ~~sensitive~~ portions of our IP rights. Many of our products include software or other IP licensed from third parties. We may have to seek new or renew existing licenses for such software and other IP. Our engineering services business holds licenses to certain software and other IP owned by third parties, including that of our competitors. In addition, we use open source software in our products, and due to uncertainties regarding the interpretation of open source software licenses, there is a risk that our use of open source software is inconsistent with what the copyright owners had intended, which could lead to disputes and enforcement actions, including demands that we release applicable source code, and we may be forced to re-engineer our products or incur additional costs to replace the affected open source software. Our failure to obtain third party software, other IP licenses or other IP rights that are necessary or helpful for our business on favorable terms, or our need to engage in litigation over these licenses or rights, could seriously harm our business, operating results or financial condition. In the case of infringement or misappropriation caused by technology that we obtain from third parties, any indemnification or other contractual protections we obtain from such third parties, if any, may be insufficient to cover the liabilities we incur as a result of such infringement or misappropriation. We may not realize opportunities presented by AI and may incur reputational and financial harm and liability as a result of issues in the development and use of AI. We are making significant investments in AI initiatives, including building out our generative AI platform and applications, to enable our customers to optimize their products' performance, increase the productivity of their design teams and workflows and develop AI solutions themselves. AI technologies are complex and rapidly evolving, and we face significant competition from other companies. Moreover, the long- term trajectory of this technological trend is unknown. If we fail to develop and timely offer such products or keep pace with the product offerings of our competitors, or if demand for such products does not grow as anticipated, our business could be adversely affected. We may incur significant costs, resources, investments, delays and not achieve a return on investment or capitalize on opportunities presented by AI. The introduction of AI technologies into new or existing products may result in new or enhanced governmental or regulatory scrutiny, litigation, confidentiality or security risks, ethical concerns, or other complications that could adversely affect our business, reputation or financial results. Existing laws and regulations may apply to us or our customers in new ways, and new laws and regulations may be instituted, the effects of which are difficult to predict. The IP ownership and license rights, including copyright, surrounding AI technologies has not been fully addressed by U. S. courts or other federal or state laws or regulations, and the use or adoption of AI technologies into our products and services may result in exposure to claims of copyright infringement or other IP misappropriation. In addition, the rapid evolution of AI technologies requires the application of resources to help ensure that AI is implemented responsibly in order to minimize unintended, harmful impact. If the development or use of AI technologies by us or our customers draws controversy due to perceived or actual impact on human rights, IP, privacy, security, employment, the environment or in other social contexts, we may experience brand or reputational harm, competitive harm or legal liability. Cyberattacks that compromise the confidentiality, integrity or availability of our or our third- party providers' information ~~and~~ technology systems or confidential information could materially harm ~~significantly interfere with~~ our business , reputation and financial condition. We rely on hardware, software, digital infrastructure and computing networks for both internal and customer- facing operations that are critical to ~~or~~ our ~~those of~~ business (collectively," IT Systems"). We own and manage certain IT Systems but also rely on third parties for IT Systems and related products and services, including cloud computing. In addition, we and certain third- party providers collect, maintain and process data about our customers ~~. Third~~ , employees, business ~~parties~~ partners ~~attempt to gain unauthorized access through a variety of methods (~~ and others, including personally identifiable information, as well as proprietary data such as trade secrets (collectively," Confidential Information"). We face numerous, evolving cybersecurity risks that threaten the ~~use~~ confidentiality, integrity and availability of ~~viruses~~ our IT Systems, Confidential Information, products and services, including from diverse threat actors, such as state- sponsored organizations, opportunistic hackers and malicious insiders, as well as through diverse attack vectors, such as social engineering (including phishing) , malware ~~,~~ (including ransomware) and ~~, phishing,~~ denial - of - service attacks ~~and other cyber attacks)~~

~~and corrupt the processes of the products and services that we provide. Furthermore~~ , ~~the risk of state- supported~~ and ~~geopolitical- related cybersecurity incidents may increase~~ due to ~~geopolitical incidents~~ **human or technological error** , such as **misconfigurations, “ bugs ” or** ~~the~~ **other** ~~Russian invasion of Ukraine~~ **vulnerabilities in software or hardware** . We ~~may also be~~ **have experienced cyberattacks and other security breaches in the past and will continue to experience varying degrees of attacks and incidents in the future. A significant cyberattack on our or** a ~~target of malicious attacks to gain access to~~ **third- party provider’ s IT Systems could result in any** ~~our~~ - **or** ~~network, including~~ **all of the following: compromise to** our Cadence Cloud portfolio, which includes both our managed and customer- managed environments, **and** ~~or~~ **our** data centers ~~or~~ **and** those of our customers ~~or~~ **and** end users; **corruption or** ~~steal~~ **stealing of Confidential Information such as** proprietary information related to our business, products, services ~~or~~ **and** infrastructure **or personally identifiable information** ; **manipulation or** ~~steal~~ **stealing of** financial data ~~or~~ **and** assets; **and /** or ~~interrupt~~ **disruption of** our systems and services ~~or~~ **and** those of our customers ~~or~~ **and** others. Breaches of our security measures ~~or~~ **and** vulnerabilities in our **or third- party IT Systems or** products or services ~~could~~ expose us to a risk of loss or misuse ~~of this information~~ , loss of financial assets, business interruption, **regulatory investigations,** litigation and **other** potential liability. ~~Because~~ **There can be no assurance that our cybersecurity risk management strategy, program, policies, processes and controls will be fully implemented, complied with or effective in protecting any systems or information.** ~~techniques~~ **Techniques** used to obtain unauthorized access or to sabotage information systems change frequently and ~~generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventive measures. In recent years, we have observed, and expect to continue to see, far reaching vulnerabilities, including~~ **include** zero- day software vulnerabilities ~~impacting many systems~~ **that are unknown until exploited by threat actors. Cyberattacks are expected to accelerate on a** ~~globally~~ -- **global basis in frequency and magnitude as threat actors are increasingly sophisticated in using techniques and tools – including artificial intelligence – that circumvent controls, evade detection and remove forensic evidence. As a result, we may be unable to promptly or effectively detect, investigate, remediate or recover from future attacks or incidents, or to avoid a material adverse impact to our IT Systems, Confidential Information or business** . Furthermore, we have acquired and ~~may~~ continue to acquire companies with **cybersecurity vulnerabilities and / or** less sophisticated security measures **, which exposes us to increased** ~~and that have had or may experience in the future~~ cybersecurity **, operational and** ~~incidents causing business or~~ financial ~~harm~~ **risk. Moreover, hardware, software or applications we develop or procure from third parties or through open source solutions may contain defects in design or manufacture or other vulnerabilities and be susceptible to hacking or misappropriation** . In addition, ~~if we select a~~ **certain of our third- party** ~~vendor~~ **vendors** ~~that uses~~ - **use** cloud storage of information as part of their ~~service~~ **services** ~~or~~ **and** product offerings **, creating risk of misappropriation of** ~~or~~ **our Confidential** ~~are selected as a vendor for our Cadence Cloud portfolio, despite our attempts to validate the security of such services, our proprietary information~~ **Information** ~~may be misappropriated~~ by third parties. In the event of an actual or perceived breach of our security, or a vendor' s security, the market perception of the effectiveness of our security measures could be harmed, legal or regulatory actions could be initiated against us and we could suffer damage to our reputation or our business, or lose existing customers and our ability to obtain new customers (including government customers), **incur significant restoration, remediation and compliance costs,** or suffer harm to our financial condition. The loss, misuse or theft of personal data collected, used, stored or transferred by us, vendors or other third parties in the course of running our business could result in business or financial harm, damage to our reputation and legal or regulatory proceedings **. Also, we cannot guarantee that any costs and liabilities incurred in relation to an attack or incident will be covered by our existing insurance policies or that applicable insurance will be available to us in the future on economically reasonable terms or at all** . Risks associated with our international operations could adversely impact our financial condition. A significant amount of our revenue is derived from our international operations, and we have offices throughout the world, including key research and development facilities outside of the United States. Our international operations **are** ~~may be~~ subject to a number of risks, including: • ~~government~~ trade restrictions, including tariffs, export or import regulations, sanctions or other trade barriers, including licensing requirements for exports, which may lengthen ~~the~~ sales ~~cycle~~ **cycles** or restrict or prohibit the sale or licensing of certain products; • country- specific export controls could impact our employees who are nationals of the restricted country, preventing these foreign nationals from performing their technology- focused roles which may slow our pace of innovation and / or impact our ability to service customers unless an export license is granted; • limitations on repatriation of earnings and on the conversion of foreign currencies; • reduced protection of **IP** ~~intellectual property~~ rights and heightened exposure to **IP** ~~intellectual property~~ theft; • longer collection periods for receivables and greater difficulty in collecting accounts receivable; • difficulties in managing foreign operations; • political and economic conditions, such as global economic downturns or recessions in the regions in which we do business, as well as macroeconomic and policy impacts of political instability and armed conflicts; • unexpected changes in legal and regulatory requirements; • differing employment practices and labor issues or inability to continue to offer competitive compensation; • variations in costs or expenses associated with our international operations, including as a result of changes in foreign tax laws or devaluation of the U. S. dollar relative to other currencies; and • public health emergencies and related public health measures, **such as the COVID- 19 pandemic,** including restrictions on travel between jurisdictions in which we and our customers and suppliers operate. Some of our international research and development and other facilities are in parts of the world where there **is** ~~may be~~ a greater risk of business interruption as a result of political instability, terrorist acts or military conflicts than businesses located domestically. Damage to or disruptions at our international research and development facilities could have a significant adverse effect on our ability to develop **and** ~~new products or~~ improve ~~existing~~ products. We are not insured for losses or interruptions caused by acts of war **, among other exclusions** . Furthermore, our operations are dependent upon the connectivity of our operations throughout the world. Activities that interfere with our international connectivity or operations, such as cyber hacking, computer system viruses, natural disasters, public health emergencies, civil unrest or terrorism, could significantly harm our business operations. In addition, internal controls, policies and procedures and employee training and compliance programs that we have implemented to deter prohibited practices may not prevent our employees, contractors or agents from violating or circumventing our policies and the laws and regulations applicable to our worldwide operations. The **effect of foreign exchange rate fluctuations may** ~~ongoing COVID- 19 pandemic could continue to~~ adversely ~~affect~~ **impact** our ~~business~~ **revenue** , ~~results of operations~~ **expenses, cash flows** and financial condition. We **have significant operations outside the United States. Our revenue from international operations as a percentage of total revenue has historically exceeded 50 %, and we expect that revenue from our international operations will continue to account for a significant portion of our total revenue. We also transact business in various foreign currencies, although the majority of our revenue contracts worldwide** are ~~unable to accurately predict~~ **denominated in U. S. dollars. Approximately one third of our total costs and expenses are transacted in foreign currencies. Volatility of currencies in countries where we conduct business, most notably** the ~~full impact that the COVID- 19 pandemic will~~ **U. S. dollar, Chinese renminbi, Japanese yen, European Union euro, British pound and Indian rupee,** have **had and may in the future have an effect** on our **revenue or operating** results ~~of~~ **. Fluctuations in the exchange rate between the U. S. dollar and other currencies could seriously affect our business,** ~~operations~~ - **operating** ~~,~~ **results and** financial condition, **including** ~~liquidity and cash flows~~ due to **inflation** ~~numerous uncertainties~~ , ~~including~~ **devaluations and currency controls. If we price our products and services in a non- U. S. market in the local currency, we receive fewer U. S. dollars when the local currency declines in value relative to the U. S. dollar. If we price our products and services in a non- U. S. market in U. S. dollars, a decrease in value of the local currency relative to the U. S. dollar could result in our prices being uncompetitive in that market. On the** ~~the~~ **other** ~~duration and~~ **hand** ~~severity~~ **, when a foreign currency increases in value relative to the U. S. dollar, it takes more U. S. dollars to purchase the same amount** of **the foreign currency, which increases our payroll costs and** ~~the~~ **other** ~~pandemic,~~ **operating expenses in that region. Our attempts to reduce** the **effect of foreign currency fluctuations may be unsuccessful, and exchange rate movements may adversely** impact **our results** of ~~COVID- 19 variants and the effects of containment measures. Our business and~~ operations ~~,~~ as **expressed** ~~well as that of our customers, suppliers, contract manufacturers and other counterparties, could continue to be disrupted for an indefinite period of time. As a result of the pandemic, we have experienced, and may continue to experience, inefficiencies, delays and additional costs~~ in **U** ~~our product development, business operations and hardware product deliveries, as well as volatility in the demand for our products and services and the availability of supplies~~ . **S** ~~The pandemic has also caused volatility in the financial markets and may increase the possibility of an extended global economic downturn and extended periods of high inflation, which could continue to affect demand for our products and services, our ability to collect payments from our customers and impact our results and financial condition~~ . **dollars** ~~In addition, the pandemic has had, and may have, the effect of heightening many of the other risks described in this " Risk Factors " section~~ . We depend upon our management team and key employees, and our failure to attract, train, motivate and retain management and key employees may make us less competitive and therefore harm our results of operations. Our business depends upon the continued services, efforts and abilities of our senior management and other key employees. Competition for highly skilled executive officers and employees can be intense, particularly in geographic areas recognized as high technology centers. In addition, competition for qualified personnel, including software engineers, in the EDA, commercial electronics engineering services and IP industries has intensified. Further, increased uncertainty regarding social, political and immigration policies in the United States and abroad may make it difficult to recruit employees with adequate experience; and governmental policies resulting in increased funding of domestic technology companies, such as China' s stated national policy to be a global leader in all segments of the semiconductor industry by 2030, has caused and may continue to cause difficulty in retaining and attracting local talent. We may also experience increased compensation costs that are not offset by either improved productivity or higher sales. We may not be successful in recruiting new personnel and in training, retaining and motivating existing personnel. Our ability to do so also depends on how well we maintain a strong workplace culture that is attractive to employees, particularly as we transition employees back to the office **generally three times a week based on our hybrid work model** , and hiring and training of new employees may be adversely impacted by global economic uncertainty ~~and office closures~~ . From time to time, there may be changes in our management team resulting from the hiring and departure of executive officers, and as a result, we may experience disruption to our business that may harm our operating results and our relationships with our employees, customers and suppliers may be adversely affected. To attract, retain and motivate individuals with the requisite expertise, we may be required to grant large numbers of stock options or other stock- based incentive awards, which may be dilutive to existing stockholders and increase compensation expense, and pay significant base salaries and cash bonuses, which could harm our operating results. The high cost of training new employees, not fully utilizing these employees, or losing trained employees to competing employers could also reduce our operating margins and harm our business or operating results. **A significant portion of** ~~We rely on our proprietary technology, as well as software and other intellectual property rights licensed to us by third parties, and we cannot assure that the precautions taken to protect our rights will be adequate or~~ **our cash is held** ~~that we will continue to be able to adequately secure such intellectual property rights from third parties. Our success depends, in part, upon our proprietary technology. We generally rely on patents, copyrights, trademarks, trade secrets, licenses~~ and **generated outside** ~~restrictive agreements to establish and protect our proprietary rights in technology and products. Despite the precautions we may take to protect our intellectual property, third parties have tried in the past, and may try in the future, to challenge, invalidate or circumvent these safeguards. Our patents and other intellectual property rights may not provide us with sufficient competitive advantages. Patents may not be issued on any~~ of ~~our pending applications and our issued patents may not be sufficiently broad to protect our technology. Furthermore, the laws of foreign countries may not protect our proprietary rights in those countries to the same extent as applicable law protects these rights in~~ the United States, and **if our cash available in the United States is insufficient to meet our requirements in the United States,** we may **be** ~~encounter difficulties in our attempts to protect our intellectual property in foreign jurisdictions, including as a result of impacts from changes in international trade relationships. The protection of our intellectual property may~~

~~require~~ **required** ~~the expenditure of significant financial and managerial resources. Moreover, the steps we take~~ to **raise cash** ~~protect our intellectual property may not adequately protect our rights, or deter or prevent third parties from infringing or misappropriating our proprietary rights. Many of our products include software or other intellectual property licensed from third parties. We may have to seek new or renew existing licenses for such software and other intellectual property~~ in **ways** ~~the future. Our engineering services business holds licenses to certain software and other intellectual property owned by third parties, including~~ that ~~of our competitors. Our failure to obtain software, other intellectual property licenses or other intellectual property rights that are necessary or helpful for our business on favorable terms, or our need to engage in litigation over these licenses or rights,~~ could **negatively affect** ~~seriously harm our business, operating results or~~ **our** financial condition **, results of operations and the market price of our common stock** . We have substantial cash requirements in the United States ~~, but a significant portion of our cash is held~~ and ~~generated outside of the United States, and if our cash available in the United States is insufficient to meet our operating expenses and debt repayment obligations in the United States, then we may be required to raise cash in ways that could negatively affect our financial condition, results of operations and the market price of our common stock. We have~~ significant operations outside the United States. As of December 31, ~~2022~~ **2023** , approximately ~~76~~ **55** % of our cash and cash equivalents balance was held by subsidiaries outside the United States ~~, with the remainder of the balance held by us or our subsidiaries in the United States~~ . **We** ~~While we believe that the combination of our current U. S. cash and cash equivalents, future U. S. operating cash flows, cash available under our revolving credit facility and other cash that may be accessible to us through financing arrangements on attractive terms are sufficient to meet our ongoing U. S. operating expenses and debt repayment obligations, we~~ cannot accurately predict the full impact that evolving macroeconomic and geopolitical conditions may have on our cash flows. In addition, although the U. S. Tax Cuts and Jobs Act (the " Tax Act ") has reduced the tax impact of repatriation of foreign earnings, there are still administrative processes associated with repatriation of foreign earnings that could affect the timing of returning cash to the U. S. from non- U. S. jurisdictions. Accordingly, if our U. S. cash ~~were~~ **is** insufficient to meet our future funding obligations in the United States, we could be required to seek funding sources on less attractive terms, which could negatively impact our results of operations, financial position and the market price of our common stock. The long sales cycle of our products and services may cause our operating results to fluctuate unexpectedly. Generally, we have a long sales cycle that can extend up to six months or longer. The complexity and expense associated with our products and services generally require a lengthy customer education, evaluation and approval process. Consequently, we may incur substantial expenses and devote significant management effort and expense to develop potential relationships that do not result in agreements or revenue and may prevent us from pursuing other opportunities. In addition, sales of our products and services have been and may in the future be delayed if customers delay approval or commencement of projects because of the timing of customers' competitive evaluation processes or customers' budgetary constraints and budget cycles. Long sales cycles for hardware products subject us to a number of significant risks over which we have limited control, including insufficient, excess or obsolete inventory, variations in inventory valuation and fluctuations in quarterly operating results. **In addition, if our customers build elevated inventory levels, we could experience a decrease in short- term and / or long- term demand for our hardware products.** Further, economic conditions, including economic downturn and rising inflation, may have a delayed impact on our results and financial condition as a result of our long sales cycles. Similarly, such macroeconomic conditions may impact our long sales cycles by making it difficult for our customers to plan future business activities, which could cause customers to limit spending or delay decision- making. We have incurred, and may in the future incur, substantial costs in connection with restructuring plans, which might not result in the benefits we anticipate, possibly having a negative effect on our future operating results. From time to time, we initiate restructuring plans in an effort to better align our resources with our business strategy. We incur substantial costs to implement restructuring plans, and our restructuring activities ~~may~~ subject us to reputational risks and litigation risks and expenses. Our past restructuring plans do not provide any assurance that we will realize anticipated cost savings or other benefits from any restructuring plans we implement in the future. In addition, restructuring plans may have other consequences, such as attrition beyond our planned reduction in workforce, a negative effect on employee morale and productivity or our ability to attract highly skilled employees. Our competitors may also use any **future** restructuring plans ~~we implement in the future~~ to seek to gain a competitive advantage over us. As a result, restructuring plans may affect our revenue and other operating results ~~in the future~~ . The investment of our cash is subject to risks that may cause losses and affect the liquidity of these investments. Our marketable investments include various money market funds and **shares of publicly held companies, and** may include other investments as well. Weakened financial markets have at times adversely impacted the general credit, liquidity, market prices and interest rates for these and other types of investments. Additionally, changes in monetary policy by the Federal Open Market Committee or other relevant regulators and concerns about the rising U. S. government debt level may cause a decrease in the purchasing power of the U. S. dollar and adversely affect our investment portfolio. **We also invest cash in non- marketable equity securities, including shares of privately held entities.** The financial market and monetary risks associated with our investment portfolio may have a material adverse effect on our financial condition, liquidity, results of operations or cash flows. Our business is subject to the risk of natural disasters and global climate change. Our corporate headquarters, including certain of our research and development operations and certain of our distribution facilities, ~~is~~ **and a significant portion of our employees are** located in the Silicon Valley area of Northern California, a region known to experience seismic activity and wildfires ~~. If significant seismic activity or wildfires were to occur or reoccur, our operations may be interrupted, which could adversely impact our business and results of operations~~ . Our offices around the world may also be adversely impacted by natural disasters, including those intensified by climate change. Our offices, and those of our customers and suppliers, can be disrupted by droughts, extreme temperatures, fires, flooding and other climate change- related risks, as well as earthquakes, actions by utility providers ~~,~~ and other catastrophic events such as an actual or threatened public health emergency. If a catastrophic event occurs at or near ~~any of~~ our offices **or where our employees are located** , or utility providers or public health officials take certain actions (e. g., shut off power to our facilities or impose travel restrictions), our operations may be interrupted, which could adversely impact our business and results of operations. If a catastrophic event impacts a significant number of ~~our~~ customers, resulting in decreased demand for their and our products, or our ability to provide services and maintenance ~~to our customers~~ , our business and results of operations could be adversely impacted. Risks Related to Customers, Suppliers and Industry Competition Customer consolidation could affect our operating results. There has been a trend toward customer consolidation in the semiconductor industry through business combinations, including mergers, asset acquisitions and strategic partnerships. If this trend continues, it could make us more dependent on fewer customers who may be able to exert increased pressure on our prices and other contract terms and could increase the portion of our total sales concentration for any single customer. Customer consolidation activity could also reduce the demand for our products and services if such customers streamline research and development or operations, reduce purchases or delay purchasing decisions. These outcomes could negatively impact our operating results and financial condition. Our failure to respond quickly to technological developments or customers' increasing technological requirements and to continue to develop or acquire technological capabilities could make our products uncompetitive and obsolete and impede our ability to address the requirements in technology segments that are expected to contribute to our growth. Our strategy is designed to increase our business among electronic systems companies, which are ~~now~~ developing their own ICs and other electronic subsystems. Our strategy is also intended to increase our business among semiconductor companies, which are increasing their contribution to the end products into which their ICs and other electronic subsystems are incorporated. Part of this strategy involves addressing the needs across a variety of vertical ~~markets~~ **sectors** including consumer, hyperscale computing, mobile, ~~5G~~ communications, automotive, aerospace and defense, industrial and ~~healthcare~~ **life sciences** , where increased investment is expected by our customers. Each of these ~~markets~~ **sectors** require technologies, expertise, and marketing and operations infrastructure that are application- specific. Our inability to develop or acquire ~~these~~ application- specific capabilities could impede our ability to expand our business ~~in these categories~~ and ultimately affect our future growth. ~~Currently,~~ **The following trends may impact** the ~~industries~~ **sectors** we serve ~~are experiencing the following trends~~ : • changes in the design and manufacturing of ICs, including migration to advanced- process nodes and **3D** ~~three- dimensional~~ transistors, such as FinFETs, present major challenges to the semiconductor industry, particularly in IC design, design automation, design of manufacturing equipment, and the manufacturing process itself. With migration to advanced- process nodes, the industry must adapt to more complex physics and manufacturing challenges ~~, such as the need to draw features on silicon that are many times smaller than the wavelength of light used to draw the features via lithography~~ . Models of each component' s electrical properties and behavior also become more complex as do requisite analysis, design, verification and manufacturing capabilities. Novel design tools and methodologies must be invented and enhanced quickly to remain competitive in the design of electronics in the smallest nanometer ranges ~~; • the ability to design SoCs increases the complexity of managing a design that, at the lowest level, is represented by billions of shapes on fabrication masks. In addition, SoCs typically incorporate microprocessors and DSPs that are programmed with software, requiring simultaneous design of the IC and the related software embedded on the IC~~ ; • with the availability of seemingly endless gate capacity, there is an increase in design reuse, or the combining of off- the- shelf design IP with custom logic to create ICs or SoCs. The unavailability of a broad range of high- quality design IP (including our own) that can be reliably incorporated into a customer' s design with our software products and services could lead to reduced demand for our products and services; • increased technological capability of the FPGA logic chip, which creates an alternative to IC implementation for some companies ~~and~~ **,** could reduce demand for our IC implementation products and services ~~; • a growing number of low- cost engineering service businesses could reduce the need for some IC companies to invest in EDA products~~ ; • adoption of cloud computing technologies with accompanying new engagement models for an increasing number of software categories may impact our business; • ~~integration and optimization of solutions for system design with core EDA technologies could result in reduced demand for our broad portfolio; •~~ with Moore' s Law slowing, the trend towards more on- chip integration and advanced system level 3D package design may change the requirements for the design, multiphysics analysis ~~,~~ and verification of complex ~~homogeneous and heterogeneous~~ systems; and • changing end- user dynamics in our target technology ~~verticals~~ - **vertical sectors** ~~- including consumer, hyperscale computing, mobile, 5G communications, automotive, aerospace and defense, industrial and healthcare -~~ could advance the need from simple ICs to full- system design and analysis capabilities that require increasingly complex computational software- based solutions. If we are unable to respond quickly and successfully to these trends, we may lose our competitive position, and our products or technologies may become obsolete. To compete successfully, we must develop, acquire or license new products and improve our existing products and processes on a schedule that keeps pace with technological developments and the requirements for products addressing a broad spectrum of designers and designer expertise ~~in our industries~~ . We must provide frequent and relevant updates to our software products in order to provide substantial benefit to the customer throughout the license periods because of the rapid changes in our customers' industries. The market must also accept our new and improved products. ~~Our~~ **We must enhance our** hardware platforms ~~must be enhanced~~ periodically to reduce the likelihood that a competitor surpasses the capabilities we offer. Our introduction of new products could reduce the demand and revenue of our older products or affect their pricing. We must also be able to support a range of changing computer software, hardware platforms and customer preferences. A transition by our customers to different business models associated with cloud computing technologies could result in reduced revenue. We cannot guarantee that we will be successful in keeping pace with all, or any, of the customer trends. We ~~have invested~~ -- **invest** and expect to continue to invest in research and development efforts for new and existing products and technologies and technical sales support. Such investments may affect our operating results, and, if the return on these investments is lower or develops more slowly than we expect, our revenue and operating results may suffer. We ~~have invested~~ -- **invest** and expect to continue to invest in research and development for new and existing products, technologies and services in response to our customers' increasing technological requirements. Such investments may be in related areas, such as technical sales support, and may include increases in employee headcount. These investments may involve significant time, risks and uncertainties, including the risk that the expenses associated with these investments may affect our margins and operating results and that **we** ~~such investments~~ may not **realize the intended benefits of** ~~generate sufficient revenues to offset liabilities assumed and expenses associated with~~ these ~~new~~ investments. We believe that we must continue to invest a significant amount of time and resources in our research and development efforts and technical sales support to maintain and improve our competitive position. If we do not achieve the benefits anticipated from these investments, if the achievement of these benefits is delayed, or if customers reduce or slow the need to upgrade or enhance their computational software products and design flows, our revenue and operating results may be adversely affected. Our operating results and revenue could be adversely affected by customer payment delays, customer bankruptcies and defaults or modifications of licenses. Our customers have and may continue to face challenging financial or operating conditions, including due to macroeconomic conditions or catastrophic events, and delay or default on their payment commitments to us, request to modify contract terms, or modify or cancel plans to license our products. Our customers' inability to fulfill payment commitments, in turn, could adversely affect our revenue, operating expenses and cash flow. Additionally, **from time to time** our customers ~~have, in the past, sought, and may, in the future,~~ seek ~~,~~ to renegotiate pre- existing contractual commitments. Payment defaults by our customers or significant reductions in existing contractual commitments could have a material adverse effect on our financial condition and operating results. The competition in our industries is substantial, and we may not be able to continue to compete successfully ~~in our industries~~ . The industries in which we do business, including software, hardware, IP and services for enabling the design of electronic products, are highly competitive and require us to identify and develop or acquire innovative and cost- competitive products, integrate them into platforms and market them in a timely manner. We may not be able to compete successfully in these industries, which could seriously harm our business, operating results ~~or~~ **and** financial condition. Factors that could affect our ability to compete successfully include: • the development by others of competitive products or platforms and engineering services, possibly resulting in a shift of customer preferences away from our products and services and significantly decreased revenue; • aggressive pricing competition by ~~some of~~ our competitors, including through significant discounts, may cause us to reduce the prices of our products, offer terms that are unfavorable to us or lose our competitive position, any of which could result in lower revenue or profitability and could adversely impact our ability to realize the revenue and profitability forecasts for our software or emulation and prototyping hardware systems products and could, over time, significantly constrain the prices that we can charge for our products; • the challenges of advanced- node design may lead some customers to work with more mature, less risky manufacturing processes that may reduce their need to upgrade or enhance their EDA products and design flows; • the challenges of developing (or acquiring externally developed) technology solutions that are adequate and competitive in meeting the rapidly evolving requirements of next- generation design challenges; • intense competition to attract acquisition targets, possibly making it more difficult for us to acquire companies or technologies at an acceptable price, or at all; • new entrants, including larger electronic systems companies, in our industry; • the combination of our competitors or collaboration among ~~many~~ companies to deliver more comprehensive **or different** offerings than they could individually; • our entry into new product categories or technology ~~verticals~~ **vertical sectors** , including those in which success depends on absolute or relative scale; • decisions by electronics manufacturers to perform engineering services or IP development internally, rather than purchase these services from outside vendors due to budget constraints or excess engineering capacity; • actions by regulators to limit the contractual terms that either we or our customers can apply to product and service offerings; and • events or circumstances that damage the reputation of our company, leadership, products, services or technologies. For more information about our specific competitors, see " Competition " under Item 1 of Part I of this Annual Report ~~on Form 10- K~~ . Our future revenue is dependent in part upon our installed customer base continuing to license or buy products and purchase services. Our installed customer base has traditionally generated additional new license, services and maintenance revenues. In future periods, customers may not necessarily license or buy additional products or contract for additional services or maintenance. Our customers, many of which are large semiconductor and systems companies, often have significant bargaining power in negotiations with us. Customer consolidation can reduce the total level of purchases of our software, hardware, IP and services ~~, and in some cases,~~ increase customers' bargaining power in negotiations with their suppliers, including us. We depend on a single supplier or a limited number of suppliers for certain hardware components and contract manufacturers for production of our emulation and prototyping hardware products, making us vulnerable to supply disruption and price fluctuation. Our reliance on single or a limited number of suppliers and contract manufacturers for certain hardware components and contract manufacturers for production of our emulation and prototyping hardware products has resulted in, and could continue to result in, some product delivery delays and reduced control over contractual terms and quality. In some cases, it may not be practical or feasible to have multiple sources to procure certain key components. We have suffered from, and may continue to suffer from **,** delays and other disruptions in the supply of certain hardware components and the delivery of products by our contract manufacturers. Such delays and disruptions may be due to a variety of factors, including bankruptcy, shutdown or upstream supply chain issues, and may prevent us from delivering completed hardware products to customers or from supplying new evaluation units to customers, which could have a negative impact on our revenue and operating results. For example, the global semiconductor shortage since 2021 has negatively impacted and may continue to negatively impact multiple segments of the semiconductor industry, including our company and our customers. Tax, Regulatory and Litigation Risks Our results could be adversely affected by an increase in our effective tax rate as a result of U. S. and foreign tax law changes, outcomes of current or future tax examinations, or by material differences between our forecasted and actual effective tax rates. Tax laws, regulations, and administrative practices in various jurisdictions are evolving and may be subject to significant changes due to economic, political and other conditions. Governments, including the United States, are increasingly focused on ways to increase tax revenues, particularly from multinational corporations, which have led to changes in tax laws, an increase in audit activity and harsher positions taken by tax authorities. We are currently subject to tax audits in various jurisdictions and these jurisdictions have assessed, or may assess, additional tax liabilities against us. Our operations are subject to income and transaction taxes in the United States and in multiple foreign jurisdictions, with a significant amount of our foreign earnings generated by our subsidiaries organized in Ireland and Hungary. Any significant change in our future effective tax rates could adversely impact our results of operations, cash flows and financial position. Our future effective tax rates could be adversely affected by factors that include, but are not limited to, changes in tax laws or the interpretation of such tax laws in jurisdictions in which we have business activity, earnings being lower than anticipated in jurisdictions with low statutory tax rates, changes in tax benefits from stock- based compensation, changes in the valuation of our deferred tax assets and liabilities, changes in our recognition or measurement of a tax position taken in a prior period, increases to interest or penalty expenses, new accounting standards or interpretations of such standards, or results of examinations by the Internal Revenue Service (" IRS "), state, and foreign tax or other governmental authorities. For example, our fiscal 2022 **and fiscal 2023** effective tax ~~rate~~ **rates** and cash tax payments increased significantly **as** compared to fiscal 2021, which primarily resulted from a ~~fiscal 2022~~ requirement that we capitalize and amortize R & D costs **beginning from fiscal 2022** , rather than expense these costs as incurred for U. S. corporate income tax purposes. The IRS and other tax authorities regularly examine our income tax returns and other non- income tax returns, such as payroll, sales, use, value- added, net worth or franchise, property, goods and services, consumption, import, stamp ~~,~~ and excise taxes, in both the United States and foreign jurisdictions. The calculation of our provision for income taxes and our accruals for other taxes requires us to use significant judgment and involves dealing with uncertainties in the application of complex tax laws and regulations. In determining the adequacy of our provision for income taxes, we regularly assess the potential settlement outcomes resulting from income tax examinations. However, the final outcome of tax examinations cannot be estimated with certainty and could be materially different from the amount that is reflected in our historical income tax provisions and accruals for other taxes. Should the IRS or other tax authorities assess additional taxes, penalties or interest as a result of a current or ~~a~~ future examination, we may be required to record charges to operations in future periods that could have a material impact on our results of operations, financial position ~~or~~ **and** cash flows in the applicable period or periods. In August 2022, the United States enacted the Inflation Reduction Act of 2022, which included a new ~~book~~ minimum tax on certain large corporations, an excise tax on stock buybacks and significant funding for IRS enforcement efforts. In October 2021, the Organisation for Economic Co- operation and Development (" OECD ") announced an agreement among ~~137~~ **more than 130** countries to adopt new rules **including Pillar Two Model Rules which call** ~~to provide greater taxing rights to jurisdictions where customers or~~ **for** ~~users~~ **the taxation of** ~~are~~ **large** ~~located and the introduction of~~ **multinational corporations, such as Cadence, at** a ~~corporate global~~ minimum ~~tax~~ rate of 15 % ~~in the near future~~ . ~~In December~~ **Subsequently multiple sets of administrative guidance have been issued. Many non- U. S. tax jurisdictions have either recently enacted legislation to adopt certain components of the Pillar Two Model Rules beginning in** ~~2022~~ **2024** ~~,~~ **(including** the European Union ~~and~~ **Member States) with** the ~~Korean legislature~~ **adoption of additional components in later years or** announced ~~the~~ **their plans to enact legislation** ~~introduction of the global minimum tax~~ in ~~fiscal 2024~~ **future years** . Furthermore, many countries have enacted or proposed new laws to tax digital transactions. These **and future** developments in tax laws and regulations, and **related** compliance ~~with these rules~~ , could have a material adverse effect on our operating results, financial position and cash flows. Forecasts of our annual effective tax rate do not include the anticipation of future tax law changes and are complex and subject to uncertainty because our income tax position for each year combines the effects of estimating the amount and composition of our annual income or loss in jurisdictions with varying income tax rates, as well as benefits from available deferred tax assets, the impact of various accounting rules, our interpretations of changes in tax laws and results of tax audits. In addition, we account for certain tax benefits from stock- based compensation in the period the stock compensation vests or is settled, which may cause increased variability in our quarterly effective tax rates. If there were a material difference between forecasted and actual tax rates, it could have a material impact on our results of operations. Litigation, government investigations or regulatory proceedings could adversely affect our financial condition ~~or~~ **and** operations. ~~We~~ **From time to time, we** or our products or technologies ~~currently~~ are ~~, and in the future may be,~~ involved in or subject to ~~various~~ disputes and legal proceedings that arise in the ordinary course of business. These include disputes and legal proceedings related to **IP** ~~intellectual property~~ , indemnification, mergers and acquisitions, licensing, contracts, customers, products, distribution and other commercial arrangements and employee relations matters. Governments and regulatory agencies in the jurisdictions in which we operate ~~may~~ also open or initiate **inquiries,** investigations or regulatory proceedings **from time to time** . For information regarding legal proceedings in which we are currently engaged, please refer to the discussion under ~~Part I, Item 3, " Legal Proceedings " and~~ Note 18 in the notes to consolidated financial statements. **The** ~~We cannot provide any assurances that the~~ final outcome of these legal proceedings or any other proceedings that may arise in the future **could** ~~will not~~ have **an** ~~a material~~ adverse effect on our business, reputation, operating results, financial condition ~~or~~ **and** cash flows. Legal proceedings can be time consuming ~~and~~ **,** expensive and ~~could~~ divert management' s time and attention from our business, which could ~~have a material adverse~~ **adversely** ~~effect~~ **affect** ~~on~~ our revenue and operating results. Errors or defects in our products and services could expose us to liability and harm our business. Our customers use our products and services in designing and developing products that involve a high degree of technological complexity, each of which has its own specifications. Because of the complexity of the systems and products with which we work, some of our products and designs can be adequately tested only when put to full use in the marketplace. As a result, **from time to time,** our customers or their end users ~~may~~ discover errors or defects in our software or the systems we design, or the products or systems incorporating our design and **IP** ~~intellectual property~~ may not operate as expected. Errors or defects could result in ~~: •~~ reputational damage **,** ~~; •~~ failure to attract new or retain existing customers or market share and acceptance **,** ~~; •~~ diversion of development resources to resolve the problem **,** ~~; •~~ loss of or delay in revenue or payments and increased service costs ~~;~~ and ~~•~~ liability ~~for damages~~ . Our reported financial results may be adversely affected by changes in United States generally accepted accounting principles, and we may incur significant costs to adjust our accounting systems and processes to comply with significant changes. United States generally accepted accounting principles (" U. S. GAAP ") are subject to interpretation by the Financial Accounting Standards Board (" FASB "), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. We are also subject to evolving rules and regulations of the countries in which we do business. Changes to accounting standards or interpretations thereof may result in different accounting principles under U. S. GAAP that could have a significant effect on our reported financial results. In addition, we have in the past and may in the future need to significantly change our customer contracts, accounting systems and processes when we adopt future or proposed changes in accounting principles. The cost and effect of these changes may negatively impact our results of operations during the periods of transition. If we become subject to unfair hiring claims, we could be prevented from hiring needed employees, incur liability for damages and incur substantial costs in defending ourselves. When companies in our industry lose employees to competitors, they frequently claim that these competitors have engaged in unfair hiring practices or that the employment of these persons would involve the disclosure or use of trade secrets. These claims could prevent us from hiring employees or cause us to incur liability for damages. We could also incur substantial costs in defending ourselves or our employees against these claims, regardless of their merits. Defending ourselves from these claims could also divert the attention of our management away from our operations. We are subject to evolving corporate governance **, environmental and social practices** and public disclosure expectations and regulations that impact compliance costs and risks of noncompliance. We are subject to changing rules and regulations promulgated by a number of governmental and self-regulatory organizations, including the SEC, Nasdaq ~~,~~ and the FASB, as well as evolving investor **, customer, employee** and **other** stakeholder expectations around corporate governance, executive compensation and environmental and social practices and disclosures **, such as climate change, greenhouse gas emissions, water usage, waste management, diversity, equity and inclusion and supply chain management** . These rules, regulations and expectations continue to evolve in scope and complexity, and many new requirements have been created in response to laws enacted by ~~the~~ U. S. and foreign governments, making compliance more difficult and uncertain. The increase in costs to comply with such evolving expectations, rules and regulations, as well as any risk of noncompliance, could adversely impact us. **We expect that rapidly changing laws, regulations, policies, interpretations and expectations related to corporate governance, environmental and social matters, as well as increased enforcement actions by various governmental and regulatory agencies, will continue to increase the cost of our compliance and internal risk management programs, which could adversely affect our business, results of operations and financial condition. Moreover, some stakeholders may disagree with our corporate governance, environmental and social targets and practices and the focus of stakeholders may change and evolve over time. Stakeholders may have different views on where corporate governance, environmental and social focus should be placed. Any disagreement with our targets or strategies could adversely affect our business, reputation, results of operations and financial condition. We have established corporate governance and environmental and social targets and strategies, including relating to greenhouse gas emissions reduction. If our ESG practices, reporting or disclosure controls do not meet evolving investor, customer, employee or other stakeholder expectations and regulatory standards, or if we are unable to make progress on or achieve our goals and objectives in this area, including our net zero target, then our reputation, our ability to attract or retain employees, and our attractiveness as an investment or business partner could be negatively impacted, which could adversely affect our operating results.** Our disclosures and public positions or commitments on these matters may change from time to time, as may corresponding internal controls and external reporting standards, which can expose us to reputational **, financial** , legal, and other risks, including as a result of a failure or perceived failure to achieve publicly disclosed aspirations, targets, or goals, such as our greenhouse gas emissions reduction target, or a failure to report accurately **. Statements about our ESG initiatives and goals, and progress against those goals, may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change. In addition, we could face scrutiny from certain stakeholders for the scope or nature of such initiatives, targets or goals, or for any revisions to these initiatives, targets or goals. If our ESG-related data, processes and reporting are incomplete or inaccurate, or if we fail to achieve progress with respect to our ESG targets or goals on a timely basis, or at all, our business, financial performance and growth could be adversely affected** . Risks Related to Our Securities and Indebtedness Our stock price has been and may continue to be subject to fluctuations. Our stock price is subject to changes in recommendations or earnings estimates by financial analysts, changes in investors' or analysts' valuation measures for our stock, our credit ratings and other factors beyond our control such as the ~~ongoing~~ COVID- 19 pandemic, inflationary pressures, other macroeconomic factors and associated economic downturn. Furthermore, speculation in the press or investment community about our strategic position, financial condition, results of operations, business or security of our products, can cause changes in our stock price. In addition to these factors and industry and general economic and political conditions, our stock price may be adversely impacted by announcements related to financial results or forecasts that fail to meet or are inconsistent with earlier projections or the expectations of our securities analysts or investors, announcements of new products or acquisitions of new technologies by us, our competitors or our customers, or announcements of acquisitions, major transactions, litigation developments or management changes. A significant drop in our stock price could expose us to the risk of securities class action lawsuits, ~~shareholder~~ **stockholder** derivative lawsuits or other actions by ~~shareholders~~ **stockholders** , which may result in substantial costs and divert management' s attention and resources, which may adversely affect our business. Anti- takeover defenses in our certificate of incorporation and bylaws and certain provisions under Delaware law could prevent an acquisition of our company or limit the price that investors might be willing to pay for our common stock. Our certificate of incorporation and bylaws and certain provisions of the Delaware General Corporation Law (the " DGCL ") that apply to us could make it difficult for anyone to acquire control of our company. **Our** ~~For example, our~~ certificate of incorporation allows our Board of Directors to designate and issue, at any time and without stockholder approval **,** up to 400, 000 shares of preferred stock in one or more series. All 400, 000 shares of preferred stock are currently designated as Series A Preferred, but because no such shares are outstanding or reserved for issuance, our Board of Directors may reduce the number of shares of preferred stock designated as Series A Preferred to zero. Subject to the DGCL, our Board of Directors may, as to any shares of preferred stock the terms of which have not then been designated, fix the rights, preferences, privileges and restrictions on these shares, fix the number of shares and designation of any series, and increase or decrease the number of shares of any series if not below the number of outstanding shares plus the number of shares reserved for issuance. Our Board of Directors has the power to issue shares of Series A Preferred with dividend, voting and liquidation rights superior to our common stock at a rate of 1, 000- to- 1 without further vote or action by the common stockholders. In addition, Section 203 of the DGCL generally prohibits a Delaware corporation from engaging in any business combination with a person owning 15 % or more of its voting stock, or who is affiliated with the corporation and owned 15 % or more of its voting stock at any time within three years prior to the proposed business combination, for a period of three years from the date the person became a 15 % owner, unless specified conditions are met. All or any one of these factors could limit the price that certain investors would be willing to pay for shares of our common stock and could allow our Board of Directors to resist, delay or prevent an acquisition of our company, even if a proposed transaction were favored by a majority of our independent stockholders. Our debt obligations expose us to risks that could adversely affect our business, operating results or financial condition, and could prevent us from fulfilling our obligations under such indebtedness. We have significant outstanding indebtedness, as well as the ability to access additional borrowings under our revolving credit facility. Subject to the limits contained in the credit agreement governing our revolving credit facility, the indenture that governs the 4. 375 % Senior Notes due October 15, 2024 (the " 2024 Notes "), the loan agreement governing our senior non- amortizing term loan facility due September 7, 2025 (the " 2025 Term Loan ") and our other debt instruments, we may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, share repurchases or for other purposes. If we do so, the risks related to our level of debt could intensify **. As of December 31, 2023, both our 2024 Notes and 2025 Term Loan will mature in the next 22 months, which could require us to consume a significant portion of our liquidity or raise additional financing in adverse capital markets conditions** . Specifically, our level of debt could have important consequences, including the following: • making it more difficult for us to satisfy our obligations to service our debt as described above; • limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements; • requiring a substantial portion of our cash flows (including U. S. cash) to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes and potentially requiring repatriation of cash from outside the U. S.; • increasing our vulnerability to adverse economic and industry conditions; • exposing us to the risk of increased interest rates as certain of our borrowings are at variable rates of interest; • limiting our flexibility in planning for and reacting to changes in the industry in which we compete; • placing us at a disadvantage compared to other, less leveraged competitors and competitors that have greater access to capital resources; • limiting our interest deductions for U. S. income tax purposes; and • increasing our cost of borrowing. **In addition, if we incur any additional indebtedness that ranks equally with the 2024 Notes, then subject to any collateral arrangements we may enter into, the holders of that debt will be entitled to share ratably in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of our company.** The amount and frequency of our share repurchases may fluctuate, and we cannot guarantee that we will fully consummate our share repurchase authorization, or that it will enhance long- term stockholder value. Share repurchases could also increase the volatility of the trading price of our common stock and diminish our cash reserves. We repurchase shares of our common stock from time to time in accordance with authorizations from our Board of Directors. The primary objective of our share repurchase activities is to prevent share dilution associated with our stock compensation plans. The actual timing and amount of our share repurchases are subject to business and market conditions, corporate and regulatory requirements, stock price, acquisition opportunities and other factors and may fluctuate based on such factors. Our repurchase authorization does not obligate us to acquire a minimum amount of shares, does not have an expiration date and may be modified, suspended or terminated without prior notice. We cannot guarantee that the authorization will be fully expended or that our share repurchases will enhance long- term stockholder value. Further, our share repurchase activities could affect our stock price, increase stock price volatility, reduce our cash reserves and may be suspended or terminated at any time, which may result in a decrease in our stock price. At the option of the holders of our outstanding notes, we may, under certain circumstances, be required to repurchase such notes. Under the terms of our 2024 Notes, we may be required to repurchase for cash such notes prior to their maturity in connection with the occurrence of certain significant corporate events. Specifically, we are required to offer to repurchase such notes upon a " change of control triggering event " (as defined in the indenture related to such notes), such as a change of control accompanied by certain downgrades in the credit ratings of such notes. The repayment obligations under such notes may have the effect of discouraging, delaying or preventing a takeover of our company. If we were required to pay the 2024 Notes prior to their scheduled maturity, it could have a significant negative impact on our cash and liquidity and could impact our ability to invest financial resources in other strategic initiatives. The terms of our debt agreements restrict our current and future operations, particularly our ability to respond to changes or to take certain actions. The agreements governing our revolving credit facility ~~and~~ **,** 2025 Term Loan **and 2024 Notes** contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long- term best interest, including restrictions on our ability to ~~: •~~ incur liens or additional indebtedness and guarantee indebtedness **,** ~~; •~~ enter into transactions with affiliates **,** ~~; •~~ alter the businesses we conduct **,** ~~; and •~~ consolidate, merge or sell all or substantially all of our assets **and to enter into sale and leaseback transactions** . In addition, the restrictive covenants in the agreements governing our revolving credit facility and 2025 Term Loan require us to maintain specified financial ratios. Our ability to meet those financial ratios can be affected by events beyond our control, and we may be unable to meet them. A breach of the covenants or restrictions under the agreements governing our revolving credit facility ~~and~~ **,** 2025 Term Loan **and 2024 Notes** could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross- acceleration or cross- default provision applies. In addition, an event of default under the credit agreement governing our revolving credit facility would permit the lenders under our revolving credit facility to terminate all commitments to extend further credit ~~under that facility~~ . In the event our lenders or note holders accelerate the repayment of our borrowings, we ~~and our subsidiaries~~ may not have sufficient assets to repay that indebtedness. As a result of these restrictions, we may be ~~: •~~ limited in how we conduct our business **,** ~~; •~~ unable to raise additional debt or equity financing to operate during general economic or business downturns ~~;~~ or ~~•~~ unable to compete effectively **,** ~~or to~~ take advantage of new business opportunities ~~. The indenture governing our~~ **or otherwise** ~~2024 Notes also contains certain restrictive covenants that impose operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long- term best interest, including restrictions on our ability to incur liens and to enter into sale and leaseback transactions. These restrictions may affect our ability to~~ grow in accordance with our strategy. In addition, our financial results, our substantial indebtedness and our credit ratings could adversely affect the availability and terms of our financing. We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful. Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations. If our cash flows and capital resources are insufficient to satisfy our debt obligations, we could face substantial liquidity problems and ~~could~~ be forced to reduce or delay investments and capital expenditures or ~~to~~ dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures ~~, if necessary,~~ on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our debt obligations. Our debt agreements restrict our ability to dispose of assets and use the proceeds from ~~those~~ dispositions and may also restrict our ability to raise ~~debt or equity~~ capital ~~to be used~~ to repay other indebtedness when due. We may not be able to consummate ~~those~~ dispositions or ~~to~~ obtain proceeds in an amount sufficient to meet any debt obligations then due. In addition, we conduct a substantial portion of our operations through our subsidiaries, none of which are currently guarantors of our indebtedness. Accordingly, repayment of our indebtedness is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Our subsidiaries do not have any obligation to pay amounts due on our indebtedness or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Each subsidiary is a distinct legal entity, and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required payments on our debt. If we cannot make scheduled payments on our debt, we will be in default and holders of our debt could declare all outstanding principal and interest to be due and payable, the lenders could terminate their commitments to loan money **,** and we could be forced into bankruptcy or liquidation. In addition, a material default on our indebtedness could suspend our eligibility to register securities using short form, automatically effective registration statements, potentially hindering our ability to raise capital through the issuance of our securities and increasing our costs ~~. Despite our current level of indebtedness, we and our subsidiaries may incur substantially more debt. This could further exacerbate the risks to our financial condition described above. We and our subsidiaries may incur significant additional indebtedness in the future. Although our debt agreements contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. If we incur any additional indebtedness that ranks equally with the 2024 Notes, then subject to any collateral arrangements we may enter into, the holders of that debt will be entitled to share ratably in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of our company~~ . Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly. Borrowings under our revolving credit facility and 2025 Term Loan are at variable rates of interest and expose us to interest rate risk. ~~If~~ **When** interest rates ~~were to~~ increase, our debt service obligations ~~would~~ increase even though the amount borrowed ~~remained~~ **remains** the same, and our net income and cash flows, including cash available for servicing our indebtedness, ~~would~~ **could** correspondingly decrease. **We** ~~In the future, we~~ may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk. Our revolving credit facility utilizes, at our option, either (1) Term Secured Overnight Financing Rate (“ SOFR ”), plus a margin between 0. 750 % and 1. 250 % per annum, ~~determined by reference to the credit rating of our unsecured debt,~~ plus a SOFR adjustment of 0. 10 % or (2) the base rate plus a margin **between** ~~ranging from~~ 0. 000 % ~~to~~ **and** 0. 250 % per annum ~~, determined by reference to the credit rating of our unsecured debt~~ , to calculate the amount of accrued interest on any borrowings. The 2025 Term Loan utilizes, at our option, either (1) Term SOFR, plus a margin ~~of~~ between 0. 625 % and 1. 125 % per annum ~~, determined by reference to the credit rating of our unsecured debt~~ , plus a SOFR adjustment of 0. 10 % or (2) base rate plus a margin between 0. 000 % and 0. 125 % per annum, ~~determined by reference to the credit rating of our unsecured debt,~~ to calculate the amount of accrued interest on borrowings **. In each case, the applicable margin within the specified ranges is determined by reference to the credit rating of our unsecured debt. Accordingly, a credit rating downgrade would increase the applicable interest rates** . Assuming all loans were fully drawn and we were to fully exercise our right to increase borrowing capacity under our revolving credit facility and we made no prepayments on our 2025 Term Loan, each quarter point change in interest rates would result in a $ 3. 4 million change in annual interest expense ~~on our indebtedness under our revolving credit facility and 2025 Term Loan. In~~

~~addition to increasing the interest rates payable by us under our revolving credit facility and 2025 Term Loan, credit rating downgrades could also restrict our ability to obtain additional financing in the future and affect the terms of any such financing~~ . Various factors could increase our future borrowing costs or reduce our access to capital, including a lowering or withdrawal of the ratings assigned to us and our 2024 Notes by credit rating agencies. We may in the future seek additional financing for a variety of reasons, and our future borrowing costs, terms and access to capital could be affected by factors including the condition of the debt and equity markets, the condition of the economy generally, prevailing interest rates, our level of indebtedness, our credit rating and our business and financial condition. In addition, the 2024 Notes currently have an investment grade credit rating, which could be lowered or withdrawn entirely by a credit rating agency based on adverse changes to circumstances relating to the basis of the credit rating. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the 2024 Notes. Any future lowering of the credit ratings of the 2024 Notes likely would make it more difficult or more expensive for us to obtain additional debt financing.