



Calendar Second Quarter 2018

Earnings summary

August 02, 2018

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# SAFE HARBOR

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## Use of Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward looking statements include information, among other things, concerning: our possible or assumed future results of operations; future demands for solar energy solutions; business strategies; technology developments; new products and services; financing and investment plans; dividend policy; competitive position; industry and regulatory environment; general economic conditions; potential growth opportunities; and the effects of competition.

Forward-looking statements are only predictions based on our current expectations and are inherently subject to risks and uncertainties. They should not be considered guarantees of future results, which could differ materially from the results set forth in, contemplated by, or underlying this presentation.

Factors that could cause actual results to differ materially from our expectations are described in the reports filed by SolarEdge with the Securities and Exchange Commission and we encourage you to review our filings carefully, especially the sections entitled “Risk Factors” in our annual report Form.

SolarEdge undertakes no duty or obligation to update any forward-looking statements contained in this presentation as a result of new information, future events or changes in its expectations.

This presentation describes non-GAAP revenues, gross margin, operating expenses, operating income, net income and non-GAAP net diluted earnings per share, which are not measures prepared in accordance with U.S. GAAP (i.e. "Non-GAAP" measures). The Non-GAAP measures are presented in this presentation as we believe that they provide investors with a means of evaluating and understanding how SolarEdge’s management evaluates the company’s operating performance. These Non-GAAP measures should not be considered in isolation from, as substitutes for, or superior to financial measures prepared in accordance with U.S. GAAP.

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# KEY OPERATING METRICS



**2.7M optimizers  
shipped**



**114K inverters  
shipped**



**985 Megawatts  
shipped**



**\$227.1M revenues**

# SECOND QUARTER HIGHLIGHTS

## Financial highlights for quarter

- Record revenue of \$227.1 million, up 8.2% QoQ
- GAAP gross margin of 36.1%
- GAAP operating income of \$40.7 million
- GAAP net income of \$34.6 million
- Non-GAAP net income of \$40.6 million
- Cash flow from operation of \$43.9 million

## Business highlights for quarter

- 985 Megawatts AC inverters shipped
- 2.7M optimizers and 114K inverters shipped



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# NOTEWORTHY

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- ☐ Record revenues, stable operational profitability and continued cash generation
- ☐ Record high revenues in Europe, stable revenues in the US at lower ASP
- ☐ Commercial sales reach record high of 43.5% of MW shipped
- ☐ Lawsuit filed against Huawei in Germany to defend three patents
- ☐ Asset acquisition of UPS business closed on July 1
- ☐ Launched grid services and Virtual Power Plant Solution
- ☐ Continue to expand manufacturing capacity in order to support growing demand
- ☐ After analyzing Section 301 tariffs and based on our current European production sites, we believe that expansion of manufacturing capacity in Europe to accommodate products demand in the US is feasible

# GAAP FINANCIAL RESULTS

*USD in millions	Q2 18	Q1 18	Q2 17
Revenues	227.1	209.9	136.1
Gross margin	36.1%	37.9%	34.6%
Operating expenses	41.3	38.8	28.0
Operating income	40.7	40.8	19.1
Net income	34.6	35.7	22.5
Net diluted earnings per share	0.72	0.75	0.50

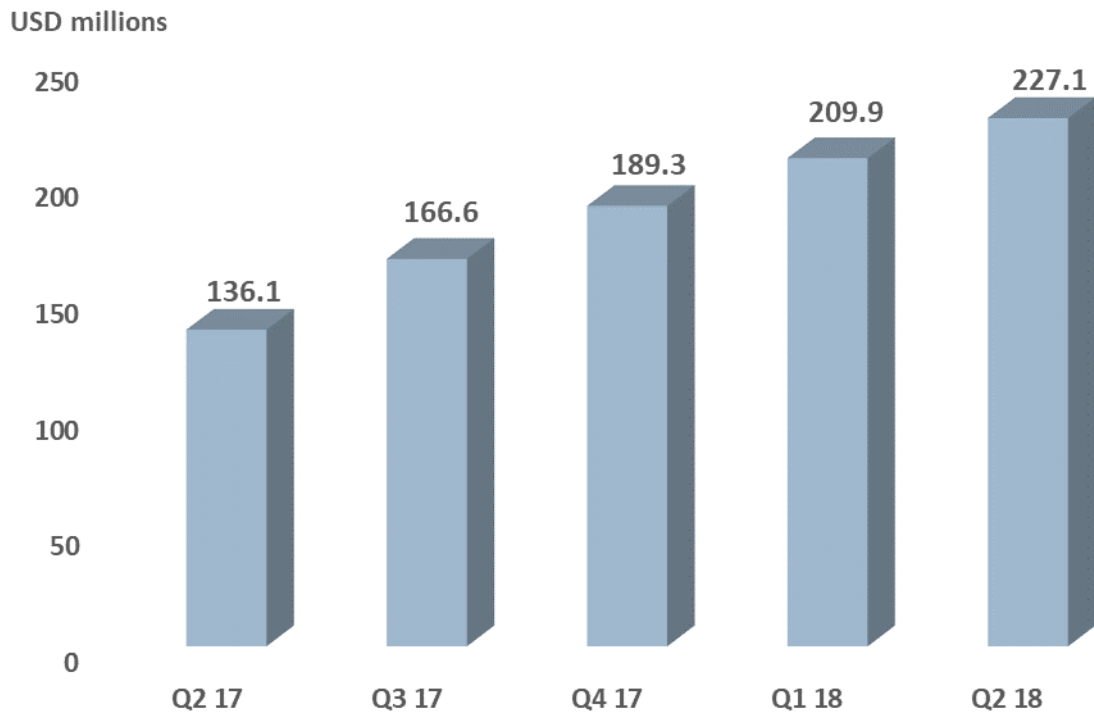
\*With the exception of gross margin and per share data

# NON-GAAP FINANCIAL RESULTS

*USD in millions	Q2 18	Q1 18	Q2 17
Revenues	227.1	209.9	136.1
Gross margin	36.5%	38.4%	35.0%
Operating expenses	35.1	32.8	24.4
Operating income	47.8	47.7	23.1
Net income	40.6	42.6	25.8
Net diluted earnings per share	0.82	0.87	0.55

\*With the exception of gross margin and per share data

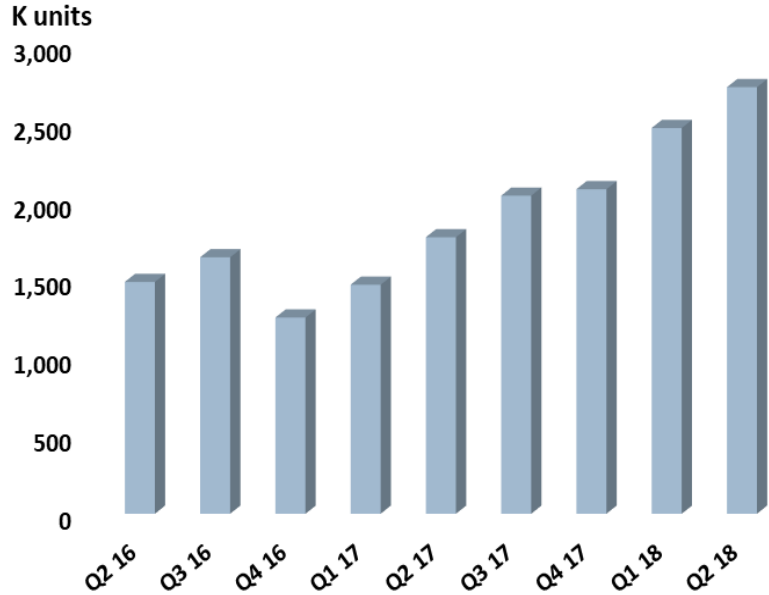
# QUARTERLY REVENUES



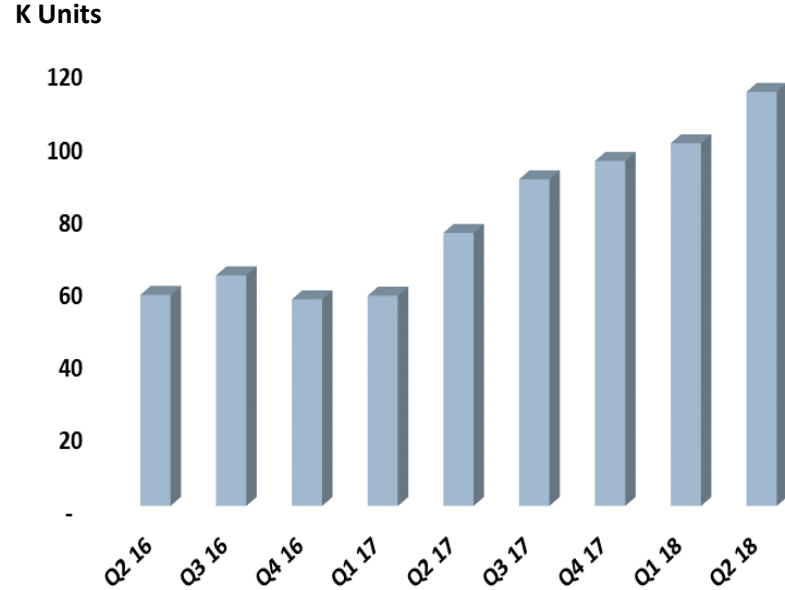


# UNITS SHIPPED

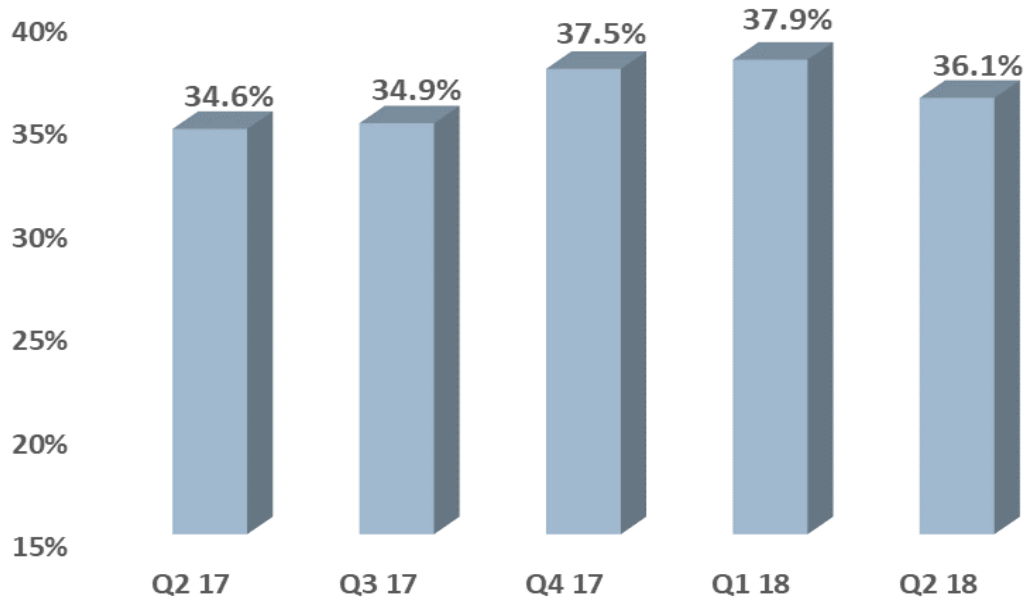
## Optimizers shipped



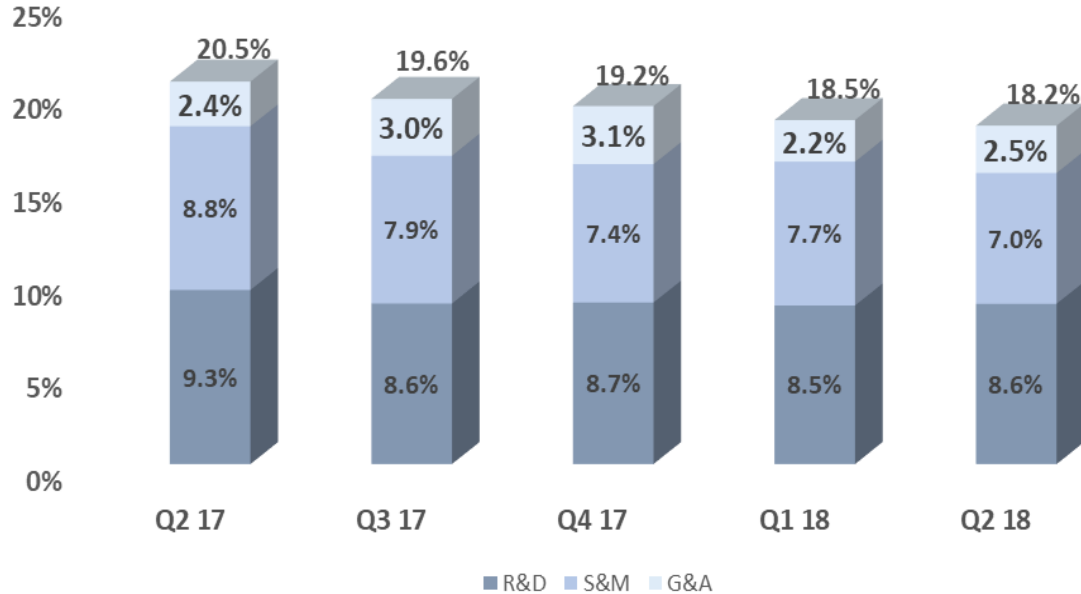
## Inverters shipped



# GROSS MARGIN

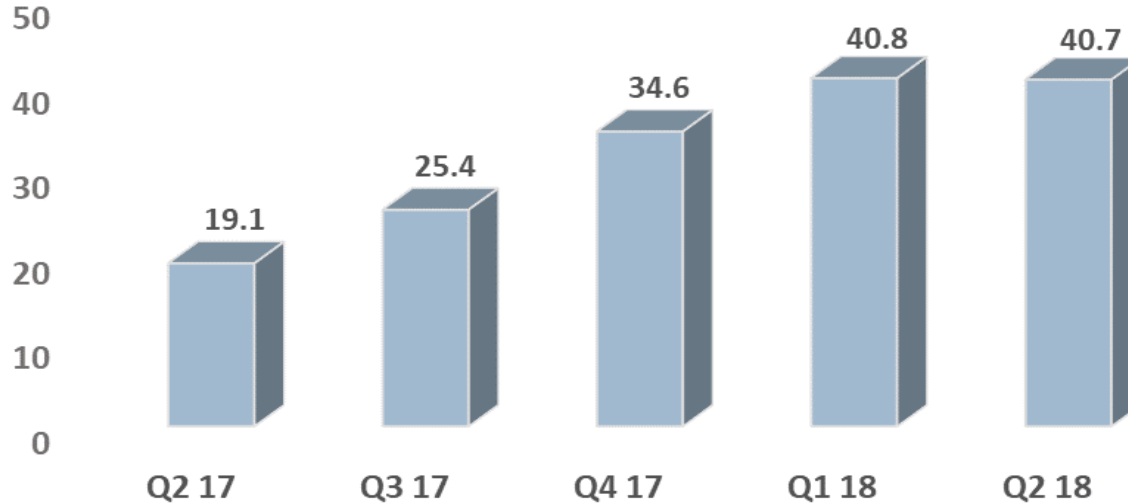


# OPERATING EXPENSES



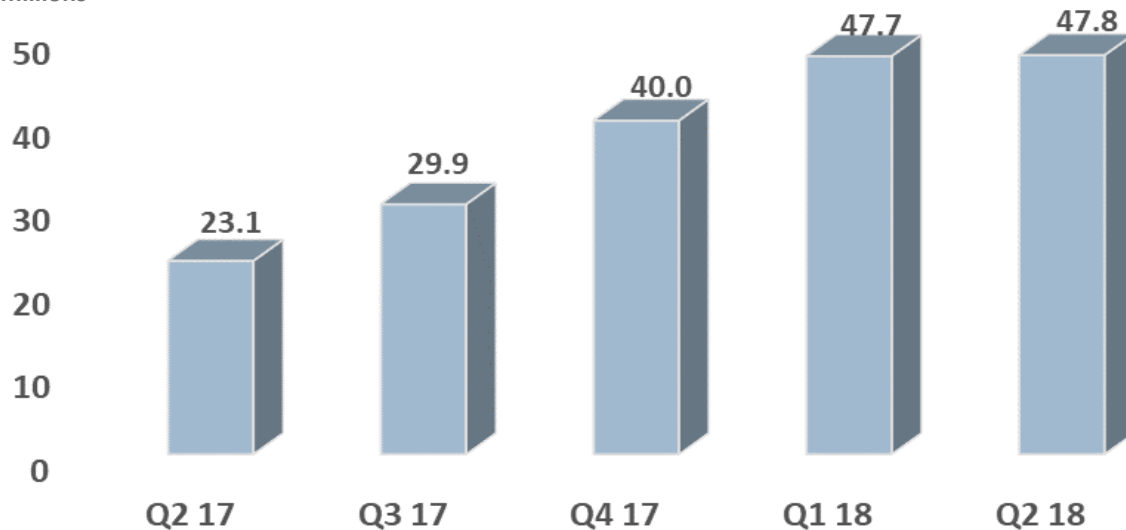
# GAAP OPERATING INCOME

USD millions

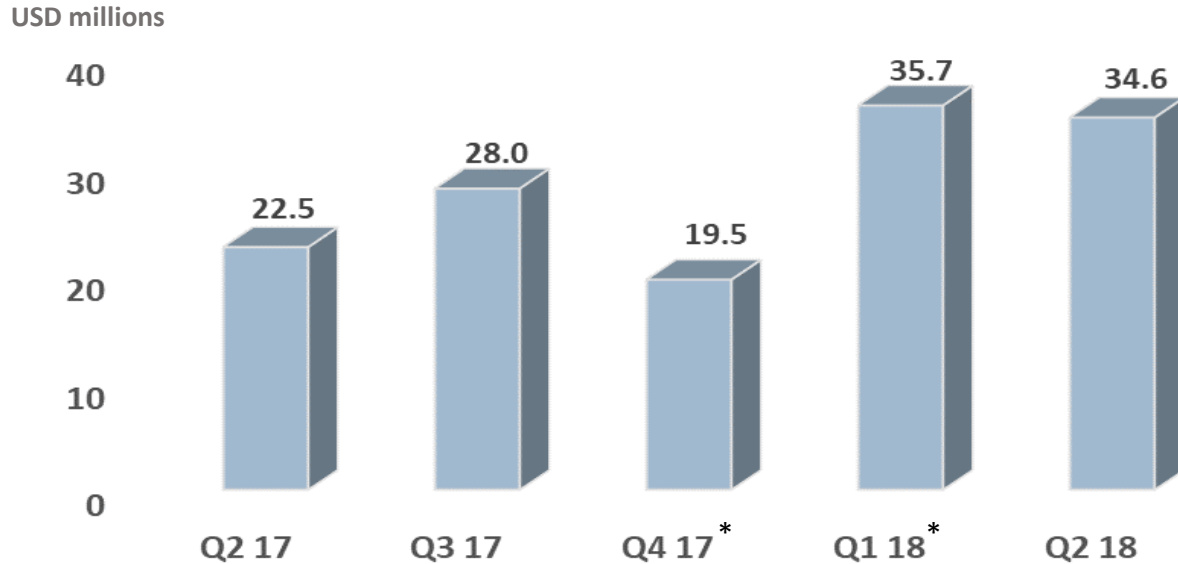


# NON-GAAP OPERATING INCOME

USD millions



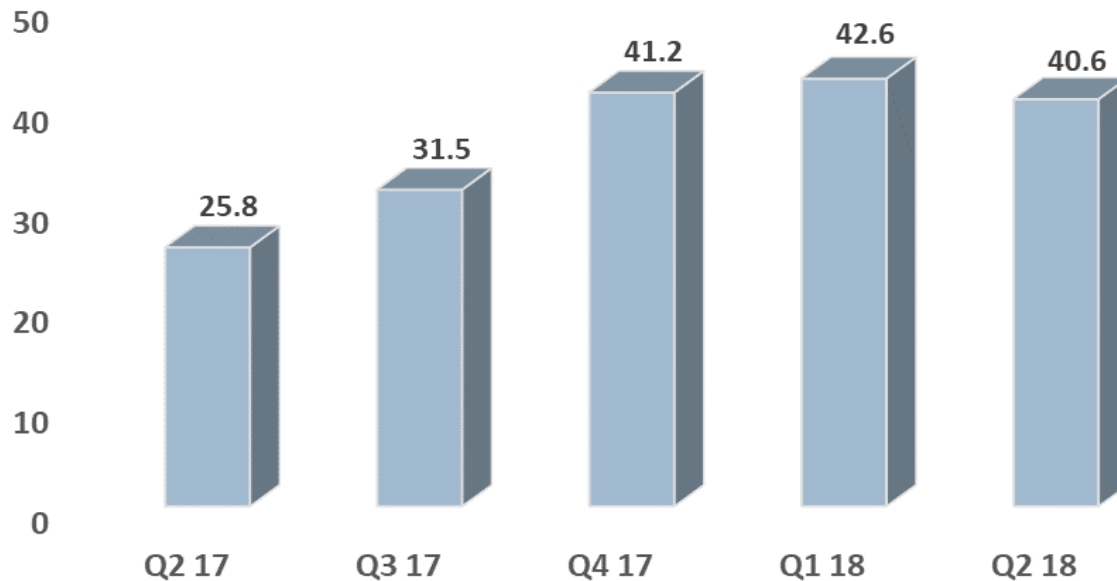
# GAAP NET INCOME



\* Q1-18 and Q4-17 includes one time transition tax of \$0.8 and \$18.7M respectively

# NON-GAAP NET INCOME

USD millions



# BALANCE SHEET & CASH FLOW

USD in millions	Q2 18	Q1 18	Q2 17
Cash and investments	437.6	400.8	274.7
Inventory	102.0	98.4	56.2
Capital Expenditures	10.1	11.3	5.7
Total Debt	-	-	-
Cash Flow From Operations	43.9	64.0	31.6



# THIRD QUARTER GUIDANCE

- ▢ Revenues expected to be within the range of \$230 million to \$240 million
- ▢ Gross margin expected to remain flat within the range of 36% to 38%



## Appendix

# RECONCILIATION OF GAAP TO NON-GAAP

	Reconciliation of GAAP to Non-GAAP Gross Profit				
	Three months ended			Six months ended	
	June 30, 2018	March 31, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b>Gross profit (GAAP)</b>	81,946	79,597	47,066	161,543	85,742
Stock-based compensation	968	924	517	1,892	1,010
<b>Gross profit (Non-GAAP)</b>	<u>82,914</u>	<u>80,521</u>	<u>47,583</u>	<u>163,435</u>	<u>86,752</u>

	Reconciliation of GAAP to Non-GAAP Gross Margin				
	Three months ended			Six months ended	
	June 30, 2018	March 31, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b>Gross margin (GAAP)</b>	36.1%	37.9%	34.6%	37.0%	34.1%
Stock-based compensation	0.4%	0.5%	0.4%	0.4%	0.4%
<b>Gross margin (Non-GAAP)</b>	<u>36.5%</u>	<u>38.4%</u>	<u>35.0%</u>	<u>37.4%</u>	<u>34.5%</u>

# RECONCILIATION OF GAAP TO NON-GAAP

## Reconciliation of GAAP to Non-GAAP Operating expenses

	Three months ended			Six months ended	
	June 30, 2018	March 31, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	<b>Operating expenses (GAAP)</b>	41,281	38,769	27,951	80,050
Stock-based compensation R&D	2,605	2,382	1,280	4,987	2,485
Stock-based compensation S&M	2,094	2,204	1,204	4,298	2,234
Stock-based compensation G&A	1,461	1,339	1,033	2,800	1,917
<b>Operating expenses (Non-GAAP)</b>	<b>35,121</b>	<b>32,844</b>	<b>24,434</b>	<b>67,965</b>	<b>47,987</b>

## Reconciliation of GAAP to Non-GAAP Operating income

	Three months ended			Six months ended	
	June 30, 2018	March 31, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	<b>Operating income (GAAP)</b>	40,665	40,828	19,115	81,493
Stock-based compensation	7,128	6,849	4,034	13,977	7,646
<b>Operating income (Non-GAAP)</b>	<b>47,793</b>	<b>47,677</b>	<b>23,149</b>	<b>95,470</b>	<b>38,765</b>

# RECONCILIATION OF GAAP TO NON-GAAP

	Reconciliation of GAAP to Non-GAAP Financial income, net				
	Three months ended			Six months ended	
	June 30, 2018	March 31, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b>Financial income (expenses), net (GAAP)</b>	(2,480)	584	3,595	(1,896)	5,005
Non cash interest	568	512	----	1,080	----
<b>Financial income (expenses), net (Non-GAAP)</b>	<b>(1,912)</b>	<b>1,096</b>	<b>3,595</b>	<b>(816)</b>	<b>5,005</b>

	Reconciliation of GAAP to Non-GAAP Other expenses				
	Three months ended			Six months ended	
	June 30, 2018	March 31, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b>Other expenses (GAAP)</b>	----	64	----	64	----
Fixed Assets disposal	----	64	----	64	----
<b>Other expenses (Non-GAAP)</b>	<b>----</b>	<b>----</b>	<b>----</b>	<b>----</b>	<b>----</b>

	Reconciliation of GAAP to Non-GAAP Tax on income (Tax benefit)				
	Three months ended			Six months ended	
	June 30, 2018	March 31, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b>Tax on income (Tax benefit) (GAAP)</b>	3,617	5,662	186	9,279	(575)
Deferred tax realized (asset)	(1,697)	(1,321)	(773)	(3,018)	(2,105)
Transition tax of foreign earnings	----	820	----	820	----
<b>Tax on income (Tax benefit) (Non-GAAP)</b>	<b>5,314</b>	<b>6,163</b>	<b>959</b>	<b>11,477</b>	<b>1,530</b>

# RECONCILIATION OF GAAP TO NON-GAAP

	Reconciliation of GAAP to Non-GAAP Net income				
	Three months ended			Six months ended	
	June 30, 2018	March 31, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b>Net income (GAAP)</b>	34,568	35,686	22,524	70,254	36,699
Stock-based compensation	7,128	6,849	4,034	13,977	7,646
Non cash interest	568	512	----	1,080	----
Fixed Assets disposal	----	64	----	64	----
Deferred tax realized (asset)	(1,697)	(1,321)	(773)	(3,018)	(2,105)
Transition tax of foreign earnings	----	820	----	820	----
<b>Net income (Non-GAAP)</b>	<b>40,567</b>	<b>42,610</b>	<b>25,785</b>	<b>83,177</b>	<b>42,240</b>

# RECONCILIATION OF GAAP TO NON-GAAP

## Reconciliation of GAAP to Non-GAAP Net basic EPS

	Three months ended			Six months ended	
	June 30, 2018	March 31, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b>Net basic earnings per share (GAAP)</b>	0.76	0.81	0.54	1.57	0.88
Stock-based compensation	0.16	0.15	0.10	0.31	0.19
Non cash interest	0.01	0.01	----	0.03	----
FA disposal	----	----	----	----	----
Deferred tax realized (asset)	(0.03)	(0.03)	(0.02)	(0.07)	(0.05)
Transition tax of foreign earnings	----	0.02	----	0.02	----
<b>Net basic earnings per share (Non-GAAP)</b>	<b>0.90</b>	<b>0.96</b>	<b>0.62</b>	<b>1.86</b>	<b>1.02</b>

## Reconciliation of GAAP to Non-GAAP Net diluted EPS

	Three months ended			Six months ended	
	June 30, 2018	March 31, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b>Net diluted earnings per share (GAAP)</b>	0.72	0.75	0.50	1.46	0.83
Stock-based compensation	0.12	0.12	0.06	0.24	0.12
Non cash interest	0.01	0.01	----	0.03	----
FA disposal	----	----	----	----	----
Deferred tax realized (asset)	(0.03)	(0.03)	(0.01)	(0.06)	(0.05)
Transition tax of foreign earnings	----	0.02	----	0.01	----
<b>Net diluted earnings per share (Non-GAAP)</b>	<b>0.82</b>	<b>0.87</b>	<b>0.55</b>	<b>1.68</b>	<b>0.90</b>

## Reconciliation of GAAP to Non-GAAP No. of shares used in Net diluted EPS

	Three months ended			Six months ended	
	June 30, 2018	March 31, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b>Number of shares used in computing net diluted earnings per share (GAAP)</b>	48,291,280	47,673,522	44,831,590	47,984,817	44,335,521
Stock-based compensation	1,341,286	1,535,408	2,228,246	1,438,347	2,359,454
<b>Number of shares used in computing net diluted earnings per share (Non-GAAP)</b>	<b>49,632,566</b>	<b>49,208,930</b>	<b>47,059,836</b>	<b>49,423,164</b>	<b>46,694,975</b>

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