
***EDA and IP Funding and
Valuations in Today's Markets***

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EDA and IP Public Valuations

	EDA						IP			
	Cadence	Synopsys	Mentor Graphics	Magma	Verisity	Synplicity	Virage Logic	ARM	Ceva	Mosys
Ticker	CDN	SNPS	MENT	LAVA	VRST	SYNP	VIRL	ARMHY	CEVA	MOSY
Price (04/6/05)	\$14.51	\$17.27	\$9.96	\$10.68	\$0.00	\$5.50	\$9.15	\$5.67	\$7.28	\$5.71
Market Cap.	\$4,437	\$2,609	\$901	\$445	\$293	\$150	\$208	\$2,025	\$139	\$173
2005 Revenue	1,276	977	749	174	77	62	67	456	45	8
'05/'04E Rev Growth	7%	-11%	5%	21%	33%	8%	15%	26%	17%	-26%
EV/ 2005 Sales	3.0	2.1	1.1	1.8	3.1	1.6	2.1	3.8	1.8	10.8
2005 EPS	\$0.77	\$0.36	\$0.67	\$0.70	\$0.20	\$0.16	\$0.32	\$0.23	\$0.20	(\$0.20)
'05/'04 EPS Growth	10%	-65%	4%	NA	NA	33%	68%	17%	82%	82%
P/E	19	47	15	15	59	34	29	25	36	NM

Source: Needham & Co. and FirstCall

EDA/IP Valuations

- For public companies, consistency being rewarded, independent of revenue model or end product.
 - ▶ Cadence currently accounts for about 40% of EDA revenue but 50% of EDA market cap.
 - ▶ SNPS, MENT and LAVA have all had major misses in last few quarters and seen multiples compressed.
 - ▶ IP companies only have higher multiples than EDA if they're growing faster.
- Public EDA companies are still active acquirers
 - ▶ Haven't had to "pay up" for recent public acquisitions
 - CDN got VRST for about 3x EV/sales and SNPS got NSDA for less than 2x sales (less than 1x if fines factored in).
 - ▶ But have been selectively willing to pay up for strategic private Co.s
 - LAVA paying up to \$140M for pre-product Mojave to get into DRC LVS; MENT paying about \$50M for 0-In.

Opportunities for Public and Private EDA Co.s

- In the face of limited EDA market growth, where are the opportunities for “adjacent” growth?
- IP
 - ▶ SNPS having some success as IP aggregator.
- Moving “upstream” (i.e. ESL)
 - ▶ Limited success by larger EDA players but private companies such as Forte and CoWare having success.
- Moving downstream (i.e., DFM, yield enhancement, process characterization)
 - ▶ Cadence partnering w/ASML
 - ▶ SNPS buying ISE (process characterization)
 - ▶ Partnering with or buying PDF Solutions or HPL?