

January 7, 2011

Market Outperform / Speculative Risk

Initiate with Market Outperform and Price Target of \$25

MARKET DATA 1/6/2011

Price	\$22.78
Exchange	NASDAQ
Target Price	\$25.00
52 Wk Hi - Low	\$24.00 - \$10.37
EV(MM)	\$399.3
Market Cap(MM)	\$501.3
Shares Out (MM)	22.0
Avg. Daily Vol	361,683.0

BALANCE SHEET METRICS

Cash (MM)	\$100.6
Total Debt/Total Equity	0.00%
Debt/Capital	NA
Price/Book Value	3.2x
Book Value/Share	\$7.23

EARNINGS DATA (\$)

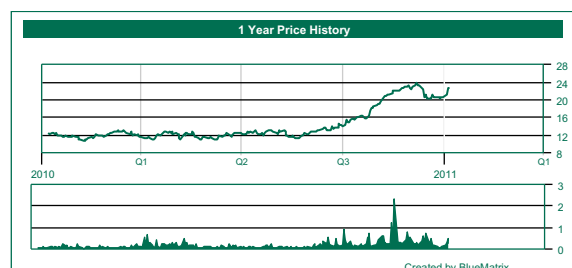
FY - Dec	2009A	2010E	2011E
Q1 (Mar)	0.11	0.12A	0.17
Q2 (Jun)	0.08	0.12A	0.17
Q3 (Sep)	0.12	0.14A	0.17
Q4 (Dec)	0.11	0.16	0.19
Full Year EPS	0.42	0.54	0.69

VALUATION METRICS

Price/Earnings	NM	42.2x	33.0x
Y/Y EPS Growth	31.2%	28.6%	27.8%

INDICES

DJIA	11,697.3
SP-500	1,273.8
NASDAQ	2,277.5
Russell 2000	791.4



A dominant DSP IP licensor

CEVA has over 15 years of experience in DSP core licensing, providing solutions to leading semiconductors worldwide. CEVA has about 80% market share in both DSP licensing revenue and licensable DSP unit shipments. Third-party IP licensors like CEVA are well positioned to monetize the increasing trend of OEMs licensing DSPs. CEVA estimates the market opportunity at 1.7 billion units by 2012 spread across handsets, netbooks, laptops, e-readers, MIDs, and machine-to-machine connectivity.

Gaining market share in the mobile handset market

CEVA derives almost 70% of revenues from handset markets. The company's DSP cores powered more than one in every four mobile handsets that are sold worldwide. The company's market share in the overall handset DSP market has expanded from 13% in 2Q2008 to 33% in 2Q2010, and is likely to exceed 50% by 2012, as its customers gain traction in emerging markets like China and India.

Addressable Market Expansion

With Nokia's move to merchant solution strategy and TI's intent to exit the merchant baseband business, Ceva's addressable market in the 2G/2.5G handset market has expanded. An additional tailwind is the overall industry transition from ASICs to ASSPs and FPGAs. Ceva is well positioned to leverage this opportunity through its distinct products.

CEVA's early entrant advantage in 4G/LTE market

CEVA has almost a dozen 4G wins for its CEVA-XC processor at major handset OEMs including Samsung and LG. CEVA remains well positioned to monetize the estimated 300 million LTE connections forecasted by 2015.

CEVA's market opportunity beyond mobile handsets

Multimedia devices present another leg of growth with increase in consumer demand for high, video quality and enhanced functionality applications. The worldwide portable multimedia and application processors market is expected to grow compounded annually at over 15% and reach an estimated 50 billion wireless devices by 2020.

Strong Balance Sheet

Cash and cash equivalents stand at \$23.1 MM with no leverage. With strong operational cash flow, working capital requirements are low. Current assets are at \$113.5 MM, of which cash & cash equivalents accounted for 90%.

Valuation

Our DCF methodology assumes that revenue growth will moderate from current levels of high teens to the low teens. We believe that operating margins will stabilize around the high 20s. Using conservative cost of capital of 11% yields a DCF fair value of \$25.

Company Description

CEVA Inc. (NASDAQ:CEVA) specializes in DSP cores and SIP platform solutions for the semiconductor industry, used in the handset, portable and consumer electronics markets. The company's offerings include a portfolio of DSP cores (CEVA DSP cores), associated subsystems (CEVA DSP-based subsystems) and voice (VoIP), Bluetooth and serial storage technology-SATA and SAS (CEVA application-specific platforms). The company licenses its products to the semiconductor industry and original equipment manufacturers (OEMs), which incorporate CEVA's Intellectual Property (IP) into application-specific standard products ("ASSPs") and application-specific integrated circuits ("ASICs"). CEVA generates revenues primarily through licensing (48.8% in FY09), royalties (42.2% in FY09), and others. The company has a strong presence with a global spread of offices across Europe, Middle East (EME 46.4% of revenue in FY09), Asia-Pacific (APAC 38.1% of revenues in FY09), and the U.S. (15.5% of revenues in FY09). Leading consumer electronics and semiconductor companies like Beceem, Broadcom(BRCM, Not Rated), Ericsson(ERIC), Freescale, Infineon(IFXA, Not Rated), Intersil(ISIL, Not Rated), Marvell(MRVL, Not Rated), Mediatek, Mindspeed(MSPD, Not Rated), NXP, Renesas, Samsung, Sharp (SHCAY, Not Rated), Solomon Systech (SYILF, Not Rated), Sony(SNE, Not Rated), Sequans, Spreadtrum(SPRD, Not Rated), ST Ericsson, Sunplus, VIA Telecom and Zoran (ZRAN, Not Rated) use Ceva's technologies.

CEVA was incorporated in Delaware as DSP Cores, Inc. on November 22, 1999. The company changed its name to ParthusCeva, Inc. during November 2002 and then to CEVA, Inc. on December 2003.

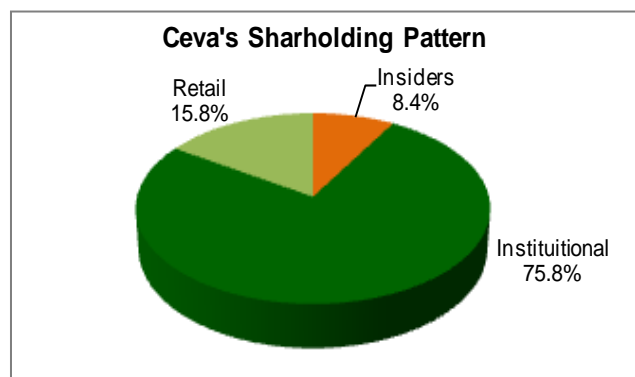
Capital Structure

The company's common shares trade on the NASDAQ Global Market under the symbol "CEVA" and on the London Stock Exchange under the symbol "CVA".

As of November 5, 2010, CEVA had about 22.0 million common shares outstanding. Based on the market price of \$21.17/share, as of January 3, 2011, the market capitalization was \$465.8 million. According to CEVA's latest Schedule-14A filing, the company's directors and executive officers own about 8.4% (or 1.9 million) of total outstanding common shares. The Chairman Peter McManamon, Director Sven-Christer Nilsson, and CEO Gideon Wertheizer held 2.7%, 1.2%, and 1.4%, respectively of total outstanding common shares as of March 8, 2010. About 89 institutional investors accounted for ~75.83% of total outstanding common shares, as per NASDAQ's filings on September 9, 2010. Bloomberg reports a free float of 21.1 million common shares, as of January 2, 2011. The company held about \$0.2 million in shareholders' equity and has no debt, as of September 30, 2010.

Top- Five Institutional Shareholders	
Institutional Holders	Holding (%)
Fidelity Management	11.94%
Janus Capital Management LLC	11.18%
Marxe Austin W & Greenhouse David M	10.57%
Whitman Capital Inc.	4.73%
Disciplined Growth Investors INC	4.51%

Source: Bloomberg, Company Filings

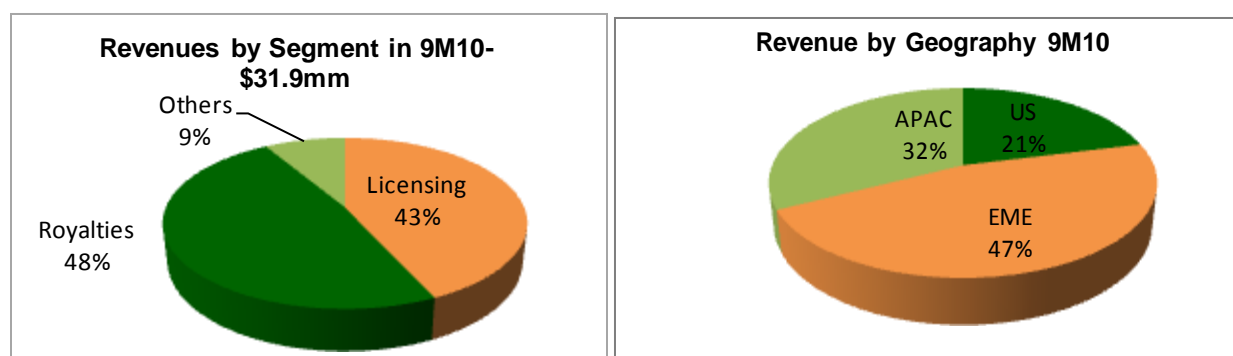


Products Summary

CEVA Inc. (CEVA) is a leading licensor of DSP cores and SIP platform solutions for the semiconductor industry. The company's IP solutions are deployed in consumer electronic devices like portable multimedia (video players, mobile TVs, personal navigation devices, and MP3/MP4 players), handsets (GSM/GPRS/EDGE/WCDMA/LTE/ WiMAX, CDMA and TD-SCDMA), home entertainment (DVD/Blu-ray players, set-top boxes and digital TVs), mobile broadband (netbooks, eReaders, mobile Internet devices, tablets, and smart metering equipment), telecommunication devices (residential gateways, femtocells, VoIP phones, network infrastructure), game consoles (portable and home systems) and storage (hard disk drives and solid storage devices (SSD)). CEVA offers a portfolio of DSP cores, system-on-chip (SOC) platforms, application platforms, and hardware tools and services.

CEVA operates a per-unit royalty and licensing business model. The company licenses its technology to OEMs and semiconductor companies and charges a fee for accessing the technology. The revenue mix consists of license fee invoiced as per contractual agreements, royalty fee charged for each unit of silicon that incorporates CEVA's technology. Royalties are invoiced one quarter in arrears and are a percentage of the sales price of the CEVA-based silicon product, or a fixed unit rate. CEVA generated 42% of revenues from licensing and 49% through royalties, as of 3Q10. Revenue contributions from the EME, APAC, and US operations were 46%, 32%, and 21%, respectively, as of 3Q10. CEVA generated substantial revenues through DSP cores, primarily CEVA-X family (40%), CEVA TeakLite (35%), and CEVA Teak (13%), as of FY09.

Source: Company Reports, RODM Research



Company Analysis

A dominant player in DSP IP Licensing

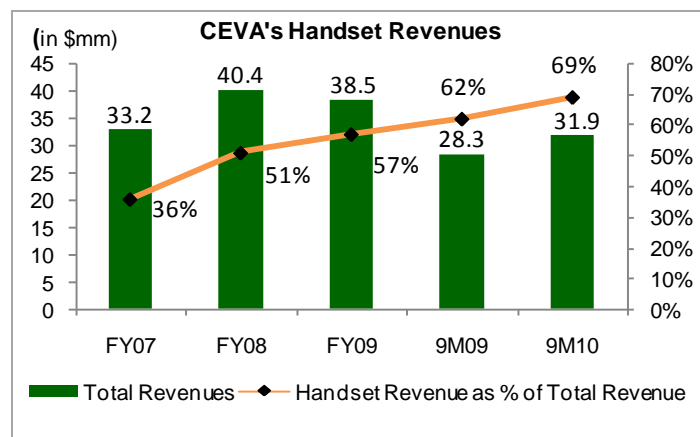
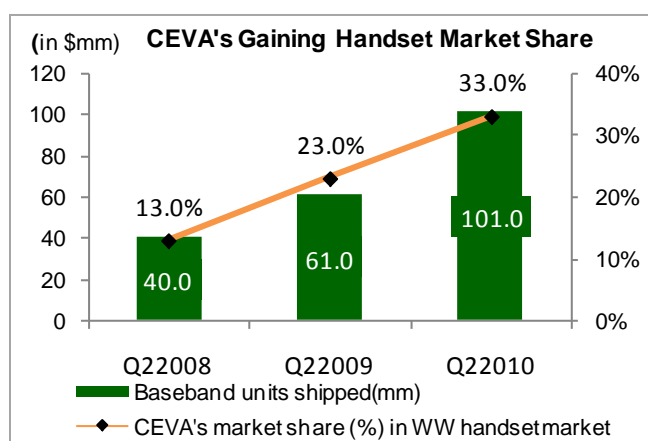
Ranked sixth in overall semiconductor IP design, CEVA is a leading licensor of silicon intellectual property (SIP) for the mobile handsets, portable and consumer electronics markets. For >15 years, the company has addressed the licensing needs of DSP cores, subsystems (hardware component with DSP cores), and platforms for semiconductor OEMs. CEVA's DSP cores are deployed in applications that range from narrow-band speech to digital communications (wireless and wireline), broadband, multi-media (audio/video), software-defined radios, and communications infrastructure. Mobile phones are currently the largest end-market applications for core revenues, while AV/digital media applications represent a substantial portion of CEVA's applications platform sales.

CEVA is now ranked the largest licensor of DSP IP, garnering 78%, and 80% market share in DSP licensing revenue and licensable DSP unit shipments in 2009 respectively, based on Linley research. During the first nine months of 2010, its licensees topped this figure, shipping 389 million chipsets. Customers' strong clientele base (Nokia and Samsung) help CEVA to leverage its position in the licensable DSP arena.

OEMs are facing R&D budget choices due to longer product-introduction cycles and alterations in technology platforms in some markets. As a result, OEMs are compelled to choose programmable external DSP by licensing CEVA's solutions. However, adoption of the licensing model is yet to take off, signaling potential licensing opportunities for CEVA. For instance, Broadcom licensed baseband applications from CEVA, while many product lines do not use the company's DSP cores, signifying accelerating potential

Market share gains in the mobile handset market

CEVA has developed several DSP technologies during the last 15 years, and currently has a strong position in the mobile handset market. The company has >35 cellular baseband design wins for leading wireless semiconductor companies such as Infineon, ST Ericsson, Broadcom (BRCM, Not Rated), Spreadtrum, and Via telecom. The company is rapidly expanding its market share in the handset DSP market with OEMs shifting towards licensing DSP technologies from third-party IP providers, instead of developing them in-house. According to Gartner, CEVA's DSP cores power more than one in every four mobile handsets sold worldwide. The company's market share in the global handset DSP market has increased from 13% in 2Q2008 to 33% in 2Q2010, and is expected to penetrate >50% by 2012, as its customers capitalize market expansion in emerging markets like China and India.



Source: Company filings, RODM Research

Shift in Mobile Handset Supply Chain expands CEVA's addressable market

Nokia's move to begin using merchant market chipset solutions for sourcing application-specific standard products (ASSPs) from major suppliers like ST-Ericsson, Infineon, and Broadcom (all three license CEVA's DSP IP), instead of developing ASICs with Texas Instruments (TXN, Not Rated) has expanded CEVA's market opportunity in the 2G/2.5G handset market. Nokia's strategic shift to merchant solution has hit TI's baseband business, as the latter generates major revenues from Nokia. In fact, TI had announced to exit from the merchant baseband business in 2009 and expects its revenue from this stream to zero down by 2012.

The move to shift from the incumbent ASIC technology to ASSPs and FPGAs is not just limited to Nokia, as the ASIC industry has slowed and design costs have rocketed, based on Lindley research. The displacement of ASICs with ASSPs and FPGAs brightens CEVA's market position, while simultaneously providing the core DSP building block by offering distinct products, compared to StarCore and C6x DSPs of Freescale and TI, respectively. Ceva offers a portfolio of compiler extensions that are compatible with TI's products, thus easing the transition from TI's DSPs.



Source: Company Reports

Deployment of Nokia (NOK, Not Rated) handsets powered by CEVA's DSP started in 2010, and the latter expects to expand its market share in the mobile handset market through Nokia, given the mounting opportunities in emerging markets. CEVA's mobile handset market share increased from 23% in 2Q2009 to 33% in 2Q2010, driven by growth in 2G-based products from Nokia, or GSM-based phones.

Broadly, CEVA intends to address the mobile handset market by fortifying its presence in the entire spectrum of phones -- from ultra low-cost phones (ULC), which are priced under \$50 and garner huge volumes in China and India, to smartphones like iPhones that are priced around \$600-\$700. *The company estimates that around 1.7 billion units will be available in the market by 2012, covering the handset market, connected devices like netbooks, laptops, e-readers, MIDs, and potential cellular uses like machine-to-machine connectivity.*

Opportunity knocking from China OEMs

Generally most of the development work for handset OEMs is done in China. Also handsets with the "made-in-China" tag are swamping overseas markets as they offer multiple features like any international brand, and are cheaper as well. During 2009, of the 412.2 million units of baseband ICs manufactured in China, 241 million units were shipped to overseas markets, as per Gartner's research.

Mediatek, the dominant player in China's OEM market, had a 90% market share and utilized its in-house design DSPs. However, with vendors encouraging multiple suppliers to mitigate risk, Mediatek's share declined to 70.4% in 2009, and it is facing headwinds to sustain its industry-leading position. Other suppliers like Spreadtrum (CEVA's customer) are gaining market share (18.2% as of 2009), thereby earning major volumes, and royalties for CEVA.

The Big Shift: CEVA forays into 4G/LTE market

The huge forward leap in the wireless space is the shift to LTE from CDMA, which will soon become the global standard. Major telecom operators and nations are gearing up for this move. Although CEVA's technology covers the GSM and has presence in CDMA, where Qualcomm is the main rival, it clearly has the first-mover advantage in the 4G/LTE space.

The company launched the CEVA-XC communications processor to improve performance and programmability in wireless infrastructure applications. CEVA-XC has been designed to address baseband requirements in 4G LTE/WiMax cellular networks. CEVA has 11 4G customers including 2 major handset OEMs (Samsung and LG), which are already making steady inroads in developing LTE in-house. After securing licenses from major OEMs, CEVA has a distinct edge over close competitors like Qualcomm (QCOM, Not Rated).



Source: Company Reports

Companies like ARM (ARMH, Not Rated), (through Cognovo), Blue Wonder, Coresonic, Tensilica (through Xtensa variant-Baseband Engine (BBE)), NXP (NXPI, Not Rated) (through CoolFlux), and Silicon Hive have DSPs targeting 4G cellular. However, most of these cores were designed to address mobile handsets, while none of these cores address mobile infrastructure, according to Linley research. The CEVA-XC323 scores high here, as it has been designed precisely for mobile infrastructure. The CEVA-XC323 targets chips designed to replace standalone DSP-based processors, like the incumbent Texas Instruments' TCI6488 and Freescale's MSC8156, with its higher compatibility for algorithms (like FFT) that operate data in parallel. However TI's TCI6488 and Freescale's MSC8156 are well positioned for both 3G and 4G base stations, offering a good contest to CEVA.

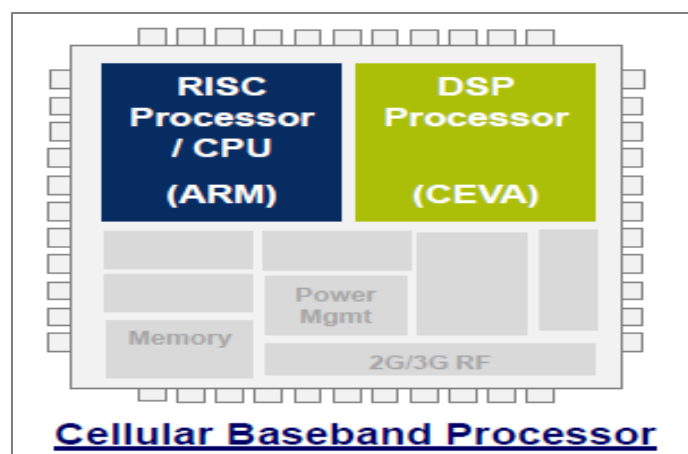
CEVA Pursuing ARM's Proven Business Model

CEVA operates a licensing and per-unit royalty business model, similar to ARM. This business model creates multiple revenue streams and long-term prospects, delivering operational leverage and robust cash generation. The company believes that with this business model, it is free to license its technology widely without focusing on activities like manufacturing or selling silicon products. CEVA's customers have the advantage of creating their own differentiating solutions/products by licensing CEVA's programmable DSP core. The company has penetrated global markets through its proprietary technology, long-term customer relationships, and sales and marketing infrastructure. CEVA intends to gain traction in long-term growth markets, through its strong customer base.



Source: Company Reports

Every cell phone has a baseband processor that includes a CPU core and a DSP core. A low-end handset phone is developed on a single chip solution, which integrates multiple sub-functions, while high-end phones require dedicated processors. In low-end phones, DSP cores are integrated into basebands, while for high-end phones they are embedded into the baseband as well as application processors. With growing consumers' appetite for reasonably priced feature-laden phones and rapid maturity in the industry, both low-end as well as high-end phones require high-speed DSP functionality. CEVA's DSP cores are used in mobile handsets that require high-speed processing of video and audio streams. CEVA, whose business model is comparable to ARM's, can leverage this market opportunity. With a 33% market share, CEVA will continue to penetrate the DSP core market, although ARM will cater to the generic processor needs of the mobile handset market. ARM has monopolized the handset market with ~97% penetration



CEVA's market opportunity beyond mobile handsets

CEVA's DSPs and technologies offer solutions for a broad range of end markets such as mobile multimedia, mobile broadband, home entertainment, and SSD drives, among others. A major growth opportunity is from multimedia devices where the demand for enhanced video quality and functionality applications (especially from 3G/4G markets) is high.

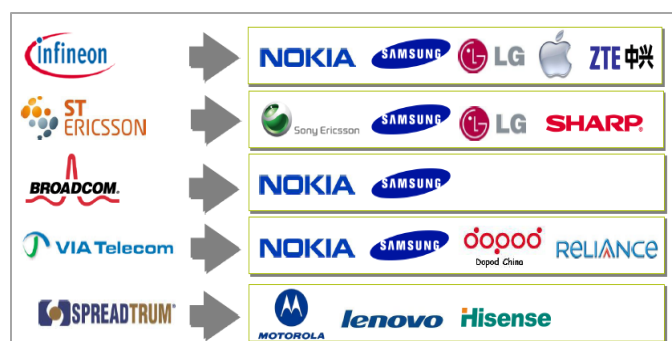
Processors support mobile operating systems like Android and Windows CE, which are used in portable multimedia players (PMP) and mobile internet devices (MID). Based on iSuppli research of user behavior and usage trends, ~50% of iPhone users download more paid applications per month, compared to just ~21% of Android users. The Apple App store dominates the market with ~185k applications for download, compared to just ~18k on Android, ~5k on Blackberry, ~2k on Palm, and ~1.2k on Windows. iSuppli estimates that Google's royalty-free Android would gain a 30% market share by 2013, opening a new market opportunity for CEVA. CEVA's multimedia solutions combine VoIP, picture, and high-definition video, where products range from netbooks, game consoles, and tablet computers. CEVA has been making headway in this market through clients like Rock chip. The company is targeting ~50bn wireless devices by 2020, including e-readers and iPad-type tablets.

The home devices market offers additional opportunities, where the DSP technology has become quite critical for next generation HD-enabled home entertainment devices. Three major targets that require advanced DSPs are HD Video, HD Audio, and digital documentation. CEVA offers programmable DSPs, providing flexibility and supporting 24/32 bit operations, system blocks like dedicated audio peripherals, and a DMA co-processor and a complete development environment. It also provides SATA, which is used in set-top box applications - SATA 1.5G and SATA 3G. CEVA has been penetrating this market with some of its recent wins being Trident Microsystems (TRID, Not Rated)

Strong Customer Base

CEVA has a strong base in the handset markets, where its DSPs power the top five handset OEMs through multiple customers. The company is well positioned to benefit from the growth potential seen in OEMs like Nokia, Samsung, and Sony Ericsson.

Mobile Phone Cellular Baseband Vendors by Units, Worldwide							
Vendor	Powered by CEVA	2008	2009	2010	2011	2012	Trend
Texas Instruments	✗	43%	33%	26%	17%	7%	↓
Qualcomm	✗	25%	29%	31%	33%	36%	↑
Infineon	✓	7%	9%	8%	11%	14%	↑
ST-Ericsson	✓	12%	11%	11%	13%	14%	↑
Broadcom	✓	0%	2%	6%	9%	12%	↑
Other (Including Mediatek, Freescale, Spreadtrum VIA Telecom)	✓	14%	15%	17%	17%	18%	↑



Source: Company Reports, Forward Concepts, RODM Research



Semiconductor companies and OEMs are under constant pressure to manufacture superior products at lower costs, which entails expenditure as well as effort, thus increasing dependence on third-party IP providers like CEVA. Customers

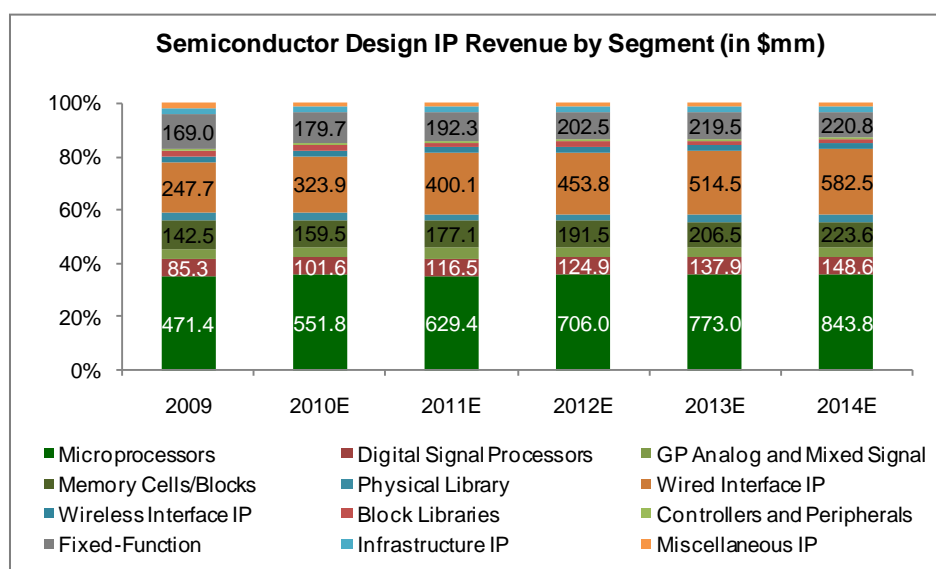
need to have a long-term relationship with the company, or face the consequences of higher switching costs and longer design cycles, if they change their DSP strategies. Although licensees have the option to change to any chipset application, these factors make it expensive for customers to change from third-party IP providers.

Industry

Semiconductor Design IP Market

Semiconductor design IP is the pre-designed blocks of circuits that are used in the production of semiconductor devices. Gartner classified the design IP segment into processor IP (including microprocessor and digital signal processor cores for various audio/video processing), physical IP, and other digital IP.

During the 2009 recession, the overall semiconductor design IP market plunged 8.3% to \$1.34 billion, compared to 2008, based on Gartner research. However, the overall semiconductor design IP is expected to grow at a CAGR of 11.7% during the period 2009-2014, with majority growth coming from wired interface IP, infrastructure IP, microprocessors and DSPs, growing at a CAGR of 18.6%, 13.3%, 12.4%, and 11.8%, respectively, during the same period. Semiconductor design IP revenues from royalty as well as support and maintenance services are expected to grow at a CAGR of 13% and 14.7% respectively, as compared to 10.3% from licensing, during the same period.



Source: Gartner, RODM Research

Increased migration of designs to advanced process nodes (due to rapidly changing technology) and long design cycles, the potential opportunity in IP licensing is vast, arising not just from chip vendors who opt for third-party design IP, but also from existing chip vendors seeking to increase the proportion of IP outsourced, as IP outsourcing helps chip vendors to cut costs, focus on core activities, and keep track of technology changes.

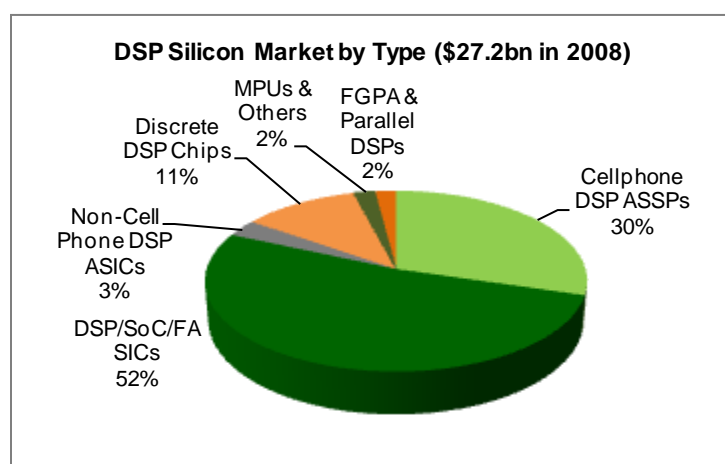
International Technology Road map for Semiconductors (ITRS) estimates the increasing use of IP blocks to lead to a 75% productivity increase by 2014, as chip vendors would seek more from third-party IP vendors. Moreover, with increased chip complexity and functional integration, the use of third-party IP design in chips is expected jump nearly two-fold during the next five years, as per Gartner's research. HP, Samsung, Nokia, Sony, and Dell are the top OEM/OEDM consumers of semiconductors by design, as of 2009.

Design IP is expected to amplify in applications like smartbooks, PCs, and servers, which is a very small market presently, both in terms of volumes as well as revenues. However, growing consumer demand and increased focus on high margin IP business will improve growth prospects in the application segment.

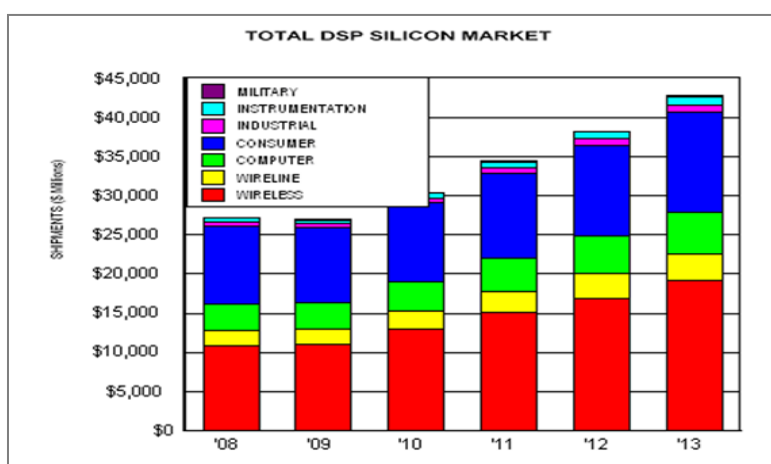
DSP Silicon Market to Grow at a CAGR of 12.1%

Digital Signal Processors (DSP) is among the top growth sectors in the semiconductor industry. DSP is fundamental to all broadband communication (wireless and wired) and digital multimedia processing (voice, audio, video, and image). It converts an analog signal (human voice or music) into digital form, which then allows features like voice, video, audio, and data compression (mandatory for saving memory space and for allowing more number of users to share the frequency band in wireless or wired communication), and audio and video enhancements for devices like Blu-ray DVDs, digital TVs, and MP3/MP4 players.

Based on Forward concept, the global DSP silicon market revenue reached ~\$27.2 bn in 2008, a flat growth from 2008, and is expected to reach ~\$43 billion during 2013, growing at a CAGR of 12.1% during 2009-2013. Wireless and consumer electronic devices contributed ~40% and ~36%, respectively, toward the overall DSP silicon market. Benefiting from increasing mobile penetration and mounting demand for consumer electronics, these segments are likely to grow at a CAGR of ~12% and ~5%, during the period 2008-2013.



Source: Forward Concepts, RODM Research



Market Opportunity

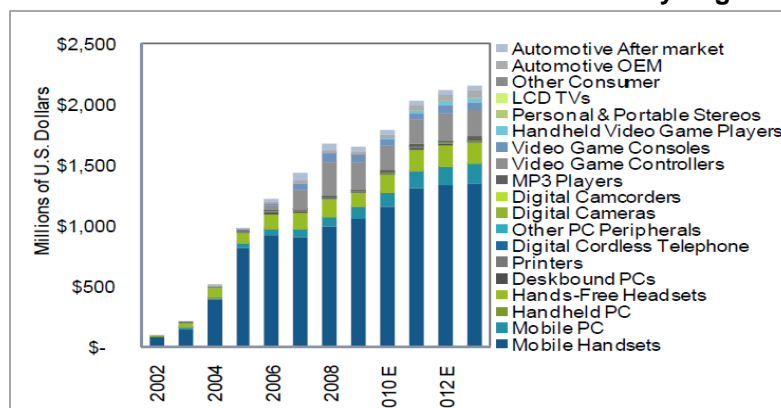
CEVA's Addressable Market			
End-Product	Application	Market Size (in \$ MM)	
		2008	2012E
Handsets	Basebands, Application processors	1,200	1,434
Portable Multimedia	Portable video players, Mobile TVs, Personal navigation devices MP3/MP4 players	252	246
Home Entertainment	DVD players, Blu-ray players, Set-top boxes, Digital TVs Game consoles (portable and home systems)	602	789
Storage	Disk drives, Solid state storage devices	52	127
Telecommunication Devices	Residential gateways, Femtocells, VoIP phones Network infrastructure	72	118
Total Available Market		2,178	2,714

Source: Company Reports, IDC, Infonetics

Mobile Handset Market

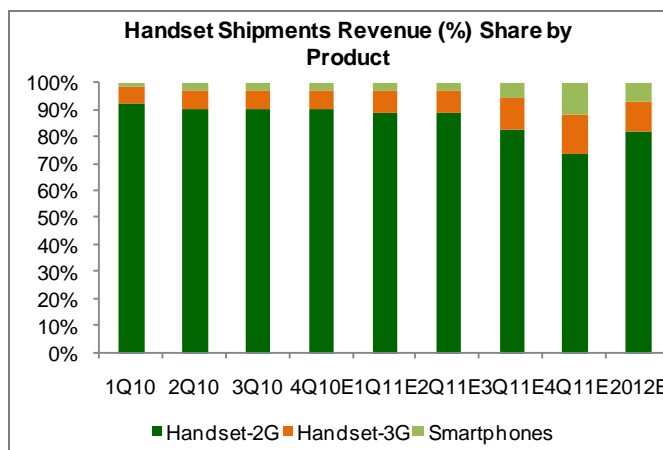
The semiconductor applications market comprises of mobile devices and consumer electronics like digital TVs, set-top boxes (STB), DVD players/recorders, portable media players, and video gaming systems. With consumers' appetite for accessing information on the rise, there is a huge growth potential for a range of computing, communication, and consumer electronic devices. Mobile handsets have a ~65% market share and this is expected to witness a CAGR of ~5% during 2009-2013, among semiconductor connected devices.

Semiconductor connected Devices Revenue by Segment



Source: iSuppli, RODM Research

Mobile handset production revenues are expected to grow from \$132.6 billion in 2009 to \$218.6 billion in 2014, worldwide. Unit shipments of mobile handsets are expected to surge 12% y-o-y in 2011 and at a five-year CAGR of 6.8%, as per iSuppli research. Notwithstanding the recession, smartphones grew at 12.3% to 182 million units in 2009, driven by expanding subscriber base in emerging markets, sales upgrade in developed markets, and mobile applications. Basic and advanced phones have shifted to off-the-shelf solutions for application and baseband processors, due to which the outsourcing business is expected to expand and improve growth in Asian companies. Design TAM for advanced phones would continue to shift from European and American vendors to Asian vendors, especially Chinese and South Korean, including local gray markets, as per Gartner's research.



Source: iSuppli, RODM Research

Cellular trends in 2G/ULC - Huge Market Opportunity from Emerging Markets

Ultra Low Cost (ULC) phones/2G accounted for ~ 68% of the total handset market during 3Q10, while 2G/2.5G handset shipments are pegged at >800 mm for 2010, as per iSuppli research. A huge untapped market for ULC phones is expected in emerging markets like China, India, Nigeria, and Bangladesh with penetration levels of 57%, 51%, 40%, and 31%, respectively, as per Global Industry Analysts research.

Cellular trends in 3G- Dominant Technology among wireless handsets

Among wireless handsets, 3G was the leading technology in 2010 and is expected to consolidate by 2014. The 3G handset segment is expected to grow from 450 mm units in 2010 to 725 mm units in 2012, based on iSuppli forecasts. Smartphones and wireless supply chain have been focusing on this massive growth opportunity in 3G technology.

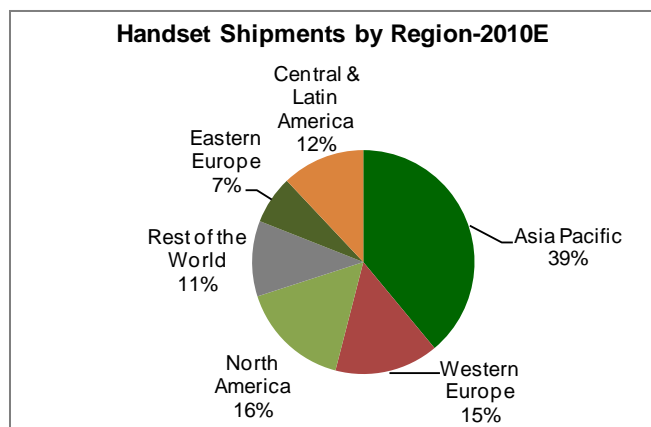
Smartphone shipments are expected to grow at a CAGR of 33% during the period 2009-2013, representing 26% of total handset shipments in 2013 (from 12% in 2009), and 51% of total revenues in 2013 (from 35% in 2009), based on iSuppli estimates. Asia is expected to generate 40%-45% of smartphone revenues during 2011-2013, with major growth coming from emerging markets. China's smartphone sales are likely to grow >100 mm units in 2013 (contributing ~40% toward total handset sales), as per China Mobile Research Institute.

Cellular trends in 4G- The next wave technology

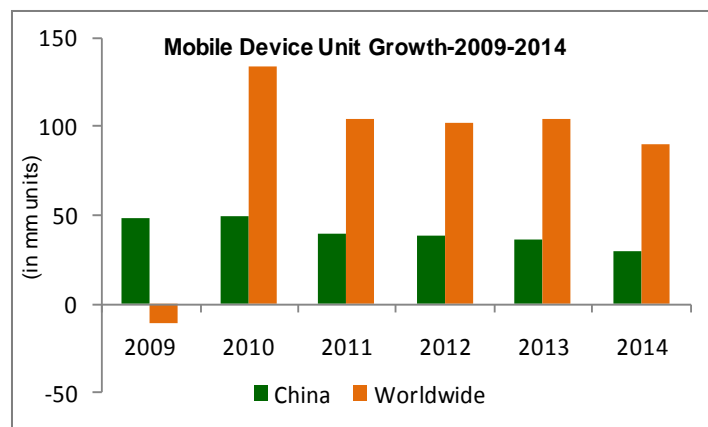
Next generation 4G technologies like Long Term Evolution (LTE) are expected to hit the mass markets by 2011-2012. Huge growth is expected to come from this segment, with revenues surging from ~ \$11 million in 2009 to \$1.3 billion in 2010, as per iSuppli research.

Emerging Market Opportunity for Handsets - China's Mobile Handsets market

Asia-Pacific accounts for a major share of overall handset shipments (39% as of FY09), driven by China, followed by North America, Western Europe, and Central & Latin Americas, contributing 16%, 15%, and 12% towards overall revenues, respectively. China's mobile devices are expected to grow from 228 mm in 2009 to 400 mm in 2013, as per Gartner's estimates. China's local brands have been gaining momentum, where the total production volume of Chinese manufacturers using the OEM business model rose from 5.7% in 2008 to 10.8% in 2009. Nokia and Samsung are the leading international brands, while Huawei and ZTE are the top local vendors in China.

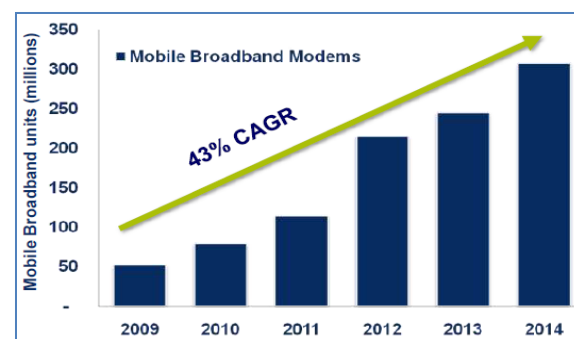


Source: Gartner, RODM Research



Mobile Broadband Market

The mobile broadband market is expected to continue to boom over the next five years, creating new revenue opportunities for mobile network operators. The global mobile broadband market is expected to grow at a CAGR of 43% during the period 2009-2014, driven by mobiles, PCs, and smartbooks, based on iSuppli research. Mobile broadband connections are expected to reach >300 mm devices by 2014 including netbooks, laptops, tablets, eReaders, as per iSuppli research. Ceva's DSPs power Intel's Moorestown platform and NVIDIA's (NVDA, Not Rated) Tegra 2 processor.

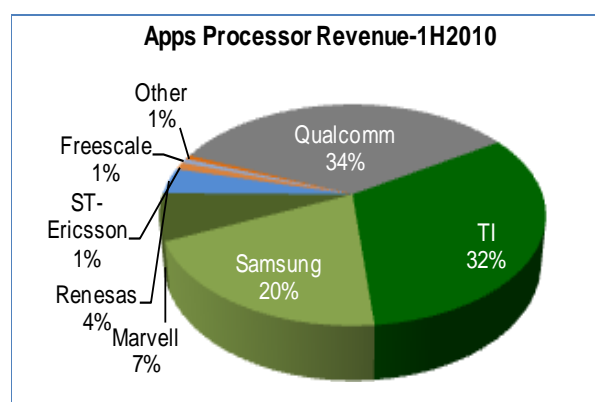


Source: iSuppli

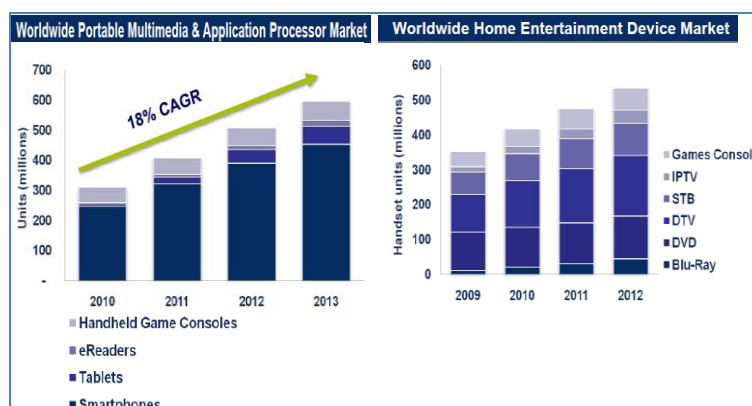
Market opportunity in portable multimedia and home entertainment devices market

The portable multimedia and application processor end markets include handheld game consoles, eReaders, tablets, and smartphones, worldwide. As of 1H2010, global application processor revenues reached \$1.84 billion, (up 60% y-o-y), driven by the smartphones market, as per Strategy Analytics. Baseband-integrated application processor vendors accounted for 68%, while the stand-alone apps processors contributed 32%. Qualcomm dominated the market with 35% of revenue, due to its first-mover advantage in the Android ecosystem. TI, Samsung, and Marvell (MRVL, Not Rated) were the other prominent players. NVIDIA, Intel (INTC, Market Outperform), Broadcom, and MediaTek are expected to step up efforts in the smartphones market.

The portable multimedia and application processors market is expected to grow at a CAGR of 18% during the period 2010-2013, based on Gartner's estimates. CEVA is well positioned to leverage this opportunity, where its DSPs and multimedia technologies power HD video and audio in next generation multimedia devices. DSP technology has become critical for next generation HD-enabled home entertainment devices as well.

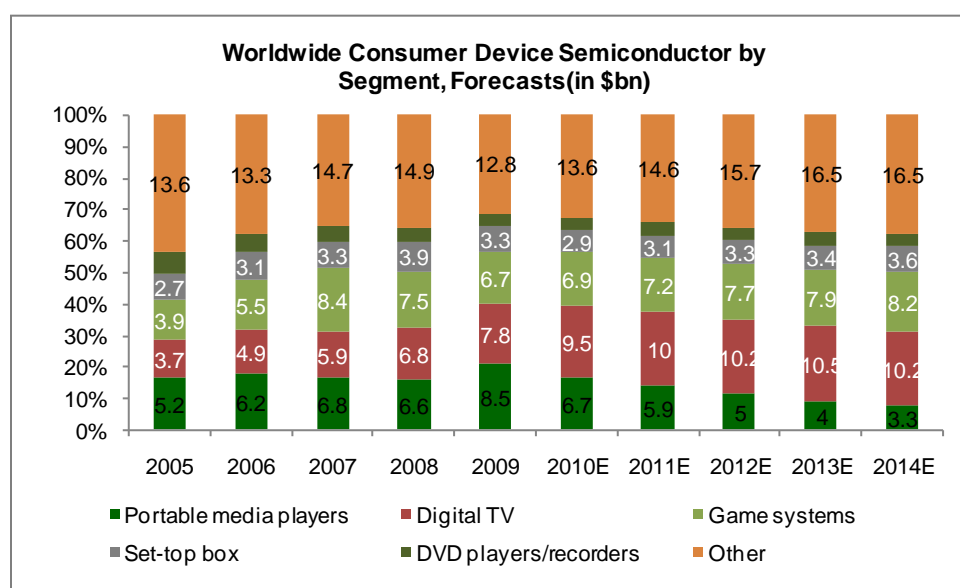


Source: IDC, Gartner, iSupply, Company Reports



Consumer Device Semiconductor Market

IDC classified the consumer semiconductor market into five major consumer electronic categories: digital TVs, set-top boxes (STB), DVD players/recorders, portable media players, and video gaming systems. The consumer semiconductor market is expected to grow at a CAGR of 1.3% over the period 2009-2014, from \$40.8 billion in 2009 to \$43.5 billion in 2014, based on IDC forecasts. Digital TVs, game systems, and set-top boxes are expected to grow at 5.5%, 4%, and 1.9%, respectively, during the same period.



Source: Gartner, RODM Research

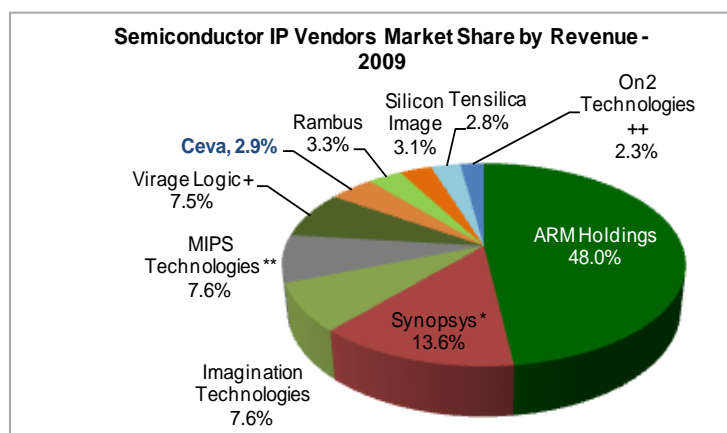
Competitive Landscape

The global semiconductor IP market has ~300 vendors, comprising of pure semiconductor IP vendors, EDA tool vendors, design houses, independent device manufacturers, foundries, fabless chip vendors, IP aggregators, and distributors, as per Gartner's research. Although major vendors are focusing on large volume segments, their smaller counterparts are targeting niche markets with their differentiated offerings.

The global semiconductor IP market plunged 8.3 % (from 2008) to ~\$1.34 billion in 2009, based on Gartner's research. However, the revenues for smaller and niche players (at \$100,000 to \$2 million range) accounted for 65% of market share, growing at 9.1% during 2009, while revenues for midsize to large vendors declined ~7% during 2009. Midsized to large established vendors have been expanding their product portfolio to increase their revenues and become one-stop shops for all IP products. However, as chip vendors are tightening their budgets and exercising caution on outsourcing, these vendors were forced to deliver quality IP products at low costs. However, smaller and niche vendors increased their revenues by offering specialized application-independent IP offerings at bargain deals.

The company's direct competitor in DSP is VeriSilicon (a private company), while less direct competitors are ARM Holdings, ARC, and Tensilica (a private company), which license general-purpose processor technologies where DSP features can compete with CEVA in certain cases. Imagination Technologies (IMG, Not Rated) competes with the company's application licensing, while Texas Instruments and Qualcomm are contenders in the merchant semiconductor platform. Synopsys (SNPS, Not Rated) and Cadence (CDNS, Not Rated) provide tools to assist potential customers in designing their own DSPs, competing indirectly with CEVA. The company has been currently following Texas Instruments, which is the major supplier of DSP technology for non-code division multiple access (CDMA) mobile phones. However, as the trend is changing with CEVA's customers like Infineon, Broadcom, and ST-Ericsson capturing market share from Nokia, Samsung, LG, Sony Ericsson due to their multi-sourcing strategy and TI's announcement of exiting baseband business by 2012, CEVA's business has increased. Globally, CEVA's DSP cores power more than one in every four mobile handsets.

Semiconductor IP Vendors by Revenue-2009		
Rank	Company Name	Revenue(mm)
1	ARM Holdings	437.9
2	Synopsys *	123.6
3	Imagination Technologies	69.5
4	MIPS Technologies **	69
5	Virage Logic +	68.7
6	Ceva	38.9
7	Rambus	29.9
8	Silicon Image	27.9
9	Tensilica	25.9
10	On2 Technologies ++	20.6

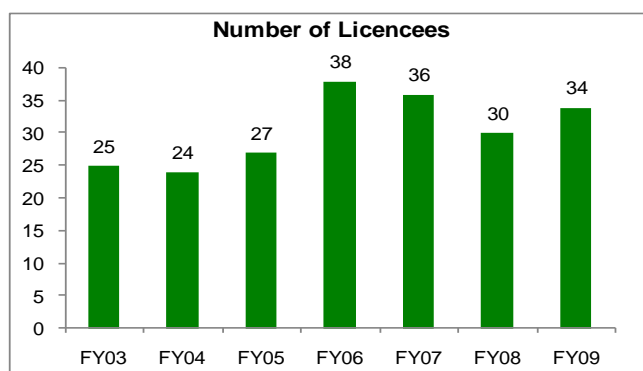


Notes: * Includes analog IP business revenue acquired from MIPS Technologies for the first half of 2009. ** Excludes analog IP business revenue sold to Synopsys for the first half of 2009. + Includes revenue from ARC International for the first half of 2009. ++ Acquired by Google in February 2010. IP = intellectual property; Source: Gartner

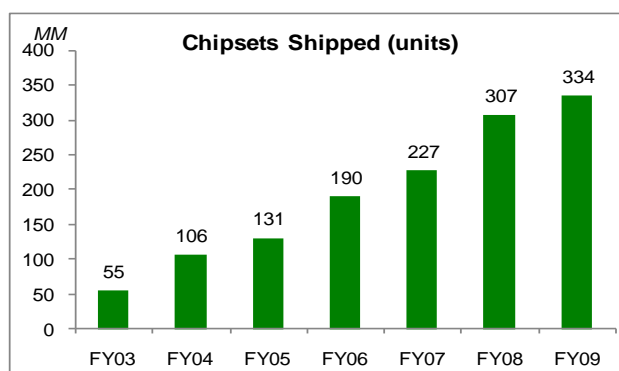
Financial Performance

CEVA has maintained revenue growth in the range of \$32-\$40 MM during the past five years. During FY09, total revenues stood at \$38.5 MM, with licensing contributing 48.8%, royalties contributing 42.2%, and other revenues accounting for 9%. During FY09, CEVA's licensees shipped over 334 million CEVA-powered chipsets, up 8.8% over FY08 shipments of 307 million chipsets, and a 47.1% increase over FY07 shipments of 227 million. During 2009, the company signed 34 new license agreements compared to 30 and 36 in 2008 and 2007, respectively. Subsequently, revenue per agreement stood at ~\$552,000 during FY09, compared to ~\$723,000 and ~\$42,000 in FY08 and FY07, respectively.

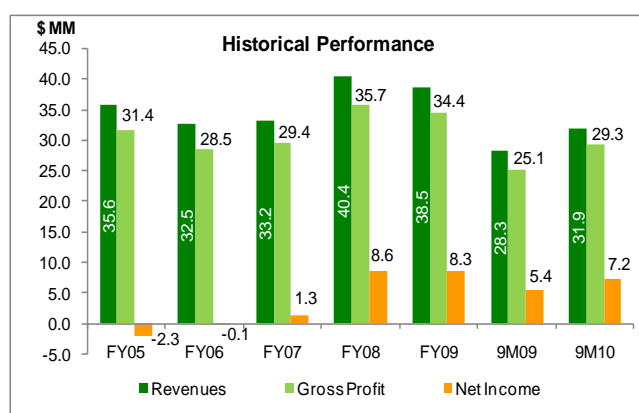
Chip shipments have increased at a CAGR of 35.1% from FY03 to FY09. On a y-o-y basis, shipments almost doubled to 106 mm during FY04 from 55 mm in FY03. The economic crisis slowed growth to 8.8% during FY09 to 334 mm shipments.



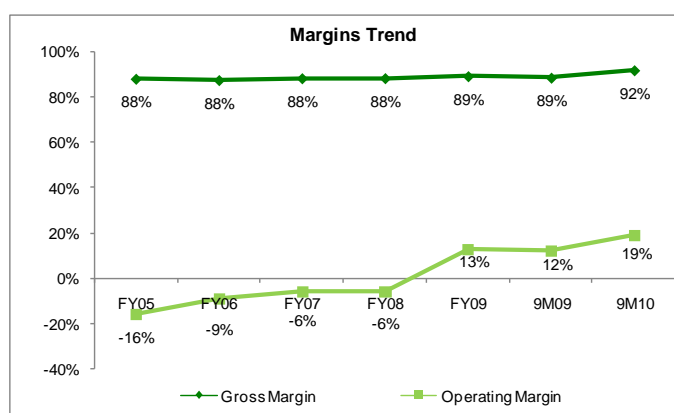
Source: Company reports, RODM research



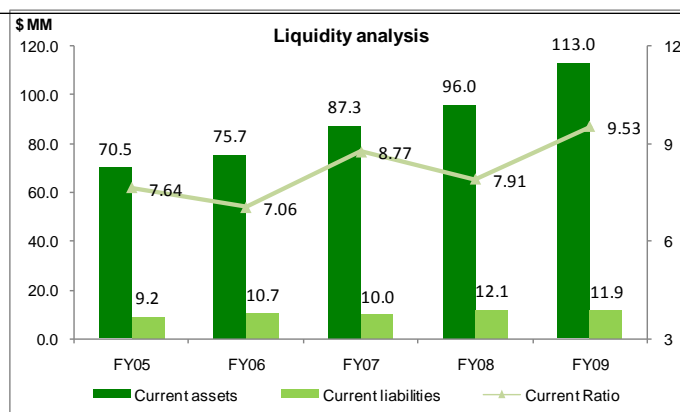
Geographically, Europe, Middle East (EME) remained the highest contributors to total revenues accounting for 46.4%, Asia-Pacific accounted for 38.1%, while the U.S. contributed 15.5%. Although total revenues dipped 4.7% y-o-y during FY09, gross profit increased by 86 basis points to 89.30% from 88.44%, following a 11.8% decline in cost of revenues. Moreover, the company reported an operating income of ~\$5mm, compared to a loss of \$2.4mm in FY08 due to the absence of \$4.1mm reorganization and restructuring charges incurred in the prior year. Net income declined marginally to \$8.3mm, or 41 cents per share, as against \$8.6mm, or 42 cents per share, during FY08; other income stood at \$12mm compared to \$3.7mm reported in the year under review.



Source: Company reports, RODM research



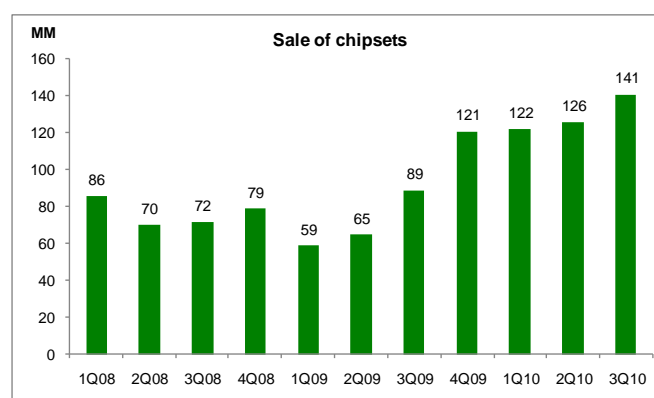
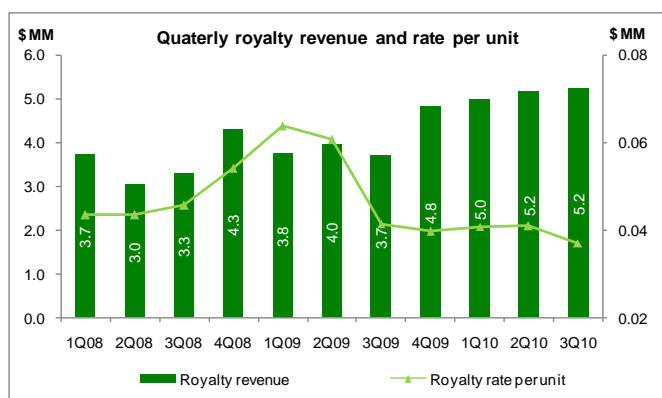
The company's financial position was strong with cash and cash equivalents standing at \$12mm at the end of FY09, compared to \$13.3mm a year ago. Current assets are at \$113mm compared to \$96mm in FY08 with major contributions from short-term bank deposits and marketable securities. Current liabilities, on the other hand, stood at \$11.9mm, as opposed to \$12.1mm in the prior year, transforming into a healthy current ratio of 9.53, compared to 7.91 earlier.



Source: Company reports, RODM research

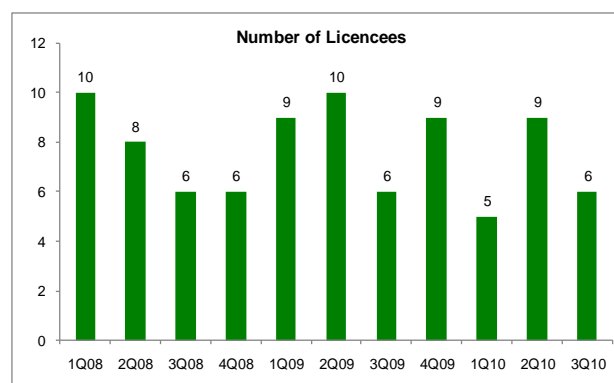
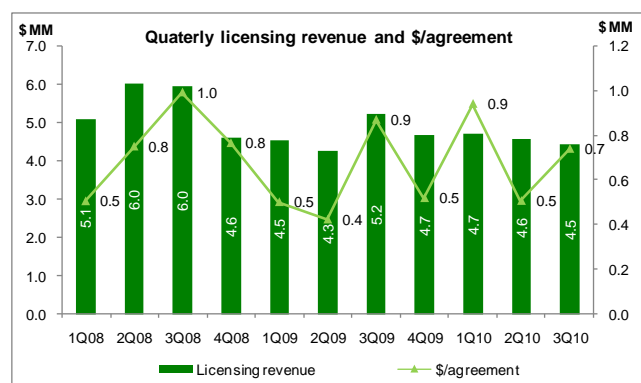
Q3 2010 results

During the recent quarter ended September 2010, CEVA reported a 10.5% y-o-y increase in revenue to \$10.7mm, up from \$9.7mm. Growth was led by a 42% increase in royalty revenue owing to higher GSM/2G phone volumes. CEVA's per unit and prepaid royalty customers reported sales of 141 million chipsets incorporating its technologies for the third quarter, compared to 89 million a year ago.



Source: Company reports, RODM research

On the flip side, licensing revenue declined 14.9% to \$4.5mm from \$5.2mm, primarily due to a dip in revenues from the CEVA-X DSP core family. During the third quarter of 2010, the company concluded six new license agreements, of which five agreements were for CEVA DSP cores, platforms and software, and one agreement was for its Bluetooth technology. As of September 30, 2010, 26 licensees were shipping products incorporating CEVA's technologies pursuant to 34 licensing arrangements. Of the 34 licensing arrangements, 31 are under per-unit royalty arrangements and 3 are under prepayment arrangements. This compares to 21 licensees pursuant to 29 licensing arrangements a year ago. Of the 29 licensing arrangements, 25 were under per-unit royalty arrangements, while 4 were under prepayment arrangements.



Source: Company reports, RODM research

Net income soared 70.5% to ~\$3mm, or 13 cents per share, from \$1.7mm, or 9 cents per share, attributable to higher revenues. As of September 30, 2010, CEVA's cash balance, marketable securities and bank deposits were \$117.2 million, up 8% from the second quarter of 2010. Current assets stood at \$113.5mm, while current liabilities stood at \$11.9mm, leading to a current ratio of 9.55. At the end of September 2010, stockholders' equity stood \$155.1mm, while the company remains debt-free.

Earnings Estimate

We anticipate CEVA to witness a 15.7% QoQ and a 21.3% YoY increase in its top-line to \$12.35 million in 4Q10, driven by the growing penetration of its customers in the emerging markets. With a stable gross margin assumption of 91.5% in 4Q10, we expect 4Q10 EPS to be at \$0.14 vis-à-vis \$0.13 in 3Q10 and \$0.41 in 4Q09. We anticipate CEVA to witness EPS of \$0.62 (up 33.3% YoY) on top-line of \$51.62 million (up 16.7% YoY) in FY11, driven by new customer wins, increasing penetration in mobile handsets markets and third party IP licensing.

Investment Risks

Customer Concentration

CEVA relies on a limited number of customers, who account for a major portion of revenues, varying from period-to-period. The top five customers accounted for 63% and 57% during 3Q10 and 9M10, respectively. Revenues from royalties stood at 80% and 79% of total revenues during 3Q10 and 9M10, respectively. Hence, a major portion of the company's revenue depends on new customer wins and expanding relationships with existing customers. Failure to gain traction in these markets could hamper revenue growth adversely.

Long Sales Cycle

The company's revenue cycle ranges from three to nine months, where customers conduct major technical evaluations like customer trials of the company's as well as its competitor's technology for making a purchase decision. Moreover, the uncertainty prevailing in current market conditions makes it difficult to predict customers' purchasing cycle and unexpected delays in such cycles, which could damp the company's revenues.

Foreign Currency Fluctuations

CEVA derives majority of its revenues from outside the U.S., while expenses are denominated in foreign currencies like the New Israeli Shekel (NIS), Euro, and British Pound, subjecting the company to the risk of fluctuations in foreign currencies. However, the company has foreign cash flow hedging programs to mitigate the risk.

Major Focus on Handset Market

CEVA derived the bulk (69% of total revenues during the first nine months of 2010) of its revenues from the handset market. Hence, any major change in the company's ability to maintain its competitive position in the handset market, in terms of launching enhanced technologies as per OEM requirements, price sensitivity etc. would be detrimental to its position. In addition, handset shipments that are powered by CEVA's technology would be affected if the company's customers fail to attract business, or experience major delays in manufacturing, developing, or shipping new or improved handsets in the market.

Customer transition risk

CEVA generates its revenues from a few customers, and will face a major downside risk if any of these customers embark on developing DSP in-house, instead of outsourcing to CEVA. Although the trend has been more on outsourcing to third-party IP providers, with more companies adopting DSP licensing agreements, at least for a few parts, any change in the trend could impede the company's business activities adversely.

Management Team**Gideon Wertheizer - Chief Executive Officer**

Gideon Wertheizer brings 26 years of experience in the silicon intellectual property (SIP) and semiconductor industries. Prior to this, he worked as Executive Vice President and General Manager of the DSP business unit at CEVA from November 2002. Earlier, he held several executive positions at DSP Group as VP-Marketing, Executive VP-Strategic Business Development, and VP-VLSI design. He completed his executive MBA from Bradford University, U.K. and B.Sc. in electrical engineering from Ben Gurion University, Israel.

Peter McManamon - Chairman

Peter McManamon has been the Chairman of the company since May 2005, and was member of the board of directors until April 2003. He was the CFO of Parthus Technologies Plc. during the period 1993 to March 2001, Executive VP-Corporate Development between March 2001 and November 2002, board member from 1993 to November 2002, and co-founder of Parthus Technologies in May 2005. He has also worked as the venture partner of Atlantic Bridge Ventures, an investment company, and as the director of the National Development Finance Agency, an appointment given by the government of Ireland.

Yaniv Arieli - Chief Financial Officer

Yaniv Arieli has been the CFO of CEVA from May 2005. Earlier, he was the President of the company's U.S. operations and a was Director of Investor Relations for DSP Group. He joined DSP Group in 1997 and held several positions including VP-Finance at DSP Cores Licensing Divisions. Before joining DSP, he worked as account manager and as a certified public accountant in Kesselman & Kesselman, and as a member of Pricewaterhouse Coopers. He holds a CPA and an M.B.A. from Newport University. He graduated in accounting and economics from Haifa University, Israel. He is also a member of the National Investor Relation Institute.

Erez Bar-Niv - Chief Technology Officer

Erez Bar-Niv is CEVA's Chief Technology Officer and brings over 16 years of experience in the silicon and semiconductor industries. He worked with DSP Group in 1998 and as VP-R&D at Cores BU, a unit of DSP Group. Earlier, he held several R&D and application positions in National Semiconductor. Bar-Niv graduated in electrical engineering from Tel-Aviv University, Israel and has several U.S. patents.

Eliyahu Ayalon

Eliyahu Ayalon was the Chairman of the company from November 2002 to February 2004. He was the company's CEO between November 1999 and January 2001, and President and CEO of DSP Group Inc. during the period April 1996-April 2005. He took up the position again in January 2007 and holds the same presently. He was a member of the board of directors of DSP Group Inc. from April 1996, and Chairman from January 2000.

CEVA, Inc.

Income Statement

FYE: Dec	Mar-08	Jun-08	Sep-08	Dec-08	FY2008	Mar-09	Jun-09	Sep-09	Dec-09	FY2009	Mar-10	Jun-10	Sep-10	Dec-10	FY2010E	Mar-11	Jun-11	Sep-11	Dec-11	FY2011E
(\$ in million, except per share data)	1Q08	2Q08	3Q08	4Q08		1Q09	2Q09	3Q09	4Q09		1Q10	2Q10	3Q10	4Q10E		1Q11E	2Q11E	3Q11E	4Q11E	
Revenue:																				
Licensing	5.09	6.03	5.97	4.61	21.70	4.54	4.27	5.24	4.71	18.76	4.72	4.59	4.46	4.56	18.34	4.77	4.64	4.50	4.66	18.57
Royalties	3.73	3.04	3.30	4.28	14.35	3.76	3.95	3.69	4.82	16.23	4.98	5.15	5.24	6.90	22.27	6.47	6.70	6.81	9.31	29.29
Other revenue	1.25	1.02	0.94	1.11	4.32	1.21	0.89	0.72	0.66	3.48	0.90	0.86	0.98	0.89	3.63	0.93	0.89	1.01	0.94	3.76
Total Revenue	10.07	10.08	10.21	10.01	40.37	9.51	9.11	9.66	10.19	38.47	10.60	10.61	10.68	12.35	44.24	12.17	12.23	12.32	14.90	51.62
Cost of Revenue	1.17	1.27	1.11	1.13	4.67	1.21	1.15	0.85	0.91	4.12	0.71	0.86	1.00	1.01	3.59	1.05	1.05	1.10	1.34	4.54
Research and development, net	5.12	5.24	4.78	5.04	20.17	4.08	4.00	4.06	4.43	16.56	4.61	4.51	4.13	4.32	17.57	4.20	4.22	4.25	5.14	17.81
Sales and Marketing	1.77	1.81	1.82	1.69	7.09	1.64	1.65	1.63	1.82	6.73	1.81	1.78	1.66	1.88	7.22	1.83	1.83	1.85	2.24	7.74
General and Administrative	1.59	1.70	1.71	1.65	6.64	1.47	1.56	1.53	1.53	6.09	1.55	1.57	1.59	1.85	6.56	1.70	1.71	1.72	2.09	7.23
Amortization of intangible assets	0.02	0.02	0.01	(0.00)	0.05	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reorganization	3.54	-	-	0.58	4.12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Income	(3.14)	0.06	0.78	(0.07)	(2.37)	1.12	0.75	1.60	1.50	4.97	1.92	1.90	2.29	3.19	9.29	3.40	3.41	3.40	4.10	14.31
Interest Income (Expenses), net	0.81	0.52	0.65	0.75	2.73	0.48	0.47	0.55	0.55	2.05	0.56	0.54	0.49	0.60	2.19	0.60	0.60	0.60	0.60	2.40
Other Non-Operating Income	10.87	0.02	0.36	0.76	12.01	-	1.90	-	1.81	3.71	-	-	-	-	-	-	-	-	-	-
Pre-tax Income	8.53	0.60	1.79	1.44	12.37	1.60	3.13	2.15	3.86	10.73	2.48	2.44	2.78	3.79	11.49	4.00	4.01	4.00	4.70	16.71
Provision for Income Taxes	3.02	(0.09)	0.38	0.48	3.80	0.23	0.81	0.39	0.95	2.38	0.42	0.31	(0.21)	0.64	1.17	0.68	0.68	0.68	0.80	2.84
Net Income	5.51	0.69	1.40	0.96	8.56	1.37	2.32	1.75	2.91	8.35	2.06	2.12	2.99	3.14	10.31	3.32	3.33	3.32	3.90	13.87
Net loss attributable to a non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GAAP EPS (\$)	0.27	0.03	0.07	0.05	0.42	0.07	0.12	0.09	0.14	0.41	0.09	0.10	0.13	0.14	0.47	0.15	0.15	0.15	0.17	0.62
Non GAAP EPS (\$)	0.09	0.07	0.09	0.08	0.32	0.11	0.08	0.12	0.11	0.42	0.12	0.12	0.14	0.16	0.54	0.17	0.17	0.17	0.19	0.69
Shares Outstanding for GAAP EPS	20.72	20.80	20.80	19.98	20.58	19.75	20.01	20.49	21.38	20.41	21.91	22.07	22.36	22.36	22.17	22.36	22.36	22.36	22.36	22.36
Margin Analysis																				
Gross Margin	88.4%	87.4%	89.2%	88.8%	88.4%	87.3%	87.4%	91.2%	91.1%	89.3%	93.3%	91.9%	90.6%	91.5%	91.9%	91.4%	91.4%	91.1%	91.0%	91.2%
Research and development, net	50.9%	51.9%	46.8%	50.3%	50.0%	42.8%	43.9%	42.0%	43.5%	43.1%	43.5%	42.5%	38.7%	35.0%	39.7%	34.5%	34.5%	34.5%	34.5%	34.5%
Sales and Marketing	17.6%	17.9%	17.9%	16.9%	17.6%	17.2%	18.1%	16.9%	17.8%	17.5%	17.1%	16.7%	15.6%	16.0%	16.3%	15.0%	15.0%	15.0%	15.0%	15.0%
General and Administrative	15.8%	16.8%	16.7%	16.4%	16.4%	15.5%	17.1%	15.8%	15.0%	15.8%	14.6%	14.8%	14.9%	15.0%	14.8%	14.0%	14.0%	14.0%	14.0%	14.0%
Amortization and Depreciation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating Margin	-31.2%	0.6%	7.7%	-0.7%	-5.9%	11.8%	8.3%	16.5%	14.7%	12.9%	18.1%	17.9%	21.4%	22.0%	21.0%	27.9%	27.9%	27.6%	27.5%	27.7%
Pretax Margin	84.8%	6.0%	17.5%	14.4%	30.6%	16.8%	34.3%	22.2%	37.9%	27.9%	23.4%	23.0%	26.1%	30.7%	26.0%	32.8%	32.8%	32.5%	31.5%	32.4%
Tax Rate	30.0%	-0.9%	3.8%	4.8%	9.4%	2.4%	8.9%	4.1%	9.3%	6.2%	4.0%	3.0%	-1.9%	5.2%	2.6%	5.6%	5.6%	5.5%	5.4%	5.5%
Net Margin	54.7%	6.9%	13.7%	9.6%	21.2%	14.4%	25.4%	18.1%	28.6%	21.7%	19.4%	20.0%	28.0%	25.4%	23.3%	27.2%	27.2%	27.0%	26.2%	26.9%
Annual Growth Analysis:																				
Licensing	9.7%	8.9%	12.4%	15.0%	11.3%	-10.7%	-29.1%	-12.3%	2.0%	-13.5%	3.9%	7.5%	-14.9%	-3.0%	-2.3%	1.0%	1.0%	1.0%	2.0%	1.2%
Royalties	90.8%	58.4%	51.3%	40.8%	57.8%	0.7%	30.0%	12.1%	12.6%	13.1%	32.5%	30.5%	41.8%	43.0%	37.2%	30.0%	30.0%	30.0%	35.0%	31.5%
Other revenue	10.3%	-4.1%	-24.3%	-6.1%	-6.5%	-2.9%	-13.0%	-22.8%	-40.9%	-19.4%	-25.7%	-2.8%	35.3%	36.0%	4.5%	3.0%	3.0%	3.0%	5.0%	3.5%
Total Revenue	30.3%	18.4%	16.9%	21.5%	21.5%	-5.5%	-9.6%	-5.4%	1.8%	-4.7%	11.4%	16.5%	10.5%	21.3%	15.0%	14.8%	15.3%	15.4%	20.6%	16.7%
Gross Profit	32.4%	16.0%	17.8%	21.4%	21.6%	-6.7%	-9.7%	-3.2%	4.4%	-3.8%	19.1%	22.5%	9.8%	112.5%	18.3%	12.5%	14.7%	16.0%	19.6%	15.8%
Operating Income	281.6%	-226.1%	-19700.0%	-93.0%	25.1%	-135.6%	1200.0%	103.6%	-2183.3%	-309.4%	71.8%	151.3%	43.4%	3.3%	87.0%	76.5%	80.0%	48.6%	28.6%	53.9%
Net Income	NA	60.7%	26.2%	-482.5%	563.4%	-75.2%	235.0%	24.9%	203.1%	-2.6%	50.5%	-8.3%	70.5%		23.6%					34.4%
Seq. Growth Analysis																				
Licensing	26.8%	18.4%	-0.9%	-22.8%		-1.5%	-6.0%	22.7%	-10.2%		0.4%	-2.7%	-2.9%	2.4%		4.5%	-2.7%	-2.9%	3.4%	
Royalties	22.7%	-18.6%	8.5%	29.9%		-12.2%	5.1%	-6.5%	30.5%		3.3%	3.5%	1.6%	31.6%		-6.1%	3.5%	1.6%	36.7%	
Other revenue	5.0%	-18.2%	-8.1%	19.0%		8.6%	-26.7%	-18.5%	-9.0%		36.6%	-4.1%	13.5%	-8.5%		3.5%	-4.1%	13.5%	-6.7%	
Total Revenues	22.2%	0.2%	1.2%	-1.9%		-5.0%	-4.2%	6.0%	5.4%		4.1%	0.1%	0.6%	15.7%		-1.5%	0.5%	0.8%	21.0%	
Gross Profit	21.6%	0.7%	-2.5%	1.9%		-6.5%	-4.2%	10.7%	5.3%		6.6%	-1.4%	-0.7%	17.2%		6.5%	0.5%	-0.3%	20.5%	
Operating Income	-2295.6%	-87.5%	103.0%	-31.6%		42.5%	69.2%	-24.3%	66.0%		-29.2%	3.1%	40.8%	5.2%		5.5%	0.4%	-0.3%	17.5%	
Net Income																				
Cost of Revenue (as a % of Revenue):	11.6%	12.6%	10.8%	11.2%	11.6%	12.7%	12.6%	8.8%	8.9%	10.7%	6.7%	8.1%	9.4%	8.2%		8.6%	8.6%	8.9%	9.0%	

Source: Company Reports and Rodman & Renshaw Estimates

CEVA, Inc
 Balance Sheet

FYE: Dec (\$ in million, except per share data)	Mar-07 1Q07	Jun-07 2Q07	Sep-07 3Q07	Dec-07 4Q07	Mar-08 1Q08	Jun-08 2Q08	Sep-08 3Q08	Dec-08 4Q08	Mar-09 1Q09	Jun-09 2Q09	Sep-09 3Q09	Dec-09 4Q09	Mar-10 1Q10	Jun-10 2Q10	Sep-10 3Q10
ASSETS															
CURRENT ASSETS															
Cash & Cash Equivalents	37.2	43.0	42.7	40.7	52.5	43.1	11.1	13.3	15.5	8.2	8.7	12.1	27.1	22.2	23.1
Short-term bank deposits	3.1	2.1	2.1	7.1	7.2	7.4	40.4	39.4	41.5	44.6	46.3	40.1	19.8	12.1	14.4
Available-for-sale marketable securities	24.2	19.8	21.2	28.5	25.8	35.9	36.3	31.9	28.1	34.9	36.8	48.4	54.8	59.2	64.5
Trade Receivables - Net	8.7	9.9	11.0	2.5	6.0	5.9	3.8	5.4	4.6	5.5	6.4	6.0	6.7	5.5	5.0
Other receivables and prepaid expenses	0.7	0.8	0.8	0.9	1.6	1.6	1.4	4.9	5.0	5.1	4.7	5.3	4.1	3.9	5.5
Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income tax assets	0.5	0.6	0.8	0.9	1.0	1.3	1.3	1.1	0.9	0.9	1.1	1.1	1.1	1.1	1.0
Investment in an affiliated company	-	-	-	4.2	-	-	-	-	-	-	-	-	-	-	-
Other Current Assets	2.1	1.9	1.5	2.4	1.9	1.9	2.6	-	-	-	-	-	-	-	-
Current Assets - Total	76.5	78.1	80.0	87.3	96.0	97.3	97.0	96.0	95.6	99.4	103.9	113.0	113.6	104.1	113.5
LONG-TERM INVESTMENTS:															
Long Term Bank Deposit	-	-	-	-	-	-	-	-	-	-	-	-	5.0	15.1	15.2
Severance Pay Fund	2.2	2.3	2.6	3.1	3.5	3.9	3.9	3.4	3.2	3.7	4.1	4.5	4.7	4.5	5.1
Investment in an affiliated company	4.2	4.2	4.2	-	-	-	-	-	-	-	-	-	-	-	-
Property, Plant & Equipment - Net	1.9	1.9	1.8	1.6	1.6	1.6	1.5	1.3	1.2	1.2	1.2	1.1	1.3	1.3	1.5
Intangible assets, net	0.2	0.1	0.1	0.1	0.0	0.0	-	-	-	-	-	-	-	-	-
Goodwill	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5	36.5
Deferred tax assets	0.6	0.7	0.6	0.5	0.7	0.8	0.6	0.4	0.6	0.5	0.4	0.3	0.6	0.6	0.5
TOTAL ASSETS	122.1	123.9	125.8	129.0	138.4	140.1	139.6	137.6	137.1	141.2	146.1	155.4	161.7	162.1	172.2
LIABILITIES															
CURRENT LIABILITIES															
Trade Payables	0.8	0.9	0.5	0.5	0.9	0.7	0.5	0.6	0.4	0.6	0.6	0.5	0.7	0.7	0.5
Other Payables and Accrued Expenses	9.6	10.0	8.7	8.5	8.6	8.8	8.8	10.4	9.3	8.2	8.3	9.7	9.6	8.1	9.6
Deferred Revenues	0.4	0.6	0.7	0.7	0.7	2.1	1.7	1.0	0.7	0.7	0.5	0.4	0.4	0.5	0.8
Taxes Payable	0.1	0.1	0.1	0.3	3.4	1.8	0.9	0.0	0.1	0.4	0.1	-	-	-	-
Deferred Tax Liabilities	-	-	-	-	-	-	-	-	-	-	0.2	1.2	1.2	1.1	1.0
Current Liabilities - Total	10.9	11.6	10.0	10.0	13.6	13.5	11.9	12.1	10.5	9.9	9.7	11.9	11.9	10.3	11.9
Accrued Severance Pay	2.4	2.5	2.8	3.1	3.7	4.1	4.2	3.8	3.6	4.0	4.3	4.5	4.7	4.6	5.3
Accrued Liabilities	1.5	1.4	1.3	1.5	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	14.9	15.5	14.2	14.6	17.3	17.5	16.1	15.9	14.1	14.0	14.0	16.3	16.6	14.9	17.1
STOCKHOLDERS EQUITY															
Preferred Stock - Carrying Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Equity - Total	107.3	108.4	111.6	114.4	121.1	122.5	123.5	121.7	122.9	127.3	132.1	139.1	145.1	147.2	155.1
TOTAL STOCKHOLDERS EQUITY	107.3	108.4	111.6	114.4	121.1	122.5	123.5	121.7	122.9	127.3	132.1	139.1	145.1	147.2	155.1
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	122.1	123.9	125.8	129.0	138.4	140.1	139.6	137.6	137.1	141.2	146.1	155.4	161.7	162.1	172.2
Liquidity															
Current ratio	6.99	6.71	7.96	8.77	7.06	7.22	8.15	7.91	9.06	10.01	10.74	9.53	9.57	10.10	9.55
Quick ratio	6.99	6.71	7.96	8.77	7.06	7.22	8.15	7.91	9.06	10.01	10.74	9.53	9.57	10.10	9.55
Management															
Sales/fixed assets	3.98	4.51	4.94	5.07	6.46	6.19	6.76	7.87	7.82	7.67	7.94	8.87	8.31	7.88	7.30
Sales/total assets	0.06	0.07	0.07	0.06	0.07	0.07	0.07	0.07	0.07	0.06	0.07	0.07	0.07	0.07	0.06
DSO	285.63	212.28	221.41	316.10	233.83	325.27	324.56	290.63	269.76	349.57	347.60	433.97	471.30	47.70	42.74
Inventory days-on-hand	191.74	184.69	136.19	235.87	146.23	139.54	216.27	-	-	-	-	-	-	-	-
Profitability															
Return on assets	0.0%	1.4%	3.5%	-0.8%	15.9%	2.0%	4.0%	2.8%	4.0%	6.6%	4.8%	7.5%	5.1%	5.2%	6.9%
Return on equity	0.0%	1.6%	4.0%	-0.9%	18.2%	2.3%	4.5%	3.2%	4.5%	7.3%	5.3%	8.4%	5.7%	5.8%	7.7%
Per share data															
Book value/share	5.52	5.48	5.46	5.76	5.84	5.89	5.94	6.09	6.22	6.36	6.45	6.51	6.62	6.67	6.94
Tangible book value/share	5.52	5.47	5.45	5.75	5.84	5.89	5.94	6.09	6.22	6.36	6.45	6.51	6.62	6.67	6.94
Cash/share	1.91	2.18	2.09	2.05	2.53	2.07	0.54	0.67	0.78	0.41	0.42	0.57	1.24	1.01	1.03
Pro-forma EPS	0.00	0.02	0.05	(0.01)	0.27	0.03	0.07	0.05	0.07	0.12	0.09	0.14	0.09	0.10	0.13


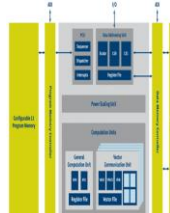
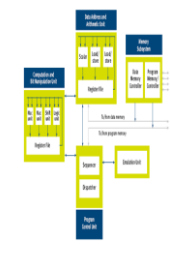
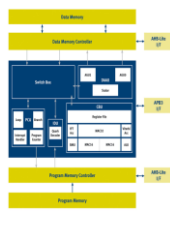
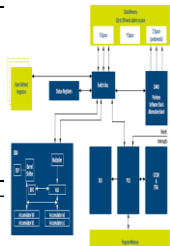
Source: Company Reports and Rodman & Renshaw Estimates

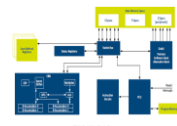
Valuation Comparison

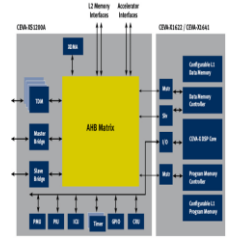
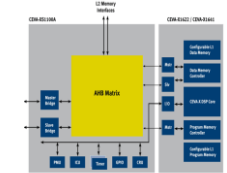

	CEVA	ARMH	BRCM	MRVL	QCOM	TXN
Profitability						
Sales (mil)	42.1	585.1	6,215.5	3,553.9	10,991.0	13,446.0
% change yoy	10%	22%	45%	43%	6%	36%
EPS adjusted	0.49	0.39	1.82	1.63	2.46	2.36
% change yoy	26%	50%	2175%	159%	28%	162%
Net Profit Margin	25.5%	29.2%	15.7%	31.1%	37.0%	21.8%
Cash Flow/Share	0.66		2.36	1.83	2.44	2.92
Free Cash Flow/Share	0.62		1.94	1.69	1.48	1.36
ROE	7%	10%	4%	16%	20%	17%
ROA	6%	8%	3%	13%	13%	13%
Leverage						
Total Debt/Total Equity	0.00		0.00	0.00	0.05	0.00
Total Debt/Total Capital	0.00		0.00	0.00	0.05	0.00
Financial Leverage	1.11		1.26	1.17	1.47	1.27
CFO/Total Debt				1,171.61	4.07	
Interest Coverage Ratio				10,756.55	41.64	
Times Interest Earned				8,354.90	29.86	
Liquidity and Efficiency						
Quick Ratio	7.80		2.61	4.50	2.01	2.32
Current Ratio	9.55		3.13	4.94	2.22	3.52
Net Cash/Share	3.92		4.40	3.96	5.54	2.10
Days Sales Outstanding	45.1		37.6	45.6	23.6	42.3
Inventory Turnover			6.8	6.7	8.1	4.9
Cash Conversion Cycle	-8.5		33.3	14.0	3.8	85.4
Working Capital Turnover	0.4		3.0	1.5	1.8	3.2
Valuation						
Price/Adjusted Earnings	47	56	24	11	21	14
Price/Sales	11.9	16.7	3.7	3.6	7.8	2.9
Price/EBITDA	48.6		14.5	10.5	18.9	7.4
Price/Book Value	3.3		4.8	2.4	4.1	3.9
Price/Cash Flow	35.6		19.1	10.2	21.2	10.9
Adjusted Earnings Yield	2.2%	1.8%	4.1%	5.0%	4.7%	7.1%
Dividend Yield	0.0%	0.5%	0.7%	0.0%	1.4%	1.6%
Enterprise Value	414.1	9,802.6	17,682.8	9,399.0	74,976.6	36,002.3
Enterprise Value/Sales	9.8	20.4	2.8	2.6	6.8	2.7
Enterprise Value/EBITDA	39.5		10.7	7.9	16.4	6.8
PEG Ratio	0.7	11.2		0.6	1.8	7.0
Price Performance						
Stock Price	22.78	21.78	44.86	19.56	52.67	33.25
52 wk hi	24.00	22.24	47.00	22.87	52.40	33.93
52 wk low	10.37	8.74	26.40	13.87	31.63	22.28
52 wk Change	83%	145%	38%	-13%	8%	27%
52 wk Change vs S&P	66%	113%	24%	-23%	-2%	13%
50-Day MA	21.30	18.68	43.44	19.39	48.33	31.90
200-Day MA	14.87	15.31	36.84	18.28	41.47	27.04
Beta	1.09	1.24	1.36	1.36	0.83	1.07
Avg Volume (00)	3,934	29,636	75,616	123,813	146,188	109,758

Source: Company Reports, Rodman & Renshaw estimates









Appendix- Products Overview


DSP Cores Family				
Product	Features	Target Markets	Benefits	Block Diagram
CEVA-XC323	Optimized for Wireless Infrastructure, Fully Scalable, Seamless Migration from previous-generation infrastructure DSPs	3G/4G Multi-mode Femtocells, Picocells, Microcells and Macrocells	Up to 4x performance improvement over existing 4G wireless infrastructure DSP, Built-in Standard AXI Bus Bridges and more, Energy Efficient,	
CEVA-X1643	High performance-VLIW + SIMD, Fully featured AXI system buses, Over 1GHz @ 40nm; Multiple domains, operating modes	Wireless Handsets and Infrastructure ;Wireline Communications; Surveillance; Portable Multimedia	High performance, low power DSP core compatible with TI C6x code; Seamless migration path for TI C6x based designs ; Enriched software tool chain; Introduction to CEVA-X1643 DSP (video)	
CEVA-X1622	High frequency – over 600 MHz @ 65nm G, Dual MAC 16-bit fixed point DSP Combination of VLIW and SIMD architecture concepts; Up to 8 instructions issued simultaneously and Variable instruction width; Two level memory architecture ;Nine stage pipeline;	3G/3.5G/HSDPA cellular handsets and Software Radio ;Multimode terminals and smartphones ;VoIP Gateways & broadband modems	High Performance at Low Power Consumption; High-level Programming ;Soft Core based	
CEVA-TeakLite-III	Dual-MAC, native 32-bit architecture; Combined DSP and RISC-oriented features ;32 x 32 MAC unit for advanced audio standards;10-stage pipeline Multiple subsystem options to best fit customer system needs ;In-house developed SW tools	High Definition (HD) audio applications that require advanced audio standards such as Dolby Digital Plus 7.1, Dolby TrueHD and DTS-HD Master Audio; low-cost 2G/2.5G/3G wireless baseband modems, wideband voice and audio processors, portable media players, voice-over-IP residential gateways and dual mode cellular/voice-over-WiFi handsets.	Higher Performance and Lower Power for Demanding Applications; Embeds with CEVA-Quark™ - 16-bit Instruction Set Architecture (ISA); Fully Compatible with CEVA-TeakLite and CEVA-TeakLite-II DSP Cores	
CEVA-TeakLite-II	High frequency – up to 200 MHz @ 0.13u worst case process; Low power consumption ;High code density using 16-bit instructions width	Cellular handsets(2G - GSM, CDMA, TDMA;2.5G - GPRS, EDGE);Portable audio players ;Voice over IP phones; Hard Disk Drives ;Optical drivers and servo control	Higher performance for more demanding applications ;Easy software migration ;Smallest die size DSP, lower cost ;High code	

			compactness, based on 16-bit instructions only; Excellent support for advanced multi-function applications	
CEVA-TeakLite	Available as Soft core as well as Hard Macro; Low power consumption ; Fully Static Design. Cool CEVA-TeakLite version - optimized for very low power consumption	Cellular handsets(2G - GSM, CDMA, TDMA;2.5G - GPRS, EDGE);Portable audio players ;Voice over IP phones; Hard Disk Drives; Medical (Hearing-Aid)	Supports access to 64K-word program memory and efficient handling; Supports real-time operating systems and wide Automatic Context Switching	

Ceva's System-on-Chip (SoC) platforms				
Product	Features	Target Markets	Block Diagram	
CEVA-XS1200A	Highly-integrated SoC platform enabling connectivity to external CPU systems through standard AHB system buses; embedded programmable CEVA-X1622/CEVA-X1641 DSP Core; flexible memory architecture enabling memory sharing between DSP and CPU; programmable 3D DMA engine, built for multimedia applications; Time Division Multiplex (TDM) ports for glue-less connectivity of any standard serial interface; advanced and comprehensive SW & HW development tools , supports CEVA-XS1200A platform	Cellular communications; mobile multimedia application processing ; home theatres and HiFi audio systems; VoIP multi-channel applications; servo controller for storage devices		
CEVA-XS1100A	Highly-integrated SoC platform enabling easy connectivity to external CPU systems through standard AHB system buses; embedded programmable CEVA-X1622/CEVA-X1641 DSP Core offering high-performance VLIW SIMD Architecture; fully synthesizable, soft core and process-independent DSP platform; low-power design including sophisticated power management unit			
Xpert-TeakLite-II	A complete DSP subsystem licensable IP; embedded programmable CEVA-TeakLite-II DSP Core; low-power design; Open architecture allows future upgradability; fully synthesizable, soft core and process-independent DSP platform; advanced and comprehensive SW development tools and HW development environment, supporting Xpert-TeakLite-II platform			

Xpert-Teak	A complete DSP platform licensable IP; embedded programmable dual MAC CEVA-Teak DSP Core; low-power design; open architecture allows future upgradability; fully synthesizable, soft core and process-independent DSP platform; advanced and comprehensive SW development tools and HW development environment, supporting the Xpert-Teak platform	Image and video processing; cellular applications; consumer/professional audio markets; enterprise/residential applications; VoIP/VoCables/VoDSL applications; IP-PBX	<p>Xpert-Teak Block Diagram</p>
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CEVA Hardware Tools		
Tool	Benefits	Image
CEVA Base Board (CBB)	It is a development board comprising of a set of peripherals for CEVA-X-based application development. The peripherals include memories, audio and video interfaces, and connectivity options like Ethernet.	
CEVA Demo Board (CDM)	It is a hardware and software development platform to assist CEVA-X DSP Cores family users to develop and test their hardware and software applications	
Evaluation and Development Platform (EDP)	It is a basic development platform for developing and testing DSP-based applications. The EDP interfaces to a host PC through the JBox interface for full application control.	
Analog Front End (AFE)	This AFE board serves as a software development and verification hardware that demonstrates the capabilities of CEVA DSP cores for VoIP and audio processing	
Analog Front End (AFE) with SLIC modules	This AFE comprises eight channel analog telephone interfaces with a schematic, based on Silicon Laboratories chipset. It contains Si3220, which is an ideal solution for such VoIP platform	
Xpert Video	This is a development platform focusing on image, video and audio application development. It includes a wide set of peripherals that enable the application developer to get as close as possible to the final DSP application without the need for the final silicon.	
JBox JTAG Interface	The JBox enables operation of all CEVA DSP cores in debug emulation mode. It provides a bridge between the PC host and the target board, and allows JTAG high-speed communication with the DSP subsystem for software development and debug.	
DSP on FPGA	CEVA uses dedicated ASIC to FPGA synthesis tools that allow the user to take a "black box" instantiation of the CEVA-Teak DSP core and use it in the FPGA. The DSP FPGA implementation is FPGA architecture friendly and ensures predicted timing and area numbers on the FPGA implementation.	NA
CEVA-X1620 Core Adapter	The CEVA-X1620 Adapter (X1620CA) is designed to assist CEVA-X1620 development chip users develop applications. The core adapter can be used either as a stand-alone development platform or mounted on the CBB.	

CEVA-X1620 FPGA Adapter	The FPGA Core adapter is designed to answer the needs for FPGA prototyping. The board includes a large FPGA component, numerous I/O pins to top and bottom connectors and an on-board PLL for external frequency generation. The FPGA board is designed to be used in multiple operation modes	
CEVA-X Development Chip & FPGA Core Adapter Support	The CDM has two 240 pin Samtec connectors and one 60 pin Samtec connector connecting the CEVA core adapters to the CDM. These connectors provide the power, GND, control, address bus, data bus and other signals between the CDM and the adapters.	NA

Application Platforms	
Product	Features
CEVA-MM3000	Comprises a multipurpose programmable HD video and image processing platform for connected multimedia devices
CEVA-MM2000	Comprises a software-programmable audio, video and image solution that supports all key standards for mobile multimedia applications for next generation cell phones and portfolio digital multimedia devices
CEVA-HD-Audio	High-performance, single-core integrated high-definition audio solution targeting Blu-ray disc players, digital TVs, set-top boxes and home entertainment systems
CEVA-Audio	Highly-integrated, low-power, low-cost audio platform targeting high-volume markets such as portable audio players, cellular handsets, and home entertainment systems
CEVA-VoP	Fully integrated Voice-over-Packet (VoP) application platform targeting residential and consumer markets
Bluetooth	Flexible, silicon-proven Bluetooth platform containing all the required deliverables for OEMs, semiconductor, ASICs, and fabless customers to rapidly design Bluetooth® technology into their ASICs and ASSPs
SATA	Optimized solutions for both host-end and device-end, for SATA 2.6 (i.e. 3Gbps) and for SATA 3.0 (i.e. 6Gbps)
SAS	Comprehensive SAS solution for high-end enterprise storage, encompassing both Protocol (SSP/SMP/STP) and PHY

RODMAN & RENSHAW RATING SYSTEM: Rodman & Renshaw employs a three tier rating system for evaluating both the potential return and risk associated with owning common equity shares of rated firms. The expected return of any given equity is measured on a RELATIVE basis of other companies in the same sector, as defined by First Call. The price objective is calculated to estimate the potential movement in price a given equity could achieve given certain targets are met over a defined time horizon. Price objectives are subject to exogenous factors including industry events and market volatility. The risk assessment evaluates the company specific risk and accounts for the following factors, maturity of market, maturity of technology, maturity of firm, cash utilization, and valuation considerations. Potential factors contributing to risk: relatively undefined market, new technologies, immature firm, high cash burn rates, intrinsic value weighted toward future earnings or events.

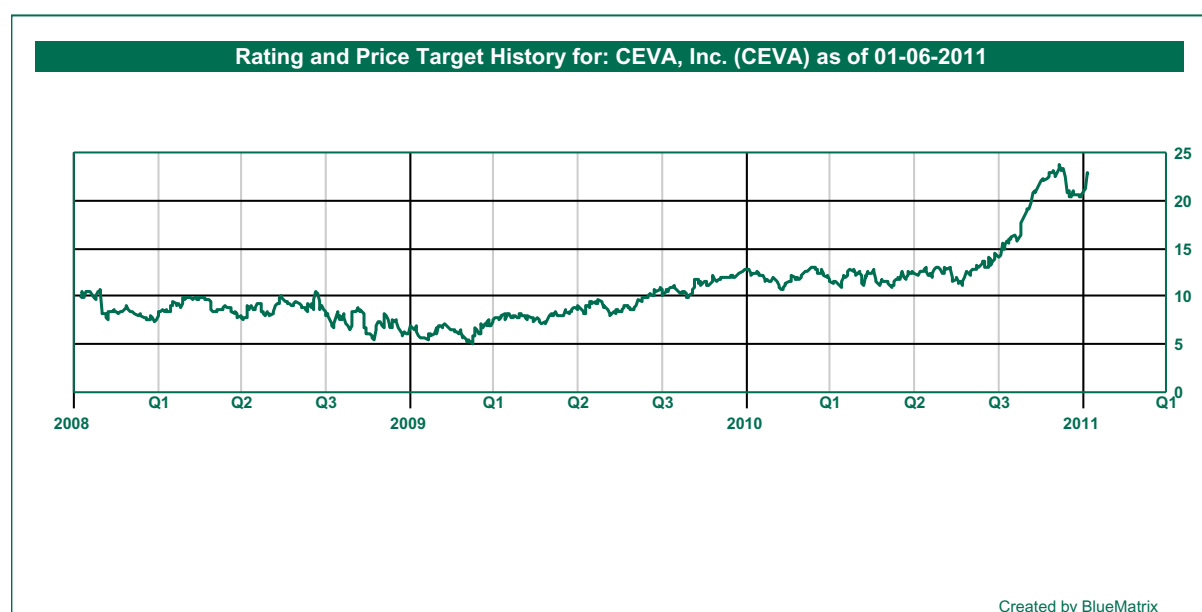
RETURN ASSESSMENT

- **Market Outperform (Buy):** The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector, as defined by First Call.
- **Market Perform (Hold):** The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector, as defined by First Call.
- **Market Underperform (Sell):** The common stock of the company is expected to underperform a passive index comprised of all the common stock of companies within the same sector, as defined by First Call.

RISK ASSESSMENT

- **Speculative -** The common stock risk level is significantly greater than market risk. The stock price of these equities is exceptionally volatile.
- **Aggressive -** The common stock risk level is materially higher than market level risk. The stock price is typically more volatile than the general market.
- **Moderate -** The common stock is moderately risky, or equivalent to stock market risk. The stock price volatility is typically in-line with movements in the general market.

Rated Companies mentioned in this report					
Company	Ticker	R&R Rating	Price	Mkt Cap (\$ MM)	12 Month Price Target
Intel Corporation	INTC	Market Outperform	20.77	115,855.10	27.00



RATING SUMMARY

Distribution of Ratings Table				
Rating	Count	Percent	IB Serv./Past 12 Mos	
			Count	Percent
Market Outperform(MO)	184	76.70%	47	25.54%
Market Perform(MP)	43	17.90%	3	6.98%
Market Underperform(MU)	9	3.80%	0	0.00%
Under Review(UR)	4	1.70%	0	0.00%
Total	240	100%	50	100%

Investment Banking Services include, but are not limited to, acting as a manager/co-manager in the underwriting or placement of securities, acting as financial advisor, and/or providing corporate finance or capital markets-related services to a company or one of its affiliates or subsidiaries within the past 12 months.

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