Digi International Acquisition of NetSilicon

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Why Digi is Acquiring NetSilicon?

NetSilicon's embedded device server product/technology continues the repositioning of Digi's Connectware product offering into growth markets
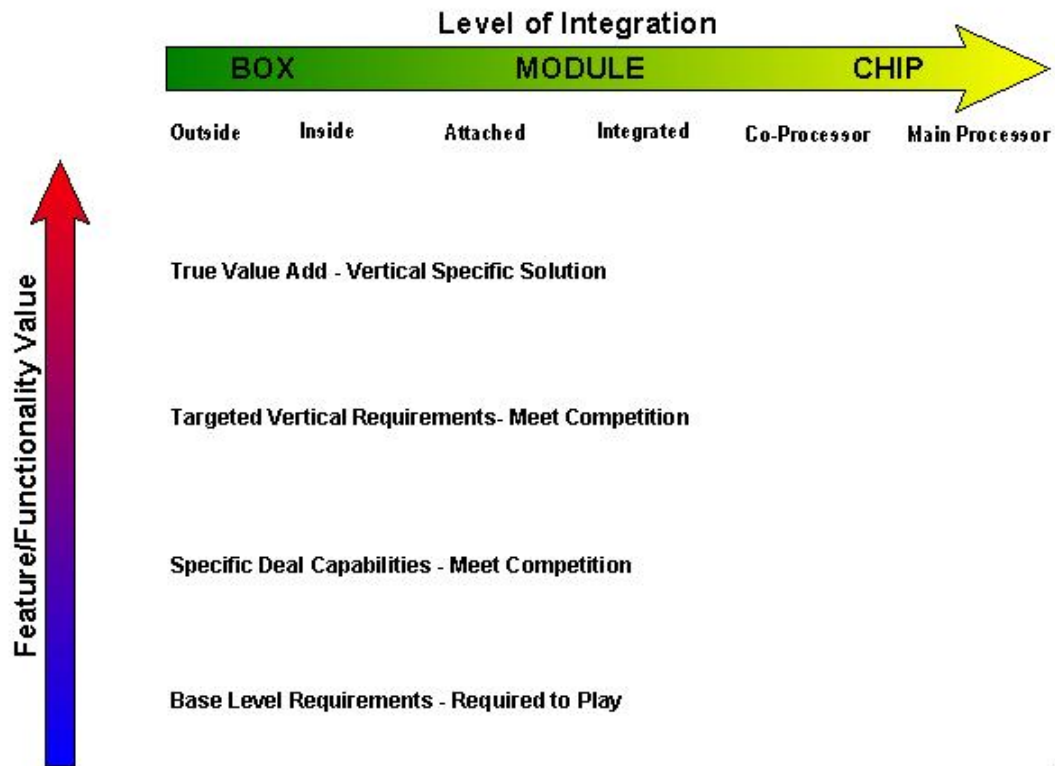
Core Strengths of Digi & NetSilicon

Company	Technology		Sales		Products					Vertical Markets						Markets	
	Core Tech. (HW / SW)	End Product (HW / SW)	2-Tier Distribution	OEM Sales	USB	Serial	Terminal Server	Wireless	Embedded	Industrial Automation	Retail POS	Hospitality	Digital Copier & Printer	Building Control	Home Automation	Growth Markets	Mature Markets
Digi	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
NetSilicon	X			X					X	X			X	X	X	X	X
Combined	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

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Value Proposition

Level of Integration

BOX		MODULE		CHIP	
Outside	Inside	Attached	Integrated	Co-Processor	Main Processor

Feature/Functionality Value

True Value Add - Vertical Specific Solution

Targeted Vertical Requirements- Meet Competition

Specific Deal Capabilities - Meet Competition
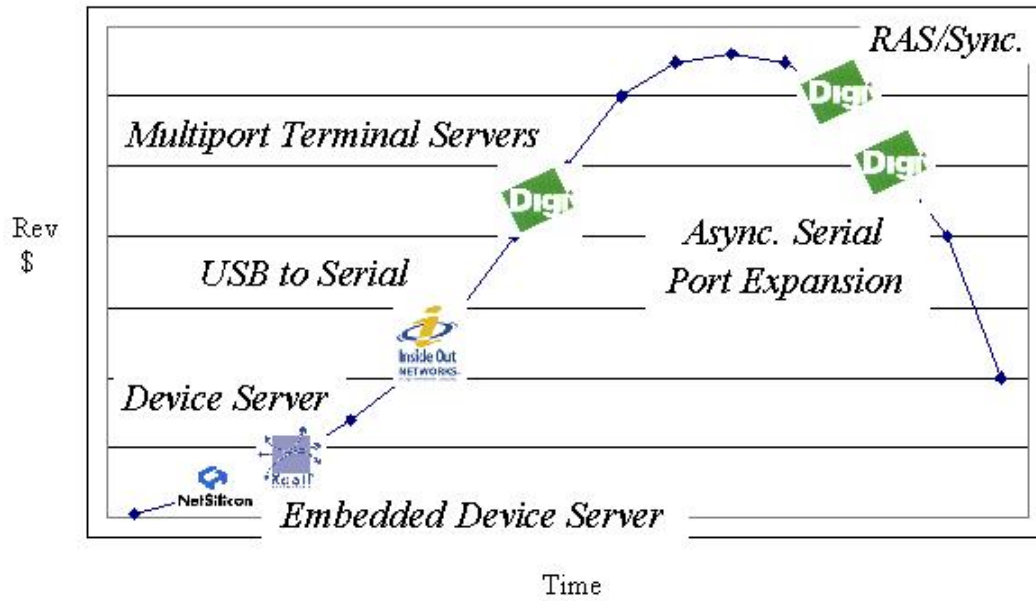
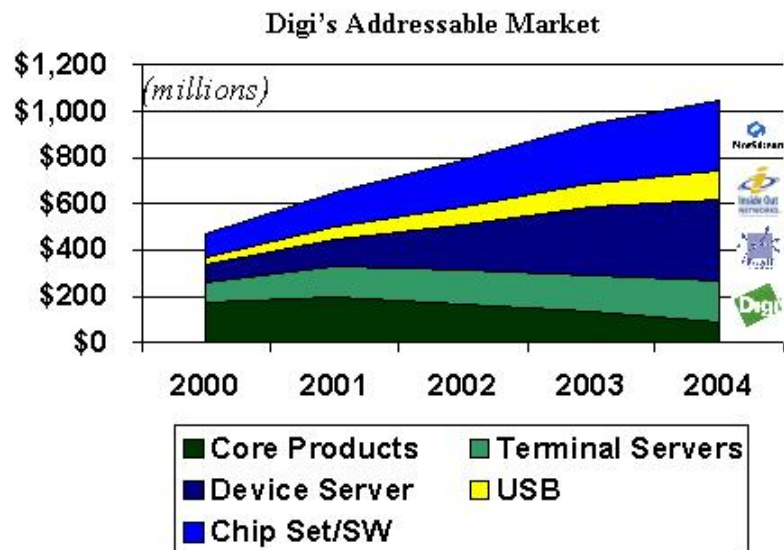Base Level Requirements - Required to Play

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Market Life Cycle Position
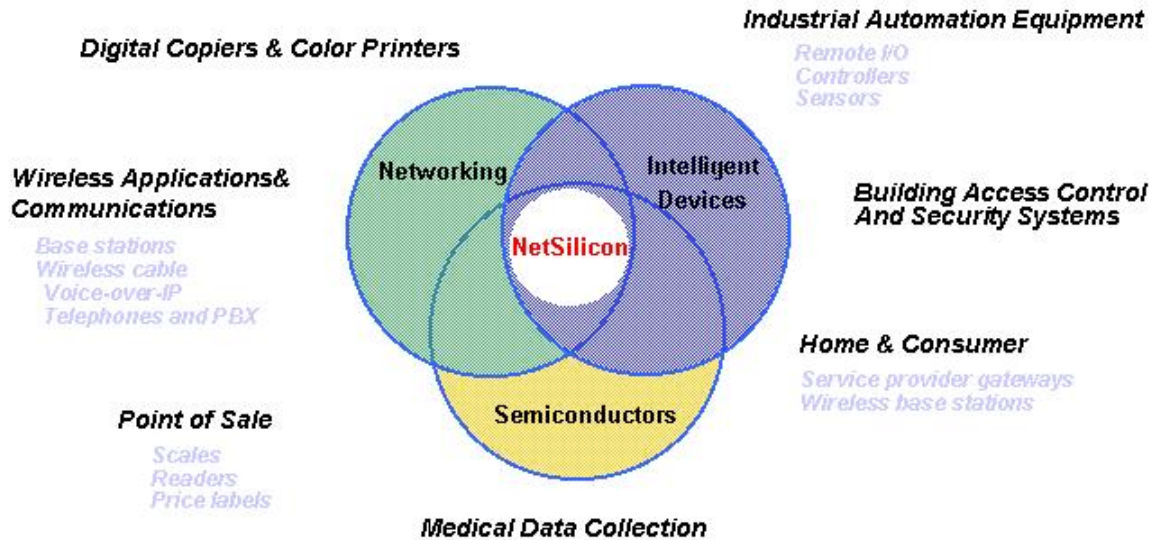
Growth Market for Connectware

- *Declining RAS & Async multi-port market*

- *Growing TS market*

- *High growth Thin Server & USB wired market*

- *TS, USB, and Device Server include Wireless interfaces*
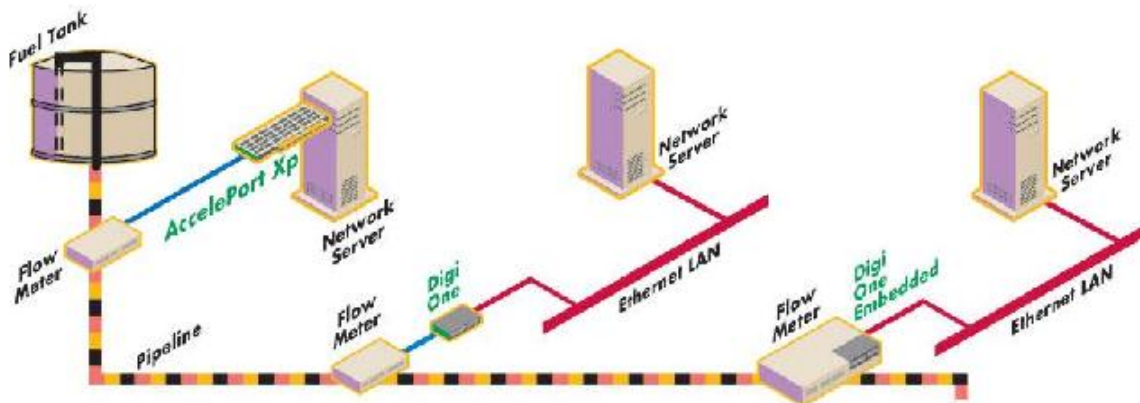
- *Embedded chip set is high growth*

Digi's Addressable Market

Source : Digi estimates based on Gartner Group, May 2000, Competitive 10Q's, PCData, and competitive intelligence

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Who is NetSilicon?

NetSilicon is a leading provider of Ethernet microprocessing solutions to OEMs:

Industrial Automation Equipment
Remote I/O
Controllers
Sensors

Digital Copiers & Color Printers

Wireless Applications& Communications
Base stations
Wireless cable
Voice-over-IP
Telephones and PBX

Building Access Control And Security Systems

Networking

Intelligent Devices

NetSilicon

Home & Consumer
Service provider gateways
Wireless base stations

Point of Sale
Scales
Readers
Price labels

Semiconductors

Medical Data Collection

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Data Acquisition Example

Serial Card - Digi

- Serial cables must be run from server to each device.
- Network intelligence (TCP/IP protocol software) resides in server.

Digi One - Xcell

- Device attached to existing Ethernet via Digi One™.
- Network intelligence (TCP/IP) resides in Digi One device server.
- Easy to connect and manage new devices.

Embedded - NetSilicon

- Device attached directly to existing Ethernet, via Net+Works embedded module.
- Network intelligence (TCP/IP) resides in device.
- Inexpensive value-add to [8] devices.

NetSilicon-Current Customer's Device Examples

Epson

Hirschmann

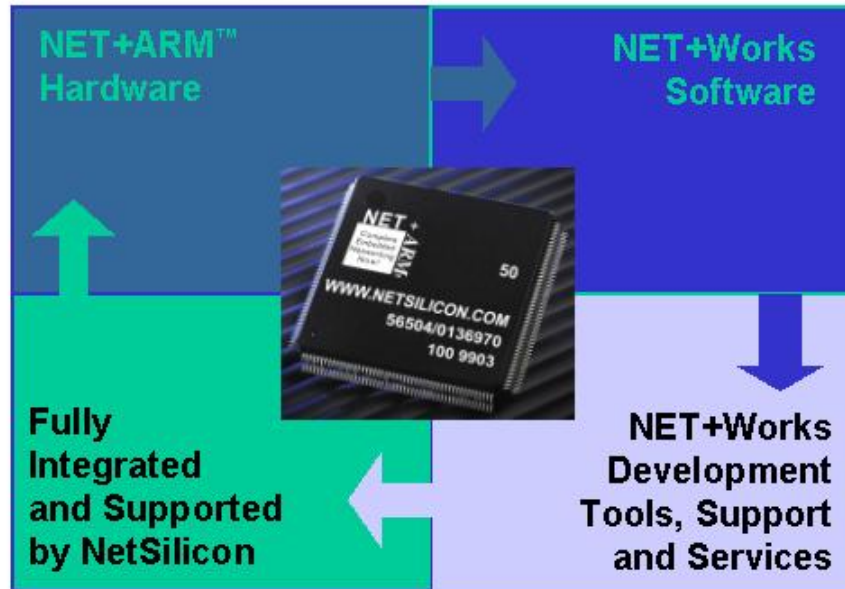**Portsmith**

Ricoh

Ciprico

NET+Works™: Complete Ethernet
Microprocessing Solution – Production-Ready
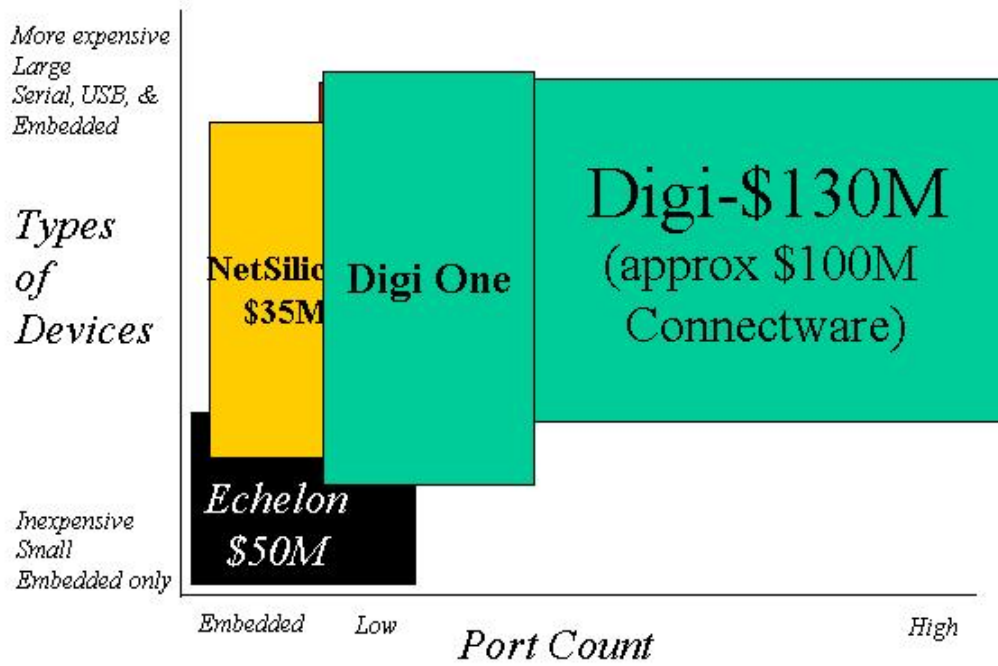
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Customers   Partnerships   Awards

Device Connectivity
Competitive Positioning - Strategic Competitors

Types of Devices

*More expensive
Large
Serial, USB, &
Embedded*

*Inexpensive
Small
Embedded only*

NetSilic $35M

Digi One

Digi-$130M
(approx $100M
Connectware)

Echelon $50M

Embedded *Low* **Port Count** *High*

Competitor Valuation Comps based on 90 days (6/13-10/24)

	Market Cap Average	Enterprise Value	Enterprise Value/ LTM Sales
Digi	$123.6M	$81.7M	.6X
NetSilicon	$48.5M	$37.2M	1.1X
Lantronix	$402.2M	$386.8M	7X
Echelon	$818.1M	$696.6	13.5X

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Integration Plan

- Subsidiary of Digi
- Bruce Berger to assume responsibility for NetSilicon operation
- Dan Sullivan (CFO/COO) to continue on board to help orchestrate transition
- Pete Peterson to become Digi Sr. VP of Business Development
- Bill Peisel to become Digi CTO

<u>Summary</u>

- Full "Connectware" suite of products
- Common Vertical market focus on Industrial Automation
- Powerful Channel combination versus competitors
- Digi/NetSilicon combination results in company that is significantly larger than the next largest competitors (Lantronix, Echelon)
- Superior core technology, product line breadth (Device Servers/Terminal Servers), and channel strength & reach
- Embed NetSilicon core in Digi One Product Line
    - creates sustainable advantage

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