EDA & IP Funding and Valuation in Today’s Market

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Who Are We?

- **Improv History**
  - Configurable VLIW architecture to create application-specific processors
  - $30M in overall funding; angels and customers; no traditional VC
  - Started 1997, survived downturn, profitability
  - ‘Big’ customers (Philips, ST), ‘Little’ customers (startups), strategic customers (ASIC houses)

- **Is Improv an IP company?**
  - RTL IP – Configurable DSP processors, integration IP, RTL Generators
  - Tool Suite – ‘Composer’ Tool, Software Chain (compiler, ISS, Debugger, …)
  - Application Solutions – application software, firmware, application-specific RTL and processors
  - Evaluation Boards

- **What is an IP company?**
  - Value – Time To Market? Lower Development Costs? Product Differentiation?
EDA Doesn’t Get IP

<table>
<thead>
<tr>
<th>Myth</th>
<th>Reality</th>
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<tr>
<td>All IP is created equal (okay, maybe there is commodity IP and ‘star’ IP)</td>
<td>Many types including configurable, programmable, application-specific, software, verification, interface, commodity, …</td>
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<td>The best EDA IP strategy is to use IP to help sell more EDA tools</td>
<td>IP drives today’s design methodology and adds significantly more value than EDA tools to design teams</td>
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<td>A couple of good IC designers and you have an IP company</td>
<td>Developing, selling and supporting today’s IP is as (or more) complex than EDA tools</td>
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<td>Arm is a good model for IP companies</td>
<td>The IP market has changed significantly since ARM started</td>
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<td>Verification IP is hot!</td>
<td>Verification is a crisis issue but compliance to protocol standards isn’t the crisis</td>
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- There is a new design methodology for chips combining IP, embedded software, application-specific customization and rapid integration that is just not well supported by EDA today
Funding, Valuation and Exit

- **Choosing the Best Path to Money**
  - Who can create more value in a chip
  - Who solves the real problems in design today (differentiation, performance/power, chip cost)
  - Who is hard to ‘design out’ with other solutions

- **Challenges in Valuation of IP Companies**
  - Today the only real exit strategy is into semiconductor companies
  - There really is no IP industry: no multi-product companies, fragmentation of players, little standardization
  - Investment community overly focused on royalties; royalties are high-risk (low percentage of designs succeed in market) and increase time-to-revenue

- **EDA and IP Belong Together**
  - The chip market is changing – self-contained projects that have ‘development’ budgets that include tools, IP and services
  - EDA is no longer innovating in design (only implementation); the new design methodology is IP-centric, software-centric and application-specific
  - Business models in transition – balance between upfront fees, support/service, tool subscriptions and royalties