

March 18, 2011

Market Outperform / Speculative Risk

Initiate with Outperform and Price Target of \$9

MARKET DATA 3/17/2011

Price	\$7.28
Exchange	NASDAQ
Target Price	\$9.00
52 Wk Hi - Low	\$9.10 - \$5.76
EV(MM)	\$106.4
Market Cap(MM)	\$170.2
Shares Out (MM)	23.4
Avg. Daily Vol	87,779.0

BALANCE SHEET METRICS

Cash (MM)	\$63.8
Total Debt/Total Equity	0.00%
Debt/Capital	NA
Price/Book Value	1.0x
Book Value/Share	\$7.19

EARNINGS DATA (\$)

FY - Dec	2010A	2011E	2012E
Q1 (Mar)	0.11	(0.07)	0.15
Q2 (Jun)	0.18	0.09	0.20
Q3 (Sep)	0.27	0.28	0.27
Q4 (Dec)	(0.17)	0.12	0.28
Full Year EPS	0.33	0.41	0.90
Revenue (MM)	225.5	237.0	245.6

VALUATION METRICS

Price/Earnings	21.9x	17.8x	8.1x
EV/Revenue	0.5x	0.4x	0.4x
Y/Y EPS Growth		23.1%	119.5%

INDICES

DJIA	11,774.6
SP-500	1,273.7
NASDAQ	2,225.2
Russell 2000	785.5



Digital cordless chipset market growing steadily

Growth in the digital cordless chipset market, from about 190M units in 2006 to over 240M units in 2010, has been driven by the migration from analog to digital along with the market transition from 2.4/5.8GHz to DECT/DECT 6.0 cordless protocols. New cordless systems with video and IP telephony functionalities will accelerate replacement and drive the demand for wireless chipsets.

DECT dominating cordless technologies

Due to its superior audio and voice quality DECT has emerged as the dominant cordless phone standard. The DECT cordless chipset market grew from 115mm units in 2006 to 178mm units in 2010, a CAGR of 12%, and is expected to exceed 220M units by 2013.

Market leader in digital cordless telephony market

DSPG is the largest provider of wireless chipsets for cordless telephony applications, with almost two-thirds market share. DSPG's chipsets including DECT, CoIP, 2.4GHz, and 5.8GHz functionality have been primary drivers of revenue performance. The company's dominant share can be attributed to its expertise in designing integrated chips that combine mixed-signal digital, analog and RF into single silicon.

Leading the next cordless standard evolution

DSPG has forged ahead with developing the next generation cordless technology, CAT-iq, which is an enhancement of DECT. We believe this standard will support the launch of new cordless products as telecom operators have started deploying home gateways and mobile handsets with CAT-iq. Key customers Samsung and VTech have designed in the company's XceedR DCX chipsets for their CAT-iq 2.0 handsets.

Emerging opportunities

DSPG believes that the next growth driver for its wireless cordless chipsets are multimedia handsets and connected devices as they will eventually replace traditional cordless handsets owing to the convergence of voice, audio, data, and video applications. The incremental growth from multimedia cordless phones and connected devices, or an additional 50-75M units, could support revenues of \$300-\$350M over the next five years.

Strong financials

Revenues have gradually expanded from under \$190M in 2005 to \$225mm in 2010. High levels of R&D have curtailed historical profitability but we expect operating leverage to improve going forward. Revenue contribution from new high-margin products is expected to double from about \$15M 2010 to over \$30M in 2011. With cash and equivalents of almost \$140M and no debt, we believe the company has adequate financial flexibility for future growth.

Our DCF valuation methodology assumes terminal revenue growth of 5% and operating margins of 10%. These assumptions yield a DCF fair value of \$9.00.

Company Description

DSP Group, Inc. (DSPG, Market Perform) is at the forefront of wireless chipset solutions that integrate digital enhanced cordless telecommunications (DECT), wireless fidelity (Wi-Fi), public switched telephone network (PSTN) and voice over Internet protocol (VoIP) technologies with application processors for the residential cordless telephony market. With its industry-leading expertise, DSPG has captured a 65% market share and shipped over one billion chipsets to the digital cordless telephony market. DSPG was founded in 1987 in California and was later reincorporated in Delaware in 1994. Building on its expertise, the company has expanded its technology base and offerings through acquisitions and internal efforts. In Sep-2007, the company acquired its formidable competitor NXP's (NXPI, Not Rated) cordless and VoIP terminals businesses in a deal size reaching \$270 mm in cash and stock. The transaction has reinforced DSPG's position in the DECT market. DSPG sells its products directly and through distributors to original equipment manufacturers (OEMs) and original design manufacturers (ODMs), who incorporate them into consumer products for the worldwide residential communications market. The company's major customers are Panasonic (PC, Not Rated), VTech (VTKHY, Not Rated), Verizon (VZ, Not Rated) Deutsche Telekom (DTEGY, Not Rated), France Telekom (FTE, Not Rated), Sony (SNE, Not Rated), Motorola (MSI, Not Rated), and NEC (NIPNF, Not Rated). DSPG's top three customers including VTech (OEM), Tomen Electronics (TYO: 7558, Not Rated), a Japanese distributor and CCT Telecom (CCTTF, Not Rated) contributed 29%, 22%, and 8% towards 2009 revenue, respectively.

Company Background

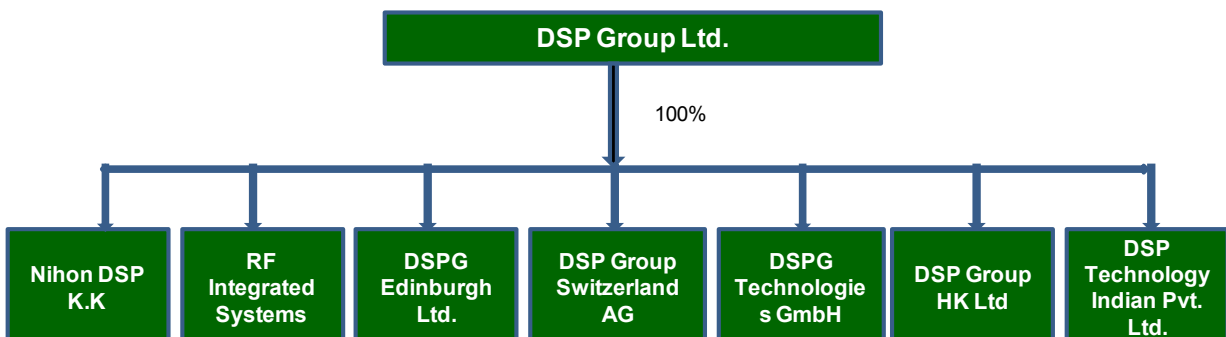
DSPG was founded in 1987 in California and was later reincorporated in Delaware in 1994. The company completed its initial public offering in February 1994. The company developed proprietary voice compression software (electronic manipulation of digitized speech and other electronic signals), which Microsoft built into Windows. However, other companies replicated this software, triggering DSPG's split into two companies.

During 1994-95, the company began focusing on the product segment (IDT and voice over packet) and pioneered the technology to replace cassettes with digital devices. During 1996-97, the company started licensing its digital signal processing core to other companies, thereby shifting focus into the SIP business.

On November 1, 2002, the company transferred the assets and liabilities of its DSP cores licensing business to its then wholly owned subsidiary CEVA, Inc.(CEVA, Market Outperform), in exchange for distribution of CEVA's common stock to DSPG's stockholders of record. In addition to the other assets transferred to Ceva, DSPG also contributed a sum of \$40 million in cash and prepaid transaction expenses related to both the deals that exceeded \$2 million. During 2003, the company moved into the multimedia communications market acquiring the assets of Teleman Multimedia, a silicon platform for video compression and decompression designed to interface with image sensors and panel displays.

On September 4, 2007, DSPG acquired certain assets and assumed certain liabilities of the cordless and VoIP terminals business (CIPT) of NXP, then a part of the Mobile and Personal Business Unit of NXP B.V. by paying approximately \$200,000 in cash and issuing 4,186,603 shares of the company's common stock to NXP. Moreover, DSPG also agreed to a contingent cash payment of up to \$75,000, payable during the first four quarters post acquisition and conditional to future revenue performance of the CIPT business.

DSPG Organization Structure

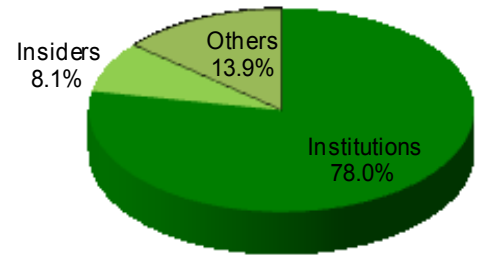


Source: Company Filings, Rodman & Renshaw Research

Capital Structure

DSPG’s common shares are listed on the NASDAQ Global Market under the symbol “DSPG”. The company has 23.3 million outstanding common shares and a market capitalization of ~\$174.5 million, trading at current market price of \$7.47. Insiders own about 8.1% (or 1.9 million) of the outstanding common shares. Eliyahu Ayalon (executive chairman) owns ~2.3%, while Boaz Edan (chief operating officer) and Zvi Limon (director) hold 1.1% each. Other members have a less than 1% stake in the company. Institutional investors own ~78% (or 18.2 million) of the outstanding common shares. The top five institutional holders comprise 35.3% (or 8.2 million shares).

Shareholding Pattern



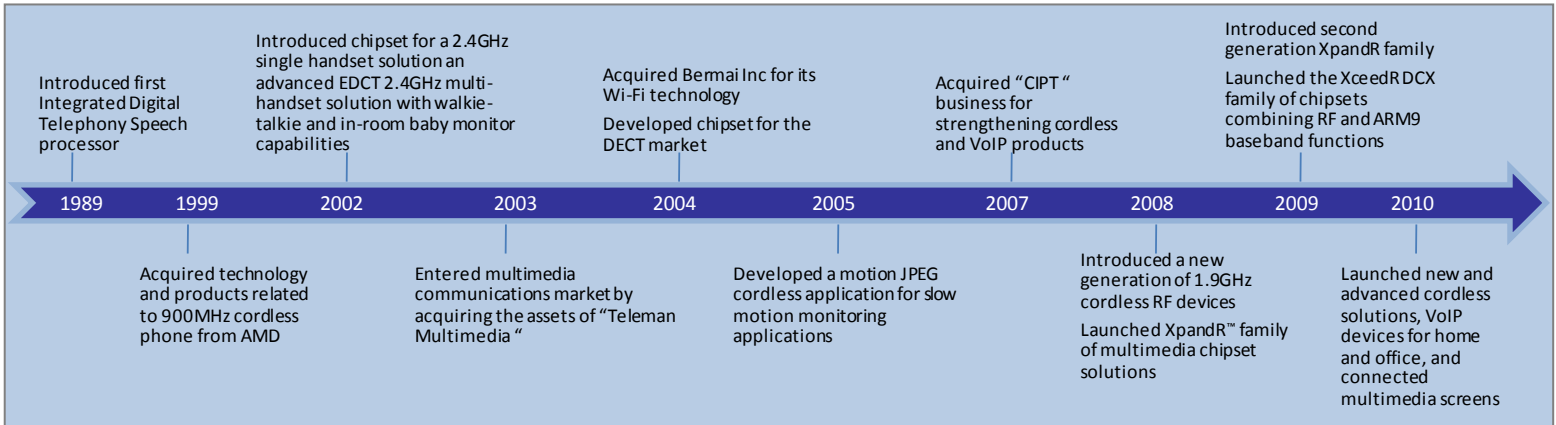
Top five Institutional Holding	
Blackrock Advisors LLC	8.93%
FMR LLC	8.47%
Dimensional Fund Advisors LP	7.74%
Vanguard Group Inc	5.12%
Wells Fargo & Co	5.03%

Source: Bloomberg, Company Filings, Rodman & Renshaw Research

Product Overview

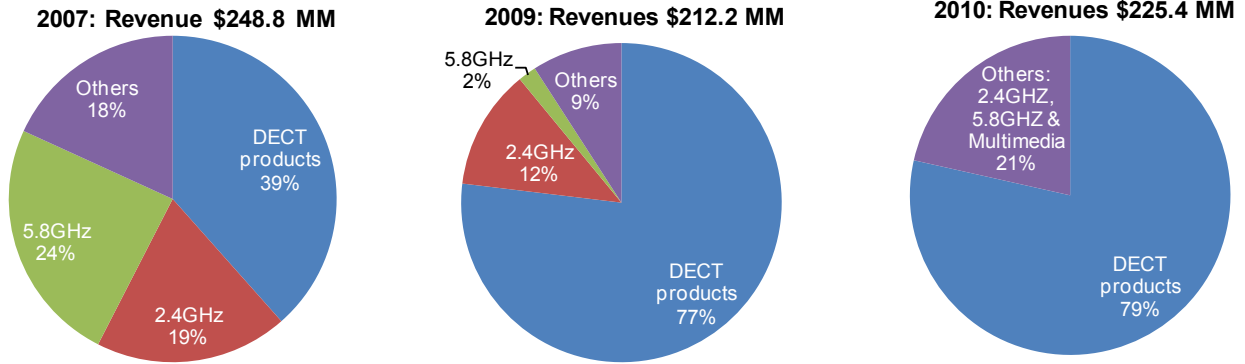
DSPG has > 20 years of operating experience in the wireless home telephony market offering chipsets with a wide range of functionality for digital cordless phones. Over the years, the company has launched several leading-edge products through both internal development and acquisitions.

Product Launch Timeline



Source: Company Filings, Rodman & Renshaw Research

The company’s product portfolio of wireless chipsets includes DECT, CoIP, 2.4GHz, and 5.8GHz, representing 92% of revenue in FY09. While the 5.8GHz and 2.4GHz products were key revenue drivers in 2007, the shift to DECT has impacted the company’s revenue distribution. During 2009, sales from DECT accounted for 77% of revenue, while 5.8GHz and 2.4GHz contributed 12% and 2% towards revenue, respectively.



Source: Company Filings, Rodman & Renshaw Research

DSPG delivers a broad portfolio of wireless chipset solutions that are categorized into digit cordless telephone; home and VoIP solutions; and multimedia chipset solutions.

Digital Cordless Solutions:

As the worldwide market leader in DECT and CAT-iq cordless technology, DSPG offers *XceedR* family of cordless chipsets, which supports cordless phones, cordless headsets and home monitoring/automation devices. *XceedR* cordless chipsets combine the entire breath of digital baseband, analog interface and RF functionality that enable global coverage, supporting all RF bands and cordless protocols such as 1.7GHz -1.9GHz DECT (Europe, US, Korea and Latin America), 2.4GHz (Japan, China and US) and 5.8GHz (US).

Product	Functionality
XceedR DE	It is used to develop fully integrated cordless telephone systems, digital answering machines, digital voice recorders (DVRs), digital baby monitors, and other low-to-mid-range audio applications. It supports various RF protocols such as DECT (1.7GHz-1.9GHz), FHSS DECT 2.4GHz, and EDCT 2.4GHz and 5.8GHz.
XceedR DCX	It combines RF and ARM9 baseband functions in a single package with a rich set of telephony features and advanced audio-processing capabilities supporting DECT/DECT6.0/CAT-iq and WDCT cordless applications.



Source: Company Filings, Rodman & Renshaw Research

VoIP Market

The company's highly versatile *XciteR* chipsets provide embedded solutions for a wide range of cordless protocols including VoIP phones, home PBXs with DECT access points, and home gateways. The *XciteR* chipset integrates all digital signal processing (DSP) functionality with integrated analog front-end supporting 1-4 channels of VoIP and FAX over Internet protocol (IP) for use in conjunction with other microprocessors to transmit VoIP-based public and private networks. Since 2005, the company has been selling the CoIP telephony system supporting both PSTN line and broadband for the VoIP residential market.

XciteR	Consists of RF, ARM9 baseband functions, a rich set of telephony features, advanced audio processing, and full VoIP support in a single package.
XciteR - DW	Includes a DECT baseband processor, RF chips, an HDK and an SDK for developing low-to-mid-range CoIP products



Source: Company Filings, Rodman & Renshaw Research

Multimedia Solutions

The company's *XpandR* family of multimedia chipset solutions are the world's only system-on-a-chip (SoC) solutions based on dual-core ARM and DSP, Wi-Fi and DECT baseband processors and comprehensive multimedia peripherals. *XpandR* multimedia chipsets integrate Wi-Fi, DECT and an application processor. Acquisition of Bermai's Wi-Fi technology assets has provided DSGP a unique opportunity in this domain.

XpandR-I	This is a DW52 chip with ARM9 and DSP in a single chip along with its companion RF ICs to support Wi-Fi a/b/g/e.
XpandR-II	This DW74 chip enhances CPU speed to 240MHz. It supports Wi-Fi handsets, multimedia tablets and Android cordless multimedia handsets for the cordless home phone market.
XpandR-III	This DMW96 SoC features an application processor, a communications sub-system, multimedia hardware engines, and a security processor. The chipset includes a companion chip for power management and analog front end (AFE), as well as two companion RF transceiver chips for Wi-Fi and DECT.

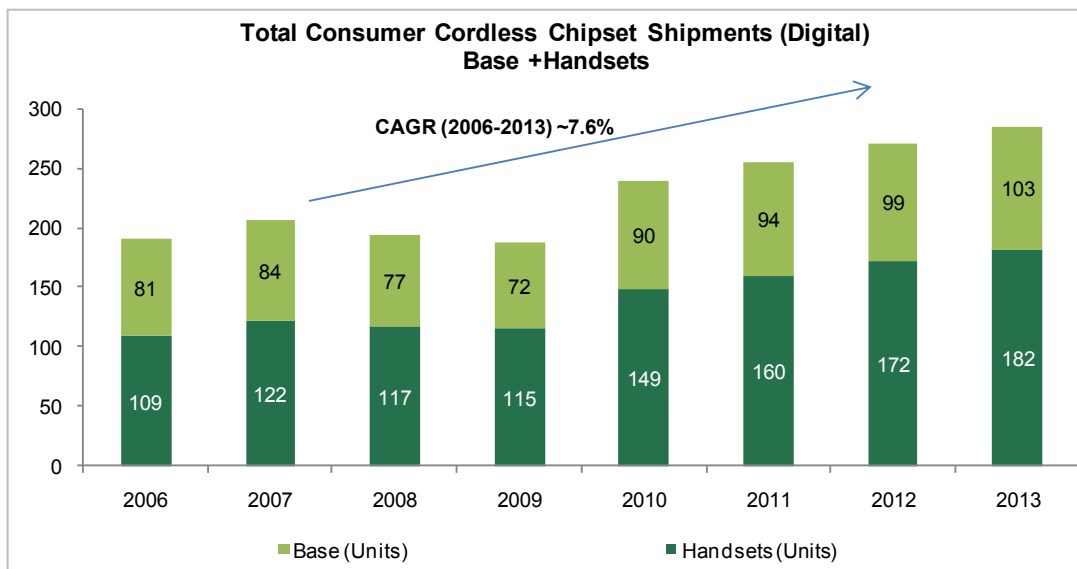


Source: Company Filings, Rodman & Renshaw Research

Industry Analysis

A Steadily Growing Cordless Chipset Market

The traditional fixed-line cordless phone industry is a relatively mature market that is experiencing consistent single-digit growth. The total market value of digital cordless phones reached \$5.05 billion in 2010, with 78% of phones based on DECT, 12% analog, and 11% other digital standards, according to gulfnews.com. The total addressable market for consumer digital cordless chipsets in 2009 was ~187mm units, down 3% from 193mm units in 2008. The market demonstrated 27% growth to 239mm units in 2010, as the economic recovery improved consumer spending on cordless phones and on the shift from 2.4 GHz and 5.8 GHz standards to DECT 6.0 in the US cordless phone market. According to company sources, consumer cordless chipset shipments are expected to reach 285mm units by 2013. We believe that, migration from analog to digital cordless telephony will be completely over in the next couple of years. However, new cordless systems with video and IP telephony functionalities will accelerate replacement and drive the demand for wireless chipsets.



Source: DSPG estimates, Rodman & Renshaw Research

The shift from analog to digital cordless phones is a primary driver of the digital cordless chipset market.

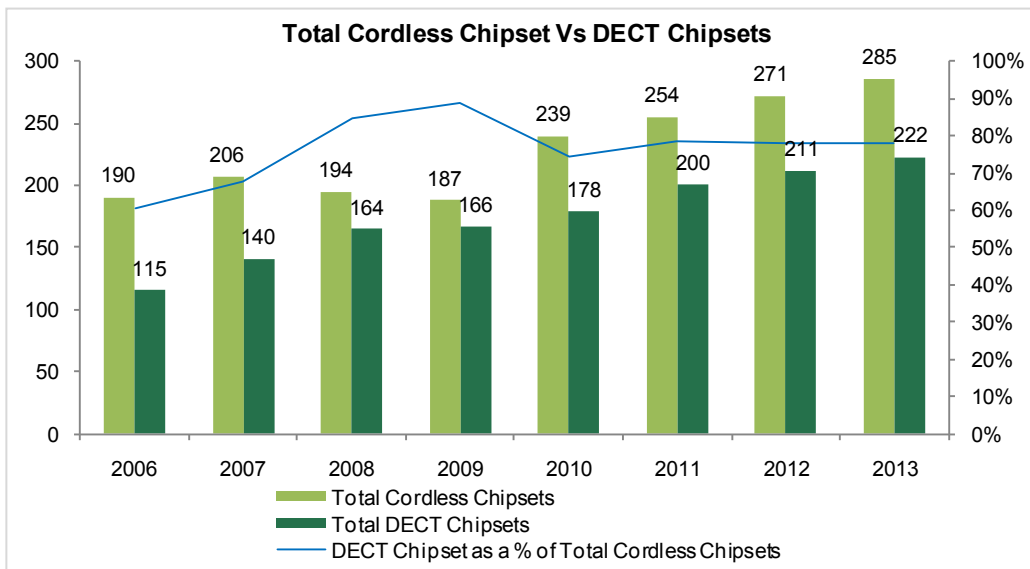
Cordless Phone Type	2006	2010	2013F
Analog cordless phones	34%	14%	7%
Digital cordless phones	66%	86%	93%

Source: DSPG estimates, Rodman & Renshaw Research

DECT dominate all cordless technologies

Digital Enhanced Cordless Telecommunications (DECT) is a digital communication standard used for short-range cordless communications. A new standard in voice communication, DECT operates between 1.8 GHz and 1.9 GHz spectrum frequencies, yielding low interference. It originated in Europe and became the second most successful ETSI (European Telecommunications Standards Institute) standard after GSM. This standard has been accepted in more than 100 countries including Australia, Asia, and South America. However, due to different radio frequency regulations, North America adopted a variation of DECT, called DECT 6.0. India and China do not allow DECT. Due to its superior audio and voice quality, DECT 6.0 has eroded the market share of other cordless phone standards such as 2.4GHz and 5.8 GHz. We believe this trend will continue and will drive the DECT market.

The DECT cordless chipset market has been growing at a CAGR of 11.5% from 115mm units in 2006 to 178mm units in 2010, DSPG estimates. DECT dominates wireless voice applications with a 74% market share for all cordless technologies (including analog and digital) in 2010 and the stake is expected to reach 78% by 2013. DECT is currently gaining market share from other technologies, following the migration from analog to digital technology and the reduction of market share of digital technologies based on voice over IEEE 802.11. In addition, economies of scale have lowered production costs allowing DECT to enter the market of replacement of wired fixed phones.



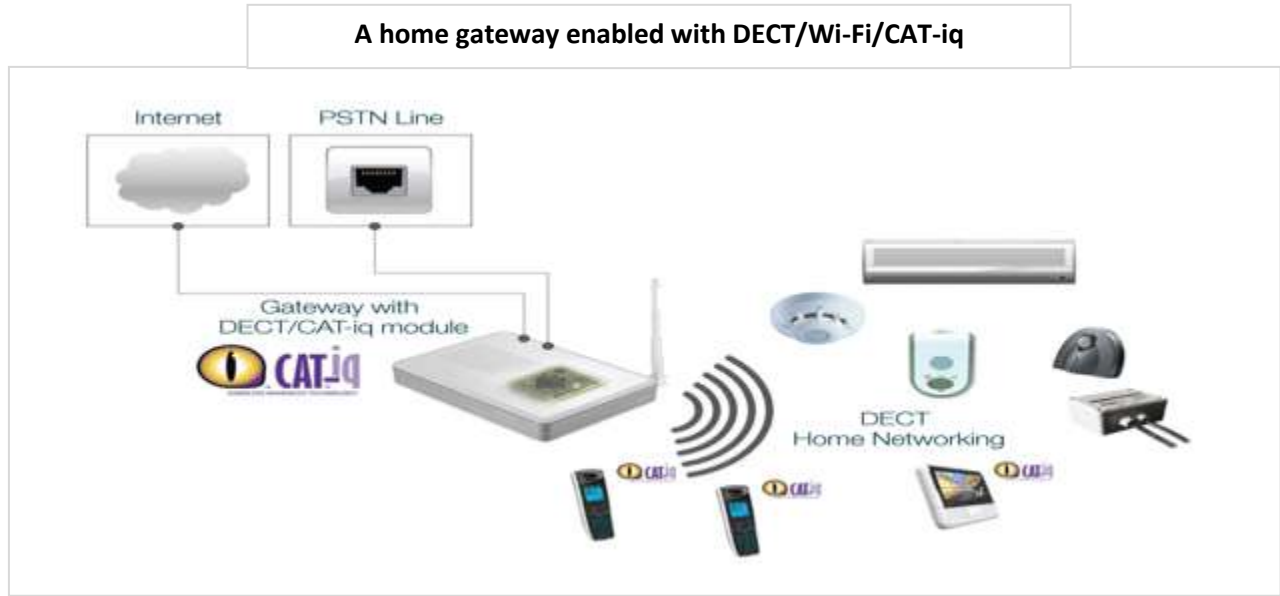
Source: DSPG estimates, Rodman & Renshaw Research

Home Networking - Multimedia Chipset Opportunities

DECT products were marketed for cordless phones either with PSTN connections and with base units, or for IP connected home gateways and cordless audio/video monitors for baby and home monitoring. However, with the overrun of wireless multimedia devices for the home such as tablets, digital photo frames, internet radios, multimedia cordless phones and other broadband multimedia screens, consumer electronics manufacturers require multimedia-dedicated chipsets to enable convergence of video, voice, audio and data.

Wi-Fi phones, launched in 2000, were supposed to provide both voice and data capabilities but could not impress because of concerns such as limited range and quality of service. However, due to DECT's ability to provide longer

battery life and better range, operators worldwide prefer DECT technology for voice distribution and Wi-Fi for data processing. Confronted with the challenge of integrating Wi-Fi, DECT, and multimedia applications, consumer electronics manufacturers are deploying system-on-chip (SOC) solutions, where all capabilities are embedded.



Source: Company Presentation, Rodman & Renshaw Research

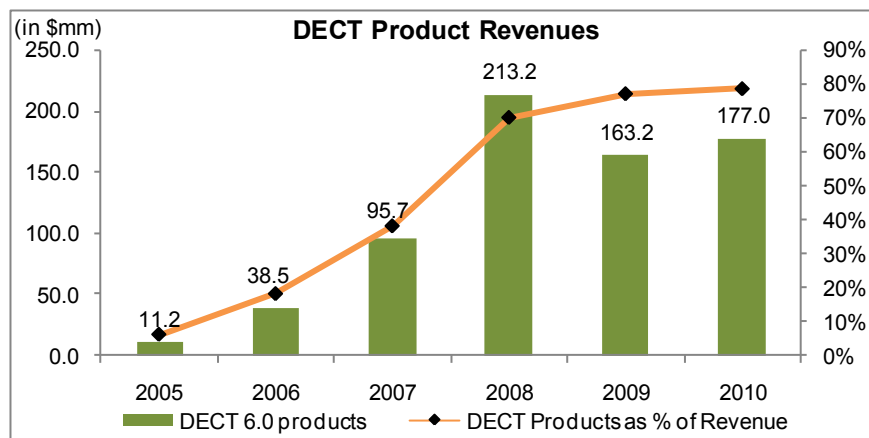
Competition

DSPG competes with several companies for each of its segments. The cordless chipsets market resembles oligopolistic structure with only three players, where DSPG is the market leader with 65% share followed by SiTel (formerly the DECT division of National Semiconductor) with 25% and the rest with Lantiq (formerly Infineon). In the VoIP market, DSPG competes with Broadcom, Infineon, SiTel, Texas Instruments and new Taiwanese IC vendors. Key competitors in the multimedia segment includes Atheros (ATHR, Not Rated), Broadcom (BRCM, Not Rated) Freescale, Intel (INTC, Not Rated), Marvel (MRVL, Not Rated), Ralink (TPE: 3534, Not Rated), Samsung and Texas Instruments (TXN, Not Rated).

Company Analysis

Industry Leader in Digital Cordless Telephony

DSPG is the largest provider of wireless chipsets for cordless telephony applications, with a commendable market share of 65%. The company's wireless chipset solutions incorporate all necessary analog interface, digital baseband, and RF functionality, which make them highly versatile and interoperable with any handsets. Leveraging the migration from analog to DECT technology for telephony products, the company has penetrated the worldwide DECT cordless phone market. DSPG's chipsets including DECT, CoIP, 2.4GHz, and 5.8GHz contributed 92% of total revenue in FY09, while DECT chipsets alone accounted for 77%. Market trends that facilitated the company's growth in the digital cordless telephony market include the shift from analog handsets to digital handsets and market transition from 2.4GHz and 5.8GHz to DECT/DECT 6.0 cordless protocols globally. The company has gained significant expertise to design integrated chips that combine mixed signal digital and analog functions and RF for high-end devices into a single silicon. Over the last two years, the company is witnessing significant revenue growth, primarily from strong consumer demand for multi-handset solutions. As a dominant industry player, the company works with every single cordless player in the market. While in Europe, it partners with Philips (PM, Not Rated), Thomson, and Sagem, in the US it collaborates with VTech, Uniden (TYO: 6815, Not Rated) and Panasonic.



Source: Company Filings, Rodman & Renshaw Research

New products/technologies driving growth

DSPG is maintaining its leadership in the cordless telephony market by constantly adapting to new technologies. The company has forged ahead with developing the next generation cordless technology, namely CAT-iq (cordless advanced technology-internet and quality), which is an enhancement of DECT. CAT-iq allows cordless phones to be used for VoIP and supports other internet services like audio and video streaming. We believe this standard will support the launch of new cordless products as telecom operators have started deploying home gateways and mobile handsets with CAT-iq. European operators are using the CAT-iq, while it is still nascent even in the US. DSPG's *XceedR DCX* chipset family for CAT-iq has received overwhelming acceptance in the industry. Consumer electronics players Samsung and VTech recently announced to use *XceedR DCX* chipsets for their CAT-iq 2.0 handsets. We believe these new cordless systems with video and IP telephony functionalities will accelerate replacement and drive the demand for wireless chipsets.

Growth Opportunities: Multimedia handsets and connected devices

DSPG believes that wireless multimedia handsets (tablets) will eventually replace traditional cordless handsets owing to the convergence of voice, audio, data, and video applications. Citing this opportunity, the company launched its multimedia chipset solution (*XpandR*) in 2008 and variants (*XpandR I, II, and III*) in the last two years. *XpandR* is a system-on-a-chip (SoC) solution that incorporates a dual-core DSP and ARM, DECT baseband processors and comprehensive multimedia peripherals that enable convergence between cell phones and home phones for data and voice, seamless and remote address book synchronization with any cell phone and full accessibility to a home phone from any location, be it an office or on-the-go. Based on the Android platform, these chipsets support web browsing, email, widgets, web radio, Picasa, and YouTube uploading.

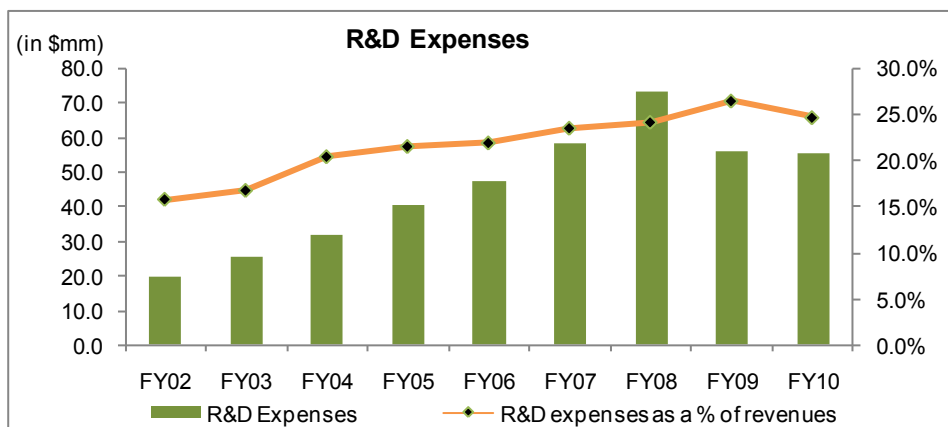


Source: Company Presentation, Rodman & Renshaw Research

DSPG’s multimedia chipset solutions clients include Binatone, a Motorola official licensee, and Giant Wireless Technology Ltd. The company’s management expects further OEM and ODM wins in FY11 and revenues from new products, especially *XpandR*, *CAT-iq* for DECT, and VoIP to grow more than 100% to \$30mm in FY 2011 from \$16mm in FY 2010. Gauging the overall market opportunity, we foresee multimedia cordless phones and connected devices adding 55-75mm units, entailing revenues of \$300-\$350mm over the next five years.

Pioneering Innovative Technologies

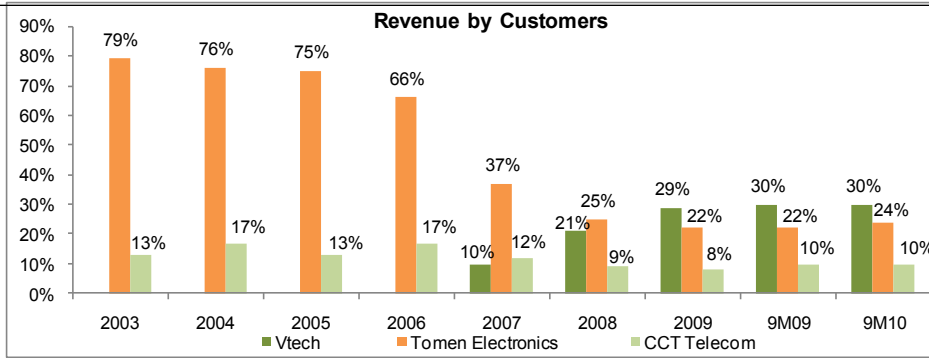
As a technology innovator, DSPG was the first company to develop a digital telephone answering device (TAD) processor, 2.4GHz multi-handset cordless chipsets, as well as a SoC integrating application processor with DECT, Wifi, and VoIP. DSPG invested ~20-25% of its revenues during the past five years in new product development to maintain its competitive edge in the industry. As of FY09, DSP had 138 patents, including 82 US patents and ~110 pending patents -- 45 in the US, 21 in Europe (PCT) and 18 in Japan. Of the 409 people employed in DSPG, 256 engineers are dedicated to R&D, as of FY09.



Source: Company Filings, Rodman & Renshaw Research

Strong Customer Base

All the players in the cordless telephony market use DSPG’s solutions. Major consumer electronics manufacturers like Panasonic, VTech, Uniden, Samsung (SSNLF, Not Rated), LG, Thomson, Philips, and Sagem as well as operators like Deutsche Telekom, BT Group (BT, Not Rated), Telecom Italia (TI, Not Rated), France Telecom, AT&T (T, Not Rated), and Verizon incorporate the company’s chipset solutions into their products. DSPG sells its products through major distributors like Tomen Electronics (Japan) and through OEMs/ODMs like VTech. DSPG has strong customer relationships -- Tomen electronics and CCT Telecom have been associated with the company for over a decade, while VTech has come on-board since 2007. As of 9M10, revenue from VTech, Tomen Electronics and CCT Telecom accounted for 30%, 24%, and 10% of the aggregate, compared to 30%, 22%, and 10% during 9M09.



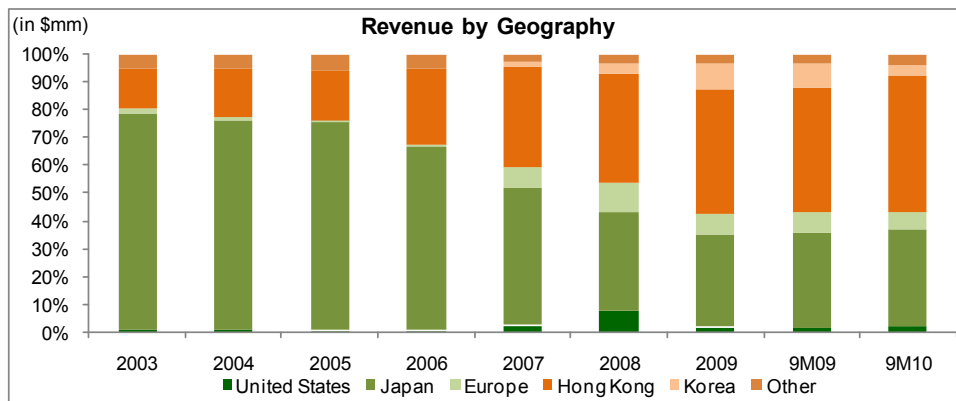
Source: Company Filings, Rodman & Renshaw Research



Source: Company Filings, Rodman & Renshaw Research

Expanding Geographical Presence

Japan was DSPG's major revenue contributor during the period 2000 to 2007 (primarily through Tomen Electronics). DSPG expanded its presence in Europe, Hong Kong, and Korea through its chipsets for the DECT market in 2004. To capitalize on the growing market acceptance of its DECT products in Hong Kong and Europe, DSPG launched several innovative solutions like SW radio technology for 5.8GHz in 2006, 1.9GHz cordless RF device and first generation XpandR family in 2008. As a result, Hong Kong and Europe contributed 49.4% and 6.1% towards revenue in 9M10, compared to 14.1% and 2% in FY03, respectively. Currently, DSPG's chipset solutions enable worldwide coverage through their supporting cordless protocols and RF bands. For instance, DSP's XceedR supports cordless protocols such as 1.7GHz-1.9GHz DECT in the US (DECT 6.0), Europe, Latin America and Korea; 2.4GHz in China, Japan, and the US, where the major protocols for this RF band is the company's proprietary EDCT and WDCT (wireless digital cordless technology) protocols; 5.8GHz in the US with the company's proprietary EDCT cordless protocol. DSPG is looking to leverage opportunities emerging in Korea, China, the US, and Europe.

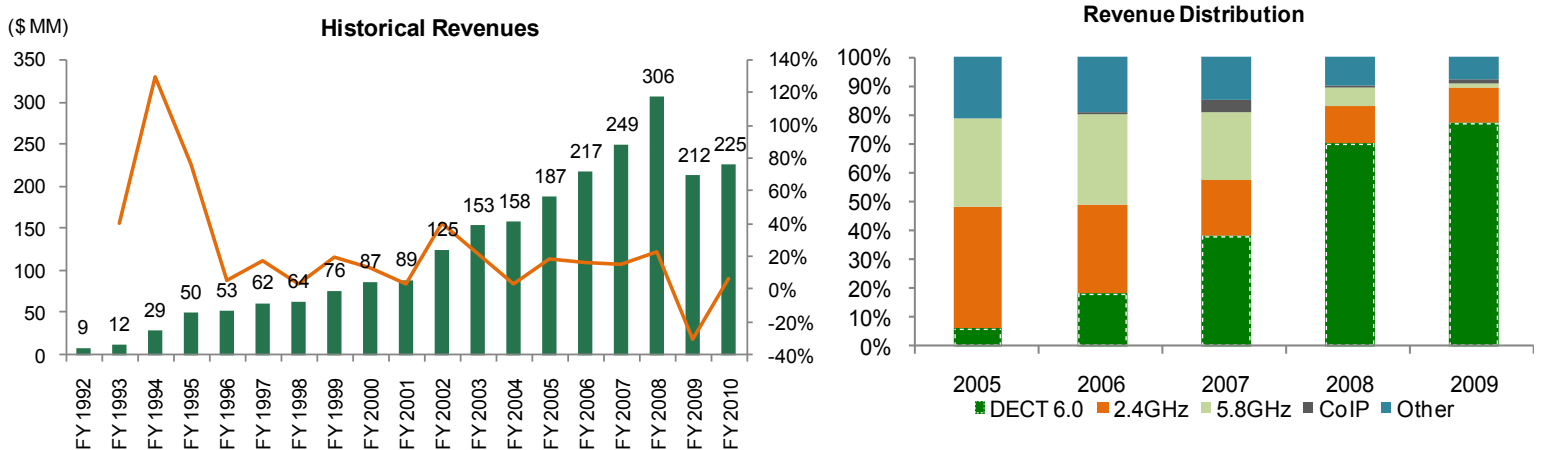


Source: Company Filings, Rodman & Renshaw Research

Financial Performance

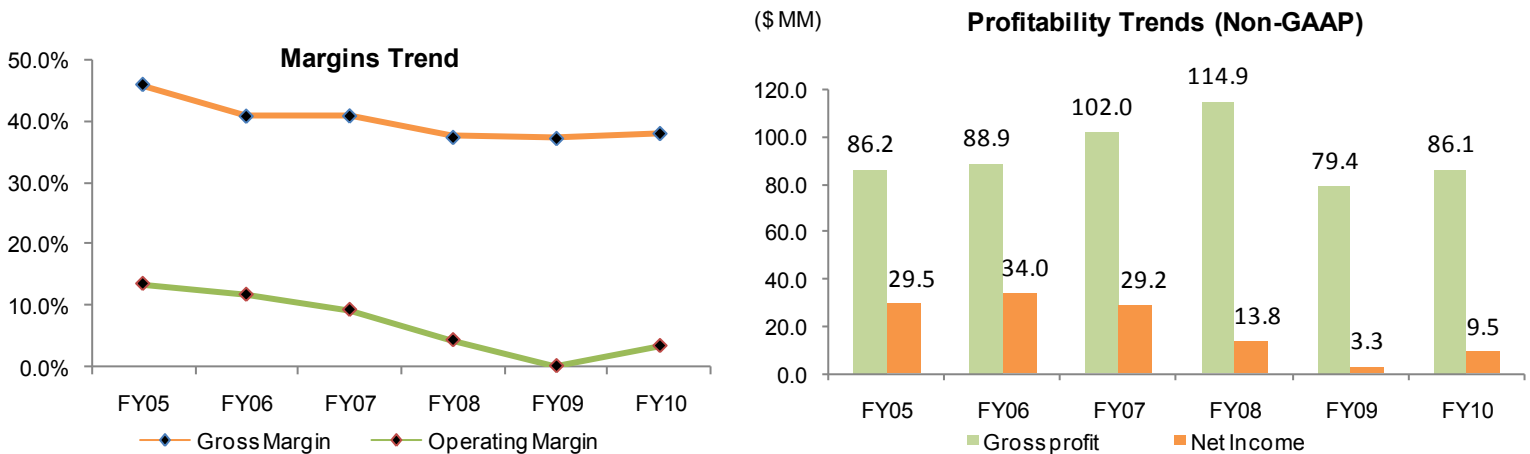
DSPG has demonstrated strong growth over the last 19 years, with revenue growing at a CAGR of 18.9% from 1992 to 2010, driven by the migration from analog to digital cordless telephony. Principally, the company has been riding on the market transition from 2.4GHz and 5.8GHz cordless technologies to DECT/DECT 6.0 in Europe and the US. Revenue from DECT grew at a stellar CAGR 73% during the last six years from \$11.2 mm in 2005 to \$177.0 mm in 2010, buoyed by continued penetration in the US cordless phone market. During 2010, revenue from DECT accounted for 78% of the total revenue, compared to 6% in 2005.

The company generated record high revenue of \$306 mm in 2008, largely attributable to the CIPT acquisition. However, the global economic crisis impacted revenue generation in 2009, which plunged 30.6% to 212.2 mm. For full-year 2010, revenue was up 6.3% to 225.5 mm, improving on higher DECT sales and a host of new products (*XpandR* platform). New products contributed \$16 mm in 2010, representing 7% of total revenue for FY 2010.



Source: Company Filings, Rodman & Renshaw Research

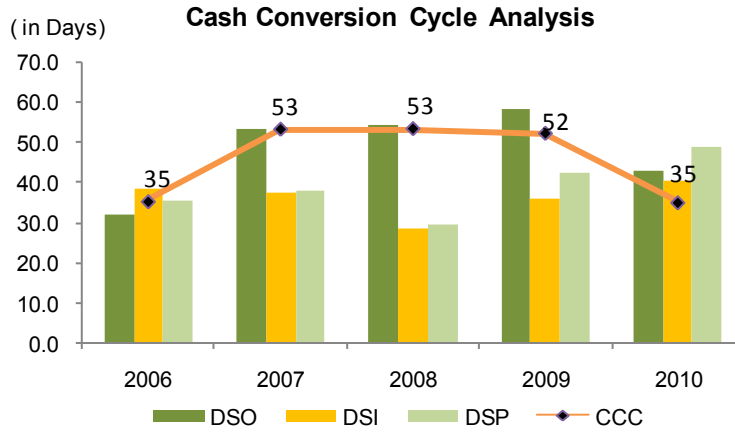
Gross margins trended lower in the past five years due to declining ASPs for the 5.8GHz and 2.4GHz products and higher contribution of low-margin DECT 6.0 products towards total revenue. From 46% in 2005, gross margins plummeted to 38.2% in FY10. Non-GAAP gross profit stood at \$86.1mm in FY 2010, compared to \$86.2mm in FY 2005. Higher revenue growth did not flow through to net income due to a dip in gross margins and higher R&D investments. During the last five years, the company's cumulative investments amounted to approximately \$330mm for developing new cordless telephony DECT standard, the CAT-iq and CoIP (cordless over IP) and advanced IP telephony technologies in-house. Operating margins came in at 3.5% in FY10, down from 13.5% in FY05. Non-GAAP net earnings decreased to \$7.8mm in FY10 from \$25.3mm in 2005.



Source: Company Filings, Rodman & Renshaw Research

Balance sheet

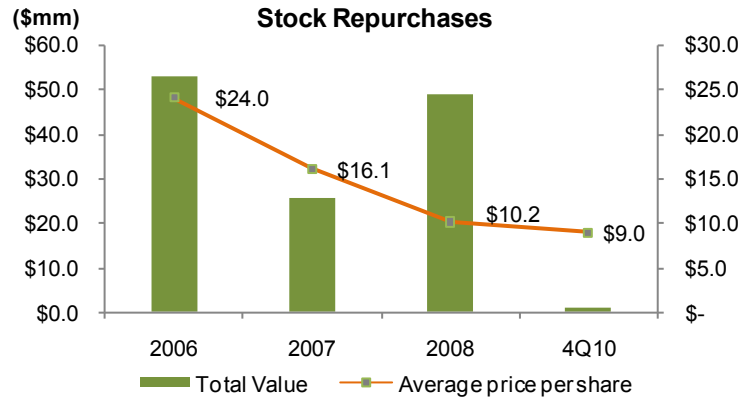
DSPG has a strong balance sheet with cash and cash equivalents of \$138.9 mm and no debt outstanding. The company's liquidity position is also robust, given the current ratio of 2.7 in FY 2010 compared to 2.6 in FY 2009. Inventories have been mounting recently as ODM and OEM players have reduced their replacement orders reporting inventory overhang. DSPG's management believes that inventories will deplete by 1Q 2011. Day's sales inventory stood at ~41 days in FY10, compared to ~36 days in FY09. Cash conversion cycle decreased to ~35 days in FY10 from ~52 days in FY09.



Source: Company Filings, Rodman & Renshaw Research

Stock Repurchases

DSPG management has been constantly rewarding shareholders with stock repurchases. During the last five years, the company's share buyback was a cumulative ~8.7 mm shares valued at \$128.4 mm.



Source: Company Filings, Rodman & Renshaw Research

FY 2011 Guidance

Heading into 2011, the company's revenue guidance is in the range of \$227mm to \$245mm, up ~1-9% from FY2010. New products such as *CATiq* and *XpandR* for multimedia solutions will be key revenue generators in the upcoming years. Gross margins are expected in the range of 35% to 39%. The company expects excess inventory at customers to deplete by the end of 1Q11.

Investment Risks

Lower ASPs and contracting margins

DSPG is currently operating in a mature target market. Industry analysts forecast single-digit growth in the cordless handset market in the coming years. The company has experienced and may continue to experience a decrease in the ASP of its products, more than offsetting any increase in volumes, leading to lower revenues. Declining ASPs could pressure the company to sell its products at much lower gross margins, thereby reducing profitability. In fact, the company has witnessed contracting gross margins during the past three years -- 37% in 2009, 37.3% in 2008, and 40.5% in 2007. In addition, other factors such as failure to launch new products and mix of products sold, or penetration into new markets could impact gross margins adversely, compelling the company to sell products at lower margins.

Higher OEM concentration

DSPG relies on a limited number of customers to generate a significant portion of its revenue during any given period. For instance, VTech, Panasonic, Uniden, and CCT Telecom together accounted for approximately 62% of its total revenue for 2009, 56% in 2008, and 58% in 2007. Sales to VTech, in particular, comprised 29% of total revenue during 2009, up from 10% in 2007. Broadly, sales depend on purchase orders and the company does not have any long-term purchase agreements with its customers. Therefore, the loss of one major customer, or reduced demand for products, or reduction in purchasing capability could have a material adverse impact on its business.

Inventory Build up

DSPG cannot accurately anticipate customers' future demand as well as new customers because of volatile pricing and demand uncertainty for its products, as customers focus on cash preservation and tighter inventory control. Hence, decline in consumers' demand or a buildup of their inventory, both of which are beyond DSPG's control, may lead to order cancelation, change or deferral of purchase orders at short notice.

Economic and political

Although the company is incorporated in Delaware, a majority of its directors and executive officers live in Israel. The company's principal research and development facilities are also located in Israel. As of December 31, 2009, 268 of its 409 employees were located in Israel, including 180 out of 256 of its research and development personnel. Hence, the company is directly influenced by the political, economic, and military conditions affecting Israel. Additionally, Israel's economy has been subject to numerous destabilizing factors, including a period of spiraling inflation in the early to mid-1980s, low foreign exchange reserves, fluctuations in world commodity prices, military conflicts and civil unrest. Besides, Arab countries threaten economic boycott on Israel, which prohibits companies doing business with Israel. Although this restrictive practice has been complacent until date, it could impair DSPG's operating results and business.

Management Team**Eli Ayalon: Executive Chairman**

Eli Ayalon has been with the company for more than a decade. He was the CEO, president and director in 1996, and became the chairman in January 2000. He served as executive chairman from April 2005 until January 2006 after he stepped down as CEO. He resumed as CEO in January 2006. After completing his tenure as CEO until July 2009, he was reappointed executive chairman. Prior to joining the DSP Group, he was the CEO and President of Mennen from 1992 to 1996. He is also a director at CEVA Inc. He is a member of the Board of Governors of Technion – Israel Institute of Technology, and an executive committee member for Ariel University Center. He earned a B.Sc. degree in Electronic Engineering from Technion – Israel Institute of Technology.

Ofar Elyakim: Chief Executive Officer

Ofar Elyakim was appointed CEO in July 2009. Earlier, he was the vice president and SEA president in DSPG, responsible for Southeast Asia operations. In January 2006, Ofar joined the company as director of investor relations and business development and in May 2007, he became vice president-business development. Prior to this, he was a research analyst at CIBC World Markets, New York, covering media and broadcasting companies. Before this, Ofar served in several managerial roles at Kost Forer Gabbay & Kasierer, was a member of Ernst & Young Global and at Radvision (RVSN, Not Rated), Tundo Communications. He completed his MBA from Columbia Business School and earned a BA in Computer Science and Accounting from Tel Aviv University.

Dror Levy: Corporate Vice President (Finance) and CFO

Dror Levy joined the company as corporate controller in 2002 and was appointed vice president (finance) in January 2006, and as CFO and secretary in July 2006. Before this, he was an account manager in Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global. Dror is a certified public accountant and completed his MBA from Tel Aviv University. He completed his bachelor's in Business and Accounting from the Israeli College of Management.

Lior Blanka: Corporate Vice President and Chief Technology Officer

Lior is the corporate vice president and chief technology officer of DSPG and has >20 years of experience in the semiconductor and wireless industries. Prior to this, he worked as platform division manager in the company, engaged in system-on-a-chip (SoC) software and hardware solutions. Prior to DSPG, Lior worked as the 3.5G cellular phone cross-sites manager at Intel (INTC, Not Rated) and at DSP Communications. Earlier, Lior worked as R&D manager for military systems at Reshef Technologies and as the project manager for security systems at the Israeli Ministry of Defense. He completed his BSc in Electrical Engineering from the Technion – Israel Institute of Technology.

Zvi Limon: Director

Zvi Limon has served as a director of the company from February 1999. He is a partner at Magnum communications Fund, a consulting and investment advisory firm, since 1998 and a partner at Rimon Fund, an investment fund, from September 2006. He was the chairman of Limon Holdings Ltd., an investment advisory and consulting firm from October 1993 to July 2000. He was nominated to the board and was a representative of Magnum Technology Ltd., pursuant to a stock purchase agreement on February 11, 1999 with Magnum. He was also a director of CEVA, Inc. and GVT SA.

Dr. Reuven Regev: Director

Dr. Regev is the CEO, founder, and chairman of Topscan Ltd., a computer peripheral electronic devices company. He is also the chairman of Flexicath Ltd, a medical devices company since 2009. Dr. Regev was the CEO and board member of Karmelsonix Ltd., a medical devices company from 2006 to 2008. He holds a M.Sc. and a Ph.D. in Industrial Engineering and Management from Stanford University, California.

Yair Seroussi: Director

Yair Seroussi has been a company director since February 2002. He is currently the managing director of Amdeal Holdings Ltd., serving since 1993, acting as the advisory director of Morgan Stanley for its Israel operations. Since 2002, he has been the chairman of Eyal Microwave, a manufacturer and designer of microwave applications. He is also the Director for Frutarom Industries (FRUTF, Not Rated), Aspen Real Estate (TLV: ASRE, Not Rated), and Israel Corp (IRLCF, Not Rated), an Israeli holding company. He is also on the Board of Governors of the Hebrew University.

FYE: Dec (\$ in million, except per share data)	FY2008	Mar-09 1Q09	Jun-09 2Q09	Sep-09 3Q09	Dec-09 4Q09	FY2009	Mar-10 1Q10	Jun-10 2Q10	Sep-10 3Q10	Dec-10 4Q10	FY2010	Mar-11 1Q11E	Jun-11 2Q11E	Sep-11 3Q11E	Dec-11 4Q11E	FY2011E	Mar-12 1Q12E	Jun-12 2Q12E	Sep-12 3Q12E	Dec-12 4Q12E	FY2012E
Total Revenue	305.8	39.9	52.0	65.5	54.7	212.2	56.1	60.8	65.2	43.4	225.5	48.0	58.0	71.0	60.0	237.0	57.6	59.9	62.1	66.0	245.6
Total Cost of Revenue	190.9	26.3	32.7	40.6	33.2	132.8	34.8	37.4	39.6	27.5	139.4	30.7	36.8	44.5	37.6	149.6	36.3	37.7	39.1	40.9	154.1
Research and development	66.6	12.2	12.2	14.1	12.4	50.9	12.1	12.4	13.0	13.4	50.9	13.4	13.4	13.7	13.8	54.3	12.7	12.6	12.4	13.2	50.9
Sales and Marketing	21.0	4.1	3.8	4.2	4.0	16.1	4.0	3.9	4.0	3.8	15.7	3.7	3.7	3.7	3.7	14.8	3.2	3.3	2.8	3.5	12.7
General and Administrative	13.8	3.0	3.2	2.8	2.9	11.9	2.9	3.0	2.9	2.9	11.7	2.4	2.4	2.4	2.4	9.6	2.2	1.9	1.9	2.0	8.0
Operating Income	13.5	(5.6)	0.1	3.8	2.2	0.4	2.2	4.1	5.7	(4.3)	7.8	(2.2)	1.7	6.7	2.5	8.7	3.3	4.3	5.9	6.4	20.0
Interest and other income, net	3.1	0.6	0.6	0.6	0.6	2.3	0.4	0.3	0.4	0.4	1.5	0.5	0.5	0.5	0.5	1.8	0.5	0.5	0.5	0.5	1.8
Other income (expense), net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pre-tax Income	16.6	(5.0)	0.6	4.4	2.7	2.8	2.7	4.4	6.1	(3.9)	9.3	(1.8)	2.2	7.1	3.0	10.5	3.8	4.8	6.4	6.9	21.8
Provision for Income Taxes	2.8	(0.4)	(0.1)	0.1	(0.1)	(0.5)	0.0	0.0	(0.4)	0.2	(0.2)	(0.1)	0.1	0.5	0.3	0.9	0.2	0.1	0.2	0.3	0.9
Net Income (Non-GAAP)	13.8	(4.6)	0.7	4.3	2.8	3.3	2.7	4.4	6.5	(4.0)	9.5	(1.7)	2.0	6.6	2.7	9.7	3.5	4.6	6.2	6.6	20.9
Non GAAP EPS (\$)	0.49	(0.18)	0.03	0.18	0.12	0.11	0.11	0.18	0.27	(0.17)	0.33	(0.07)	0.09	0.28	0.12	0.41	0.15	0.20	0.27	0.28	0.90
Diluted Shares Outstanding	28.4	26.1	22.7	23.7	22.9	28.4	23.1	23.1	23.4	23.3	28.4	23.3	23.3	23.3	23.3	23.3	23.3	23.3	23.3	23.3	23.3
EBITDA	13.5	(5.6)	0.1	3.8	2.2	0.4	2.2	4.1	5.7	(4.3)	7.8	(2.2)	1.7	6.7	2.5	8.7	3.3	4.3	5.9	6.4	20.0
Margin Analysis																					
Gross Margin	37.6%	34.1%	37.1%	38.1%	39.4%	37.4%	37.9%	38.5%	39.2%	36.6%	38.2%	36.0%	36.6%	37.3%	37.4%	36.9%	37.0%	37.0%	37.0%	38.0%	37.3%
Research and development	21.8%	30.5%	23.5%	21.5%	22.7%	24.0%	21.6%	20.4%	19.9%	30.9%	22.6%	27.9%	23.1%	19.3%	23.0%	22.9%	22.0%	21.0%	20.0%	20.0%	20.7%
Sales and Marketing	6.9%	10.2%	7.3%	6.4%	7.4%	7.6%	7.1%	6.4%	6.1%	8.9%	7.0%	7.7%	6.4%	5.2%	6.2%	6.2%	5.5%	5.5%	4.5%	5.3%	5.2%
General and Administrative	4.5%	7.6%	6.1%	4.3%	5.3%	5.6%	5.3%	4.9%	4.4%	6.7%	5.2%	5.0%	4.1%	3.4%	4.0%	4.1%	3.8%	3.3%	3.0%	3.0%	3.2%
Operating Margin	4.4%	-14.1%	0.1%	5.8%	4.0%	0.2%	4.0%	6.7%	8.8%	-9.8%	3.5%	-4.6%	2.9%	9.4%	4.2%	3.7%	5.8%	7.3%	9.5%	9.7%	8.1%
Pretax Margin	5.4%	-12.6%	1.2%	6.7%	5.0%	1.3%	4.7%	7.2%	9.4%	-8.9%	4.1%	-3.6%	3.7%	10.1%	5.0%	4.4%	6.5%	8.0%	10.2%	10.4%	8.9%
Tax Rate	0.9%	-1.0%	-0.1%	0.1%	-0.2%	-0.2%	0.0%	0.0%	-0.6%	0.4%	-0.1%	-0.2%	0.3%	0.8%	0.5%	0.4%	0.4%	0.3%	0.3%	0.5%	0.4%
Net Margin	4.5%	-11.6%	1.4%	6.6%	5.2%	1.5%	4.7%	7.2%	10.0%	-9.3%	4.2%	-3.4%	3.5%	9.3%	4.5%	4.1%	6.1%	7.8%	10.0%	9.9%	8.5%
Ann. Growth Analysis																					
Revenues		-45.1%	-29.8%	-25.0%	-23.5%	-30.6%	40.6%	17.0%	-0.6%	-20.7%	6.3%	-14.5%	-4.7%	9.0%	38.3%	5.1%	20.0%	3.3%	-12.5%	10.0%	3.6%
Gross Profit		-50.0%	-26.5%	-24.6%	-24.2%	-30.9%	56.3%	21.5%	2.3%	-26.3%	8.5%	-18.7%	-9.5%	3.9%	41.3%	1.5%	23.2%	4.5%	-13.3%	11.8%	4.7%
Operating Income		-1016.6%	-87.3%	-53.1%	-48.4%	-96.8%	-139.6%	6415.9%	50.0%	-294.7%	1713.0%	-198.5%	-58.6%	16.9%	-159.7%	11.9%	-250.5%	155.4%	-11.9%	153.3%	128.7%
Net Income		-420.8%	-29.5%	-41.1%	-29.1%	-76.4%	-157.5%	506.4%	49.9%	-242.1%	191.4%	-162.1%	-54.0%	1.8%	-167.0%	1.8%	-314.0%	131.5%	-6.4%	143.7%	116.6%
Seq. Growth Analysis																					
Revenues		-44.2%	30.3%	26.0%	-16.5%		2.5%	8.4%	7.1%	-33.4%		-78.7%	20.8%	22.4%	-15.5%		-4.0%	4.0%	3.7%	6.2%	
Gross Profit		-52.1%	41.5%	29.4%	-13.6%		-1.2%	10.0%	8.9%	-37.7%		-79.9%	22.5%	25.0%	-15.3%		-5.0%	4.0%	3.7%	9.1%	
Operating Income		-233.1%	-101.1%	5963.5%	-42.8%		2.2%	83.8%	39.6%	-174.3%		-128.2%	-177.3%	294.1%	-62.1%		30.4%	31.1%	35.9%	9.0%	
Net Income		-216.0%	-115.5%	503.9%	-34.8%		-6.0%	63.9%	49.3%	-161.8%		-58.9%	-221.5%	230.0%	-59.4%		31.3%	31.4%	33.5%	5.8%	

Source: Company Reports and Rodman & Renshaw Estimates

DSPG

Balance Sheet

FYE: Dec (\$ in million, except per share data)	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	Dec-10 4Q10
ASSETS												
CURRENT ASSETS												
Cash & Cash Equivalents	69.6	56.6	64.1	71.4	45.3	46.2	38.0	38.0	38.4	31.4	30.1	33.9
Restricted deposits	3.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Marketable securities and short term deposits	30.8	16.2	9.7	9.9	25.0	24.7	17.3	19.6	23.5	35.0	31.1	29.9
Trade Receivables - Net	44.7	46.6	44.2	39.6	23.8	31.6	35.9	28.4	33.9	43.8	44.5	25.2
Inventory	17.7	19.5	21.8	14.1	12.3	12.6	13.0	12.4	11.9	15.5	17.3	18.8
Other receivables and prepaid expenses	10.9	13.1	15.7	17.4	17.2	13.4	14.5	12.2	12.7	9.4	8.8	6.3
Deferred tax assets	5.5	2.0	0.5	0.3	0.3	0.2	0.2	0.2	0.1	-	-	-
Current Assets - Total	182.5	154.2	156.2	152.8	124.0	128.8	119.0	110.8	120.6	135.2	131.9	114.2
LONG-TERM INVESTMENTS:												
Long term marketable securities and deposits	35.1	48.9	46.6	40.1	33.7	39.9	58.4	65.4	57.3	54.7	70.6	75.8
Severance pay fund	7.4	8.0	8.1	7.3	6.8	7.9	8.7	9.5	9.9	9.5	10.4	11.3
Deferred income tax	5.0	6.5	8.8	0.2	0.2	0.0	0.0	0.0	0.0	0.1	0.2	0.1
Property, Plant & Equipment - Net	18.3	17.1	16.5	14.8	13.2	12.1	10.9	10.1	9.7	9.3	8.4	7.8
Intangible assets, net	233.2	227.4	220.3	32.7	29.5	26.6	23.6	20.5	17.9	15.4	12.9	10.4
Investment in other company	-	-	-	-	-	-	-	2.2	2.2	2.2	2.2	2.2
Long term prepaid expenses and lease deposits	1.9	1.8	1.7	1.3	1.2	1.7	1.5	1.3	1.3	0.6	0.6	0.6
TOTAL ASSETS	483.4	463.9	458.3	249.3	208.6	216.9	222.2	219.8	218.8	227.1	237.4	222.6
LIABILITIES												
CURRENT LIABILITIES												
Trade Payables	28.1	33.4	31.8	20.1	13.9	19.6	21.9	18.3	18.9	26.0	26.5	19.2
Other current liabilities	45.6	39.1	40.3	40.3	34.8	31.8	22.6	24.5	18.9	20.5	22.2	23.1
Current Liabilities - Total	73.6	72.4	72.1	60.5	48.7	51.4	44.6	42.8	37.8	46.6	48.7	42.3
Accrued severance pay	7.8	8.2	8.5	8.0	8.0	9.4	10.2	10.6	11.0	10.7	11.6	12.4
Accrued pensions	2.0	1.9	1.1	1.7	1.5	1.6	1.7	0.9	0.9	0.8	1.0	0.8
Deferred tax liabilities	0.8	0.9	1.6	0.0	0.0	-	-	-	-	-	-	-
Other long term liability	1.6	0.5	0.5	0.5	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	85.8	83.9	83.8	70.6	58.3	62.4	56.5	54.3	49.7	58.1	61.2	55.5
STOCKHOLDERS EQUITY												
Common Equity - Total	397.6	380.0	374.5	178.6	150.3	154.5	165.7	165.5	169.2	169.0	176.1	167.1
TOTAL STOCKHOLDERS EQUITY	397.6	380.0	374.5	178.6	150.3	154.5	165.7	165.5	169.2	169.0	176.1	167.1
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	483.4	463.9	458.3	249.3	208.6	216.9	222.2	219.8	218.8	227.1	237.4	222.6
Total Revenues	73	74	87	72	40	52	66	55	56	61	65	43
Cost of revenues	46	48	54	43	26	33	41	33	35	37	40	27
Operating Income	1	0	8	4	(6)	0	4	2	2	4	6	(4)
Income (loss) before taxes on income	2	1	9	5	(5)	1	4	3	3	4	6	(4)
Tax rate	1%	1%	1%	1%	-1%	0%	0%	0%	0%	0%	-1%	0%
Net Income	1	1	7	4	(5)	1	4	3	3	4	7	(4)
Shares Outstanding	31	28	28	27	26	23	24	23	23	23	23	23
Liquidity												
Current ratio	2.48	2.13	2.17	2.53	2.54	2.51	2.67	2.59	3.19	2.90	2.71	2.70
Quick ratio	2.24	1.86	1.86	2.29	2.29	2.26	2.38	2.30	2.87	2.57	2.35	2.26
Management												
Sales/inventory	4.12	3.80	4.00	5.08	3.24	4.14	5.04	4.40	4.73	3.93	3.76	2.31
Sales/fixed assets	3.97	4.34	5.31	4.83	3.02	4.29	6.02	5.42	5.80	6.54	7.75	5.57
Sales/total assets	0.15	0.16	0.19	0.29	0.19	0.24	0.29	0.25	0.26	0.27	0.27	0.19
DSO	56.04	57.31	46.20	50.51	54.47	55.43	50.02	47.28	55.06	65.76	62.32	52.95
Inventory days-on-hand	35.39	37.15	36.72	29.82	42.69	35.03	29.22	34.18	31.07	37.73	39.86	62.42
Profitability												
Return on assets	1.2%	0.9%	6.4%	6.4%	-8.9%	1.3%	7.8%	5.1%	4.9%	7.7%	11.0%	-7.2%
Return on equity	1.4%	1.1%	7.9%	8.9%	-12.3%	1.9%	10.5%	6.8%	6.3%	10.3%	14.8%	-9.6%
Per share data												
Book value/share	12.93	13.39	13.51	6.64	5.76	6.80	7.00	7.23	7.32	7.30	7.52	7.17
Tangible book value/share	5.34	5.38	5.56	5.42	4.63	5.63	6.01	6.33	6.54	6.64	6.97	6.72
Cash/share	2.26	2.00	2.31	2.65	1.74	2.03	1.60	1.66	1.66	1.36	1.29	1.45
Pro-forma EPS	0.05	0.04	0.27	0.15	(0.18)	0.03	0.18	0.12	0.11	0.19	0.28	(0.17)

Source: Company Reports and Rodman & Renshaw Estimates

DSPG**Valuation Comparison**

LTM as of 11-Mar-2011

All values in millions of U.S. Dollar, except per share items.

Company Name	Fiscal Period	Enterprise Value	Price / EPS			FY1 Date	Enterprise Value /			Total Debt /	
			LTM	FY1	NTM		Sales	EBIT	EBITDA	EBITDA	Enterprise Value
DSP Group, Inc. (DSPG-US)	09/2010 ¹	114.6	(93.88)	17.67	16.79	12/2011	0.48x	-	17.2x	0.00x	0.00x
Peer Summary Analysis											
Mean	-	6,111.8	44.57	18.54	16.77	-	2.23x	29.8x	19.2x	0.51x	0.03x
Median	-	1,399.3	31.79	14.45	14.20	-	2.35x	25.1x	18.4x	0.54x	0.03x
<u>AudioCodes Ltd. (AUDC)</u>	09/2010 ¹	193.7	31.79	13.24	12.90	12/2011	1.33x	21.7x	14.4x	1.30x	0.09x
<u>Broadcom Corp. (BRCM-US)</u>	12/2010	19,905.5	20.18	14.45	14.20	12/2011	2.92x	17.3x	15.4x	0.54x	0.04x
<u>nVIDIA Corp. (NVDA-US)</u>	10/2010 ¹	8,552.9	50.14	17.56	17.16	01/2012	2.35x	40.7x	21.4x	0.06x	0.00x
<u>OmniVision Technologies, Inc. (OVTI-US)</u>	10/2010 ¹	1,399.3	31.56	12.49	10.84	04/2011	1.87x	25.1x	18.4x	0.63x	0.03x
<u>Silicon Image, Inc. (SIMG-US)</u>	12/2010	507.8	89.20	34.98	28.75	12/2011	2.65x	44.4x	26.4x	0.00x	0.00x

¹ Data is LTM.

Source: FactSet Estimates, Rodman & Renshaw estimates

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.

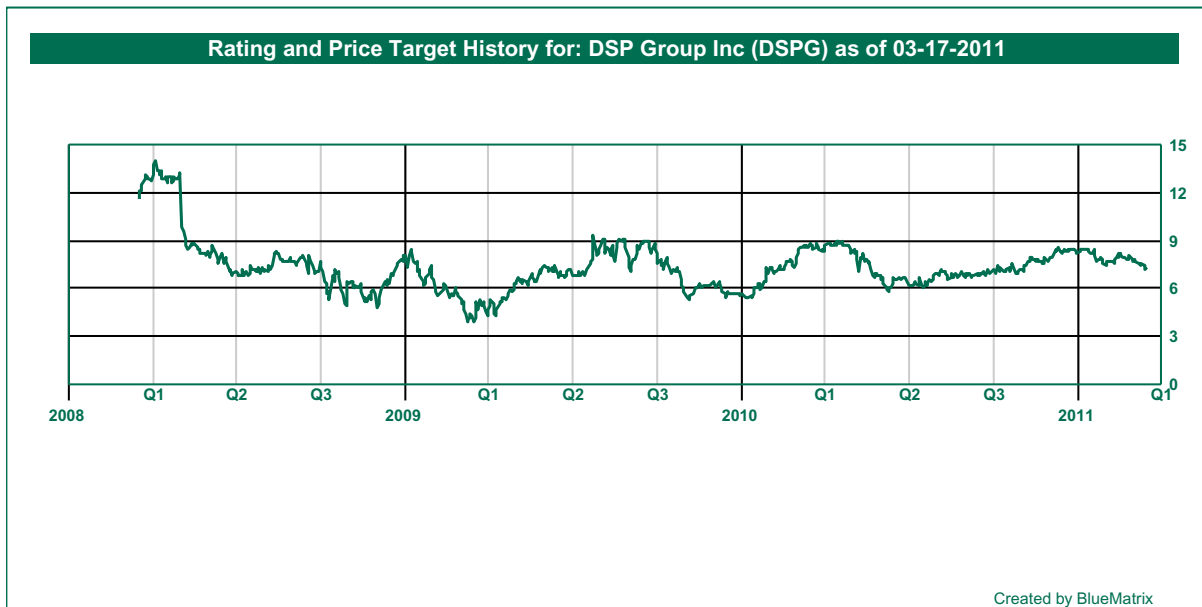
RETURN ASSESSMENT

- 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
AudioCodes, Ltd.	AUDC	Market Outperform	\$5.51	\$227.03	\$8.00
CEVA, Inc.	CEVA	Market Outperform	\$22.24	\$489.39	\$25.00
Intel Corporation	INTC	Market Outperform	19.90	109,211.20	27.00



RATING SUMMARY

Rating	Count	Percent	IB Serv./Past 12 Mos	
			Count	Percent
Market Outperform(MO)	166	66.40%	40	24.10%
Market Perform(MP)	50	20.00%	4	8.00%
Market Underperform(MU)	7	2.80%	0	0.00%
Under Review(UR)	27	10.80%	9	33.33%
Total	250	100%	53	100%

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