

SILICOM LTD.
Form 20-F
March 24, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF
THE SECURITIES EXCHANGE ACT OF 1934

Or

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report.....

For the transition period from to

Commission File number: 000-23288

SILICOM LTD.

(Exact name of Registrant as specified in its charter and as translated into English)

ISRAEL

(Jurisdiction of incorporation
or organization)

8 Hanagar Street,
Kfar Sava 4442537, Israel
(Address of principal executive offices)

Mr. Eran Gilad, CFO and Company Secretary
Telephone: +972-9-764-4555

Edgar Filing: SILICOM LTD. - Form 20-F

E-mail: erang@silicom.co.il

8 Hanagar Street,

Kfar Sava 4442537, Israel

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

None

None

Name of each exchange on which
registered

Title of each class

Ordinary Shares, NIS 0.01 nominal value per share NASDAQ GLOBAL SELECT MARKET

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

7,218,633

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP <input checked="" type="radio"/>	International Financial Reporting Standards as issued by the International Accounting Standards Board <input type="radio"/>	Other <input type="radio"/>
--	---	-----------------------------

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

This annual report on Form 20-F includes certain “forward-looking” statements within the meaning of Section 21E of the Securities Exchange Act of 1934. The use of the words “projects,” “expects,” “may,” “plans” or “intends”, or words of similar import, identifies a statement as “forward-looking.” There can be no assurance, however, that actual results will not differ materially from our expectations or projections. Factors that could cause actual results to differ from our expectations or projections include the risks and uncertainties relating to our business described in this report at Item 3 titled “Risk Factors.”

As used herein or any in any document incorporated by reference hereto, the “Company”, “Silicom Ltd.”, “Silicom”, “Registrant”, “we”, “us”, or “our” refers to Silicom Ltd. and its subsidiaries. We have prepared our consolidated financial statements in United States dollars and in accordance with accounting principles generally accepted in the United States. All references herein to “dollars” or “\$” are to United States dollars, and all references to “Shekels” or “NIS” are to New Israeli Shekels.

Table of Contents

<u>PART I.</u>	6	
<u>ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	6	
<u>ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</u>	6	
<u>ITEM 3. KEY INFORMATION</u>	6	
A. Selected Financial Data		6
B. Capitalization and indebtedness	9	
C. Reason for the offer and use of proceeds	9	
D. Risk Factors	9	
<u>ITEM 4. INFORMATION ON THE COMPANY.</u>	24	
A. History and Development of the Company		24
B. Business Overview		25
Principal Markets	29	
Manufacturing and Suppliers	29	
Marketing Channels	31	
Patents and Licenses	33	
Competition	34	
Governmental Regulation Affecting the Company	35	
C. Organizational Structure		36
D. Property, Plant and Equipment		36
<u>ITEM 4A. UNRESOLVED STAFF COMMENTS</u>	37	
<u>ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	37	
Critical Accounting Policies	37	
A. Operating Results		40
Impact of Inflation and Currency Fluctuations on Results of Operations, Liabilities and Assets	43	
B. Liquidity and Capital Resources		44
C. Research and development, patents and licenses, etc.		45
D. Trend Information		47
E. Off-Balance Sheet Arrangements		48
F. Tabular disclosure of contractual obligations		49

<u>ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	50	
A. Directors and Senior Management		50
B. Compensation		52
C. Board Practices		54
Board of Directors	56	
External Directors	56	
Audit Committee	60	
Compensation Committee	61	
Internal Auditor	66	
D. Employees		66
E. Share Ownership		68
<u>ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	69	
A. Major Shareholders		69
B. Related Party Transactions		70
<u>ITEM 9. THE OFFER AND LISTING</u>	75	
A. Offer and listing details		75
Markets and Share Price History	75	
<u>ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	103	
Interest Rate Risk	103	
Foreign Currency Exchange Risk	103	
<u>ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	105	
<u>PART II.</u>	105	
<u>ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	105	
<u>ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	105	
<u>ITEM 15. CONTROLS AND PROCEDURES</u>	105	
Disclosure Controls and Procedures	106	

Management's Annual Report on Internal Control over Financial Reporting	
Inherent Limitations on Effectiveness of Controls	106
Changes in Internal Control over Financial Reporting	107

<u>ITEM 15T. CONTROLS AND PROCEDURES</u>	107
<u>ITEM 16. RESERVED</u>	107
<u>ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT</u>	107
<u>ITEM 16B. CODE OF ETHICS</u>	107
<u>ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	107
<u>ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	108
<u>ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	108
<u>ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	108
<u>ITEM 16G. CORPORATE GOVERNANCE</u>	108
<u>ITEM 16H. MINE SAFETY DISCLOSURE</u>	110
<u>PART III.</u>	111
<u>ITEM 17. FINANCIAL STATEMENTS</u>	111
<u>ITEM 18. FINANCIAL STATEMENTS</u>	111
<u>ITEM 19. EXHIBITS</u>	111

PART I.

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

Item 3. KEY INFORMATION

A. Selected Financial Data

The selected data presented below under the captions “Consolidated Statements of Operations Data” and “Consolidated Balance Sheets Data” for and as of the end of each of the years in the five-year period ended December 31, 2014, are derived from our audited consolidated financial statements. The consolidated financial statements as of December 31, 2014, and for each of the years in the three-year period ended December 31, 2014, and the report thereon, are included elsewhere in this annual report. The selected data set forth below should be read in conjunction with our consolidated financial statements and the notes thereto, which are set forth in Item 18 – “Financial Statements” and the other financial information appearing elsewhere in this annual report.

CONSOLIDATED STATEMENTS OF OPERATIONS DATA:

	2010	2011	2012	2013	2014
Sales	\$30,399	\$39,633	\$48,729	\$73,298	\$75,622
Cost of sales	17,490	22,430	28,849	43,865	44,835
Gross profit	12,909	17,203	19,880	29,433	30,787
Research and development costs	3,280	4,165	4,401	5,465	6,480
Sales and marketing expenses	2,207	2,677	3,081	3,818	4,418
General and administrative expenses	1,523	1,890	2,369	2,572	2,843
Total operating expenses	7,010	8,732	9,851	11,855	13,741
Operating income	5,899	8,471	10,029	17,578	17,046
Financial income, net	617	439			