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IDEA

*October 1, 2026 12:23 AM GMT*

## Synopsys Inc. | North America

# From Narrative to Execution

Synopsys' Investor Day reframed key concerns (LLMs, IP growth and Ansys) as opportunities. Clearer AI monetisation, traction with application optimisied IP, earlier Ansys synergies and improved LT targets leave us more positive on the equity story into 2027+, with focus now shifting to execution.

## Key Takeaways

- Management outlined 3 monetisation routes across its full-stack platform, customer-owned platforms and GPT-Synopsys, addressing AI disruption concerns.
- AOIP expands the Design IP opportunity, with Amazon validating the model and management targeting $1bn of revenue by FY30, excluding royalties.
- Multiphysics fusion supports the Ansys revenue opportunity, while the $400mn cost-synergy run-rate target moves to FY27.
- SNPS now target mid-teens FY26-30 revenue CAGR, 50% margins and mid-20% growth in both EPS and FCF generation.
- We reiterate our Overweight rating, PT $500.

**Synopsys' 2026 Investor Day left us incrementally more positive on the equity story, with management raising its long-term growth outlook, introducing a new AI monetisation framework, detailing the Factory 2 IP model and bringing forward the expected delivery of Ansys synergies.** Despite these announcements, the share-price reaction was relatively muted, with the stock closing up 5%. Investor concerns YTD have centred on AI disruption, lack of Design IP growth and execution risk around the Ansys integration. We believe management presented a credible response through its AI platform announcements, including GPT-Synopsys, alongside a multi-year partnership with Amazon and further detail on multiphysics fusion execution. Together with the Factory 2 IP model and accelerated synergy timeline, **these developments address key areas of investor concern and should help shift the debate towards the company's growth opportunities.** The key test, however, remains execution. Namely the pace and scale of customer adoption, the translation of new monetisation models into earnings growth and delivery against integration milestones. Evidence of commercial traction will be critical to a sustained re-rating. Nonetheless, we view these announcements as strengthening the investment case and with the stock trading at a P/E below its five-year average, we see this as a compelling entry point and reiterate our Overweight rating, PT $500.

**EDA: New AI platforms accompanied by a monetisation framework.** Into the event, investor focus was on whether Synopsys could counter concerns about disruption from LLMs. We believed management needed to demonstrate that AI-led chip-design workflows would use and not bypass Synopsys tools, with the Jalapeno chip as a potential proof point. Management confirmed that adoption and went

MORGAN STANLEY & CO. INTERNATIONAL PLC+

Lee Simpson
Equity Analyst
Lee.Simpson@morganstanley.com +44 20 7425-3378

Shawn Kim
Equity Analyst
Shawn.Kim@morganstanley.com +44 20 7677-1018

Amelia M Scicluna
Research Associate
Amelia.Scicluna@morganstanley.com +44 20 7425-6694

**Synopsys Inc. (SNPS.O, SNPS US)**

**Semiconductors | United States of America**

| | |
|---|---|
| **Stock Rating** | **Overweight** |
| **Industry View** | **Attractive** |
| **Price target** | **US$500.00** |
| Shr price, close (Sep 30, 2026) | US$434.94 |
| 52-Week Range | US$539.48-362.55 |
| Mkt cap, curr (mn) | US$68,083 |
| Net debt (10/26e) (mn)* | US$5,227 |
| EV, curr (mn)* | US$78,606 |

* = GAAP or approximated based on GAAP

| Fiscal Year Ending | 10/25 | 10/26e | 10/27e | 10/28e |
|---|---|---|---|---|
| Sales / Revenue (US$ mn)** | 7,054 | 9,730 | 10,755 | 11,891 |
| EBITDA (US$ mn)** | 3,293 | 5,819 | 6,283 | 7,406 |
| EBIT (US$ mn)** | 2,633 | 4,047 | 4,621 | 5,065 |
| EPS (US$)** | 12.99 | 15.12 | 17.96 | 20.18 |
| Prior EPS (US$)** | - | - | - | - |
| EPS (US$)§ | 12.85 | 15.14 | 17.81 | 21.09 |
| P/E** | 34.9 | 28.8 | 24.2 | 21.6 |
| EV/revenue* | 12.2 | 7.5 | 6.7 | 5.9 |
| EV/EBITDA** | 26.1 | 12.6 | 11.5 | 9.5 |
| EV/EBIT** | 32.6 | 18.1 | 15.6 | 14.0 |
| DPS (US$) | 0.00 | 0.00 | 0.00 | 0.00 |
| Div yld (%) | 0.0 | 0.0 | 0.0 | 0.0 |
| FCF yld ratio (%)** | 2.7 | 3.3 | 4.1 | (2.2) |
| Net debt (US$ mn)* | 10,524 | 5,227 | 3,915 | 2,631 |
| Net debt/EBITDA** | 3.2 | 0.9 | 0.6 | 0.4 |
| RNOA (%)** | 50.7 | 8.3 | 10.9 | 11.6 |
| ROE (%)** | 23.6 | 10.2 | 10.6 | 11.4 |

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
§ = Consensus data is provided by Refinitiv Estimates
* = GAAP or approximated based on GAAP
** = Based on consensus methodology
e = Morgan Stanley Research estimates

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further, outlining three routes to monetise AI:

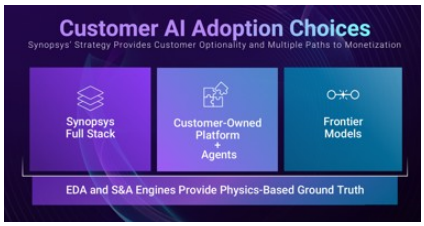
1. **Synopsys Full Stack.** Synopsys launched Autopilot, a long-horizon agentic platform that brings together its agents and tools. Monetisation has three layers: a **platform subscription** for Autopilot, an **agent subscription** for access to the Synopsys agent portfolio, and **tool subscriptions or consumption-based** charges for access to the underlying tools.
2. **Customer Owned Platform + Agents.** Under this hybrid framework, customers use their own platform while subscribing to selected Synopsys agents and tools. Synopsys therefore retains **agent- and tool-layer monetisation** without requiring customers to adopt its full platform
3. **Frontier Models.** Synopsys announced GPT-Synopsys, a multi-year partnership under which a specialised AI model is trained on Synopsys tools. The framework combines two revenue streams: **tool subscriptions**, covering both model training and subsequent tool use; and **revenue sharing linked to model outcomes**, such as improvements in power, performance and area (PPA), or optimised RTL.

**Exhibit 1:** Synopsys Full Stack Autopilot Platform utilised in AI Pathway 1



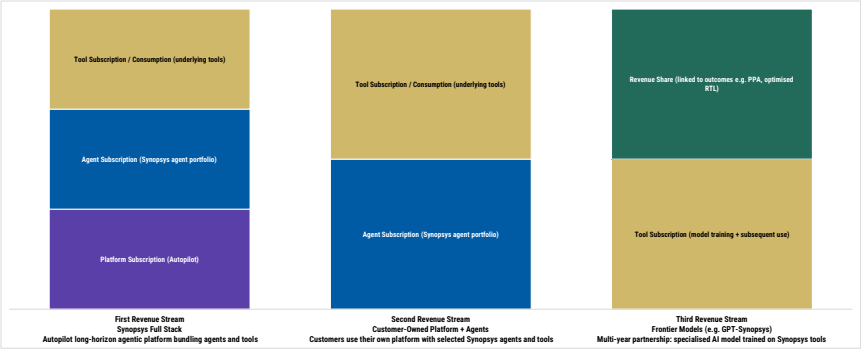

Source: Synopsys

**Exhibit 2:** 3 AI Pathways




Source: Synopsys

**Exhibit 3:** 3 AI Pathways and 3 Monetisation Models




Source: Synopsys, Morgan Stanley Research

**Design IP:** Application Optimised IP (AOIP/Factory 2). As outlined at the last print, Synopsys are broadening their IP model beyond Factory 1/Standards Based IP to also pursue Factory 2/Application Optimised IP, a customised hyperscaler IP model supporting chip design tailored to customer requirements. Factory 1 will remain in place. On monetisation, AOIP uses a license per programme + customisation fee + royalty model, vs. the license + NRE fee model for Standards Based IP. Customer

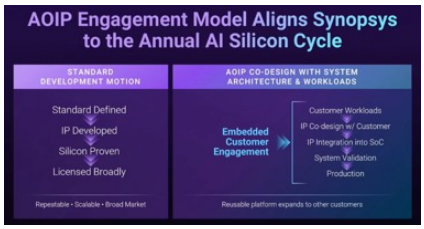
traction has already been signalled, with management having announced a multi-year partnership with Amazon that includes a $1bn license fee for multiple generations of Graviton, Trainium and Nitro chips. Management stressed that further customer partnerships are in the pipeline, with total AOIP revenue expected to reach $1bn by FY30 (excluding royalties).

**Exhibit 4:** A shift in monetisation models from Standards Based to Application Optimised IP...




Source: Synopsys

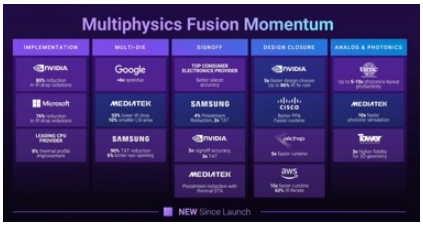
**Exhibit 5:** ...as AOIP focuses on embedded customer engagement.




Source: Synopsys

**Ansys synergies: Multiphysics fusion supports revenue synergies, while streamlining, scale and platform integration accelerate cost savings**. Management highlighted the launch of the new multiphysics fusion tool and its applications across the design flow, including implementation, multi-die design, signoff, design closure, and analog and photonics. Multiple customer partnerships were disclosed across these areas, with reported benefits including improved signoff accuracy, higher photonics layout productivity and faster design closure. Management positioned these initiatives as supporting the targeted $400mn revenue-synergy run-rate by FY29e. Meanwhile, management brought forward the $400mn cost-synergy run-rate target by one year, to FY27 from FY28, citing platform and technology integration.

**Exhibit 6:** Multiphysics Fusion has gained broad customer traction.




Source: Synopsys

**Exhibit 7:** Multiphysics Fusion supports revenue synergies while cost synergies have accelerated.




Source: Synopsys

**Long-term targets raised, FY27 guidance introduced**. Ahead of the usual DecQ timeline, management introduced FY27 guidance for sales of $11.15bn, non-GAAP operating margins of 44% and EPS of $19.08, all broadly in line with the Street. However, we think the more incremental updates sit in the longer-term framework, where management raised the FY26/30 growth outlook for each end-market: high teens for Design IP, mid-teens for EDA and double-digit for Simulation and Analysis. **Overall, management raised the long-term revenue growth target to a mid-teens**

**CAGR over FY26/30e, alongside targets for non-GAAP operating margins of 50%, mid-20% non-GAAP EPS growth and mid-20% FCF generation.**

**Exhibit 8:** FY27 Guidance Introduced




Source: Synopsys

**Exhibit 9:** Long Term Targets Raised




Source: Synopsys

## AlphaSignals Catalyst Event Reaction

| Company / Catalyst | Date | Impact to thesis | Catalyst versus expectation |
|---|---|---|---|
| **Synopsys Inc.** SNPS.O | | | |
| Investor Day | 30 Sep 2026 | Strengthens | ↑ Modest upside surprise |

Source: Company data, Morgan Stanley Research

# Valuation Methodology and Risks

**Synopsys Inc. (SNPS.O)**

The sector is trading on a 30-35x P/E multiple range. We expect Synopsys to trade in line and apply a c.33x P/E multiple to estimated FY26 EPS ($15.12).

**Risks to Upside**

- Bigger ramp-up in AI ASICs and GPUs than modelled
- Quicker recovery in Automotive & industrial
- Design wins at expense of peers with Ansys products
- Strong recovery in IP business (esp. in China)

**Risks to Downside**

- Scale and duration of downturn seeing deeper R&D cuts
- Further tightening of export controls
- Loss of share to new entrant EDA players given localisation trends
- Failure to hit cost synergies from Ansys merger

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|---|---|---|---|---|---|---|---|
| Stock Rating Category | Count | % of Total | Count | % of Total IBC | % of Rating Category | Count | % of Total Other MISC |
| Overweight/Buy | 1599 | 43% | 455 | 48% | 28% | 783 | 44% |
| Equal-weight/Hold | 1563 | 42% | 394 | 42% | 25% | 763 | 43% |
| Not-Rated/Hold | 2 | 0% | 1 | 0% | 50% | 1 | 0% |
| Underweight/Sell | 570 | 15% | 96 | 10% | 17% | 227 | 13% |
| Total | 3,734 | | 946 | | | 1774 | |

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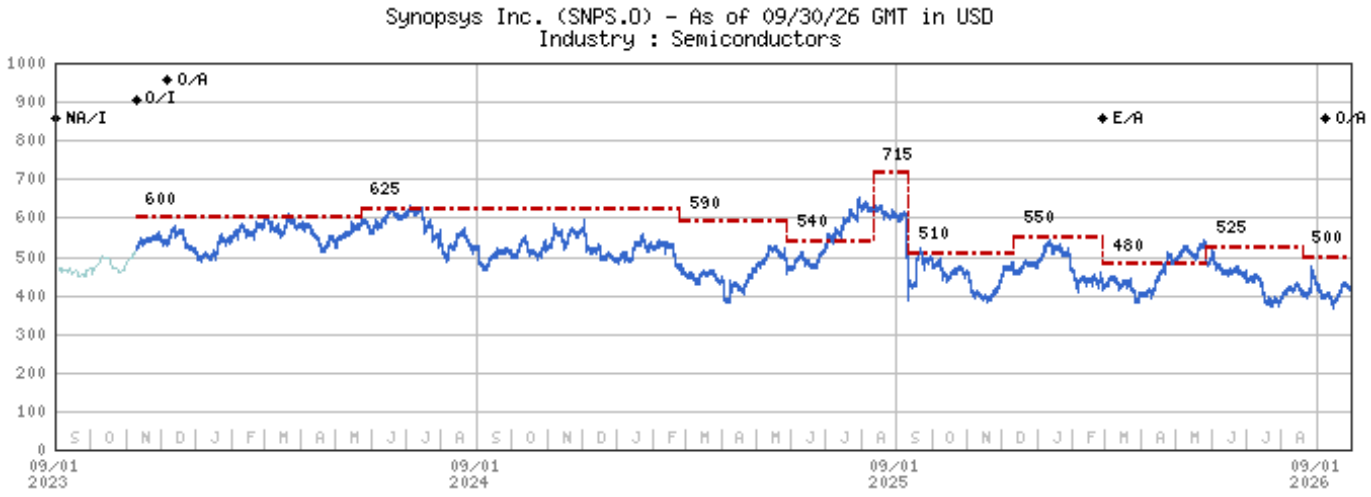
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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Price Target History: 11/10/23 : 600; 5/23/24 : 625; 2/24/25 : 590; 5/29/25 : 540; 8/11/25 : 715; 9/11/25 : 510; 12/11/25 : 550; 2/27/26 : 480; 5/28/26 : 525; 8/19/26 : 500

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -·- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ▬
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Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
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## INDUSTRY COVERAGE: Semiconductors

| COMPANY (TICKER) | RATING (AS OF) | PRICE* (09/30/2026) |
|---|---|---|
| **Joseph Moore** | | |
| Advanced Micro Devices (AMD.O) | E (06/09/2024) | US$611.76 |
| Aeva Technologies Inc (AEVA.O) | E (07/19/2021) | US$14.04 |
| Allegro Microsystems Inc (ALGM.O) | O (02/13/2026) | US$36.35 |
| Ambarella Inc (AMBA.O) | O (03/29/2016) | US$69.51 |
| Amkor Technology Inc (AMKR.O) | E (11/08/2023) | US$52.38 |
| Analog Devices Inc. (ADI.O) | O (11/16/2023) | US$396.71 |
| Astera Labs Inc (ALAB.O) | O (05/11/2025) | US$355.97 |
| Broadcom Inc. (AVGO.O) | O (06/09/2024) | US$351.19 |
| Cerebras Systems (CBRS.O) | O (06/08/2026) | US$177.65 |
| GlobalFoundries Inc (GFS.O) | E (10/28/2024) | US$47.92 |
| Intel Corporation (INTC.O) | E (02/22/2023) | US$120.23 |
| IonQ Inc (IONQ.N) | E (04/25/2023) | US$43.86 |
| Marvell Technology Group Ltd (MRVL.O) | E (09/14/2015) | US$264.21 |
| Microchip Technology Inc. (MCHP.O) | E (07/10/2024) | US$77.77 |
| Micron Technology Inc. (MU.O) | O (10/06/2025) | US$1,065.11 |
| Navitas Semiconductor Corp (NVTS.O) | U (04/06/2025) | US$11.61 |
| NVIDIA Corp. (NVDA.O) | O (03/16/2023) | US$228.38 |
| NXP Semiconductor NV (NXPI.O) | O (02/11/2025) | US$237.53 |
| ON Semiconductor Corp. (ON.O) | ++ | US$76.87 |
| Qorvo Inc (QRVO.O) | E (10/28/2025) | US$114.48 |
| Qualcomm Inc. (QCOM.O) | E (06/24/2026) | US$184.04 |
| Quantinuum (QNT.O) | E (06/29/2026) | US$48.06 |
| SanDisk Corporation. (SNDK.O) | O (03/03/2025) | US$1,739.89 |
| Semtech Corp. (SMTC.O) | E (04/06/2025) | US$178.35 |
| Silicon Laboratories Inc. (SLAB.O) | E (01/19/2021) | US$221.58 |
| SiTime Corporation (SITM.O) | O (09/16/2026) | US$652.03 |

| | | |
|---|---|---|
| Skyworks Solutions Inc (SWKS.O) | E (11/28/2018) | US$85.48 |
| Texas Instruments (TXN.O) | U (04/13/2020) | US$280.09 |
| Wolfspeed, INC (WOLF.N) | NR (04/06/2025) | US$28.13 |
| **Lee Simpson** | | |
| Arm Holdings plc (ARM.O) | E (04/07/2026) | US$289.66 |
| Cadence Design Systems Inc (CDNS.O) | O (02/14/2024) | US$330.19 |
| PDF Solutions Inc (PDFS.O) | O (09/08/2026) | US$51.05 |
| Synopsys Inc. (SNPS.O) | O (09/08/2026) | US$434.94 |

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* Historical prices are not split adjusted.

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