PANEL: THE EDA STARTUP EXPERIENCE:
FINANCING THE VENTURE

Chair: A.K. Kalekos - Telos Venture Partners, Santa Clara California
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The EDA Industry and Venture Capital seem to have grown together over the last three decades. While the vast majority of EDA start ups have been venture capital funded, there are other alternatives to creating and growing a new business. By better understanding the relationship between start ups and venture capitalists, the entrepreneur is better equipped to make decisions which effect the ability to start a company in the first place, its ownership structure, its definition of success, its ability to achieve success and its overall rate of growth. From the venture capitalist’s perspective there are two key questions to be addressed: 1. Given the present structure of the EDA industry, is there room for EDA start ups to achieve significant growth so they can be attractive investment opportunities, and 2. Does the founding team have what it takes to create and run a successful company. In this session, VC’s and successful founders/CEO’s discuss their points of view based on past experience and their vision of the future.

Marty Walker, President & CEO, Frequency Technology,
Menlo Park California

Several characteristics of the EDA market make it distinct from most of the places where VCs put money to work. First, the total EDA market is small, with niche TAMs on the order of $100 million. Second, successful business strategy requires maniacal focus on difficult-to-understand technology and an ability to relate to arcane design problems. Third, it's a winner-take all business, so sorting winners from losers is imperative; VCs can't make money by investing in number two, let alone number three in a niche. The net result from the entrepreneur's point of view is that since there are only a few venture capitalists who understand the EDA market, there are only a few who are potential investors; money raising is difficult. On the other hand, there is an upside - you won't find 20 VC-funded companies chasing the same business plan.

Penny Herscher, President & CEO, Simplex Corporation

The relationship between VC and startup can be positive and beneficial to both parties in the right circumstances. The VC can add significant value and the startup should select the VC partner with this requirement in mind. Look for strategic value-added in the board member, heavy lifting ability, long term goals and deep pockets. The EDA industry has and will continue to benefit from a healthy relationship with the venture community. The field is wide open for new ideas and new products as the underlying technology moves below 0.25 micron and startups continue to be the breeding place for great new products. These ingredients spell opportunity.

Lucio Lanza, Partner, US Venture Partners,
Menlo Park California

What are the driving forces in starting a new company? Beyond financial rewards and professional recognition, most entrepreneurs are driven by the desire to make a difference, to change the status quo, to create something of consequence. The definition of "consequence" can be based on financial success in terms of growth and profitability, or intellectual "consequence" in terms of using new concepts and technologies to create better user value propositions. The forces driving venture capitalists may not be as well known, yet they are surprisingly similar. The venture capital funding process also acts as a filter for selecting and
focusing the ideas of the greatest "consequence."
Given the recent flurry of activity in the EDA industry, including mergers and acquisitions at an unprecedented pace, alongside a considerable number of start ups, a key question then is: Are we entering a new phase rich with opportunities for innovation, and if so, how can one evaluate their appeal as a long term business proposition and a financially rewarding professional undertaking?

Peter Odryna, President, Precedence
San Jose California

While venture funding is commonly used to start EDA companies, "bootstrapping", or the use of minimal seed capital with reinvested profits, is becoming an increasing viable alternative to traditional funding models. Like Gateway Design Automation of Verilog-XL fame before it, Precedence was funded using a bootstrap model, and over the past six years has grown an idea into a highly profitable successful company that was the impetus for the creation of a new market segment. Bootstrapping a company is challenging - there is no "well" from which to draw when times are tough. Yet, the increased focus, reduced dilution, and improved flexibility can bring substantial rewards to the founders.

John Cooper, Founder
Cooper and Cyan Technology

John Cooper, one of the co-founders of Cooper & Chyan Technology, Inc.(CCT) will discuss how the company evolved from startup to public company. CCT was an unusual startup in that no venture capital at all was used. Instead, CCT was privately funded and the rational for this approach will be explained. In addition, some of the major decision points addressed as the company grew will be reviewed. Finally, Mr. Cooper will discuss opportunities for a technology startup in today's EDA marketplace.

Gerrald Langeler, Partner, Olympic Ventures, Portland Oregon

No advance position statement.