

Rambus, Inc.

February 7, 2003

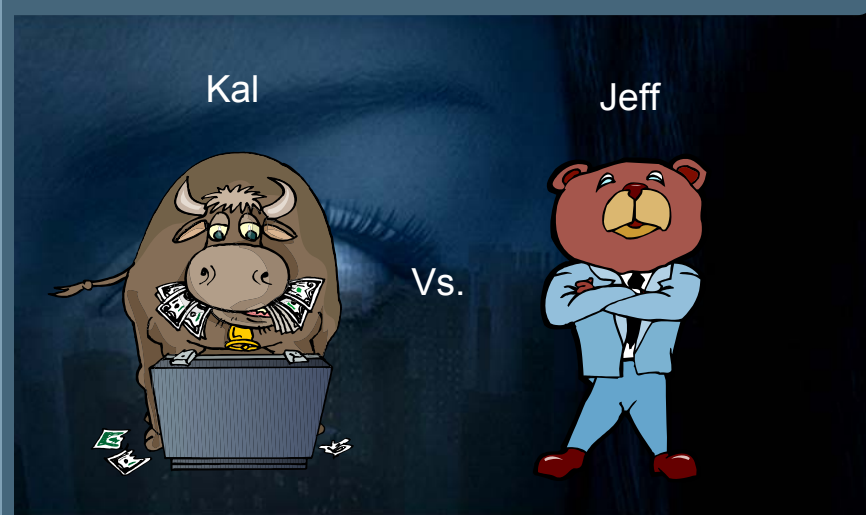
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Educational



Two Viewpoints



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4 Myths of the Market

1. Presentations are always objective
2. Companies are black and white
3. A little knowledge is better than none
4. Financials never lie

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Intro/Industry



Intellectual Property

- Baby among giants
 - Pioneer of chip technology
- Designs, develops, and markets high-speed memory: NO MANUFACTURING
- Expanding into new markets
 - Electronics need high-bandwidth memory

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Semiconductor - Memory Chips

- Technology company
 - Market sentiment not there
- PC industry growth is declining
 - Mature market
 - RMBS tied to entire tech market
 - Backbone product
- New markets risky

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Company



Speed...

- Only profitable memory
 - Non-RDRAM memory is selling below cost
 - Incentive to license RDRAM
- Computers are only getting faster
 - 5 year roadmap!

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Cost, Cost, Cost

- Cost is THE driving factor for corporate purchases
- DDR/SDRAM ~ 30%-75% cheaper
- End users don't need the fastest, they need the most bang for their buck
- DDR2
 - New design to rival RMBS

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Litigation Overview

- 1992 – Applied for a very broad memory patent
 - Not validated until 1997
- 2000 – Sued 3 of the top 4 memory manufacturers for patent infringement
 - Infineon, Micron, Hynix
- 2001 – Lost the case
- 2003 – Case overturned on appeal

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Legal No No's

- Lawsuits don't make a company, the product makes the company
 - “If they win”
- DDR/SDRAM licenses will not solely drive the company
 - Need RDRAM to take off, which it hasn't
- Unnecessary legal fees
 - ~\$20mil/year !!!
 - Would go straight to the bottom line

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Legal Triumphs

- Intellectual property must be defended at all costs
- RMBS “invented” DDR/SDRAM
 - Competitors are “thieves”
- Court of federal appeals agrees with RMBS
 - Entitles RMBS to the entire memory market

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A Few Interesting Numbers



The Basics

- Price = 13.76
- Exchange = NASDAQ
- 52-wk Range = 3.08 – 16.97
- PE (trailing) = 59.71
- Market Cap = 1.337 billion
- Avg. Volume = 2,589,045
- EPS = 0.24

Source = finance.yahoo.com as of 2/04/03

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Internal Numbers (Annual)

Annual Financials

Income Statement	Sep 02	Sep 01	Sep 00
<small>All amounts in millions of US Dollars except per share amounts.</small>			
Revenue	96.6	117.2	72.3
Cost of Goods Sold	2.5	4.5	0.0
Gross Profit	94.1	112.7	64.3
Gross Profit Margin	97.4%	96.2%	88.9%
SG&A Expense	57.5	66.6	32.6
Depreciation & Amortization	5.1	5.4	4.0
Operating Income	31.5	40.7	27.7
Operating Margin	32.6%	34.7%	38.3%
Total Net Income	24.7	31.3	(106.1)
Net Profit Margin	25.6%	26.7%	-
Diluted EPS (\$)	0.24	0.29	(1.10)

Balance Sheet	Sep 02	Sep 01	Sep 00
Cash	21.5	44.2	63.1
Net Receivables	0.3	2.4	0.1
Inventories	0.0	0.0	0.0
Total Current Assets	96.9	143.2	142.9
Total Assets	233.0	237.8	219.6
Short-Term Debt	0.0	0.0	0.0
Total Current Liabilities	21.6	22.4	33.2
Long-Term Debt	0.0	0.0	0.0
Total Liabilities	37.5	46.5	57.3
Total Equity	195.5	191.4	162.3
Shares Outstanding (mil.)	97.3	100.3	97.5

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Internal Numbers (Quarterly)

Quarterly Financials
All amounts in millions of US Dollars except per share amounts.

	Quarter Ending Dec 02	Quarter Ending Sep 02	Quarter Ending Jun 02	Quarter Ending Mar 02	Quarter Ending Dec 01
Revenue	25.7	24.5	23.7	23.5	24.9
Cost of Goods Sold	0.3	0.5	0.5	0.8	0.8
Gross Profit	25.4	24.0	23.2	22.7	24.1
Gross Profit Margin	98.8%	98.0%	97.9%	96.6%	96.8%
SG&A Expense	17.3	15.1	14.2	13.0	15.1
Depreciation & Amortization	1.3	1.4	1.3	1.0	1.4
Operating Income	6.8	7.5	7.7	8.7	7.6
Operating Margin	26.5%	30.6%	32.5%	37.0%	30.5%
Total Net Income	5.5	5.9	5.9	6.7	6.2
Net Profit Margin	21.4%	24.1%	24.9%	28.5%	24.9%
Diluted EPS (\$)	0.06	0.06	0.06	0.07	0.06

Balance Sheet	Dec 02	Sep 02	Jun 02	Mar 02	Dec 01
Cash	28.7	21.5	31.0	34.3	29.5
Net Receivables	1.1	0.3	0.2	1.9	0.3
Inventories	0.0	0.0	0.0	0.0	0.0
Total Current Assets	75.7	95.9	109.0	114.0	122.6
Total Assets	250.5	233.0	232.9	236.8	236.3
Short-Term Debt	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	32.6	21.6	18.9	20.7	18.4
Long-Term Debt	0.0	0.0	0.0	0.0	0.0

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Financials



Comparables

Company Name	Ticker	P/E	P/S	Mkt Cap (millions)	EPS	EPS Est	Est EPS Growth
Alliance Semiconductor Corporation	ALSC	N/A	6.60	\$110.90	-2.63	-1.33	49.43%
Integrated Silicon Solution, Inc.	ISSI	N/A	0.99	\$74.20	-2.58	-1.10	57.36%
Micron Technology, Inc.	MU	N/A	1.76	\$4,946.00	-1.59	-1.37	13.84%
Monolithic System Technology, Inc.	MOSY	20.00	8.69	\$238.00	0.40	0.44	10.00%
Rambus Inc.	RMBS	57.14	13.72	\$1,324.00	0.24	0.21	-12.50%
Ramtron International Corporation	RMTR	N/A	1.38	\$57.90	-0.28	-0.09	67.86%
SanDisk Corporation	SNDK	31.76	2.06	\$1,121.00	0.51	0.91	78.43%
Silicon Storage Technology, Inc.	SSTI	N/A	0.95	\$265.40	-0.16	-0.31	-93.75%
Virage Logic Corporation	VIRL	N/A	2.48	\$117.40	-0.03	0.11	266.67%
White Electronic Designs Corporation	WEDC	15.23	1.59	\$145.30	0.48	0.42	-12.50%
Xicor, Inc.	XICO	N/A	2.30	\$82.10	-0.55	-0.15	72.73%
Average		31.03	3.87	\$771.11	-0.56	-0.21	45.23%
Rambus		57.14	13.72	\$1,324.00	0.24	0.21	-12.50%
Standard Deviation		16.23	3.91	\$1,385.70	1.12	0.72	85.16%
Z-Score		1.61	2.52	0.40	0.72	0.57	0.68
Max		57.14	13.72	\$4,946.00	0.51	0.91	266.67%
Min		15.23	0.95	\$57.90	-2.63	-1.37	-93.75%

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High School Math

Intellectual property is easy to value

DRAM Market = \$22 billion

Average royalty = 2%

Gross margins = 60%

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Final 3 Rounds



1. Litigation

- Bear:
 - “When large companies depend chiefly on patent protection for the maintenance of their profit margin, it is usually more a sign of investment weakness than strength”
–Phillip Fisher, *Common Stocks, Uncommon Profits*
- Bull:
 - Business model IS NOT flawed

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2. Cost vs. Speed

- Bear:
 - Rambus' product is and always will be far more expensive than competitors
- Bull:
 - Rambus is catering to the future

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3. Technology

- Bear:
 - Tech is NOT sexy
- Bull:
 - The FUTURE matters, not the present

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Recommendations

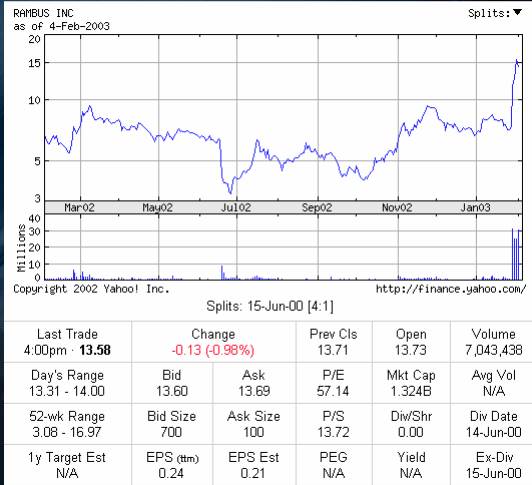


What to do?

- Bull (HOLD):
 - Already 50% out (Pure Profit!!)
 - Portfolio needs more risk
 - Diversification
- Bear (SELL):
 - Until last week they have been trading b/w \$5 and \$9. Now up to ~\$13.
 - Take your gains and run
 - Will make ~\$4000 profit if remainder is sold

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Summary Facts



Q&A

