

August 6, 2012

# SN VALUATION [Stocks, Real Estate, Bonds]

## Silicom LTD (SILC)

Price:	\$2.60
Market Cap:	\$18,018,000
Cash:	\$19,510,000
Debt:	\$0
Net Cash:	\$19,510,000
Enterprise Value:	-\$1,492,000
Target Market Cap:	\$154,699,205
Target Enterprise Value:	\$135,189,205

Price/Book:	0.28
EV/FCF:	-0.31
<b>Net Tang. Asset/Share:</b>	<b>\$9.74</b>
Avg. Year 1-5 FCF/Share:	\$1.00
<b>5 Years of FCF:</b>	<b>\$4.98</b>
Net Tang. Asset+5 FCF:	\$14.72

Net Tang. Asset Yr. 5/Share:	\$14.35
Avg. Year FCF/Share:	\$1.00
Year 5 Disposition FCF Multipl:	3.0
<b>Year 5 Disposition Price:</b>	<b>\$17.34</b>
<b>Gain Year 5:</b>	<b>\$7.60</b>

<b>Net Tang. Asset+5 FCF+ Gain Disposition:</b>	<b>\$22.32</b>
<b>IRR:</b>	<b>53.73%</b>

Silicom LTD (\$2.60, \$18MM Mkt cap, 6.9MM shares). The co. has a solid balance sheet with zero debt, \$20 MM in cash, \$30 MM in long term investments. Cash and investments alone justify the equity. On top of the asset is the \$6MM in FCF the co. generates annually, so after a 5 year holding, the co. would have generated \$30MM in FCF, or \$80MM in assets+FCF off a \$18 MM equity investment. Revenue growth should be in the low double digits, with revenue at only \$40 MM.

Why is the stock so cheap? A lack of coverage, Israel home base and illiquidity of stocks are depressing share prices. This stock reminds me of RIMG, with a huge cash balance, commodity tech business with low analyst coverage. Not much of a catalyst and may end up becoming a value trap. However, we find the margin for safety to be ample enough to shore up some cash to invest in the co. for the long term, with an estimated price of \$22 in 5 years.

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<b>Company Name:</b>	<b>Silicom LTD</b>
Ticker Symbol:	SILC
<b>Last Price:</b>	<b>\$2.60</b>
Net Cash/Share:	\$2.82
Net Cash to Last Price:	108.28%
Shares Outstanding:	6,930,000
Industry:	Communication Equipment
Sector:	Technology
Institutional Ownership:	#VALUE!
Mutual Fund Ownership:	#VALUE!
Insider Ownership:	#VALUE!
Retail Ownership:	#VALUE!
Float:	#VALUE!

<b>Technicals</b>	
52 week low:	Error
Today from 52 week low:	#VALUE!
52 week high:	Error
Today from 52 week high:	#VALUE!
50 day Moving Average:	Error
200 day Moving Average:	Error

<b>Analyst/Consensus</b>	
Analyst Sales Growth FY1:	16.30%
Analyst Sales Growth FY2:	N/A
SN Valuation Estimate FY1:	10.00%
SN Valuation Estimate FY2:	10.00%

Analyst Earnings Estimate FY1:	N/A
Analyst Earnings Estimate FY2:	N/A
SN Valuation Earnings Est. FY1:	\$0.76
SN Valuation Earnings Est. FY2:	\$0.83

<b>Multiples</b>	
Market Value to Book:	0.28
EV to Book:	-0.02
Market Value to Tangible Net Assets:	0.48
P/E Ratio:	2.06
Trailing P/E Ratio:	11.49
Forward P/E Ratio:	N/A
Beta:	Error
Dividend:	0
Dividend Yield:	0.00%
Dividend Date:	N/A
Ex-Dividend Date:	N/A

<b>Competitors</b>	
Average EV to EBITDA:	N/A
Company EV to EBITDA:	-0.17
Average EV to EBIT:	N/A
Company EV to EBITA:	-0.18

Market Capitalization:	\$18,018,000.00
Total Debt:	\$0.00
Total Cash:	\$19,510,000.00
Net Cash/(Debt):	\$19,510,000.00
Enterprise Value:	-\$1,492,000.00
Current EV/Share:	-\$0.22
EBITDA:	\$8,840,000.00
EV/EBITDA Multiple:	-0.17
EV/EBITDA Multiple Average Year 1-5:	-0.15
EV/FCF Multiple:	-0.31
EV/FCF Multiple Average Year 1-5:	-0.22

**Upper Range**  
DCF: EV/EBITDA Terminal Value

Implied TV from 3 X EV/EBITDA Multiple	\$34,465,236.10
Enterprise Value	\$34,465,236.10
Cash at Year 5:	\$54,029,667.84
Debt at Year 5:	\$0.00
Equity Value Year 5:	\$88,494,903.95
<b>Equity/Share at Year 5:</b>	<b>\$12.77</b>
Annualized Return:	37.48%

**Lower Range**  
DCF: Net Tangible Asset excluding Cash/Debt Terminal Value

Year 5 Net Tangible Assets excluding cash and debt	\$37,320,000.00
Enterprise Value	\$37,320,000.00
Cash at Year 5:	\$54,029,667.84
Debt at Year 5:	\$0.00
Equity Value Year 5:	\$91,349,667.84
<b>Equity/Share at Year 5:</b>	<b>\$13.18</b>
Annualized Return:	38.36%

**EVA**

EVA today:	\$65,006,338.38
EVA in 5 Years:	\$61,852,933.11
EVA/Share:	\$8.93
Cash at Year 5:	\$54,029,667.84
Debt at Year 5:	\$0.00
Equity Value Year 5:	\$115,882,600.95
<b>Equity/Share at Year 5:</b>	<b>\$16.72</b>
<b>Annualized return</b>	<b>-0.99%</b>

**Current Net Tangible Asset**

<b>Net Tangible Asset/Share:</b>	<b>\$9.74</b>
<b>Net Tangible Asset/Share in Year 5:</b>	<b>\$14.35</b>
Annualized return	8.06%

Current Equity Price:	\$2.60
Selling at Discount?	Discount
Appreciation Potential:	274.63%

**Dividend Model**

<b>Next Year Dividend</b>	<b>\$0.00</b>
<b>WACC:</b>	<b>11.00%</b>
Dividend:	\$0.00
Net Income:	\$8,760,000.00

**Income Statement**

Revenue:	\$41,610,000.00	100.0%
Cost of Goods Sold:	\$24,410,000.00	58.7%
Gross Profit:	\$17,200,000.00	41.3%
EBITDA:	\$9,230,000.00	22.2%
Net Income:	\$8,760,000.00	21.1%

**Balance Sheet**

Cash:	\$7,200,000.00
Short Term Investment:	\$12,310,000.00
A/R:	\$9,120,000.00
PP&E:	\$1,000,000.00
Assets:	\$76,050,000.00
A/P:	\$4,050,000.00
Deferred Tax:	\$0.00
Other Liabilities:	\$4,500,000.00
Short term Debt:	\$0.00
Long Term Debt:	\$0.00
Liabilities:	\$8,550,000.00
Retained Earnings:	\$29,050,000.00
Paid-In Capital:	\$35,240,000.00
Treasury Stock:	-\$40,000.00
Stockholder's Equity:	\$64,250,000.00

**Cash Flow**

Net Income:	8,240,000.00
Depreciation/Amortization:	380,000.00
Change in Working capital:	-5,640,000.00
Cash from Operating Activities:	4,690,000.00
Capital Expenditures:	-490,000.00
Cash from Investing Activities:	170,000.00
Total Cash Dividends Paid:	0.00
Issuance (Retirement) of Stock:	160,000.00
Issuance (Retirement) of Debt:	0.00
Cash from Financing Activities:	160,000.00

**Profitability Margins**

Debt to Equity:	0.00%
Return on Assets:	10.83%
Return on Capital:	12.82%
Return on Equity:	12.82%

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# LBO Analysis

WACC Terminal Value:	N/A	<b>Intrinsic Price in 5 Years:</b>	<b>14.69</b>	<b>Non-LBO Forecast</b>	<b>Non-LBO Forecast</b>	<b>Desired Return Rate</b>	<b>20.00%</b>
EV/EBITDA with 3X Multiple Terminal Value:	\$12.77	Market Price:	2.60	Year 1 Target	3.68	<b>Implied Today's Price</b>	<b>5.90</b>
Net Tangible Asset Terminal Value:	\$13.18	LBO Price:	<b>2.60</b>	Year 2 Target	5.20	Overvalued/(Undervalued)	-55.96%
EV/EBITDA with Today's Multiple Terminal Value:	\$16.09	Premium to Market Price:	0.00%	Year 3 Target	7.35		
<b>EVA Enterprise Value:</b>	<b>\$16.72</b>	LBO Price/Intrinsic Price Target:	41.39%	Year 4 Target	<b>10.39</b>		
<b>Dividend Discount Model:</b>	<b>N/A</b>	LBO Price/EV/EBIT Exit Price:	43.98%	Year 5 Target	<b>14.69</b>		
<b>Average (Excluding Dividend Discount):</b>	<b>\$14.69</b>	Implied IRR at today's EV/EBITDA:	43.98%	<b>Implied IRR (Market Price):</b>	<b>41.39%</b>		
		5 Year Return:	464.99%				

Current Evaluation				Exit Evaluation			
Current Market Price:	2.60	LBO Price:	2.60	Exit Price:	14.69	Exit Price:	16.09
Outstanding Shares:	6,930,000	Outstanding Shares:	6,930,000	Outstanding Shares:	6,930,000	Outstanding Shares:	6,930,000
<b>Market Capitalization:</b>	<b>18,018,000</b>	<b>Market Capitalization:</b>	<b>18,018,000</b>	<b>Market Capitalization:</b>	<b>101,799,725</b>	<b>Market Capitalization:</b>	<b>111,471,728</b>
Available Cash:	19,510,000	Available Cash:	19,510,000	Available Cash:	54,029,668	Available Cash:	54,029,668
Debt:	0	Debt:	0	Debt:	0	Debt:	0
Net Cash:	19,510,000	Net Cash:	19,510,000	Net Cash:	54,029,668	Net Cash:	54,029,668
<b>Enterprise Value:</b>	<b>-1,492,000</b>	<b>Enterprise Value:</b>	<b>-1,492,000</b>	<b>Enterprise Value:</b>	<b>47,770,057</b>	<b>Enterprise Value:</b>	<b>57,442,060</b>
Original EV/EBITDA:	-0.18	EV/EBITDA:	-0.18	EV/EBITDA at 5 Years:	4.16	EV/EBITDA at 5 Years:	<b>5.00</b>
Original EV/EBITDA:	-0.17	EV/EBITDA:	-0.17	EV/EBITDA at 5 Years:	5.79	EV/EBITDA at 5 Years:	4.75
Competitor Average EV/EBIT:	N/A						
Competitor Average EV/EBITDA:	N/A						

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	2.60	2.60	3.68	5.20	7.35	10.39	14.69
Shares Outstanding:	6,930,000	6,930,000	6,930,000	6,930,000	6,930,000	6,930,000	6,930,000
<b>Market Capitalization:</b>	<b>18,018,000</b>	<b>18,019,762</b>	<b>25,477,514</b>	<b>36,021,770</b>	<b>50,929,927</b>	<b>72,008,051</b>	<b>101,809,678</b>
Available Cash:	19,510,000	19,510,000	25,194,261	31,430,360	38,273,481	45,784,326	54,029,668
Debt:	0	0	0	0	0	0	0
Net Cash:	19,510,000	19,510,000	25,194,261	31,430,360	38,273,481	45,784,326	54,029,668
<b>Enterprise Value:</b>	<b>-1,492,000</b>	<b>-1,490,238</b>	<b>283,253</b>	<b>4,591,410</b>	<b>12,656,446</b>	<b>26,223,725</b>	<b>47,780,010</b>
EBIT	8,460,000	8,460,000	7,846,740	8,631,414	9,494,555	10,444,011	11,488,412
EV/EBIT:	-0.18	-0.18	0.04	0.53	1.33	2.51	4.16
EBITDA	8,840,000	8,840,000	8,264,740	9,091,214	10,000,335	11,000,369	12,100,406
EV/EBITDA:	-0.17	-0.17	0.03	0.51	1.27	2.38	3.95

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	2.60	2.60	3.44	4.32	5.28	6.34	7.50
Shares Outstanding:	6,930,000	6,930,000	6,930,000	6,930,000	6,930,000	6,930,000	6,930,000
<b>Market Capitalization:</b>	<b>18,018,000</b>	<b>18,019,762</b>	<b>23,812,049</b>	<b>29,909,927</b>	<b>36,601,005</b>	<b>43,944,602</b>	<b>50,005,971</b>
Available Cash:	19,510,000	19,510,000	25,194,261	31,430,360	38,273,481	45,784,326	54,029,668
Debt:	0	0	0	0	0	0	0
Net Cash:	19,510,000	19,510,000	25,194,261	31,430,360	38,273,481	45,784,326	54,029,668
<b>Enterprise Value:</b>	<b>-1,492,000</b>	<b>-1,490,238</b>	<b>-1,382,212</b>	<b>-1,520,433</b>	<b>-1,672,477</b>	<b>-1,839,724</b>	<b>-2,023,697</b>
EBIT	8,460,000	8,460,000	7,846,740	8,631,414	9,494,555	10,444,011	11,488,412
EV/EBIT:	-0.18	-0.18	-0.18	-0.18	-0.18	-0.18	-0.18
EBITDA	8,840,000	8,840,000	8,264,740	9,091,214	10,000,335	11,000,369	12,100,406
EV/EBITDA:	-0.17	-0.17	-0.17	-0.17	-0.17	-0.17	-0.17

LBO Price	2.60	Equity Partners:	18,018,000	Weighting	<b>100.00%</b>	<b>Annualized Return for Equity Partners: 43.98%</b>
Shares Outstanding	6,930,000	Debt Partners:	0		0.00%	
<b>Market Capitalization</b>	<b>18,018,000</b>	<b>Total Funds for LBO:</b>	<b>18,018,000</b>		<b>100.00%</b>	
Debt	0					
Cash	19,510,000					
<b>Enterprise Value</b>	<b>-1,492,000</b>					
<b>Capital Investment</b>	<b>18,018,000</b>					

Book Value	Enterprise Value	Stock Valuation	Debt Reduction
Beginning Book Value	64.25	Current Market Price	Starting Debt
Year 5 Book Value	96.22	Year 5 Market Price	Debt Repayment
<b>Annualized Return</b>	<b>8.41%</b>	<b>Annualized Return</b>	<b>43.98%</b>
			<b>% of Starting Debt</b>
			<b>#DIV/0!</b>

SN VALUATION

LBO Pro Forma Income Statement

Name:

Silicom LTD

Ticker:

SILC

	Historical				Forecasted				
	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2013	2014	2015	2016	2017
Revenue	25.55	20.53	30.40	39.63	43.59	47.95	52.75	58.02	63.82
COGS	15.40	12.46	17.49	22.43	25.28	27.81	30.59	33.65	37.02
Gross margin	10.15	8.07	12.91	17.20	18.31	20.14	22.15	24.37	26.81
SG&A	3.52	3.13	3.73	4.57	5.67	6.23	6.86	7.54	8.30
R&D	3.05	2.72	3.28	4.17	4.90	5.27	5.80	6.38	7.02
Unusual expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Included within COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	3.58	2.22	5.90	8.46	7.85	8.63	9.49	10.44	11.49
Interest income/(expense)	1.19	0.91	0.62	0.44	0.26	0.26	0.26	0.26	0.26
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	4.77	3.12	6.52	8.91	8.10	8.89	9.75	10.70	11.74
Tax	0.13	0.30	0.81	0.67	2.84	3.11	3.41	3.74	4.11
Income after tax	4.64	2.82	5.71	8.24	5.27	5.78	6.34	6.95	7.63
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	4.64	2.82	5.71	8.24	5.27	5.78	6.34	6.95	7.63
*Figures are in millions (\$)									
EPS (based off today's share count)	\$0.67	\$0.41	\$0.82	\$1.19	\$0.76	\$0.83	\$0.91	\$1.00	\$1.10
P/E (historical today's price; forecasted intrinsic price)	3.88	6.39	3.16	2.19	4.84	6.24	8.04	10.35	13.34
Revenue Growth	N/A	-19.65%	48.08%	30.36%	10.00%	10.00%	10.00%	10.00%	10.00%
Tax Rate	2.73%	9.62%	12.42%	7.52%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	0.00%	0.00%	0.00%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	60.27%	60.69%	57.53%	56.60%	58.00%	58.00%	58.00%	58.00%	58.00%
Gross margin	39.73%	42.47%	42.47%	43.40%	42.00%	42.00%	42.00%	42.00%	42.00%
SG&A	13.78%	15.25%	12.27%	11.53%	13.00%	13.00%	13.00%	13.00%	13.00%
R&D	11.94%	13.25%	10.79%	10.52%	11.00%	11.00%	11.00%	11.00%	11.00%
Unusual expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Included within COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	14.01%	10.81%	19.41%	21.35%	18.00%	18.00%	18.00%	18.00%	18.00%
Interest income/(expense)	4.66%	4.43%	2.04%	1.11%	0.59%	0.53%	0.48%	0.44%	0.40%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	18.67%	15.20%	21.45%	22.48%	18.59%	18.53%	18.48%	18.44%	18.40%
Tax	0.51%	1.46%	2.66%	1.69%	6.50%	6.49%	6.47%	6.45%	6.44%
Income after tax	18.16%	13.74%	18.78%	20.79%	12.08%	13.25%	14.54%	15.95%	17.51%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	18.16%	13.74%	18.78%	20.79%	12.08%	12.05%	12.01%	11.99%	11.96%

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LBO Adjusted Proforma Balance Sheet

	As of 2008-12-31	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-06-30	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	14.56	7.25	6.66	11.48	7.20			7.20	12.88	19.12	25.96	33.47	41.72
Short term investment	8.43	17.68	17.25	14.04	12.31			12.31	12.31	12.31	12.31	12.31	12.31
<b>Cash and Short term</b>	<b>22.99</b>	<b>24.93</b>	<b>23.91</b>	<b>25.52</b>	<b>19.51</b>			<b>19.51</b>	<b>25.19</b>	<b>31.43</b>	<b>38.27</b>	<b>45.78</b>	<b>54.03</b>
Accounts Receivable	4.85	5.17	6.76	8.61	9.12			9.12	9.12	9.12	9.12	9.12	9.12
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Receivables</b>	<b>4.85</b>	<b>5.17</b>	<b>6.76</b>	<b>8.61</b>	<b>9.12</b>			<b>9.12</b>	<b>9.12</b>	<b>9.12</b>	<b>9.12</b>	<b>9.12</b>	<b>9.12</b>
Total Inventory	5.27	4.68	8.14	11.17	11.61			11.61	11.61	11.61	11.61	11.61	11.61
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Current Assets	0.21	0.23	0.05	0.05	0.05			0.05	0.05	0.05	0.05	0.05	0.05
<b>Current Assets</b>	<b>33.32</b>	<b>35.01</b>	<b>38.86</b>	<b>45.35</b>	<b>40.29</b>	<b>0.00</b>	<b>0.00</b>	<b>40.29</b>	<b>45.97</b>	<b>52.21</b>	<b>59.05</b>	<b>66.56</b>	<b>74.81</b>
PP&E, Gross	2.97	2.79	3.13	4.00	4.00			4.00	4.00	4.00	4.00	4.00	4.00
Change in Depreciation		0.44	0.42	0.38	0.38			0.38	0.42	0.46	0.51	0.56	0.61
Accumulated Depreciation	2.17	2.18	2.48	3.00	3.00			3.00	3.42	3.88	4.38	4.94	5.55
<b>PP&amp;E, Net</b>	<b>0.80</b>	<b>0.61</b>	<b>0.65</b>	<b>1.00</b>	<b>1.00</b>			<b>1.00</b>	<b>0.58</b>	<b>0.12</b>	<b>-0.38</b>	<b>-0.94</b>	<b>-1.55</b>
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Long term investments	16.20	18.31	21.56	23.67	33.35			33.35	33.35	33.35	33.35	33.35	33.35
Other long term assets	1.30	1.30	1.52	1.41	1.41			1.41	1.41	1.41	1.41	1.41	1.41
<b>Long Term Assets</b>	<b>18.30</b>	<b>20.22</b>	<b>23.73</b>	<b>26.08</b>	<b>35.76</b>			<b>35.76</b>	<b>35.34</b>	<b>34.88</b>	<b>34.38</b>	<b>33.82</b>	<b>33.21</b>
<b>Total Assets</b>	<b>51.62</b>	<b>55.23</b>	<b>62.59</b>	<b>71.43</b>	<b>76.05</b>	<b>0.00</b>	<b>0.00</b>	<b>76.05</b>	<b>81.32</b>	<b>87.09</b>	<b>93.43</b>	<b>100.38</b>	<b>108.02</b>
Accounts Payable	2.68	2.26	3.75	3.98	4.05			4.05	4.05	4.05	4.05	4.05	4.05
Accrued Expense	0.29	0.27	0.20	0.27	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other current Liabilities	1.77	1.87	1.88	2.19	2.34			2.34	2.34	2.34	2.34	2.34	2.34
<b>Total Current Liabilities</b>	<b>4.74</b>	<b>4.40</b>	<b>5.83</b>	<b>6.44</b>	<b>6.39</b>	<b>0.00</b>	<b>0.00</b>	<b>6.39</b>	<b>6.39</b>	<b>6.39</b>	<b>6.39</b>	<b>6.39</b>	<b>6.39</b>
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Interest Earning Debt</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Deferred Income tax	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	1.91	1.97	2.22	2.15	2.16			2.16	2.16	2.16	2.16	2.16	2.16
<b>Total Liabilities</b>	<b>6.65</b>	<b>6.37</b>	<b>8.05</b>	<b>8.59</b>	<b>8.55</b>	<b>0.00</b>	<b>0.00</b>	<b>8.55</b>	<b>8.55</b>	<b>8.55</b>	<b>8.55</b>	<b>8.55</b>	<b>8.55</b>
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	0.02	0.02	0.02	0.02	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Additional Paid-in capital	33.08	34.15	34.64	35.24	35.24	0.00	0.00	35.24	35.24	35.24	35.24	35.24	35.24
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	12.27	15.09	20.80	29.05	29.05		0.00	29.05	34.32	40.09	46.43	53.38	61.02
Treasury Stock	-0.04	-0.04	-0.04	-0.04	-0.04			-0.04	-0.04	-0.04	-0.04	-0.04	-0.04
Other Equity	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Equity</b>	<b>45.33</b>	<b>49.22</b>	<b>55.42</b>	<b>64.27</b>	<b>64.25</b>	<b>0.00</b>	<b>0.00</b>	<b>64.25</b>	<b>69.52</b>	<b>75.29</b>	<b>81.63</b>	<b>88.58</b>	<b>96.22</b>
<b>Liability + Equity</b>	<b>51.98</b>	<b>55.59</b>	<b>63.47</b>	<b>72.86</b>	<b>72.80</b>	<b>0.00</b>	<b>0.00</b>	<b>72.80</b>	<b>78.07</b>	<b>83.84</b>	<b>90.18</b>	<b>97.13</b>	<b>104.77</b>
<b>Variance</b>	-0.36	-0.36	-0.88	-1.43	3.25			3.25	3.25	3.25	3.25	3.25	3.25
<b>Debt/Equity</b>	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	4.85	4.39	3.73	3.55	3.75			3.41	3.75	4.13	4.54	5.00	5.50
Inventory Turnover Days	75.29	83.21	97.73	102.88	97.21			106.93	97.21	88.37	80.34	73.03	66.40
Days Inventory Outstanding	124.91	137.09	169.87	181.77	167.60			188.93	167.60	152.37	138.51	125.92	114.47
Accounts Receivable Turnover	5.27	3.97	4.50	4.60	4.78			4.35	4.78	5.26	5.78	6.36	7.00
Accounts Receivable Turnover Days	69.29	91.92	81.16	79.30	76.36			84.00	76.36	69.42	63.11	57.37	52.16
Days Payable Outstanding	63.52	66.20	78.26	64.77	58.47			65.91	58.47	53.15	48.32	43.93	39.93
Days Sales Outstanding	69.29	91.92	81.16	79.30	76.36			79.30	84.00	76.36	69.42	63.11	57.37
Cash Conversion Cycle	130.67	162.81	172.78	196.30	185.50			202.32	193.13	175.58	159.61	145.10	131.91
Net tangible assets/share					9.74				10.50	11.33	12.25	13.25	14.35

SN VALUATION

LBO Adjusted Proforma Cash Flow

	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	2011	2012	2013	2014	2015
Net Income	4.64	2.82	5.71	8.24	5.27	5.78	6.34	6.95	7.63
Depreciation	0.45	0.44	0.42	0.38	0.42	0.46	0.51	0.56	0.61
<b>Net Income + Depreciation</b>	<b>5.09</b>	<b>3.26</b>	<b>6.13</b>	<b>8.62</b>	<b>5.68</b>	<b>6.24</b>	<b>6.84</b>	<b>7.51</b>	<b>8.25</b>
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-0.31	0.02	0.16	0.09	0.00	0.00	0.00	0.00	0.00
Non Cash Items	1.38	1.50	1.54	1.62	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-0.40	-0.98	-4.47	-5.64	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-0.32	-1.59	-1.85	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.59	-3.46	-3.03	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-0.42	1.49	0.23	0.00	0.00	0.00	0.00	0.00
<b>Cash from Operating Activities</b>	<b>5.76</b>	<b>3.80</b>	<b>3.36</b>	<b>4.69</b>	<b>5.68</b>	<b>6.24</b>	<b>6.84</b>	<b>7.51</b>	<b>8.25</b>
Capital Expenditures Expenditures	-0.57	-0.26	-0.47	-0.49	0.00	0.00	0.00	0.00	0.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-5.79	-11.53	-3.62	0.66	0.00	0.00	0.00	0.00	0.00
<b>Cash from Investing Activities</b>	<b>-6.36</b>	<b>-11.79</b>	<b>-4.09</b>	<b>0.17</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Financing Cash flow items	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	0.96	0.63	0.26	0.16	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Cash from Financing Activities</b>	<b>0.96</b>	<b>0.63</b>	<b>0.26</b>	<b>0.16</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Foreign Exchange effect	0.00	0.03	-0.12	-0.20	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	10.97	11.32	3.86	4.09	7.20	12.88	19.12	25.96	33.47
<b>Net Change in Cash</b>	<b>0.35</b>	<b>-7.32</b>	<b>-0.60</b>	<b>4.83</b>	<b>5.68</b>	<b>6.24</b>	<b>6.84</b>	<b>7.51</b>	<b>8.25</b>
Ending Cash Balance	11.32	3.86	3.26	8.92	12.88	19.12	25.96	33.47	41.72
Capex to Revenue	2.23%	1.27%	1.55%	1.24%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation to Sales	1.76%	2.14%	1.38%	0.96%	0.96%	0.96%	0.96%	0.96%	0.96%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	18.98%	25.18%	22.24%	21.73%	19.75%	17.96%	16.32%	14.84%	13.49%
Distributable FCF Yield	40.21%	535.52%	48.93%	-325.74%	-380.98%	-417.97%	-458.65%	-503.41%	-552.64%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing-Dividends)	<b>-0.60</b>	<b>-7.99</b>	<b>-0.73</b>	<b>4.86</b>	<b>5.68</b>	<b>6.24</b>	<b>6.84</b>	<b>7.51</b>	<b>8.25</b>

# SN VALUATION

# LBO Debt Schedule

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	4.83	5.68	6.24	6.84	7.51	8.25
Current Portion Debt Repayment		0.00				
Long Term Debt Repayment		0.00	0.00	0.00	0.00	0.00
<b>Outstanding Debt</b>	0.00	0.00	0.00	0.00	0.00	0.00
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Forward Libor Curve		4.00%	4.00%	4.00%	4.00%	4.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
<b>Interest Rate</b>		<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>
<b>Interest Expense</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Cash Balance		25.52				
Interest @ 1.0%		0.26	0.26	0.26	0.26	0.26
<b>Net Interest Expense/(Income)</b>		<b>(0.26)</b>	<b>(0.26)</b>	<b>(0.26)</b>	<b>(0.26)</b>	<b>(0.26)</b>
<b>Net Interest Rate</b>		<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>
EBITDA		7.85	8.63	9.49	10.44	11.49
<b>EBITDA/Interest Expense Coverage</b>		<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>

## Interest Rate Coverage Table

Debt Rating					
AAA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
AA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BBB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CCC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
C	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
D	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

\*Source: NYU; Professor Damodaran

# Altman Z Score

Company Name:

Silicom LTD

Ticker:

SILC

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	28.58	30.61	33.03	33.90	39.58	45.82	52.66	60.17	68.42
Total Assets	51.62	55.23	62.59	76.05	81.32	87.09	93.43	100.38	108.02
<b>X1</b>	<b>0.55</b>	<b>0.55</b>	<b>0.53</b>	<b>0.45</b>	<b>0.49</b>	<b>0.53</b>	<b>0.56</b>	<b>0.60</b>	<b>0.63</b>
Retained Earnings	12.27	15.09	20.80	29.05	34.32	40.09	46.43	53.38	61.02
Total Assets	51.62	55.23	62.59	76.05	81.32	87.09	93.43	100.38	108.02
<b>X2</b>	<b>0.24</b>	<b>0.27</b>	<b>0.33</b>	<b>0.38</b>	<b>0.42</b>	<b>0.46</b>	<b>0.50</b>	<b>0.53</b>	<b>0.56</b>
EBITDA	3.58	2.22	5.90	8.46	7.85	8.63	9.49	10.44	11.49
Total Assets	51.62	55.23	62.59	76.05	81.32	87.09	93.43	100.38	108.02
<b>X3</b>	<b>0.07</b>	<b>0.04</b>	<b>0.09</b>	<b>0.11</b>	<b>0.10</b>	<b>0.10</b>	<b>0.10</b>	<b>0.10</b>	<b>0.11</b>
Market Value of Equity	18.02	18.02	18.02	18.02	25.48	36.02	50.92	72.00	101.80
Total Liabilities	6.65	6.37	8.05	8.55	8.55	8.55	8.55	8.55	8.55
<b>X4</b>	<b>2.71</b>	<b>2.83</b>	<b>2.24</b>	<b>2.11</b>	<b>2.98</b>	<b>4.21</b>	<b>5.96</b>	<b>8.42</b>	<b>11.91</b>
Net Sales	25.55	20.53	30.40	39.63	43.59	47.95	52.75	58.02	63.82
Total Assets	51.62	55.23	62.59	76.05	81.32	87.09	93.43	100.38	108.02
<b>X5</b>	<b>0.49</b>	<b>0.37</b>	<b>0.49</b>	<b>0.52</b>	<b>0.54</b>	<b>0.55</b>	<b>0.56</b>	<b>0.58</b>	<b>0.59</b>
<b>Altman Z Score</b>	<b>3.35</b>	<b>3.25</b>	<b>3.24</b>	<b>3.22</b>	<b>3.82</b>	<b>4.68</b>	<b>5.85</b>	<b>7.44</b>	<b>9.64</b>

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red