



CEO Forecast & **Industry Vision**

February 18, 2010

Sponsors:

Reception Sponsor:



Hosting Sponsor:



Registration Sponsor:





Robert Gardner
Executive Director

EDAC Staff



Jennifer Cermak
Sr. Project Manager



Robert Gardner
Executive Director



Paul Cohen
MTS

Tonight's Panel



Jay Vleeschouwer
Senior Software Analyst,
Ticonderoga Securities



Aart de Geus
Chairman & CEO
Synopsys, Inc.



John Kibarian
CEO & President, Co-Founder
PDF Solutions



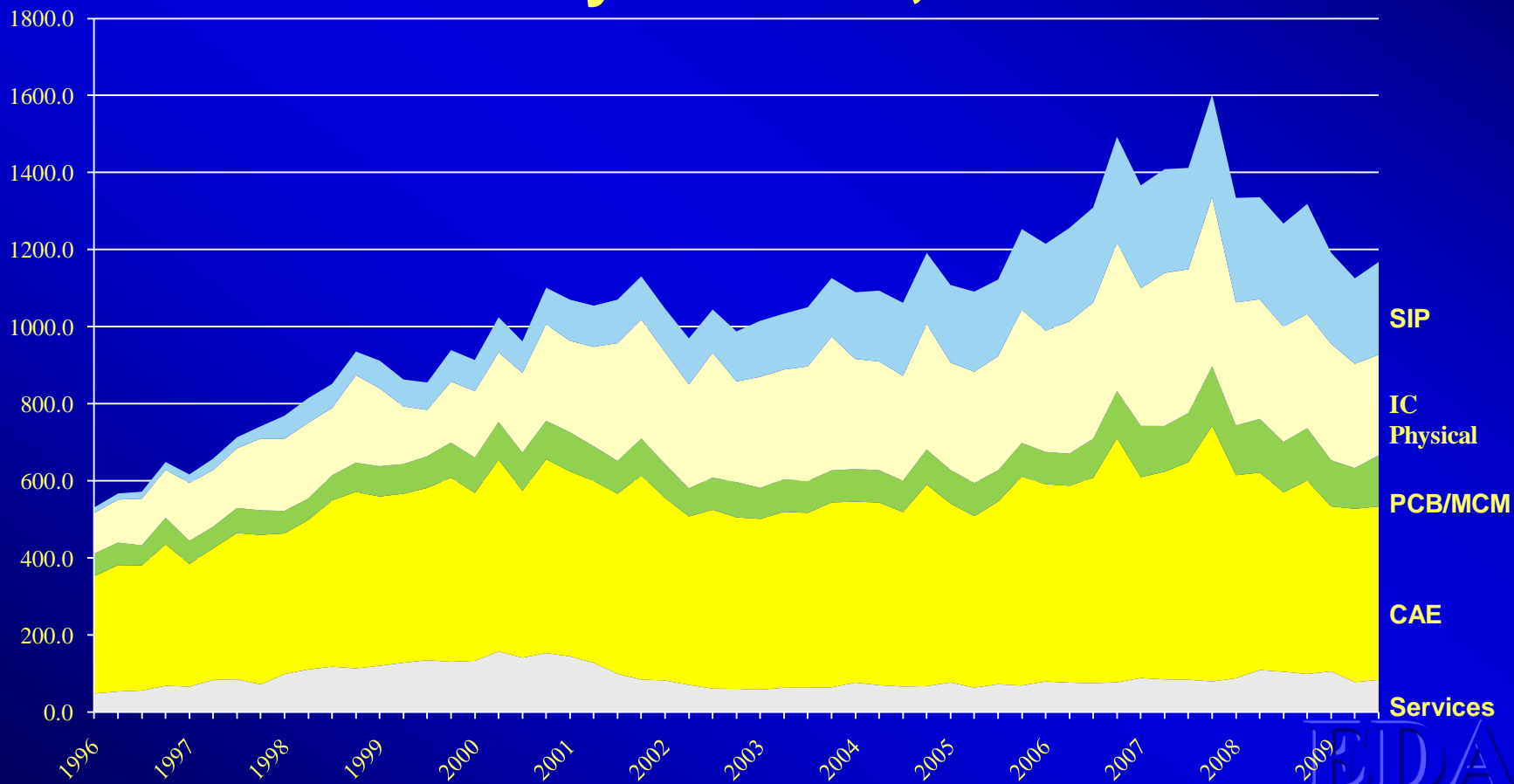
Walden C. Rhines
Chairman & CEO,
Mentor Graphics Corporation



Lip-Bu Tan
President & CEO,
Cadence Design Systems

MSS Report Shows Revenue Down 7.2% in Q3 2009 3.8% Sequential (Q3/Q2) Increase

MSS Quarterly Revenue, 1996 - 2009



Stock Price Contest

So how did you fare guessing industry revenue?

Stock Price Contest

Here were the stock prices for 5 public EDAC member companies at the close of CY 2008:

Company	12/31/2008	12/31/2009
Cadence	\$3.66	
Magma	\$1.02	
Mentor	\$5.17	
MIPS	\$1.11	
Synopsys	\$18.52	

Stock Price Contest

Here are those same 5 EDAC companies at the close of CY 2009:

Company	12/31/2008	12/31/2009
Cadence	\$3.66	\$5.99
Magma	\$1.02	\$2.31
Mentor	\$5.17	\$8.83
MIPS	\$1.11	\$4.44
Synopsys	\$18.52	\$22.28

If You Had Invested in EDA Last Year...

- **\$100 investment in each of the 5 companies on 12/31/2008**
 - \$500 total outlay
 - \$1,081.23 at the end of 2009
 - 116% ROI

	12/31/08	12/31/09		\$100
	Close	Close	Increase	Investment
Cadence	3.66	5.99	64%	\$163.66
Magma	1.02	2.31	126%	\$226.47
Mentor	5.17	8.83	71%	\$170.79
MIPS	1.11	4.44	300%	\$400.00
Synopsys	18.52	22.28	20%	\$120.30
				\$1,081.23
				116%

If You Had Invested in EDA Last Year...

- **100 share investment in each of the 5 companies on 12/31/2008**
 - \$2948 total outlay
 - \$4385 at the end of 2009
 - 49% ROI

	12/31/08	12/31/09	Initial	100
	Close	Close	Investment	Shares
Cadence	3.66	5.99	\$366	\$599
Magma	1.02	2.31	\$102	\$231
Mentor	5.17	8.83	\$517	\$883
MIPS	1.11	4.44	\$111	\$444
Synopsys	18.52	22.28	\$1,852	\$2,228
			\$2,948	\$4,385
				49%

Stock Price Contest

So who among you got the closest prediction?

Stock Price Contest

And the prize goes to...

Stock Price Contest

Peggy Aycinena
Editor
EDA Confidential

&

Yvette Huygen
Director, Worldwide PR & Corporate Affairs
Synopsys, Inc.

It's a tie!

Tell them what they've won!

Each has won a Bose® Quiet Comfort 15 Acoustic Noise Cancelling headphones...and bragging rights, of course!



2011 Stock Price Contest

**Predict the stock price for the following
5 companies at the close of CY 2010:**

Company	12/31/2009	12/31/2010
Cadence	\$5.99	
Magma	\$2.31	
Mentor	\$8.83	
MIPS	\$4.44	
Synopsys	\$22.28	

2011 Stock Price Contest

- The individual with the closest estimate receives a pair of Bose® Quiet Comfort 15 Acoustic Noise Cancelling headphones
- Winner will be announced at the 2011 CEO Forecast and Industry Vision



EDA Consortium Member Companies

Agilent Technologies

Apache Design Solutions

Arxan Technologies, Inc.

AsicSoft

Atrenta

AWR Corporation

Azuro

Bank of America

BEEcube, Inc.

Berkeley Design

Blue Pearl Software

Brion Technologies

Cadence Design Systems

Calypto Design Systems

Carbon Design Systems

ChipVision Design Systems

Ciranova

CoFluent Design Inc.

CoWare

Denali Software

DOCEA Power

EDA Centrum

ENOVIA

EVE-USA

Forte Design Systems

Gradient Design Automation

IC Manage

Intel Corporation

Jasper Design Automation

Lorentz Solution, Inc.

Luminescent Technologies

Magma Design Automation

Mentor Graphics Corporation

Mephisto Design Automation

MIPS

MP Associates

MunEDA GmbH

Nangate

OCP International
Partnership

OneSpin Solutions

PDF Solutions

Physware, Inc.

Pulsic Limited

Real Intent

Rocketick Technologies

Sagantec

Sigrity

SoftJin Technologies

Solido Design Automation

SpringSoft Inc.

Synfora Inc.

Synopsys, Inc.

SynTest Technologies

Tensilica

Tool Corporation

TSMC

Tuscany Design Automation

Silicon Integration Initiative

Sun Microsystems

Verific Design Automation

V.i. Laboratories

Virage Logic Corporation

EDA Consortium Events

Mar. 8-12, 2010	DATE	Dresden, Germany
Mar. 18, 2010	EDA/Semi Technology Mixer	Sunnyvale, CA
Apr. 15, 2010	Spring Meeting & Board Election	Silicon Valley, CA
Jun. 13-18, 2010	Design Automation Conference	Anaheim, CA
Oct. 12, 2010	Kaufman Award Dinner	Silicon Valley, CA

EDAC Biennial Board of Directors Election

- Nominations will remain open through **March 5, 2010**. To nominate your CEO, President or COO to serve on the corporation's board of directors, please contact the EDA Consortium for forms and additional information.
- Candidate statements will be made available on the EDAC website to the general public and all voting members after **March 11, 2010**.
- Polls open for voting member company representatives **April 1, 2010**.
- Polls close 5PM (PST) **April 15, 2010**.



Tonight's Panel



Jay Vleeschhouwer

Senior Software Analyst,
Ticonderoga Securities



Aart de Geus

Chairman & CEO
Synopsys, Inc.



John Kibarian

CEO & President, Co-Founder
PDF Solutions



Walden C. Rhines

Chairman & CEO,
Mentor Graphics Corporation



Lip-Bu Tan

President & CEO,
Cadence Design Systems



**EDA Consortium
Annual CEO Forecast Panel
Jay Vleeschhouwer
Senior Software Analyst
Ticonderoga Securities**

Jay Vleeschhouwer

212-906-7466, jvleeschhouwer@ticonsec.com

General Disclosures

This report has been prepared by Ticonderoga Securities LLC, by the specific legal entity named above. Where this report has been approved for distribution in the US, such distribution is by either: (i) Ticonderoga Securities LLC; or (ii) other Ticonderoga Securities LLC companies to US Institutional Investors and Major US Institutional Investors only; or (iii) if the report relates to non-US exchange traded futures, Ticonderoga Securities LLC. Ticonderoga Securities LLC, accepts responsibility for this report in the US. Any US persons wishing to effect a transaction through Ticonderoga Securities LLC (a) in any security mentioned in this report may only do so through Ticonderoga Securities LLC, telephone: (212) 906-7500; or (b) in a non-US exchange traded future may only do so through Ticonderoga Securities LLC, telephone: (212) 906-7501.

Any forecasts or price targets shown for companies and/or securities discussed in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the subsequent transpiration that underlying assumptions made by Ticonderoga Securities LLC or by other sources relied upon in the report were inapposite. The material herein is based on sources that we consider reliable, but it is not guaranteed to be accurate or complete. It is published for informational purposes only and should not be construed as an offer, or the solicitation of an offer to buy or sell any security. Prices and opinions expressed herein are subject to change without notice, and Ticonderoga Securities LLC is under no obligation to update or keep the information current. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors.

The relevant research analyst(s) named on this report may not be registered / qualified as research analysts with FINRA if they are not associated persons of the Ticonderoga Securities LLC and therefore may not be subject to the FINRA Rule 2711 and Incorporated NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification

The relevant research analyst(s), as named on the front cover of this report, certify that (a) the views expressed in this research report accurately reflect their personal views about the securities and companies mentioned in this report; and (b) no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by them contained in this report.

Rating Definition:

Ticonderoga Securities LLC assigns research equity ratings of Buy, Hold or Sell. Buy ratings reflect an estimated increase in share price of 15% or more. Hold ratings reflect a variation in share price between a 15% appreciation and a 15% decline. Sell ratings reflect an estimated underperformance and a decrease in share price of 15% or more. Except where noted, all ratings indicate expected performance over the next 12-months.

Buy: 12 months, estimated 15% or more appreciation.

Hold: 12 months, between 15% appreciation and 15% decline expected.

Sell: 12 months, estimated 15% or more decline.

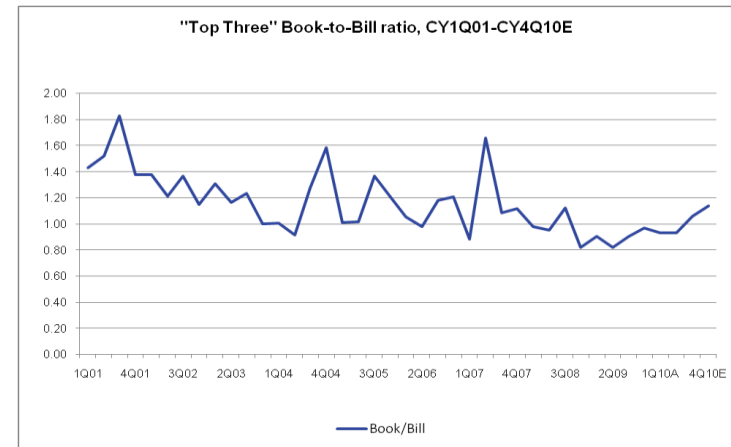
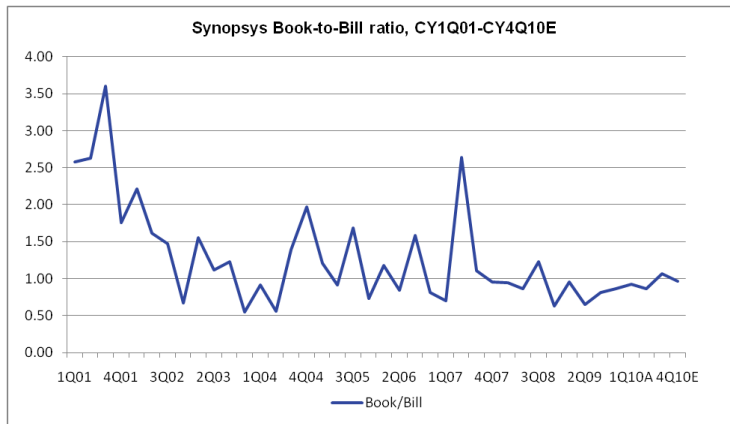
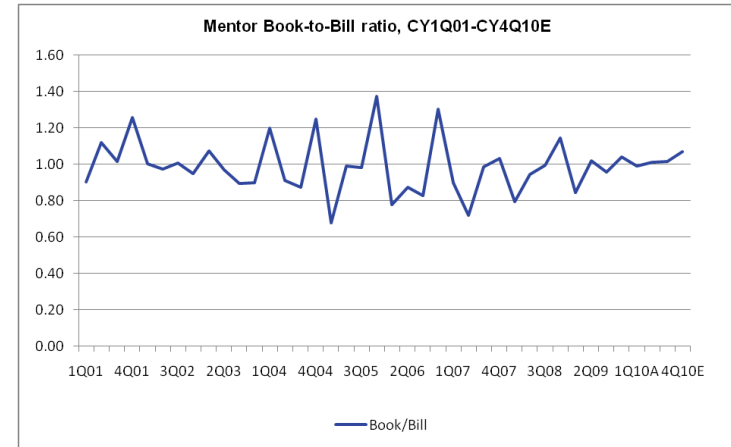
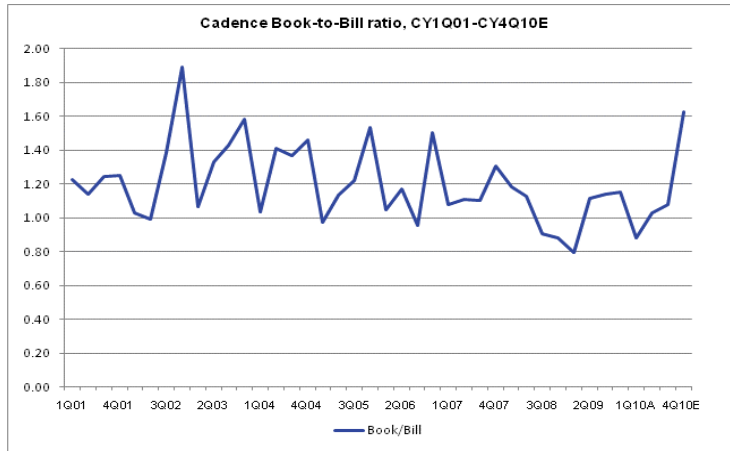
EDA Consortium Annual CEO Panel

- We estimate that EDA industry revenues declined in 2009 by 10% to ≈\$4.15 billion
- The industry has declined for two consecutive years, from cyclical and license model effects.
- We are estimating 2010 industry growth of 3%-4% to ≈\$4.27-\$4.33 billion.
- Semiconductor R&D spending appears to have been down by about 7% in 2009; we estimate such spending could be back up in 2010 by about mid-single digit rate.

EDA Consortium Annual CEO Panel

- We estimate that the cumulative product bookings for the three leading suppliers during 2007-2011 will be about \$12.1 billion, for an annual combined average of about \$2.43 billion, as compared with an annual average of about \$2.33 billion for the preceding 2000-2006 period.
- The bookings forecast corresponds to an expectation of up to mid-single-digit growth for the industry, or at least for the three companies that comprise three-fourths of EDA.

EDA Consortium Annual CEO Panel



Source for all charts: Company Data and Ticonderoga Securities Estimates

EDA Consortium Annual CEO Panel

- For 2009, we estimate that the combined non-GAAP operating profitability of the three largest EDA suppliers was about \$391 million, or 13% of their combined revenues. The combined margin was slightly better than in 2008, owing to the cost and expense reductions (at Cadence especially).
- For 2010, we estimate that the combined non-GAAP operating profitability of the three largest EDA suppliers will be about 15.4% of their combined revenues.

Risks and Valuation

CDNS Risks: include better or worse than expected industry conditions; better or worse than expected bookings and product adoption; better or worse than expected share gain; or, better or worse than expected margin leverage.

MENT Valuation and Risks

While MENT does not have proportionately as much of its estimated revenues in backlog as do its peers, we like its positioning in several key EDA applications, which we believe should aid bookings growth, and in turn reported revenues and margins over the next two to three years. We could foresee MENT's trading up to the mid-point of an historical Technical Software EV/sales range of 1x-2x, implying a price target of \$13. The risk factors include macroeconomic conditions; semiconductor industry conditions; the timing, size, and recognition of large contracts; the development, timing, and adoption of new products; competition; and integration of acquisitions.

SNPS

Risks: include better or worse than expected industry conditions; better or worse than expected bookings and product adoption; better or worse than expected share gain; better or worse than expected margin leverage; or better or worse than expected cash flow.

EDAC CEO Forecast Panel

February 18, 2010

Lip-Bu Tan

President and CEO

Cadence



THEN AND NOW

90s

PRODUCTIVITY
POINT TOOLS

2000s

PRODUCTIVITY
PLATFORMS

NOW

WHAT'S NEXT?

SURVIVAL

\$100M

FOR NEW
PROJECTS

80M

UNITS SHIPPED
FOR PROFITABILITY

LOW

CHANCE OF
PROFITABILITY

Source: Semico

THE NEXT FRONTIER

90s

PRODUCTIVITY
POINT TOOLS

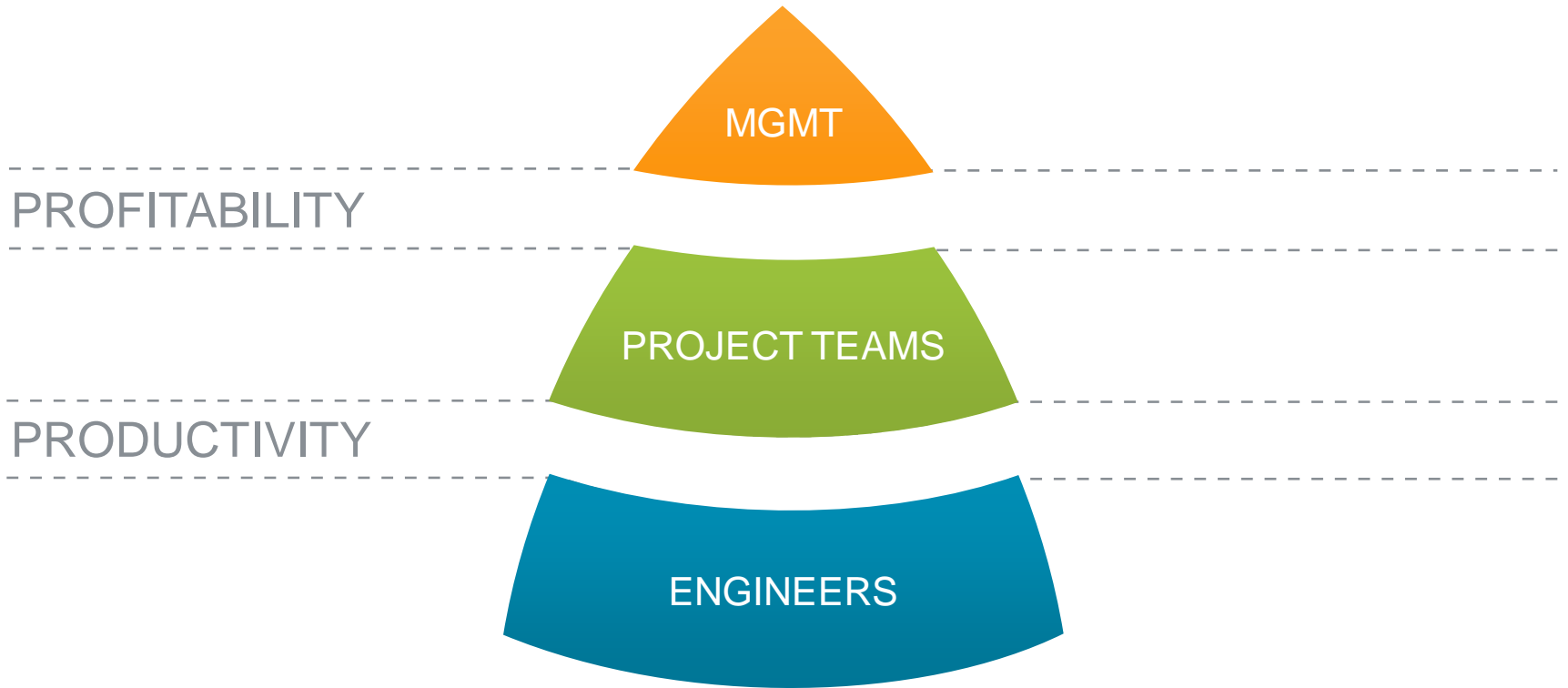
2000s

PRODUCTIVITY
PLATFORMS

NOW

~~PRODUCTIVITY~~
PROFITABILITY

BEYOND PRODUCTIVITY



BEYOND PRODUCTIVITY



TO WIN

Enable customers to:

Close the gap between productivity and profitability

Speed time-to-profit

Increase team productivity

Manage unit and design cost

Manage to specifications



EDA Consortium CEO Forecast Panel

February 18, 2010

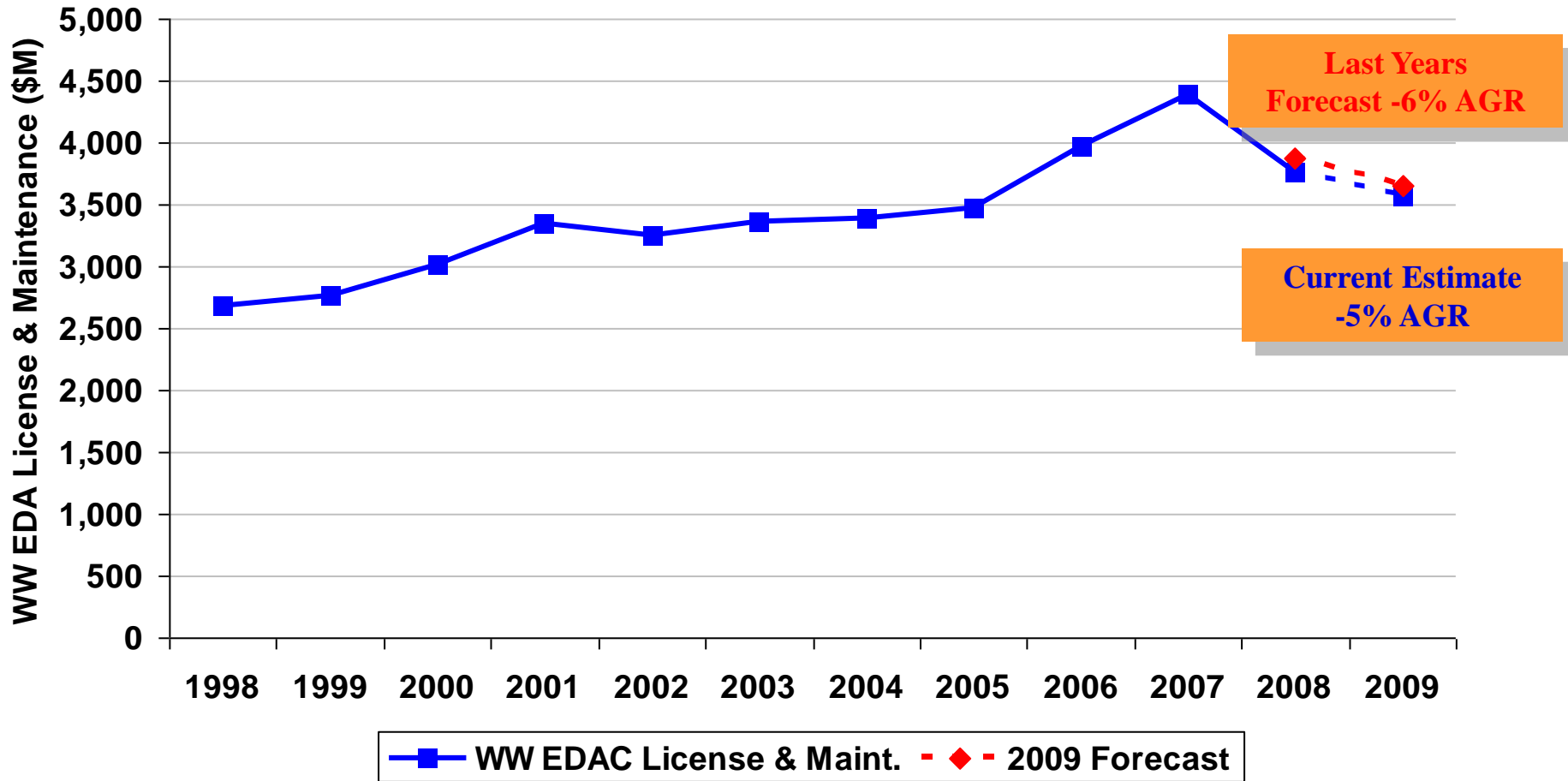
Walden C. Rhines
CHAIRMAN & CEO

**Mentor
Graphics®**

Impact of the 2009 Worldwide Recession on the EDA Industry?



Last Year's Forecast for 2009

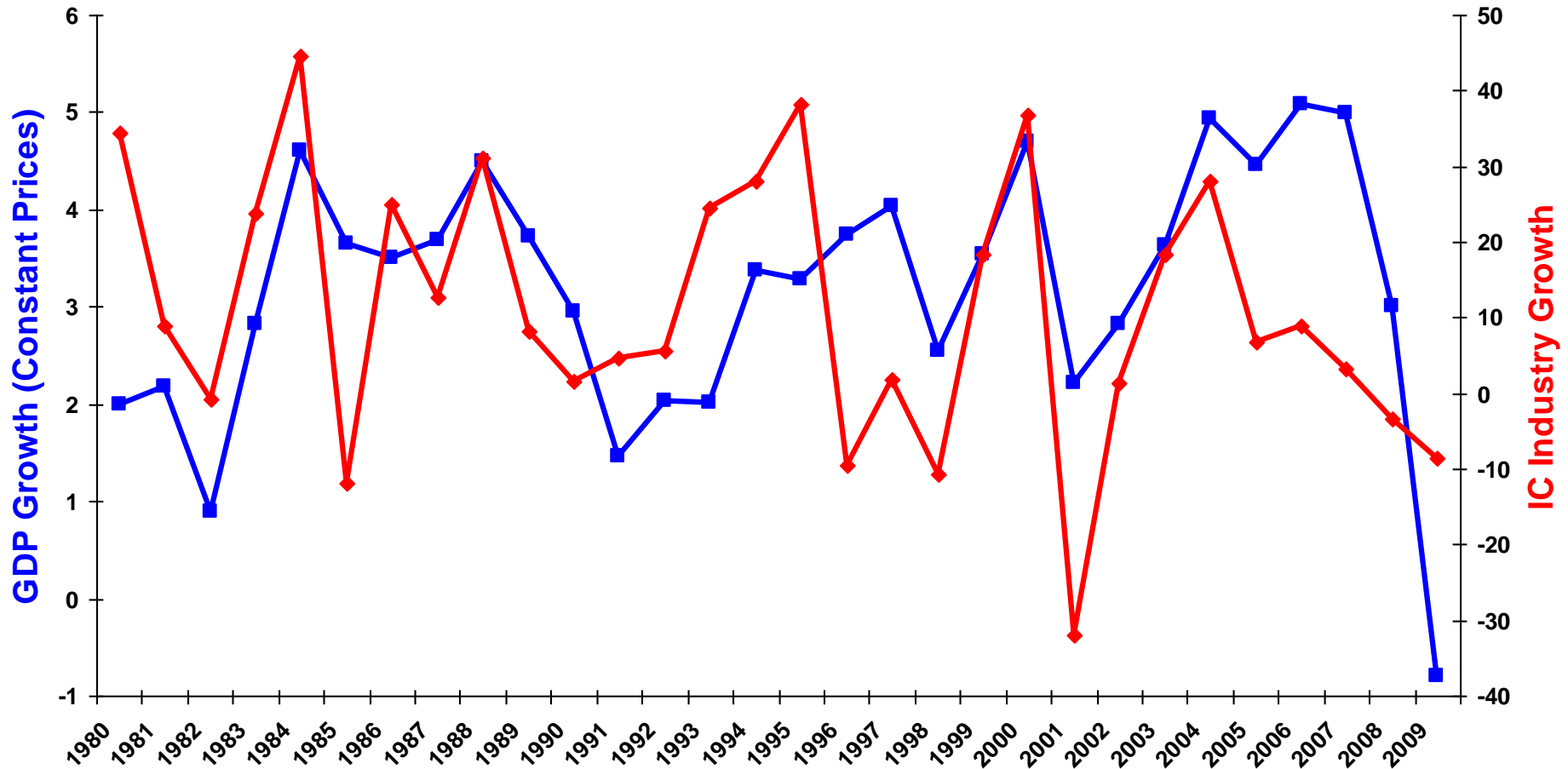


Source: EDAC Market Statistics, Financial Analyst Consensus for Companies not yet reporting & MGC analysis

Last Year's Summary Slide

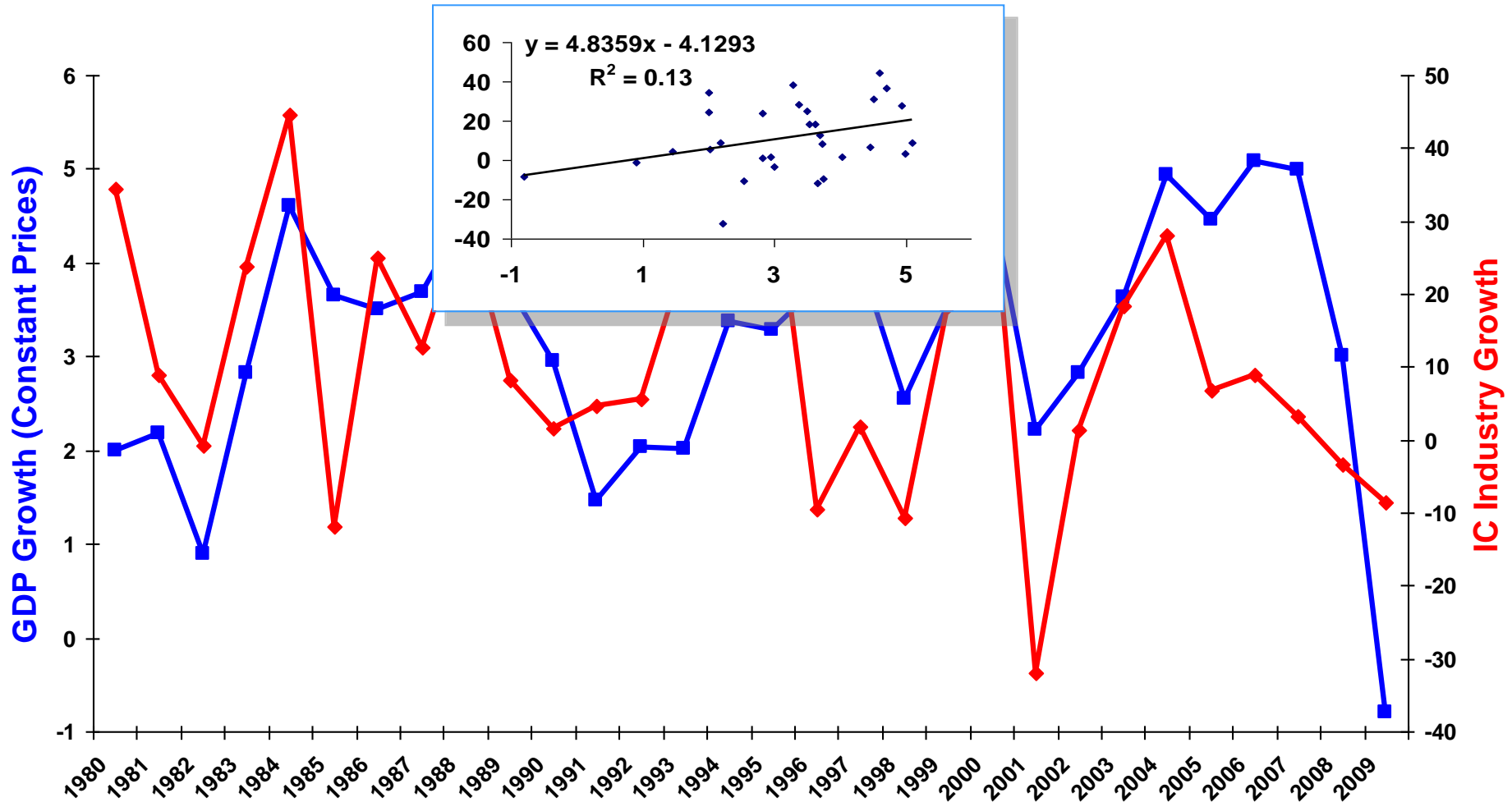
- **2008 will be the first year in history that the “intrinsic” growth of the EDA industry has been negative (i.e. -1%)**
- **Most likely EDA market growth in 2009 is -6%, including an 8 pt negative impact of revenue recognition policy change**
- **Because electronics companies must continuously develop new products, negative impact of the semiconductor recession on EDA will be modest**

World Economy vs. IC Chip Industry



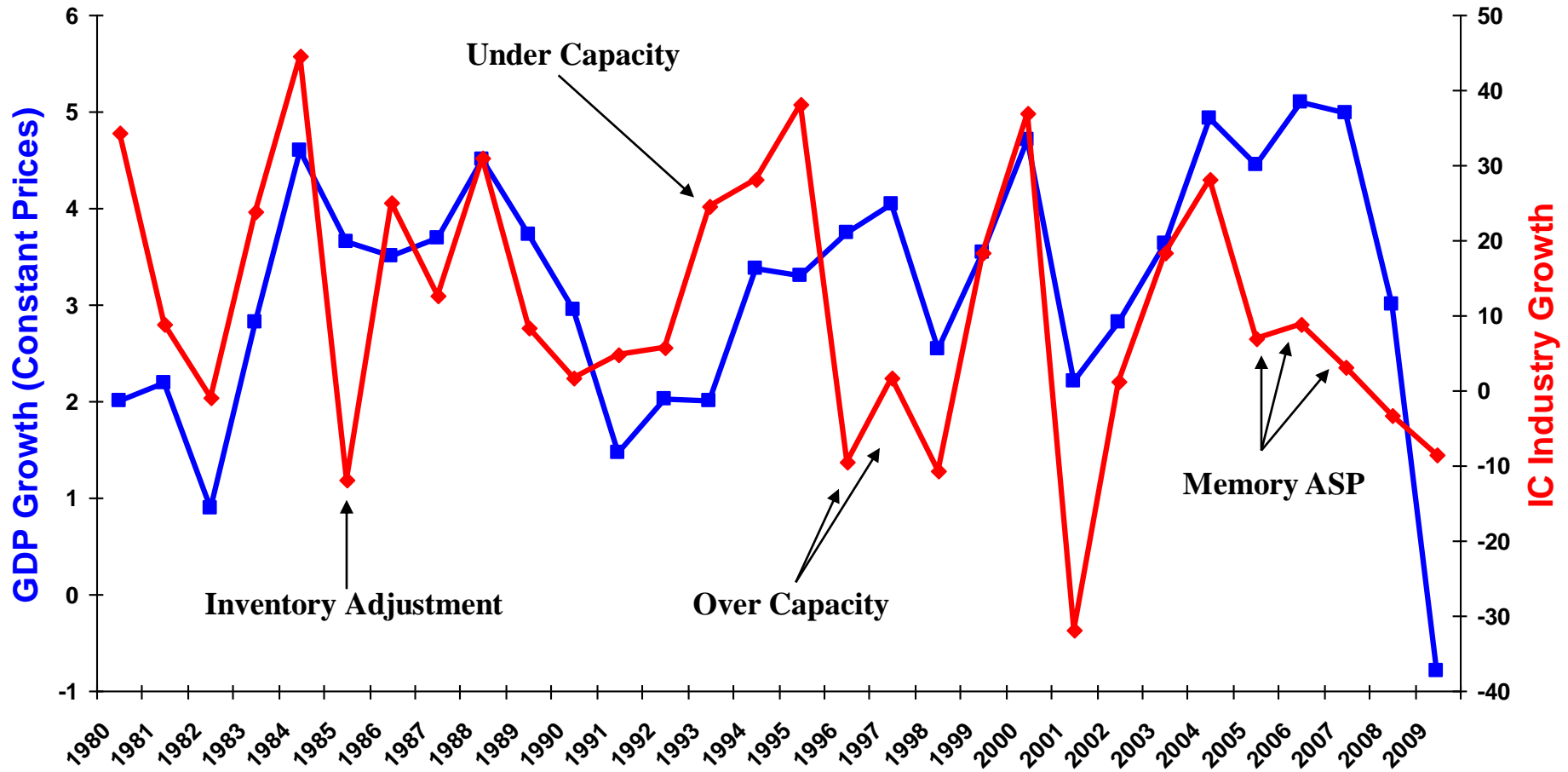
Source: Mentor Graphics, IMF World Economic Outlook Database Update, 1/26/2010, VLSI Research & IC Insights

World Economy vs. IC Chip Industry



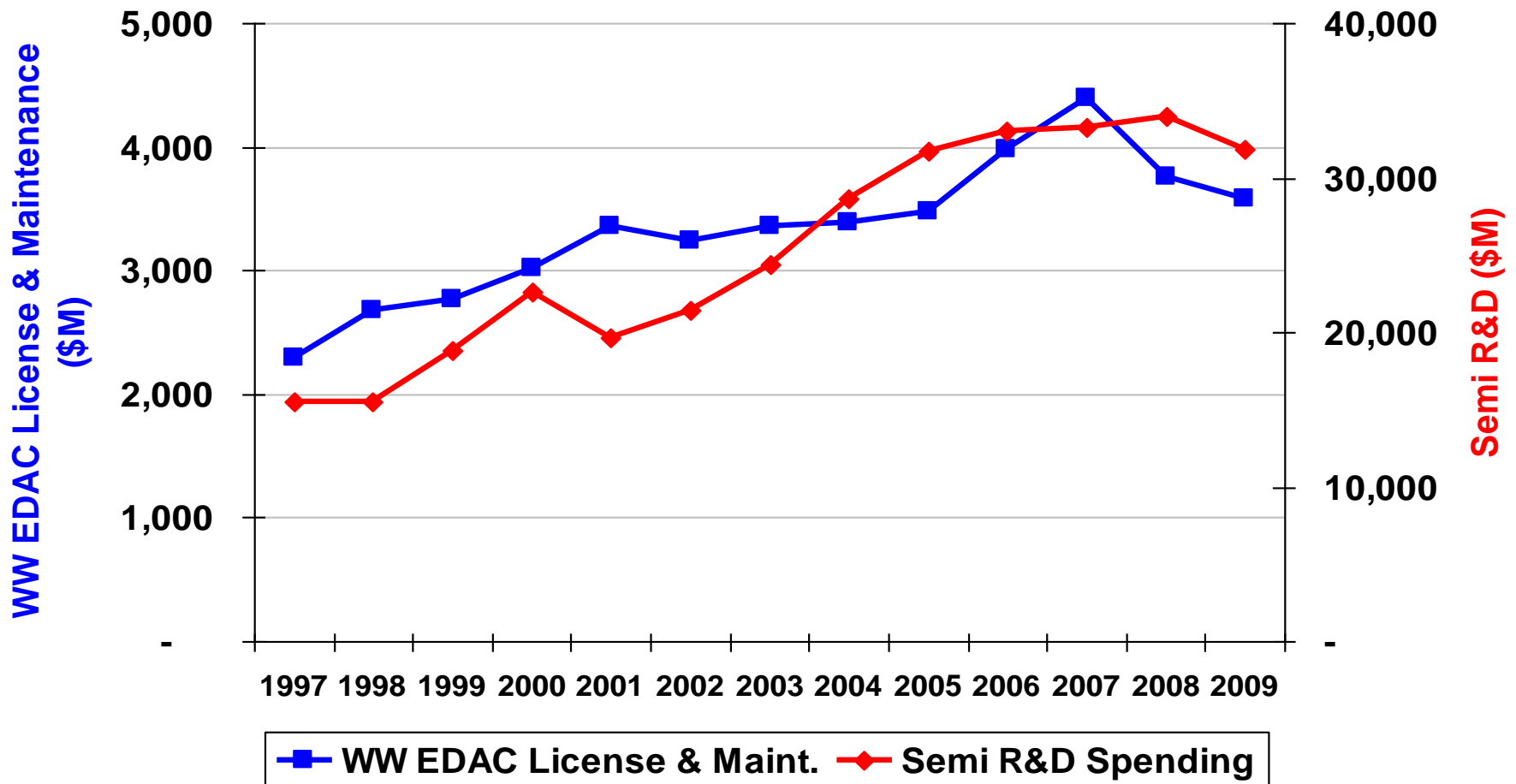
Source: Mentor Graphics, IMF World Economic Outlook Database Update, 1/26/2010, VLSI Research & IC Insights

World Economy vs. IC Chip Industry



Source: Mentor Graphics, IMF World Economic Outlook Database Update, 1/26/2010, VLSI Research & IC Insights

Worldwide EDA License & Maintenance vs. Semiconductor R&D Spending

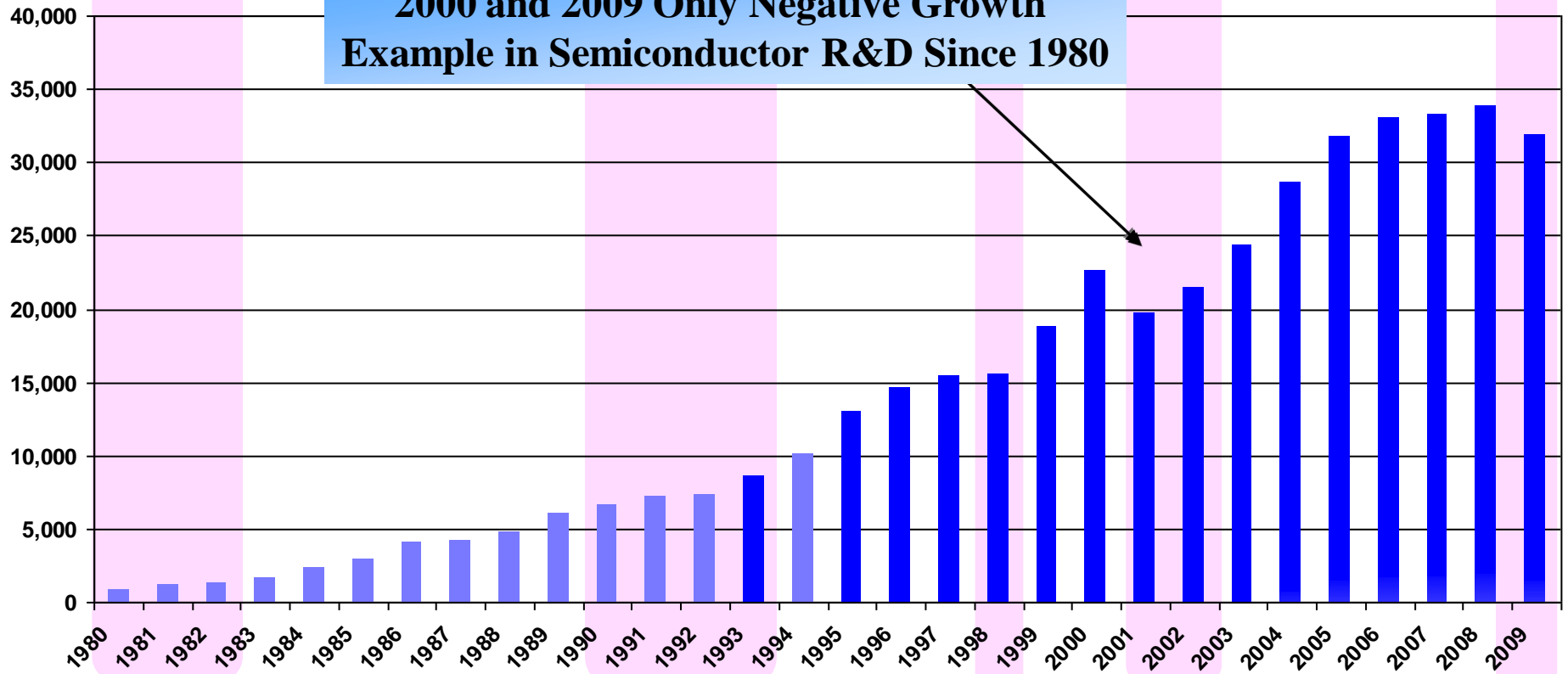


Sources: EDA revenue from EDAC Market Statistics & Semi R&D from VLSI Research; Mentor Graphics Analysis

Worldwide Semiconductor R&D History

International Monetary Fund Defined Global Recessions
(GDP Growth Lower Than 3%)

2000 and 2009 Only Negative Growth
Example in Semiconductor R&D Since 1980



Source: IMF & VLSI Research, Mentor Graphics Analysis

Mentor Graphics®

www.mentor.com



2010: In Search Of Answers

EDAC Panel Presentation – John Kibarian

Discussion document
PDF Solutions Confidential

This document and its contents are solely for the use of PDF Solutions and the client. Any reproduction or use of this material outside of the client organization without the written consent of PDF Solutions is prohibited.

2010: In Search of Answers

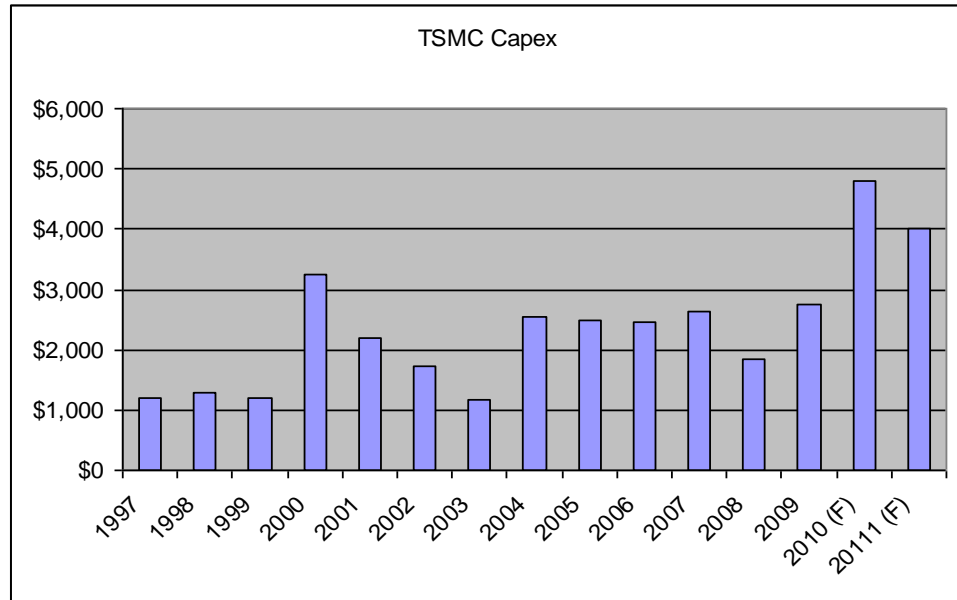
- **Are we over shooting logic capacity or is this growth sustainable?**

- **What flavor of 28nm technology will win?**
 - Which will address the variability crisis?
 - What does it mean for designers?

Are We Overshooting Capacity or is this Growth Sustainable?

TSMC

"2010 capital expenditure to be around US\$4.8 billion"
Jan 29, 2010



Global Foundries

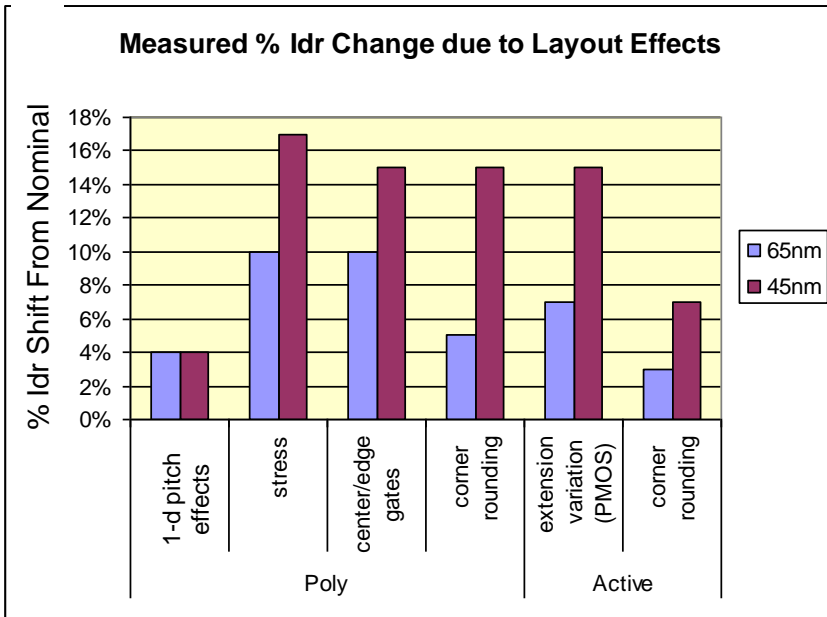
"THE COMPANY HAS US\$10 BILLION IN FINANCIAL COMMITMENT FROM INVESTORS TO SUPPORT ITS EXPANSION PLANS.

THE COMPANY SAID IT AIMS TO EXPAND ITS PRODUCTION CAPACITY TO 1.6 MILLION 300-MILLIMETER WAFERS ANNUALLY BY 2014, ROUGHLY 2.5 TIMES ITS CURRENT CAPACITY"

-Wall Street Journal, Jan 12, 2010

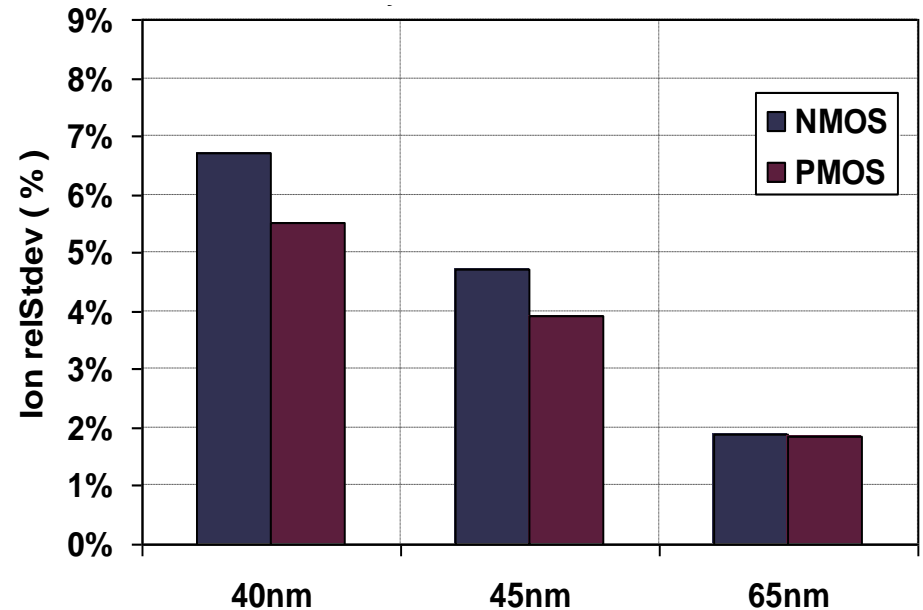
What Flavor of 28nm Technology Wins?

45/65 nm PMOS Measurement Layout Dependency



Source: PDF

40/45/65 nm Random Variability



Source: PDF

Implications of Escalating Layout Dependent and Random Variability:

- SRAM sensitivities are causing delays at 45/40, and will be showstoppers at 32/28 without HKMG
- SPICE model accuracy is inherently flawed due to layout dependencies
- Leakage power and Vth variability problems are becoming exponentially more severe
- Process readiness assessments failing to cover complexity of design space being used

Dr. Aart de Geus

Chairman and CEO
Synopsys, Inc.