

Silicom Ltd.

Connectivity Solutions



Tailor Made Solutions



Off-the-shelf Products



Innovative Solutions

Investor Presentation

February 1, 2024

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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 are subject to known and unknown risks and uncertainties and other factors many of which are outside Silicom's control, which might cause actual results to differ materially from expectations expressed or implied in the forward looking statements, and which include, but are not limited to, Silicom's increasing dependence for substantial revenue growth on a limited number of customers, the speed and extent to which Silicom's solutions are adopted by the relevant markets, difficulty in commercializing and marketing of Silicom's products and services, maintaining and protecting brand recognition, protection of intellectual property, competition, disruptions to its manufacturing, sales & marketing, development and customer support activities, the impact of the wars in Gaza and in the Ukraine, attacks on shipping by Huthis in the Red Sea, rising inflation, rising interest rates and volatile exchange rates, as well as any continuing or new effects resulting from the COVID-19 pandemic, and the global economic uncertainty, which may impact customer demand by encouraging them to exercise greater caution and selectivity with their short-term IT investment plans. The factors noted above are not exhaustive. Further information about the company's businesses, including information about factors that could materially affect Silicom's results of operations and financial condition, are 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. Consequently, 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 of or replacement for, GAAP measures.

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

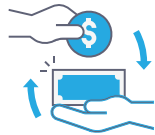
Financial and Business Performance



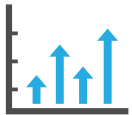
Robust fundamental demand for our SD-WAN/Smart Edge platforms, Acceleration solutions and server adapter products



Working Capital + Marketable securities: \$140 million (cash, no debt and very high quality of securities, accounts receivables and inventory). Represents about \$21 per share.



Aggressive Shares Buyback: 250,000 shares repurchased during Q4/2023



Strong balance sheet: \$172 million Shareholders' Equity

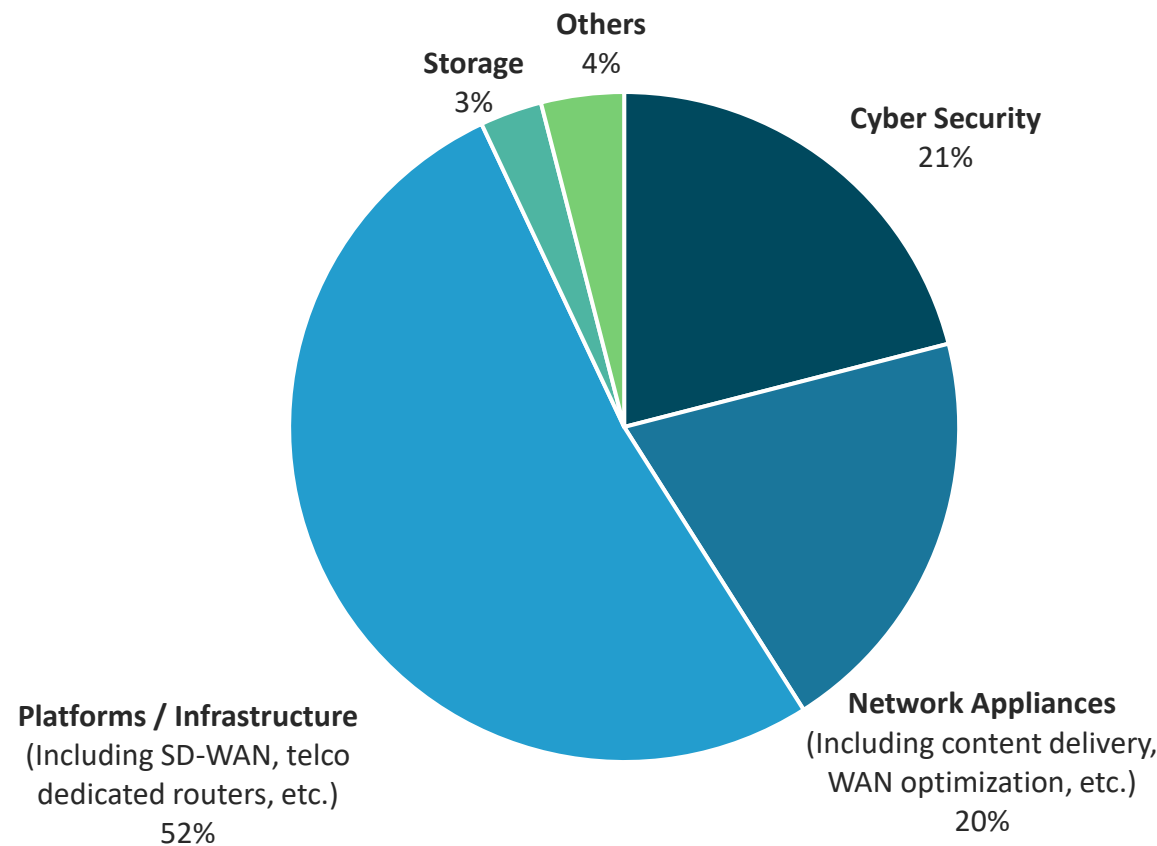
Large Global Customer Base

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

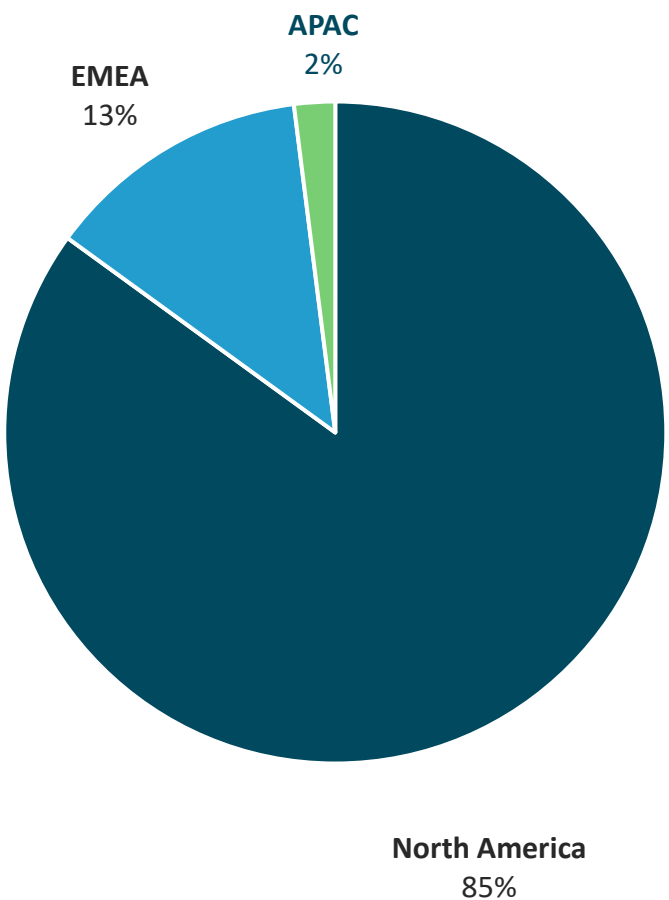


Diverse Attractive Markets

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 past 3 years (Covid and component shortages), 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.**



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.

Five-Year Strategy



Main objective – achieve EPS of above \$3 in 2028



Focus on core product lines:

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



Continue to **win more projects and Design Wins** with increased attention to smaller design wins with annual potential of about \$1M



Achieve **~20% compound average annual growth rate** from 2025



Tightly control expenses and align them with expected revenues



Maintain our strong balance sheet and continue performing **aggressive share buyback**



Target milestones – EPS of above \$1.6 in 2027

2025 Growth Drivers: Examples

Two SASE Design Wins - potential to add \$5-10M 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 shipping products to the customer and expect more Design Wins.
- Additional sales potential of \$5-10M 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-\$2M 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

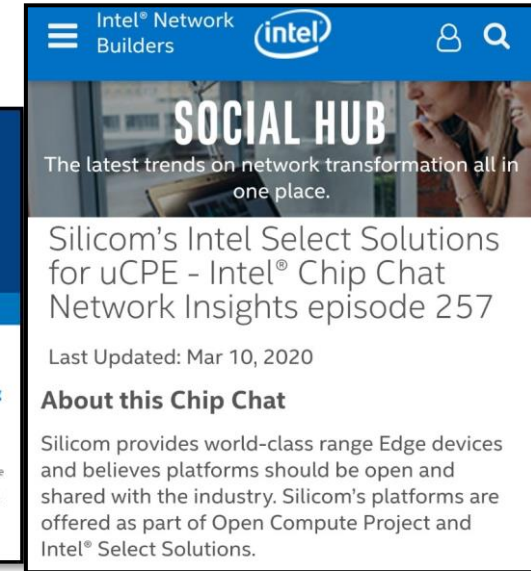
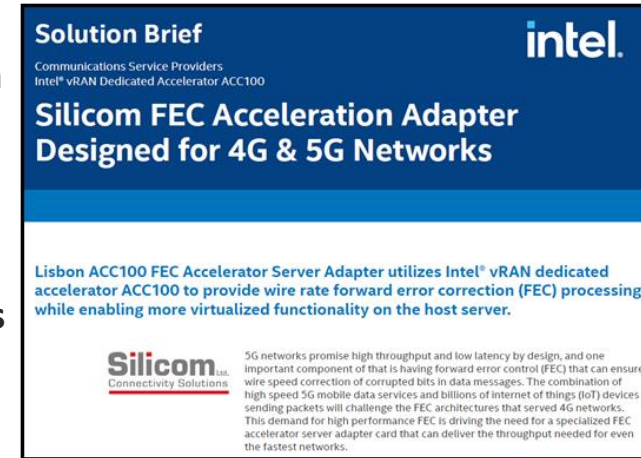
- Cooperating on development of **White Label Switches**
- Development of a few generations of **Intelligent Bypass Switches**

- Hailo

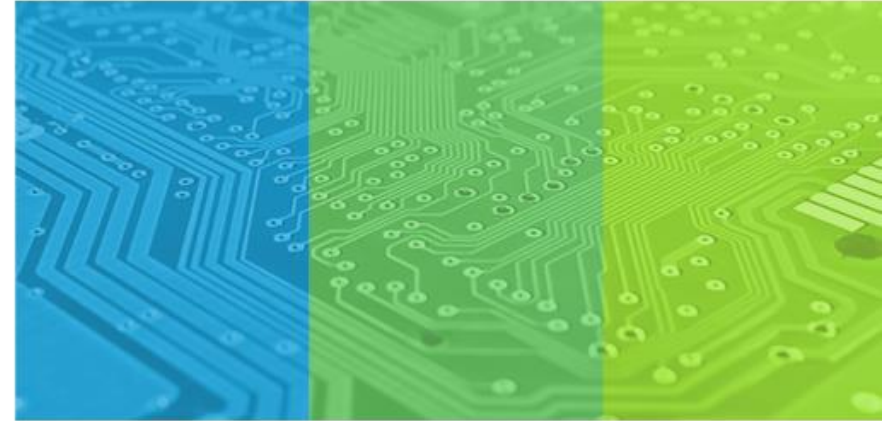
- Cooperating on development of advanced **Edge-AI** products
- Optimizing visual inspection processes and enhancing efficiency based on exceptional **AI inference** capabilities at the Edge

- 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**



Financials



Q4/2023 Financials (Non-GAAP)

(in millions, except EPS data)

| | Q4/2023 | % of Revenues |
|---------------------------------------|----------|---------------|
| Revenues | \$18.8 | 100% |
| Gross Profit | \$5.3 | 28.0% |
| Operating Income (loss) | \$(1.5) | (8.2)% |
| Net Income (loss) | \$(0.5) | (2.6)% |
| EPS (diluted) | \$(0.07) | |
| Total number of outstanding shares | 6.41 | |

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

(in millions, except EPS data)

| | Last Twelve Months (LTM) | % of Revenues |
|------------------|-----------------------------|---------------|
| Revenues | \$124.1 | 100% |
| Gross Profit | \$38.8 | 31.2% |
| Operating Income | \$9.9 | 8.0% |
| Net Income | \$10.2 | 8.2% |
| EPS (diluted) | \$1.52 | |

Balance Sheet

(in millions)

| | December 31, 2023 |
|-------------------------|-------------------|
| Cash & Cash Equivalents | \$71.5 |
| Working Capital | \$122.3 |
| Total Assets | \$191.2 |
| Total Debt | -- |
| Total Liabilities | \$19.5 |
| Stockholders' Equity | \$171.7 |

✓ Strong Balance Sheet



THANK YOU