

SolarEdge Q1 2025 Prepared Remarks

J.B. Lowe – Head of Investor Relations

Good morning. Thank you for joining us to discuss SolarEdge's operating results for the first quarter ended March 31, 2025, as well as the company's outlook for the second quarter of 2025. With me today are Shuki Nir, Chief Executive Officer, and Asaf Alperovitz, Chief Financial Officer.

Shuki will begin with a brief review of the results for the first quarter ended March 31, 2025. Asaf will review the financial results for the first quarter, followed by the Company's outlook for the second quarter of 2025. We will then open the call for questions.

Please note that this call will include forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from management's current expectations. We encourage you to review the Safe Harbor statements contained in our earnings press release, the slide presentation posted on our website ahead of this call today and our filings with the SEC for a more complete description of such risks and uncertainties. Please note, during this earnings call we may refer to certain Non-GAAP measures, including Non-GAAP net income and Non-GAAP net diluted earnings per share, which are not measures prepared in accordance with US GAAP. The Non-GAAP measures are being presented because we believe that they provide investors with a means of evaluating and understanding how the Company's management evaluates the Company's operating performance. Reconciliation of these measures can be found in our earnings press release, slide presentation, and SEC filings. These Non-GAAP measures should not be considered in isolation from, as substitutes for, or superior to financial measures prepared in accordance with US GAAP.

Listeners who do not have a copy of the quarter ended March 31, 2025 press release or the supplemental material, may obtain a copy by visiting the “Investor Relations” section of the Company’s web site.

With that, I will turn the call over to Shuki.

Shuki Nir – Chief Executive Officer

Thank you JB. Good morning everyone and thank you for joining us today.

Before we dive in, I want to welcome Asaf Alperovitz to the SolarEdge team. Asaf brings deep financial and operational experience, and I’m confident he’ll be an important part of executing our turnaround and reaching our full potential.

Now to business. I will start with our progress on the four strategic priorities we set for the year. Then I’ll walk through our approach to mitigating the impact of the recently imposed tariffs. And finally, I’ll share my perspective on the state of the business across our key geographies.

Let’s begin with our priorities. Last quarter I outlined the four key priorities that are going to drive the SolarEdge turnaround story and position us for sustained long term growth. First, strengthening our financials. Second, regaining market share. Third, accelerating innovation. And fourth, ramping up our U.S. manufacturing. I believe that our first quarter results and our second quarter outlook demonstrate meaningful progress across all four priorities.

First on financial strength. In Q1, we delivered quarter-over-quarter and year-over-year revenue growth. We expanded our gross margins. We reduced our operating expenses. And we delivered our second straight quarter of positive free cash flow. All that, in the face of a more challenging global environment.

We are not done focusing on operational efficiency. Last month, we sold one of our battery manufacturing facilities in Korea to Enovix. And last week, we divested our tracker business, which will reduce our operating expenses without a significant impact to our top line.

Our second priority is recapturing market share. This effort spans geographies, product lines, market segments and customer types. Starting with the U.S. In 2024, Wood MacKenzie recognized SolarEdge as the number one inverter supplier in the U.S. for rooftop solar installations. We believe this is a result of our focus on customers, our leading technology, our strong service and support capabilities, and our enhanced product quality and reliability.

In U.S. resi, we have seen a continued shift to the TPO model, where our domestically-made inverters and optimizers help to qualify for the 10% domestic content adder. We are also seeing higher demand for our residential batteries, in part due to the change in section 48E as well as our growing participation in VPP programs. Over 35% of our battery attached sites participate in 1 of 28 different VPP programs, through our TPO partners or directly.

A similar shift towards domestic content in the C&I space provides us with a distinct competitive advantage and an ability to take share in this growing segment.

Enterprise accounts are a large and growing part of the C&I segment. We believe that we are the perfect partner for these customers because they have complex requirements, they demand efficient, cost-effective energy generation, they want leading-edge energy management capabilities and they hold their vendors to the highest standards of service, safety, quality and reliability.

We see a healthy and growing pipeline of opportunities in the enterprise space, and have already signed several agreements. For example, last month, we entered into a multi-year strategic partnership with a global leader in logistics real estate. Under our partnership, this leading logistics real estate enterprise is planning to integrate SolarEdge's products across its global portfolio.

Turning to Europe. We are cautiously optimistic that we have turned the corner in our market share position. Our strong POS in the quarter and feedback from our channel partners indicate promising results from our pricing and promotion campaign.

Two markets that have seen particular strength are Germany, where our sell-through was up quarter-over-quarter, and the Netherlands where our sell through was up for the second quarter in a row. In the Netherlands, we see some positive momentum from our upgrade campaign that replaces a PV-only inverter with a new backup inverter plus two batteries. Given our large installed base in the country, we expect this battery upgrade campaign to be a source of growth as the Netherlands gets closer to eliminating net metering.

Turning to our third priority - accelerating innovation. Intersolar starts tomorrow in Munich, and if you are in town please stop by our booth and one of our associates would be happy to take you through our latest offerings.

Starting with the new Nexis platform, which remains on track for initial volumes in the fourth quarter of 2025. At Intersolar, we will be displaying live production data from our three phase inverter Alpha sites, and our new single phase and scalable storage solutions will also be on display.

We have also announced that our SolarEdge ONE Controller for Residential is compliant with Germany's regulation 14a, which applies to most new installations of batteries, EV chargers and heat pumps. This opens up a

significant opportunity for us in the German residential market by providing our customers with a simple solution to comply with a complex regulation.

On the C&I side, we are launching our new EV charging hardware and software solution, which significantly reduces EV charging costs for businesses. This solution is integrated into the ONE for C&I energy optimization software platform, which is now available to all SolarEdge customers.

At the core of these solutions is our team's drive for meaningful innovation, that adds value to our customers and differentiates us from our competition. It therefore makes us proud to be recognized by VDE Renewables, a leading provider of quality assurance services for the global renewable energy sector. Their recent report covers several areas where our technology has a distinct advantage in efficiency and safety. VDE reported that our advanced safety solutions effectively prevent fire hazards and exceed international PV safety regulations. On cybersecurity, the VDE report highlighted that SolarEdge provides an example of how robust cybersecurity mechanisms are essential to mitigating risks associated with cyber threats. They also note that our approach aligns with international best practices and validates the growing need for cybersecurity within the solar industry. We believe that such recognition does not go unnoticed by our customers.

Our fourth key priority is ramping up our US manufacturing. In Q1 we executed our plans to ramp up manufacturing of US-made products. We have created nearly 2,000 jobs in the U.S., helping us reach a capacity of 70,000 inverters per quarter, including the shipment of our first domestic content C&I products.

As you can see, we've made a lot of progress in a short time.

With that, let me turn to our plan to mitigate the impact of the recently imposed tariffs. One of the benefits of our U.S. manufacturing footprint is that it positions us well to handle the current tariff environment. SolarEdge has already done the hard part – we already reshored manufacturing to the United States. Our operations team can now focus on alternative sourcing and supply chain optimization for whatever tariff scenario is in place.

Of course, until we fully optimize our sourcing, operating in an environment with newly announced and incremental 145% tariffs on products from China, and 10% tariffs on imports from other countries, will have a negative impact on our financials. In the second quarter, assuming these tariff rates, we expect the negative impact will be limited to a 2% reduction in our gross margins as we have non-tariffed inventory already located in the U.S.

In the second half of the year, assuming the same tariff rates, we anticipate a 4-6% gross margin impact net of pricing adjustments.

To mitigate the impact of tariffs, our experienced team has been working relentlessly to diversify our supply chain. We are moving quickly and have already taken several actions that we believe will reduce the impact of tariffs to a 2% gross margin impact net of pricing adjustments in Q1 2026 and we will do our best to offset the entire gross margin impact later in 2026.

The tariffs will also impact our cash flow. Last quarter, we discussed that we expect to generate positive free cash flow in 2025. With the new tariffs in place, we expect to be approximately free cash flow breakeven for the full year.

Moving to the regions. Our sell-through for Q1 was approximately \$370 million. In North America our sell through was down 18% quarter over quarter, mainly due to seasonality. Our channel inventories here remained largely normalized. While there is an additional uncertainty in the U.S. market due to

potential policy changes and tariffs, the underlying fundamentals of solar and storage still have support: power prices continue to increase in several key states and regions, and battery attach rates continue to rise.

In Europe, our sell-through was up 6% quarter over quarter and we expect the majority of our distribution partners to reach normalized inventory levels by the end of Q2 2025.

To summarize.

We are still in the early stages of our turnaround journey and have lots of work ahead of us. The numbers speak to the solid progress we've made, but it's the energy inside the company, the pace of innovation, and the conversations we're having with our customers that make me the most optimistic.

With that I will turn it over to Asaf.

Asaf Alperovitz – Chief Financial Officer

Thank you Shuki, and good morning everyone.

I am very excited to join SolarEdge at such a pivotal time for the company and to support the execution of our turnaround plan. A little bit about myself: I have an extensive accounting and operational background with over two decades of leadership experience with global companies that includes transforming organizations and leading financial strategy. Most pertinent to my new role here at SolarEdge, I have significant experience with global industrial manufacturing organizations, so I am well versed in logistics, supply chain, and operations, and I am excited to apply this experience to help drive operational and financial excellence here at SolarEdge.

Turning now to the quarterly results:

Total revenues for the first quarter were \$219.5 million dollars. Excluding revenues from our discontinued operations at the Kokam Energy Storage division of \$7.4 million, our Non-GAAP revenues were \$212.1 million dollars.

Revenues from the U.S this quarter amounted to \$132.1 million dollars, representing 62% of our Non-GAAP revenues. Revenues from Europe amounted to \$47.4 million dollars, representing 22% of our Non-GAAP revenues. International Market revenues amounted to \$32.6 million dollars, representing 16% of our Non-GAAP revenues.

On a megawatt basis, we shipped 642 MW to the United States, 324 MW to Europe and 242 MW to the international markets, for approximately 1.2 GW of total shipments, which is the highest shipment level we've had since the third quarter of 2023.

50% of total MW shipments this quarter were commercial & utility products and 50% were residential.

ASP per Watt, was 17.3 cents, down 17% from Q4. Lower pricing in Europe and a lower optimizer to inverter ratio, drove the quarter over quarter decrease.

In Q1 we shipped 180 MWh of batteries with the majority shipped to Europe.

Our blended ASP per KWh on all PV attached batteries was \$267 dollars in Q1, which was up from \$262 dollars in Q4. This increase is largely due to mix.

Non-GAAP gross margin this quarter was up to 7.8% compared to negative 39.5% in Q4.

Non-GAAP operating expenses for the first quarter were \$89.1 million dollars compared to \$106.8 million dollars in the previous quarter. In the first

quarter, we were able to collect certain aged AR balances, which resulted in a reversal of an accrual for bad debt. Excluding this amount and other non-recurring items, our non-GAAP operating expenses would have been approximately \$96 million dollars.

Non-GAAP operating loss for Q1 was \$72.4 million dollars compared to a Non-GAAP operating loss of \$184.1 million dollars in Q4.

Our non-GAAP net loss was \$66.1 million dollars in Q1, compared to a non-GAAP net loss of \$202.5 million dollars in Q4.

Non-GAAP net loss per share was one dollar and 14 cents in Q1, compared to 3 dollars and 52 cents in Q4.

Turning now to our balance sheet:

As of March 31, 2025, our cash and investments portfolio was approximately \$794 million dollars.

Our cash position, net of short-term debt, was approximately \$455 million dollars. Net of total debt, this amount was approximately \$113 million dollars.

This quarter, cash provided by operating activities was approximately \$34 million dollars. Net of approximately \$10 million dollars in capex, and excluding \$3.8 million dollars of positive cash flow from discontinued operations at the Kokam Energy Storage Division, free cash flow generated in the quarter was approximately \$20 million dollars. This is the second straight quarter of positive free cash flow generation, which is a direct result of our focus on working capital management and control.

As Shuki mentioned, considering the incremental impact of newly introduced higher tariffs, we would expect to be approximately free cash flow breakeven for the year.

AR net, decreased this quarter to \$133 million dollars compared to \$160 million dollars last quarter. We are working closely with our customers and continue to focus on DSO improvement through effective collection management.

Our inventory level, net of reserves, was \$637 million dollars, compared to \$646 million dollars in the previous quarter. Q1 marked the fourth consecutive quarter of inventory reduction. This is despite our continued ramp of U.S. production to support anticipated growth and the introduction of new products. During the quarter, we consumed roughly \$60 million dollars of finished goods from existing inventory.

Turning now to our guidance for the second quarter of 2025.

We are guiding revenues to be within the range of \$265 to \$285 million dollars.

We expect non-GAAP gross margin to be within the range of 8% to 12%, including approximately two percentage points of new tariff impact.

We expect our non-GAAP operating expenses to be within the range of \$90 to \$95 million dollars.

I will now turn the call over to the operator to open it up for questions.
