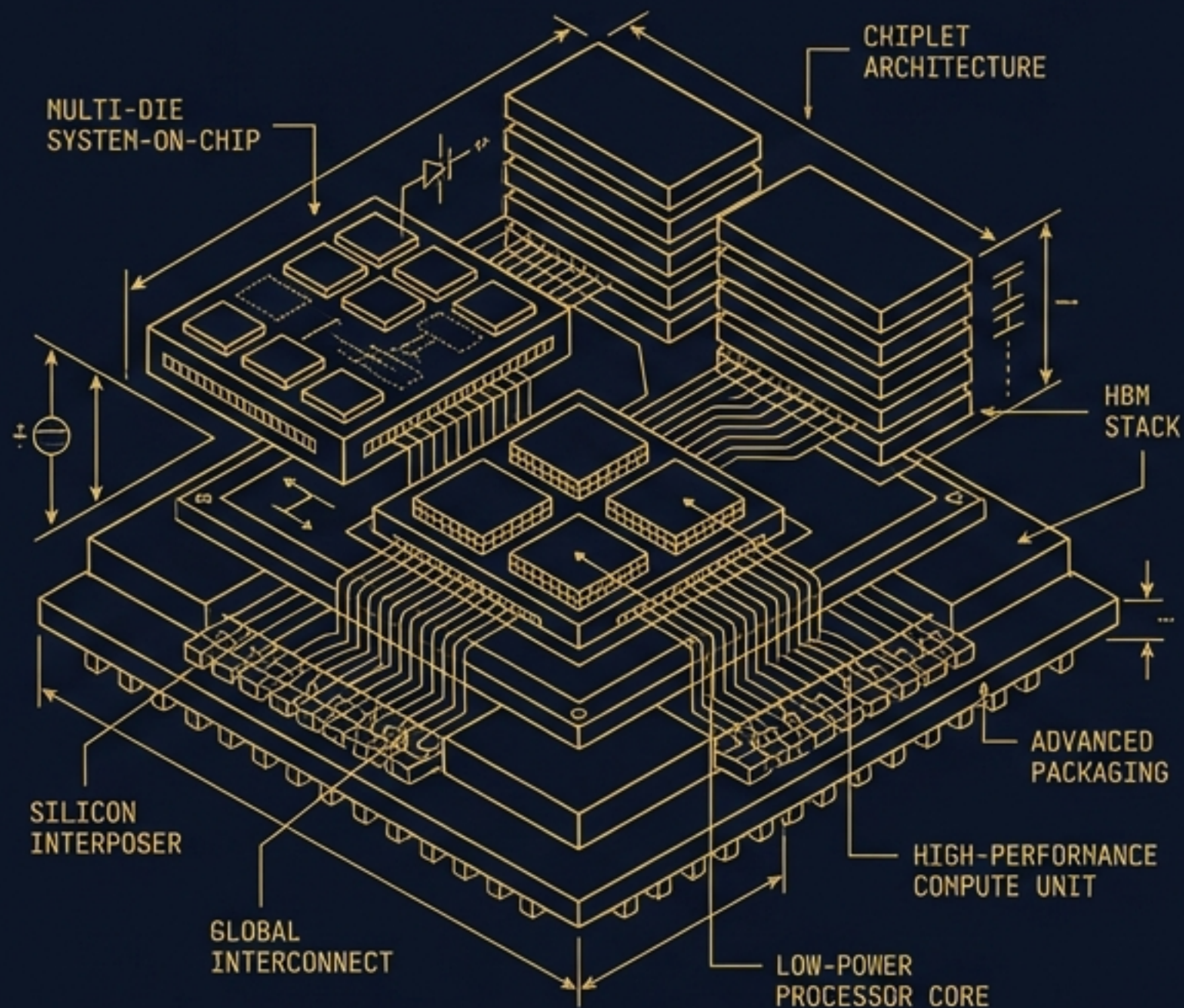


SYNOPSYS (SNPS): THE COST OF EMPIRE

Strategic Brilliance vs. Capital Efficiency in the 'Silicon to Systems' Era



INVESTMENT RATING: **HOLD / NEUTRAL**

TARGET ENTRY: **\$380 - \$400**

EXECUTIVE SUMMARY: A GREAT BUSINESS, TRANSFORMED INTO A SPECULATIVE INVESTMENT

THE STRATEGY (BULL CASE)

- Silicon to Systems pivot addresses end of Moore's Law.
- \$35B Ansys acquisition creates unmatched end-to-end platform.
- Nvidia partnership (\$2B investment) cements AI leadership.

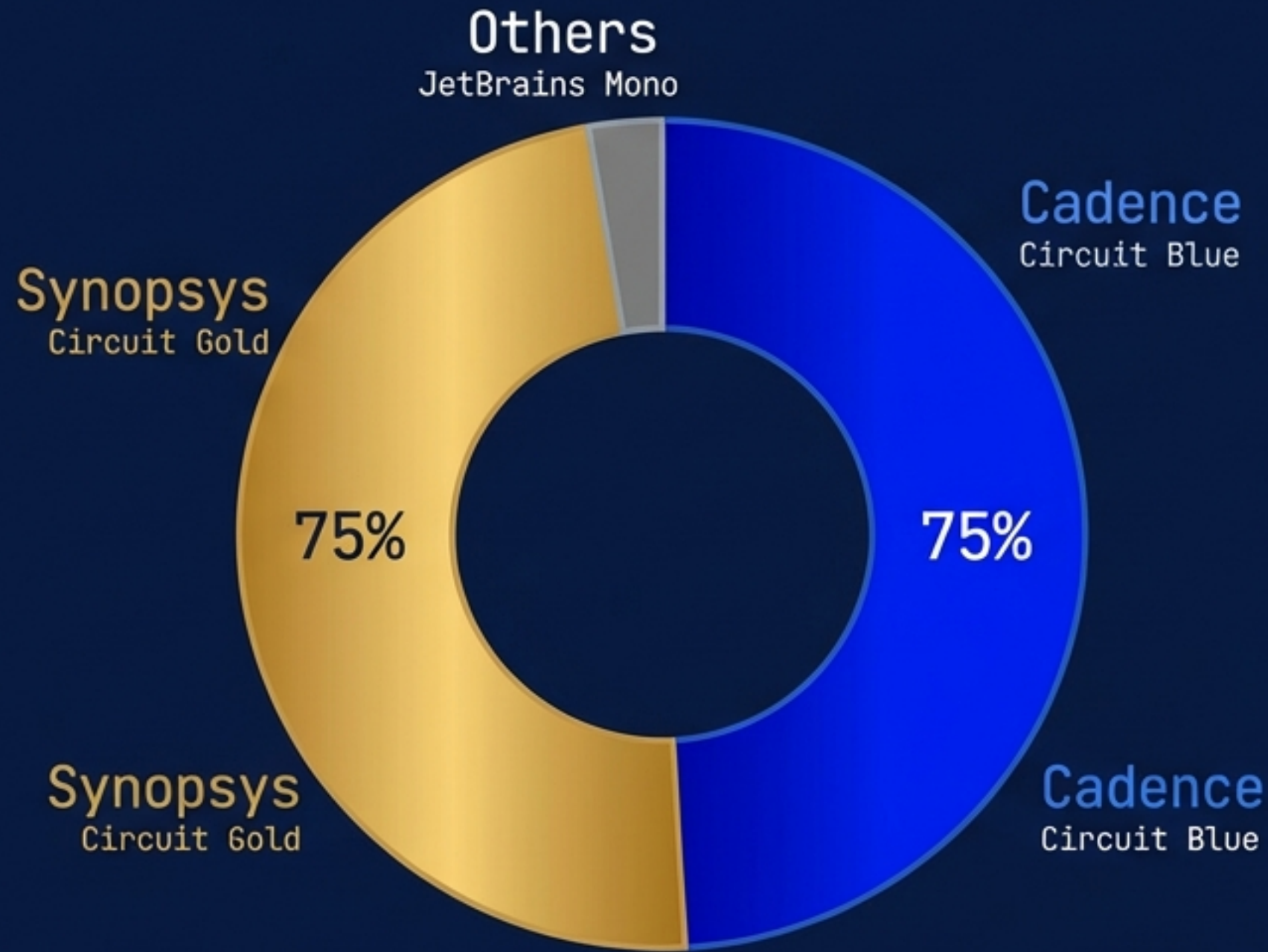
THE COST (BEAR CASE)

- Acquisition price (40x EBITDA) eliminates margin of safety.
- ROIC collapsed from ~15% to ~3.3%.
- Balance sheet burdened with \$13.5B debt; buybacks suspended.

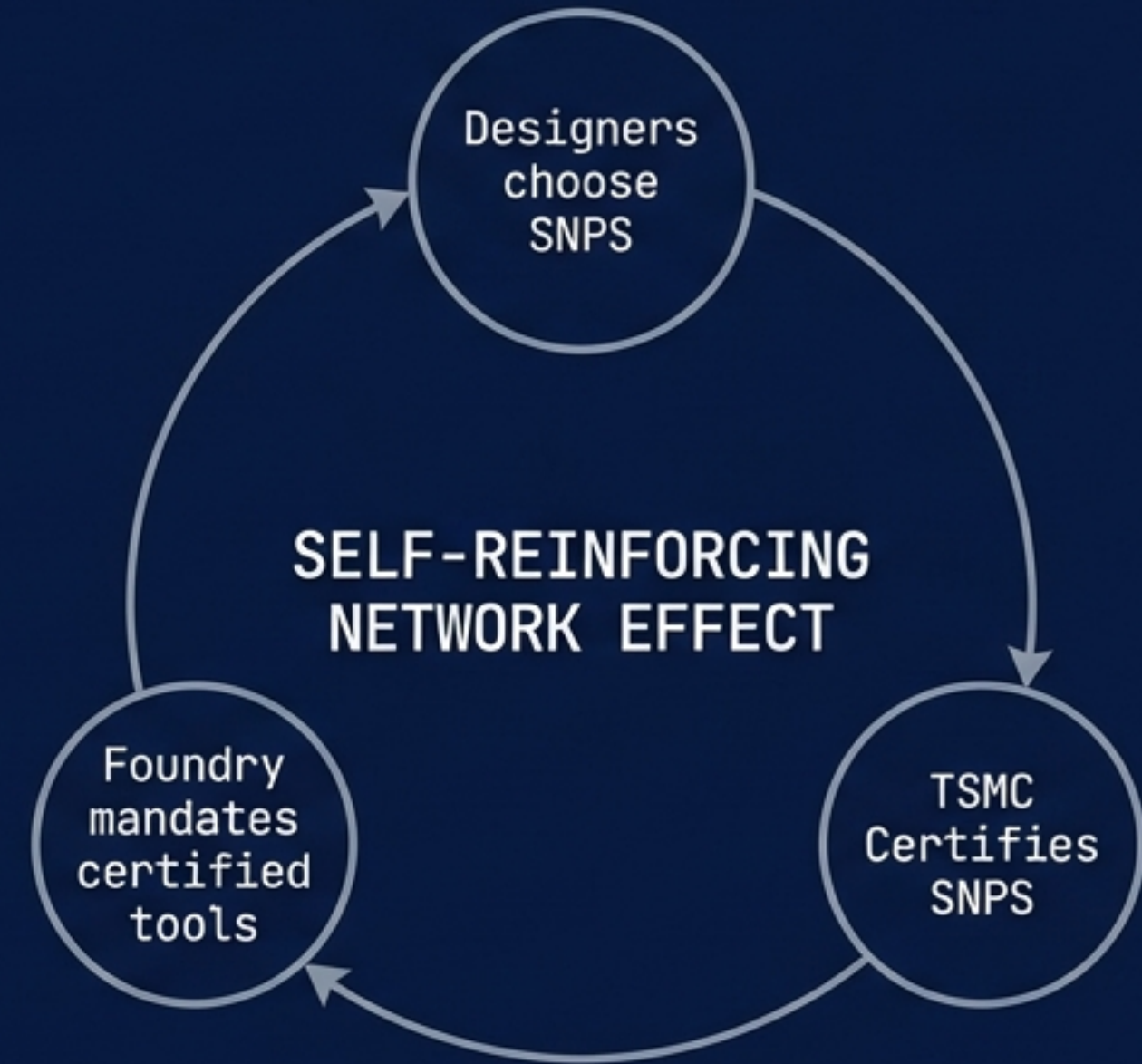
THE VERDICT

- Management prioritized scale over returns.
- Valuation (~32x Forward P/E) prices in perfection.
- Recommendation: HOLD until digestion phase concludes.

THE ECONOMICS OF THE EDA DUOPOLY

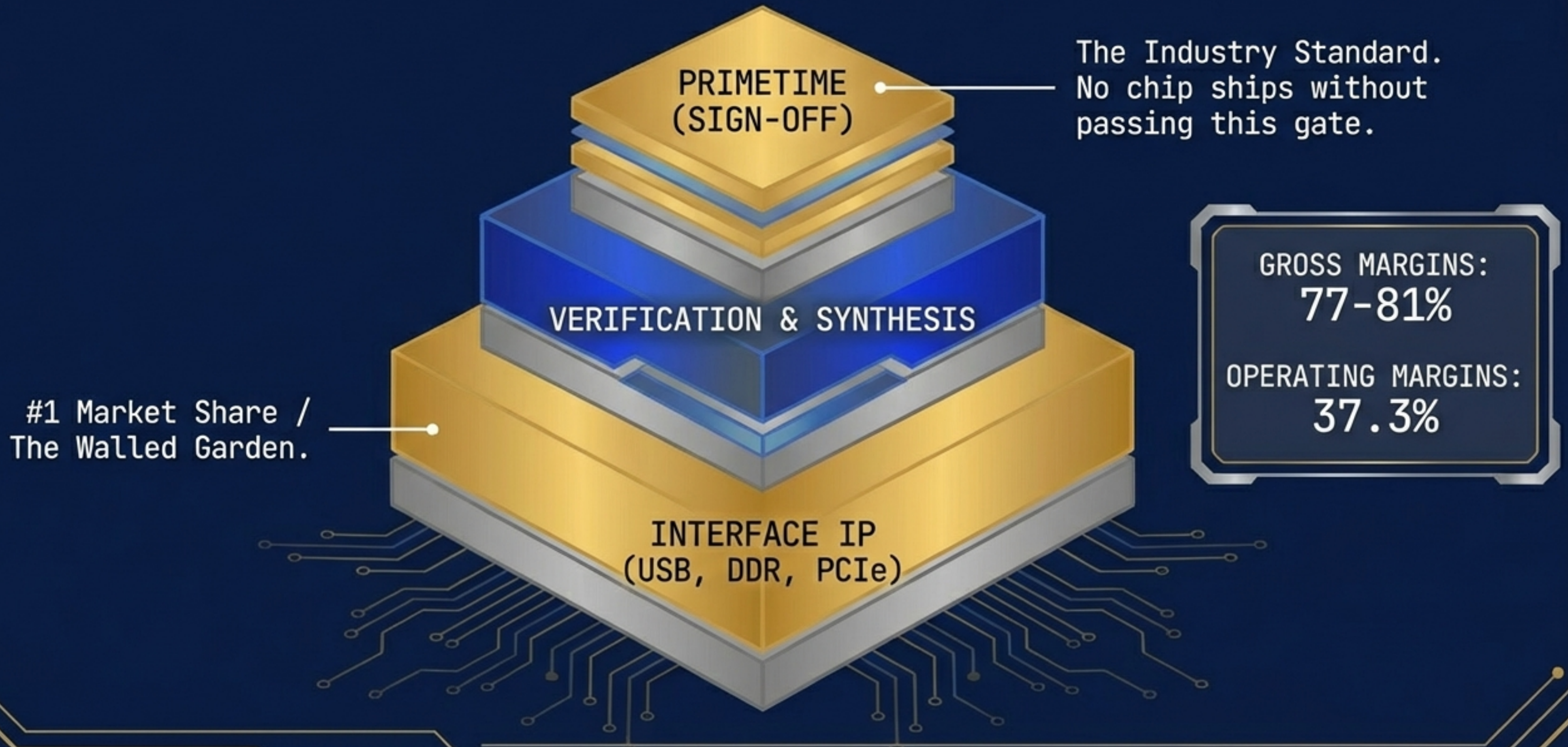


THE FOUNDRY MOAT



RETENTION RATE: ~100% | REVENUE: ~90% RECURRING | COMPETITION: PERFORMANCE, NOT PRICE

THE WIDE MOAT: OWNING THE 'GOLDEN TOOLS'

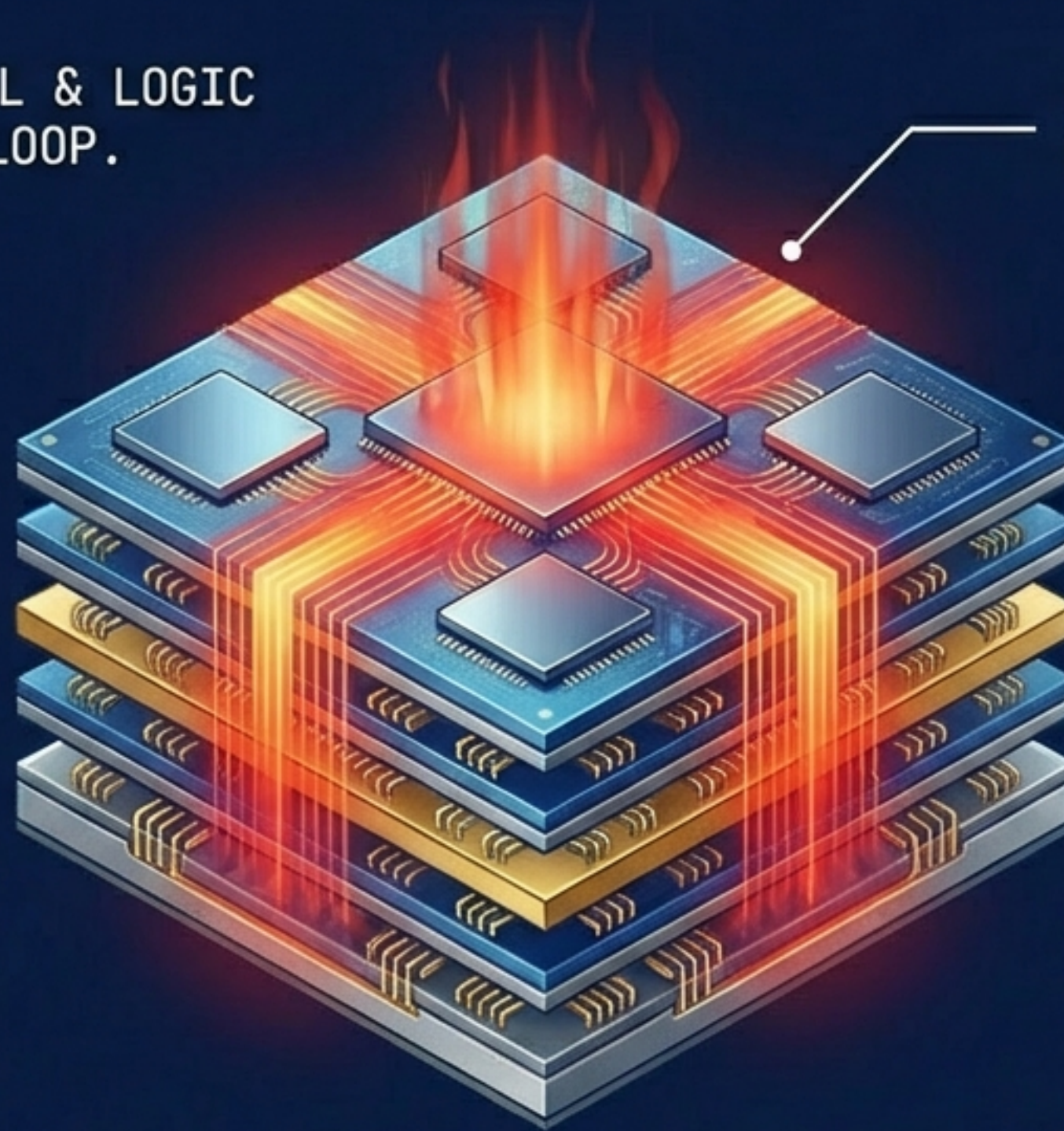


THE STRATEGIC PIVOT: ENTER 'SYSMOORE'

UNIFIED THERMAL & LOGIC
FEEDBACK LOOP.

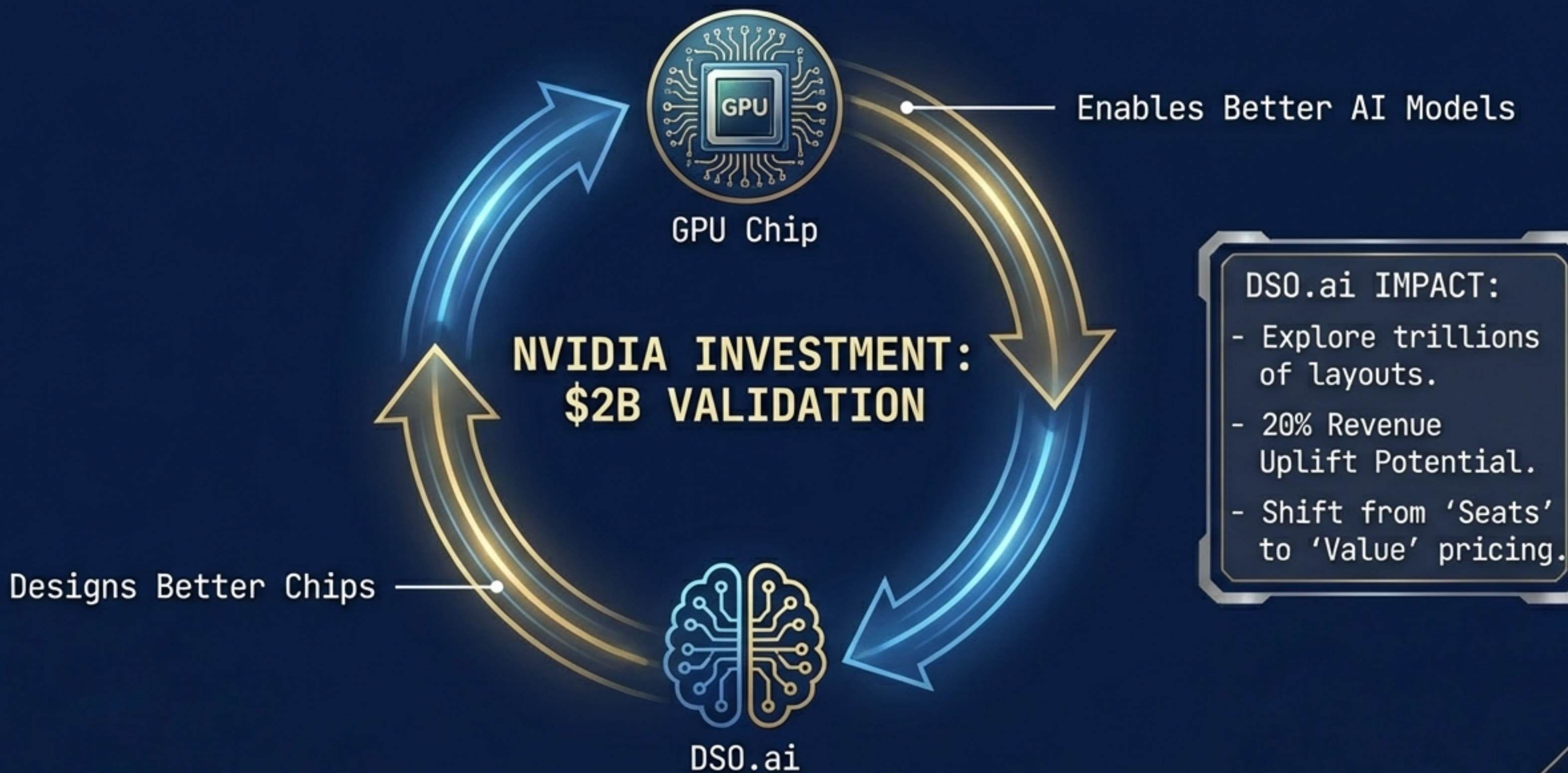
THE NEW PROBLEM:
PHYSICS, NOT JUST LOGIC.

SYNOPSYS
(LOGIC)



ANSYS
(PHYSICS)

THE AI TAILWIND: DETERMINING THE CEILING

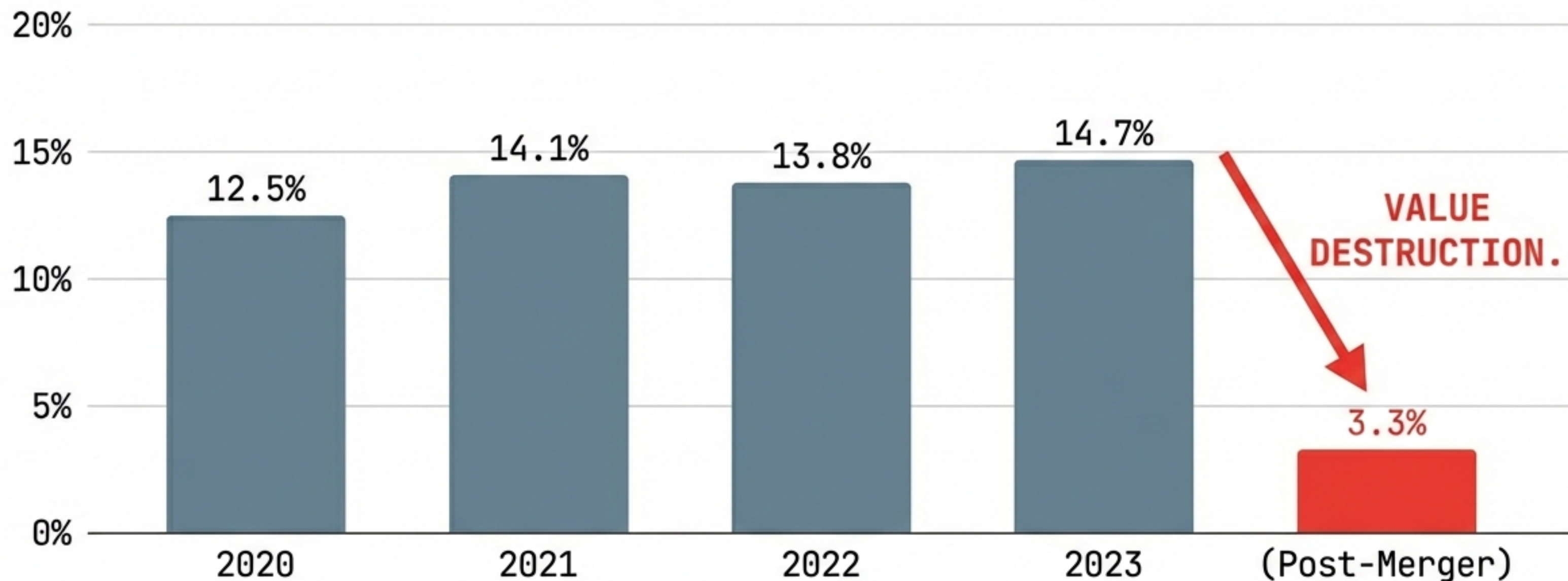


THE CONFLICT: A STRATEGIC NECESSITY AT A LUXURY PRICE



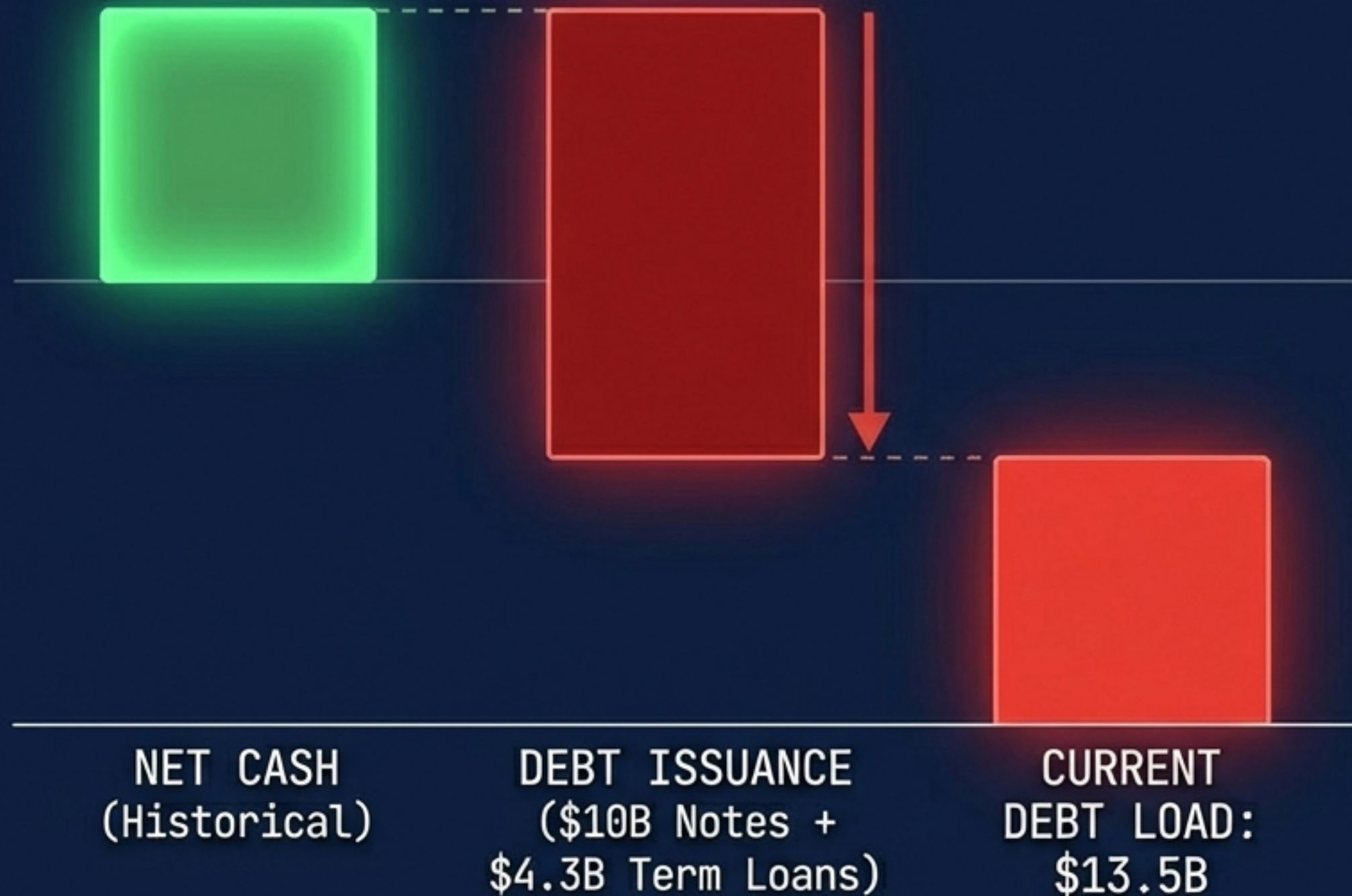
FINANCIAL DEGRADATION: THE ROIC COLLAPSE

RETURN ON INVESTED CAPITAL (ROIC)



Management must drastically increase profit to earn the right to this new capital base.

THE BALANCE SHEET: FROM FORTRESS TO LEVERAGE



CAPITAL ALLOCATION:

☐ SHARE BUYBACKS: SUSPENDED

☒ DEBT REPAYMENT: PRIORITY

DILUTION: \$893M
SBC continues unchecked.

MISALIGNED INCENTIVES DRIVING EMPIRE BUILDING

☐ REVENUE GROWTH


Incentivized.

☐ RELATIVE TSR

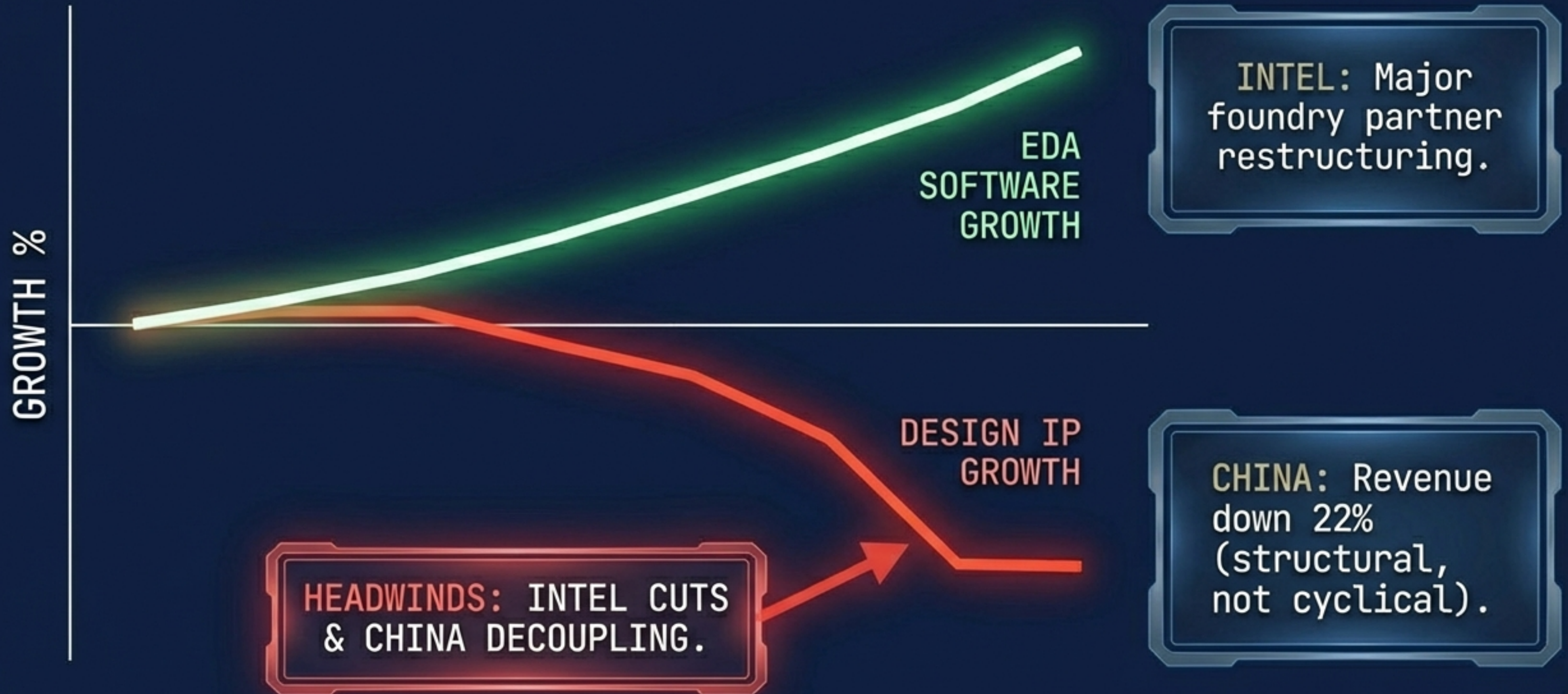

Incentivized.

☐ RETURN ON INVESTED CAPITAL (ROIC)

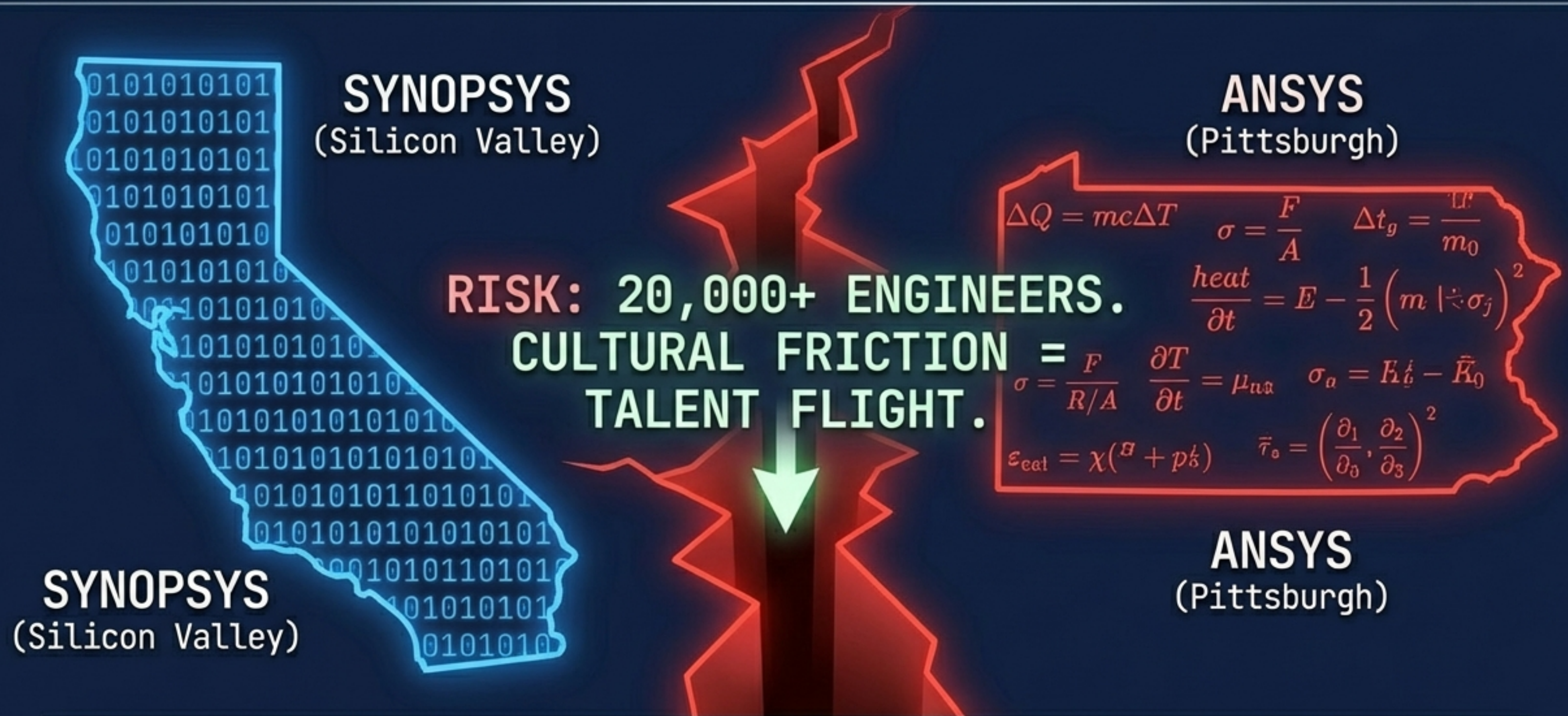

NOT INCENTIVIZED.

The lack of an ROIC target explains the willingness to pay 40x EBITDA.
Management is paid to grow size, not efficiency.

THE "MUTED" IP ENGINE: OPERATIONAL HEADWINDS



EXECUTION RISKS: CULTURE & INTEGRATION



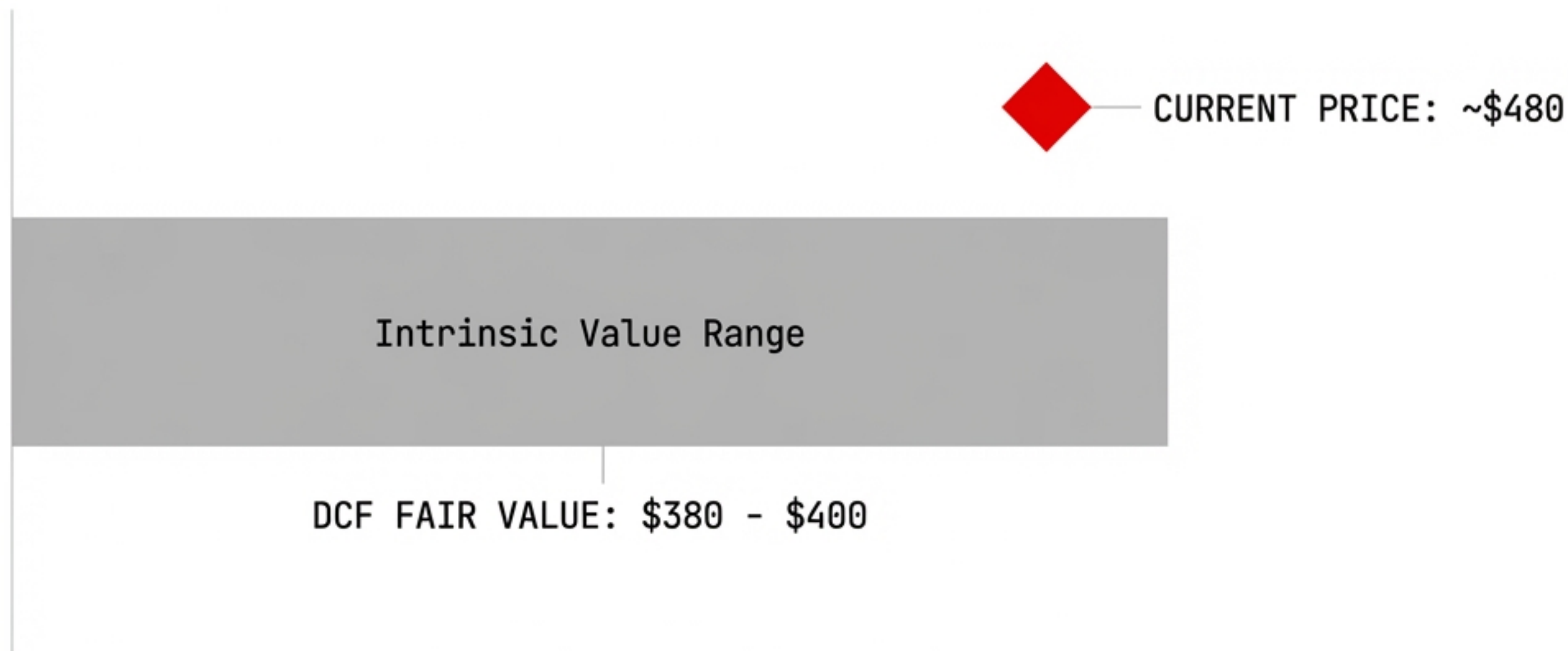
While they integrate, Cadence attacks the Analog market.

VALUATION: NO MARGIN OF SAFETY

FWD P/E: ~32x

EV/EBITDA: ~43x

FCF YIELD: ~1.4%



Priced for perfection. Any stumble (Intel, Integration, China) creates downside risk.

CATALYSTS: WHAT CHANGES THE THESIS?

BULLISH SIGNALS (TURN BUYER)

- ROIC Inflection (NOPAT > Capital Base)
- IP Recovery (Double digit growth)
- Rapid Debt Paydown

BEARISH SIGNALS (TURN SELLER)

- Integration Stumble (Talent exodus)
- Intel CapEx Cuts
- Cadence Market Share Gains

CONCLUSION: A VITAL UTILITY IN A 'DIGESTION' PHASE



BUSINESS QUALITY
(Wide Moat, Duopoly)

STRATEGIC LOGIC
(SysMoore)

FINANCIALS
(Leverage,
Valuation, ROIC)

RECOMMENDATION: HOLD / NEUTRAL

Wait for digestion. Look
for entry at \$380-\$400.

Great businesses do not always make great investments at ANY price.