Over the past year, SNPS shares are up 28.3%, versus a gain of 21.1% for the broader market. The 52 week trading range is $365.74 to $651.73. The Argus A6 target price is $660 representing a 5% gain from the current level.

Synopsys is a provider of electronic design automation software and intellectual property products. EDA software automates and aids in the chip design process, enhancing design accuracy, productivity, and complexity in a full-flow end-to-end solution.

Growth Analysis

	GAAP Data					Growth Rates		
	2020	2021	2022	2023	2024	1-Year	3-Year	5-Year
Revenue (B)	3.7	4.2	5.1	5.8	6.1	5%	46%	82%
Gross Margin	78%	80%	79%	79%	80%	1%	0%	3%
Operating Income	656.2M	768.2M	1.2B	1.3B	1.4B	1%	76%	139%
Interest Expense (M)	5.1	3.4	1.7	1.2	35.2	NM	945%	202%
Pre Tax Income	638.2M	805.5M	1.1B	1.3B	1.5B	16%	88%	178%
Net Income	664.3M	757.5M	984.6M	1.2B	2.3B	84%	199%	325%
EPS	4.27	4.81	6.29	7.92	14.51	83%	202%	321%
Dividend/Share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Shares Outstanding (M)	155.7	157.3	156.5	155.2	155.9	0%	-1%	1%
Market Cap (B)	33.3	52.4	45.8	72.9	85.4	17%	63%	308%
Book Value (B)	1.29	1.44	1.29	1.70	5.35	214%	271%	745%

Financial Condition

	GAAP Data					Growth Rates		
	2020	2021	2022	2023	2024	1-Year	3-Year	5-Year
Cash / Short Term Inv. (B)	1.2	1.6	1.6	1.6	4.1	155%	156%	456%
Current Assets (B)	2.5	2.8	3.0	3.4	6.5	89%	130%	272%
Current Liabilities (B)	2.1	2.4	2.8	3.0	2.7	-11%	10%	51%
Working Capital	409.3M	394.9M	238.2M	445.2M	3.8B	758%	867%	NM
Short-Term Debt (M)	27.1	75.0	Nil	Nil	Nil	Nil	Nil	Nil
Long Term Debt (M)	100.8	25.1	20.8	18.1	15.6	-14%	-38%	-87%
Total Debt (M)	663.5	666.8	656.4	687.8	684.5	0%	3%	397%
Shareholders Equity (B)	4.9	5.3	5.5	6.1	9.0	46%	70%	120%

Ratio Analysis

	2020	2021	2022	2023	2024	Trend 1-Year	3-Year	5-Year
Operating Margin	18%	18%	23%	23%	22%	Lower	Higher	Higher
Net Margin	18%	18%	19%	21%	37%	Higher	Higher	Higher
ROE	15%	15%	18%	21%	30%	Higher	Higher	Higher
ROA	9%	9%	11%	12%	19%	Higher	Higher	Higher
Current Ratio	1.2	1.2	1.1	1.1	2.4	Higher	Higher	Higher
Interest Coverage	125.2	240.4	658.0	1106.1	44.1	Lower	Lower	Lower
Dividend Payout Ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
L-T Debt/Equity	11%	10%	11%	10%	7%	Lower	Lower	Higher
Total Debt/Total Cap	10%	9%	10%	9%	6%	Lower	Lower	Higher

Valuation Analysis

	2020	2021	2022	2023	2024	Trend 1-Year	3-Year	5-Year
Price - Year End	213.86	333.18	292.55	469.44	547.52	Higher	Higher	Higher
52-Week High	229.36	337.74	390.45	496.23	621.30	Higher	Higher	Higher
52-Week Low	108.48	215.49	260.83	276.57	475.38	Higher	Higher	Higher
P/E High	53.7	70.2	62.1	62.7	42.8	Lower	Lower	Higher
P/E Low	25.4	44.8	41.5	34.9	32.8	Lower	Lower	Higher
P/S High	Nil	Nil	12.4	14.0	14.9	Higher	Nil	Higher
P/S Low	Nil	Nil	8.3	7.8	11.4	Higher	Nil	Higher
P/B High	Nil	Nil	10.6	12.7	12.4	Lower	Nil	Higher
P/B Low	Nil	Nil	7.1	7.1	9.5	Lower	Nil	Higher
Yield High	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Yield Low	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Return	58%	56%	-12%	60%	17%	Lower	Lower	Nil

Argus Rating:	HOLD
Rating Since: 09/11/24	
Current Price:	$628.50
Target Price:	$660.00
Market Cap:	$116.3 billion
Dividend:	Nil
Yield:	Nil
Beta:	0.98
Sector:	Information Technology
Industry:	Software Applications

Argus A6 Sub-component Scores

H High   **M** Medium   **L** Low

H Industry
Earnings revisions, analyst conviction, performance and historical industry weighting.

L Management
Consistency of growth & financial strength.

M Safety
Liquidity, dividend yield, market cap, debt leverage and stock price beta.

L Financial Strength
Balance sheet debt and liquidity ratios.

L Growth
Normalized earnings estimates and sales trends.

M Value
Price/earnings, price/sales ratios, trend lines, and DCF valuation.

Vicker's Institutional & Insider Holdings
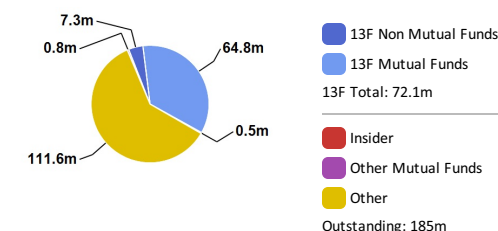
7.3m
0.8m
64.8m
0.5m
111.6m

- 13F Non Mutual Funds
- 13F Mutual Funds
- 13F Total: 72.1m
- Insider
- Other Mutual Funds
- Other

Outstanding: 185m

Peer Comparison Table: Information Technology

Ticker	Company	Price($)	Market Cap (Millions $)	5-yr EPS Growth Rate	Current FY P/E	Net Margin	1-yr EPS Growth Rate	Argus Rating
SHOP	SHOPIFY INC - CLASS A	127.00	154,956.97	Nil	Nil	17%	Nil	HOLD
ADBE	ADOBE INC	338.74	143,693.51	106%	21.69	30%	5%	BUY
SNPS	SYNOPSYS INC	628.50	116,299.92	321%	64.53	35%	83%	HOLD
CDNS	CADENCE DESIGN SYS INC	360.50	98,232.65	9%	77.25	20%	1%	HOLD
SNOW	SNOWFLAKE INC	205.77	68,665.45	Nil	Nil	-36%	Nil	SELL
Peer Average			116,369.7	87%	33	13%	18%	

Our rating on the Information Technology sector is Over-Weight. Consumer electronics demand, which was reduced by inflation, is now showing signs of recovery. IT demand in enterprise and data center markets weakened after consumer demand but now also shows signs of recovery, fueled by mounting interest in generative AI.

As of the end of June, the sector accounted for 33.1% of the S&P 500. Over the past five years, the weighting has ranged from 16% to 33%. The sector was overperforming the market, with a gain of 7.7%. The sector outperformed in 2024, with a gain of 35.7% compared to a gain of 23.3% for the S&P 500.

The sector's P/E ratio on projected 2026 EPS was 26, above the market multiple. Yields of 0.2% were below the market average. The sector's smoothed earnings growth rate of 15% was above the market average.

Over the long term, we expect the Tech sector to benefit from pervasive digitization across the economy, greater acceptance of transformative technologies, and the development of the Internet of Things (IoT). Generative AI is poised to become a huge industry driver, although timeline of actual AI deployments is uncertain. Healthy company and sector fundamentals are also positive. For individual companies, these include high cash levels, low debt, and broad international business exposure.

Key Sector Trends

Communications Equipment

- Data demand is exploding because of mobile internet, video on the web, social networking and other factors. Generative AI has shifted from an emerging driver to perhaps the most-significant factor in communications equipment demand. AI is driving demand for bandwidth capacity at the optical transport level as well as network efficiency (IP) and ubiquity (Ethernet) at the access level.
- Prevailing trends in the global information society - including collaboration, virtualization, cloud, social networking, and exponential growth in "big" file-based data - are driving the need for more network "intelligence," meaning security, efficiency, extensibility, personalization, and sophisticated data management. Mobility, once a voice-centric domain, now encompasses mobile internet, and this reality

- is impacting device demand trends in computing and communications.

Information Processing

- AI is driving growth in computing, both in GPU-based servers and in on-device Gen AI for PCs and smartphones. It also is disrupting the data center, as cloud service providers accelerate growth with the help of leading computing and semiconductor companies. .

Semiconductors

- Overall semiconductor demand, formerly driven first by PCs and then by the proliferation of mobile devices, now has multiple secular drivers. These include AI data center, legacy cloud data center, Internet of Things (IoT) & factory automation, EV & hybrid EV, autonomous vehicles, robotics, and more.
- The need for massive GPU clusters to train Large Language Models (LLMs) and for inferencing for generative AI has led to explosive demand for GPU computing implementations and has become as one of the most significant semiconductor drivers.
- ARM-based cores (licensed from ARM Holdings Ltd.) that power smartphones and tablet PCs have disrupted the hegemony in processing once enjoyed by x86 architecture. Traditional x86 processor companies such as Intel and AMD are fighting back with lower-power products that integrate central processing and graphics processing within a single die.
- The nature of memory is changing, with mobile computers transitioning away from hard disk drive-based memory (HDD) to solid-state memory (SSD). Memory demand too is accelerating as data storage accommodates massive AI-related traffic flows.

Software

- New software-centric developments such as collaboration, virtualization, cloud computing, SaaS, analytics, and interactivity are transferring the software power center onto public and private cloud networks serving enterprises. At the same time, advances in mobility and competitive developments have driven demand for mobile devices and, in turn, mobile applications supplied by nontraditional players.
- These factors have diminished the central role once played by Microsoft's operating system and applications. At the same time, enterprise software companies have prioritized enabling AI for their customers, leading to strong growth for major industry participants including Salesforce Inc, ServiceNow, Oracle, and more.
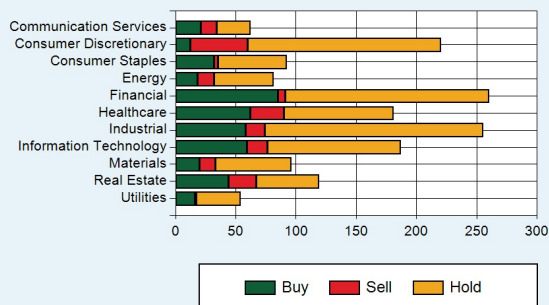
Argus A6 Quantitative Universe

Our A6 Quantitative Universe includes more than 1,500 companies that are diversified across all asset classes and industry sectors. Ratings for these companies are derived through a proprietary algorithm we have designed and tested so that the ratings are based on our fundamental Six-Point System. Our A6 Quantitative Ratings include sub-ratings for each of the six factors.

The A6 algorithm is designed to capture and analyze financial trends for each company under coverage. Companies are measured against their historical record, peer group, and the broad market. For each covered company, the A6 algorithm generates a subrating for growth, financial strength, industry outlook, management, risk/safety and valuation. These scores are totaled and provide an overall rating for each company. The A6 algorithm rates stocks on growth based on normalized earnings estimates and sales trends, among other factors. Our financial strength ranking is based primarily on balance sheet debt and liquidity ratios. For risk, we factor in liquidity, dividend yield, market cap, debt leverage and stock price beta. Our valuation subrating includes factors such as price/earnings and price/sales ratios, trend lines, and discounted cash flow valuations. Ratings are reviewed weekly.

Argus Research Disclaimer

RATING DISTRIBUTION SECTOR

MARKET CAP DISTRIBUTION

ALL STOCKS

45.7%
20.3%
34%

Large Cap
Mid Cap
Small Cap

ARGUS FUNDAMENTAL UNIVERSE

3.6%
10.3%
86.1%

ARGUS A6 (QUANT) UNIVERSE

27.7%
27.8%
44.5%
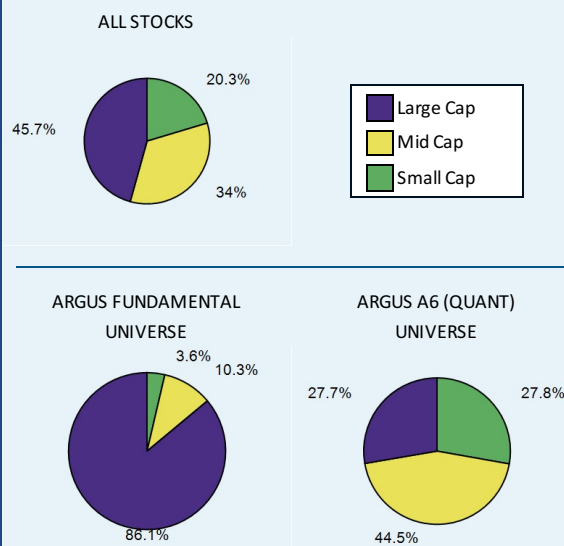
CURRENT RATING DISTRIBUTION

Buy 27% Sell 11% Hold 62%