

Silicom Ltd.

Connectivity Solutions



Tailor Made Solutions



Off-the-shelf Products



Innovative Solutions

Investor Presentation

November 2023

Safe Harbor Guidelines & Legal Notes

The information presented today contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Such statements may include, but are not limited to, anticipated future financial and operating results and Silicom's outlook and prospects. Those statements are based on management's current beliefs, expectations and assumptions, which may be affected by subsequent business, political, environmental, regulatory, economic and other conditions, and necessarily involve known and unknown risks and uncertainties, which include, but are not limited to, Silicom's increasing dependence for substantial revenue growth on a limited number of customers in each of the evolving markets in which it operates, which include the market for its Edge products (especially in the evolving SD-WAN and NFV markets) and the Cloud Data centers market, which have only started to develop in recent years and which may evolve in ways which Silicom has not anticipated and has no control over, the speed and extent to which Silicom's solutions in the markets detailed above are adopted by the relevant market, and the likelihood that Silicom will rely increasingly on customers which provide its solutions in the markets detailed above, resulting in an increasing dependence on a smaller number of larger customers, difficulty in commercializing and marketing of Silicom's products and services, maintaining and protecting brand recognition, protection of intellectual property, competition, disruptions to our manufacturing, sales & marketing, development and customer support activities, the impact of the wars in Gaza and in Ukraine, rising inflation, rising interest rates, volatile exchange rates and commodities' prices, as well as any continuing or new effects resulting from the COVID-19 pandemic, and the global economy uncertainty which may impact customer demand through their exercising greater caution and selectivity with their short-term IT investment plans, as well as those other factors discussed in our Annual Report on Form 20-F and other documents filed by the Company and that may be subsequently filed by the company from time to time with the Securities and Exchange Commission (the "SEC"). Therefore, there can be no assurance that actual future results will not differ significantly from anticipated results. Therefore, you are cautioned not to rely on these forward-looking statements. Silicom does not undertake to update any forward-looking statements as a result of new information or future events or developments except as may be required by law. Financial information as presented herein, may be considered "non-GAAP financial measures" under Regulation G and related reporting requirements promulgated by the SEC as they apply to Silicom. Please refer to Silicom's disclosure documents filed or furnished with the SEC, including Silicom's Annual Reports on Form 20-F and/or Quarterly Reports on Form 6-K, for a reconciliation of non-GAAP measures to the most directly comparable GAAP measures. Silicom provides such non-GAAP data to investors as supplemental data and not in substitution or replacement for GAAP measures, because Silicom's management believes such data provides useful information to investors.

Corporate Overview



Leading provider of **Data Center & Edge Computing** solutions for next generation Telecom, Mobile Operator, Cloud, Service Provider and On-Premise infrastructures



20+ years of experience delivering high performance NICs, Offload NICs (HW accelerators), Edge platforms and Smart FPGA-based NICS



Leading supplier of innovative Edge/CPE units, SD-WAN Edge platforms, Hardware acceleration Smart NICs and Server Adapters to leading global telcos and OEMs



Positioned to benefit from the growth of multiple rapidly-expanding markets:
SD-WAN, Telco dedicated Edge Functions, SASE, Cloud, Data Centers, Edge-AI and Cyber Security

Financial and Business Performance



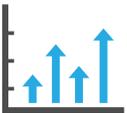
Exceptional financial track record: 18 years of continuous profitability



Robust fundamental demand for our SD-WAN/Smart Edge platforms, Acceleration solutions and server adapter products



Accurate guidance: 22 consecutive quarters of on-track quarterly guidance (*no misses*)



Strong balance sheet: \$186 million Shareholders' Equity

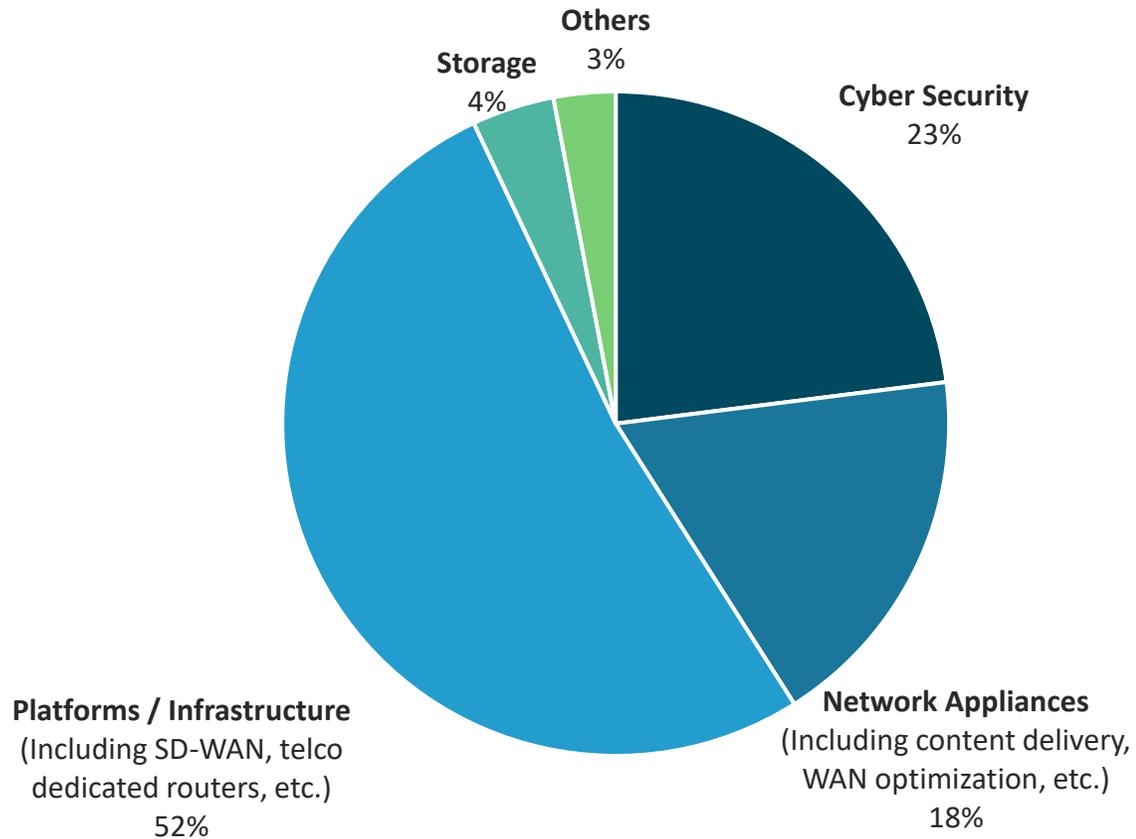
Large Global Customer Base

400+ active Design Wins with
200+ customers, including
numerous market leaders

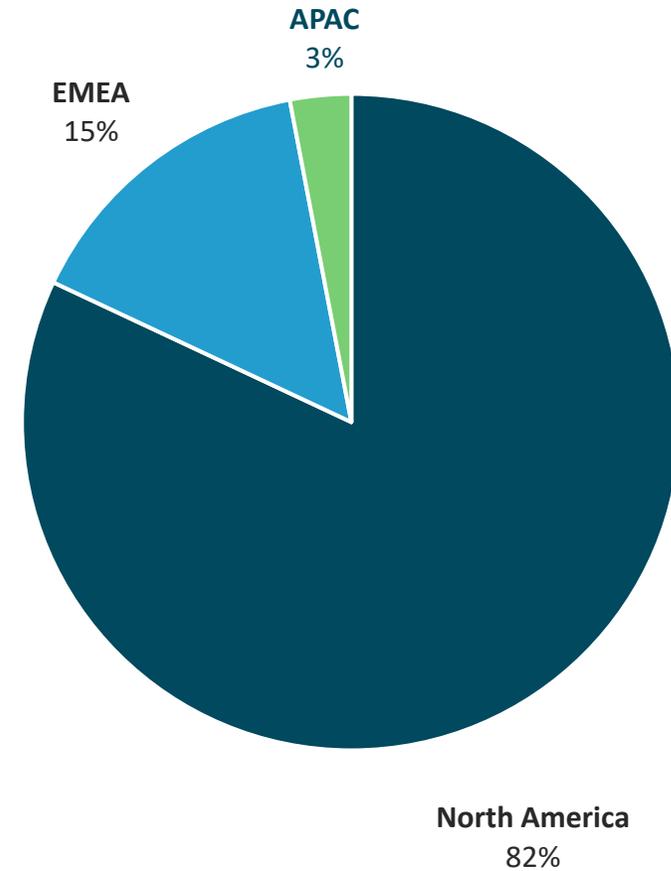


Diverse Attractive Markets

Market Segments



Global Markets



% of last twelve-month revenues
Based on proprietary Company data and analysis

Short-Term Headwinds



Customers drawing down excess inventories, reducing purchases

- During period of Covid and component shortages (3 years!), our customers built significant **excess inventories** as a precaution.
- Now that supply chains have improved, they are drawing down the excess and reducing ongoing purchases.
- **We expect this process to continue for several quarters through 2024.** Once complete, we expect their purchases to return to normal levels.



Global economic slowdown

- Investments in infrastructure are being delayed – and that is leading to a significantly slower ramp-up of our Design Wins.
- Decision-making processes are longer for new projects and Design Wins.

Our Strategy for Returning to Growth



Align our expenses with the lower level of revenues
Target: maintaining profitability on an annual basis



Maintain our strong balance sheet and continue performing Buyback



Retain and expand our uniquely broad and deep technical knowledge and expertise



Return our focus to core product lines:

- **Server Adapters** – Hardware Acceleration, Smart NICs
- **Edge Systems** – SD-WAN, SASE, Telco-dedicated Routers



Continue to win more projects and Design Wins



Return to double digit growth in 2025

2025 Growth Drivers: Examples

Two SASE Design Wins - potential to add \$10M in revenues in 2025

- Two leading SASE customers already received \$1M and \$3M worth of products respectively for POCs, field trials and initial deployments.
- Both customers expect high volumes at full ramp up.

Leading US-based provider of enterprise telecommunications services

- Already have several active Design Wins and expect to win more in the coming year.
- Additional sales potential of ~\$10M in 2025.

Impressive roster of Design Wins and fat pipeline of potential Design Wins

- Approximately 20 wins for our Server Adapters and Edge products with leading networking, security, and service providers are scheduled for initial ramp up during 2024.
- **Each offers potential for \$500k-to-\$3M additional sales by 2025.**



Collaboration with Leading ASIC Vendors

- Intel
 - Going together to **SD-WAN and Edge computing** opportunities based on reference designs created for Intel
 - Creating first-to-market eASIC- based **FEC acceleration cards** together
 - Creating **encryption and compression accelerators** adapters
 - Building the richest portfolio of Intel-based **Ethernet adapters and DPUs**
- Broadcom
 - Cooperating on development of **White Label Switches**
 - Development of a few generations of **Intelligent Bypass Switches**
- Hailo
 - Cooperating on development of advanced **Edge-AI** products
 - Optimizing visual inspection processes and enhancing efficiency based on exceptional **AI inference** capabilities at the Edge
- Marvell
 - Development of **ARM 64-bit** Highly Optimized Low Power **Edge CPE**
 - Cooperating on development of **White Label Switches**
 - Developing a new generation of **400G Intelligent Bypass Switches**

Solution Brief intel.
Communications Service Providers
Intel® vRAN Dedicated Accelerator ACC100

Silicom FEC Acceleration Adapter Designed for 4G & 5G Networks

Lisbon ACC100 FEC Accelerator Server Adapter utilizes Intel® vRAN dedicated accelerator ACC100 to provide wire rate forward error correction (FEC) processing while enabling more virtualized functionality on the host server.

Silicom Connectivity Solutions

5G networks promise high throughput and low latency by design, and one important component of that is having forward error control (FEC) that can ensure wire speed correction of corrupted bits in data messages. The combination of high speed 5G mobile data services and billions of Internet of things (IoT) devices sending packets will challenge the FEC architectures that served 4G networks. This demand for high performance FEC is driving the need for a specialized FEC accelerator server adapter card that can deliver the throughput needed for even the fastest networks.

Intel® Network Builders intel

SOCIAL HUB

The latest trends on network transformation all in one place.

Silicom's Intel Select Solutions for uCPE - Intel® Chip Chat Network Insights episode 257

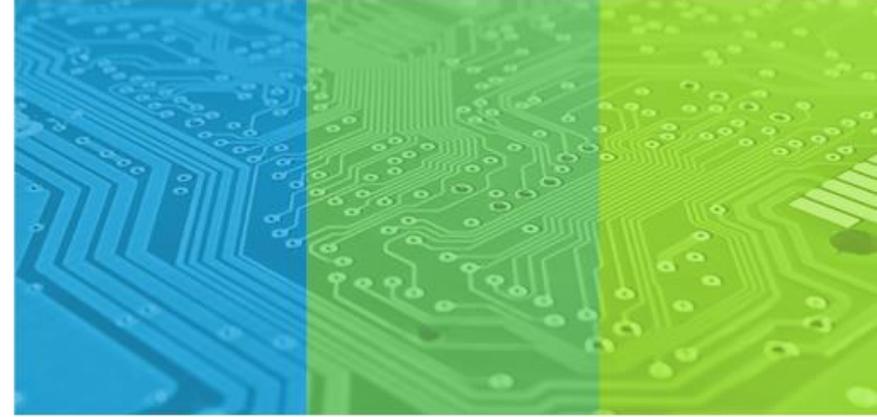
Last Updated: Mar 10, 2020

About this Chip Chat

Silicom provides world-class range Edge devices and believes platforms should be open and shared with the industry. Silicom's platforms are offered as part of Open Compute Project and Intel® Select Solutions.



Financials



Q3/2023 Financials (Non-GAAP)

(in millions, except EPS data)

	Q3/2023	% of Revenues
Revenues	\$30.1	100%
Gross Profit	\$9.3	31.1%
Operating Income	\$1.9	6.3%
Net Income	\$2.1	6.8%
EPS (diluted)	\$0.30	
Total number of outstanding shares	6.66	

Last Twelve Months (LTM) Financials (Non-GAAP)

(in millions, except EPS data)

	Last Twelve Months (LTM)	% of Revenues
Revenues	\$150.6	100%
Gross Profit	\$48.7	32.3%
Operating Income	\$19.4	12.9%
Net Income	\$17.4	11.5%
EPS (diluted)	\$2.55	

Balance Sheet

(in millions)

	September 30, 2023
Cash & Cash Equivalents	\$67.3
Working Capital	\$130.7
Total Assets	\$210.5
Total Debt	--
Total Liabilities	\$23.7
Stockholders' Equity	\$186.8

✓ **Strong Balance Sheet**

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THANK YOU