

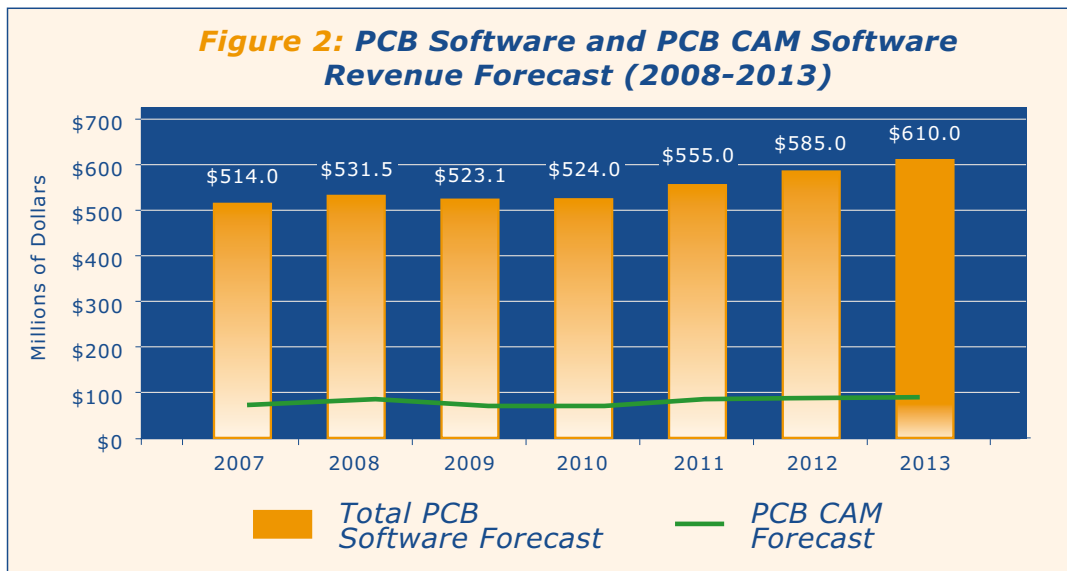
Mentor’s acquisition of Valor reflects an increasing verticalization of the PCB design to manufacturing market. PCB is one of the most mature segments of the EDA industry. Where it once accounted for the largest segment of EDA revenue, it now represents less than 10% of total EDA revenue. Today there are primarily 4 vendors of PCB design software: Mentor Graphics, Cadence, Zuken and Altium. All have grown through both internal development and acquisitions. The table below (see Figure 1) shows a few of the acquisitions that have happened in the PCB market over the past few years.

Figure 1: Some acquisitions in the PCB Market

Acquirer	Acquisition Target
Mentor	PADS, Veribest
Cadence	OrCAD
Zuken	Racal-Redac
Altium	Accel

Source: Gary Smith EDA, SEC Filings

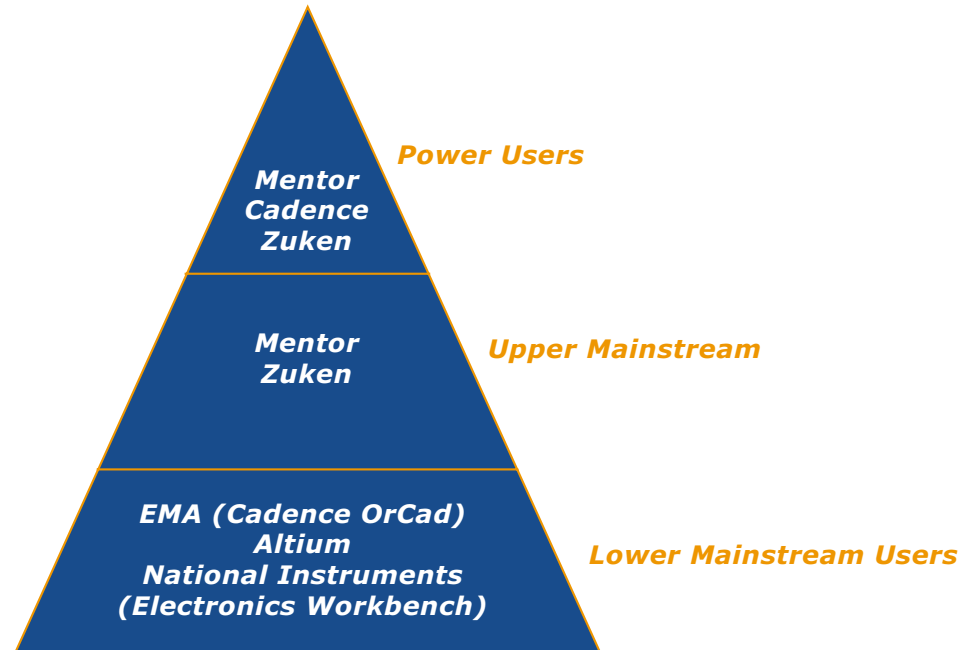
The PCB CAM market consists of vendors who offer tools for fabrication, assembly and test. These are used to automate the design to manufacturing process. Valor is the leading vendor in the market and also has a joint venture with Orbotech. According to GarySmith EDA’s latest PCB market trends (see Figure 2 below), the PCB CAM market was \$75.5M in 2008, with Valor being the market leader with 46% of the total.



Source: GarySmithEDA, September 2009

Over the years Mentor has invested in PCB design (layout) and analysis software. Mentor's PCB software is targeted at both mainstream and power users in the PCB market (see Figure 3).

Figure 3: PCB User Segmentations



Source: GarySmithEDA, 2009

The recent acquisition of Valor suggests that Mentor is building a vertically integrated stack for the PCB market, targeted at addressing the complete workflow, from layout to manufacturing. While the acquisitions may not be much in revenue terms, the design advantages they offer may provide a much bigger payback.