



Third Quarter 2018
Earnings Summary

November 1, 2018

Safe Harbor

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.

Key Metrics



3.0M

Power Optimizers Shipped



122K

Inverters Shipped



1.1 GW

Systems Shipped



\$236.6M

Revenues

Financial Highlights for Quarter

- Record revenue of \$236.6 million, up 42% YoY
- GAAP operating income of \$34.0 million
- GAAP net income of \$45.6 million
- Non-GAAP net income of \$42.7 million
- Net diluted Non GAAP earnings per share \$0.86
- Cash flow from operation of \$34.3 million

Business highlights for quarter

- 1,083 megawatts AC inverters shipped
- 3.0M power optimizers and 122K inverters shipped



Noteworthy

- Record revenues and solid profitability and cash generation
- Record revenues in Europe and rest of the world
- Commercial sales reach record high of 46.2% of MW shipped
- Delivered a 50MW commercial system in Israel
- Closed asset acquisition of Gamatronic, adding a UPS division to SolarEdge business
- Post quarter acquisition and closing of Kokam Co., Ltd., provider of Lithium-ion battery cells, batteries and energy storage solutions, expanding our storage capabilities

GAAP Financial Results

*USD in Millions	Q3 '17	Q2 '18	Q3 '18
Revenues	166.6	227.1	236.6
Gross margin	34.9%	36.1%	33.0%
Operating expenses	32.7	41.3	43.9
Operating income	25.4	40.7	34.0
Net income	28.0	34.6	45.6
Net diluted earnings per share	0.61	0.72	0.95

*With the exception of gross margin and per share data

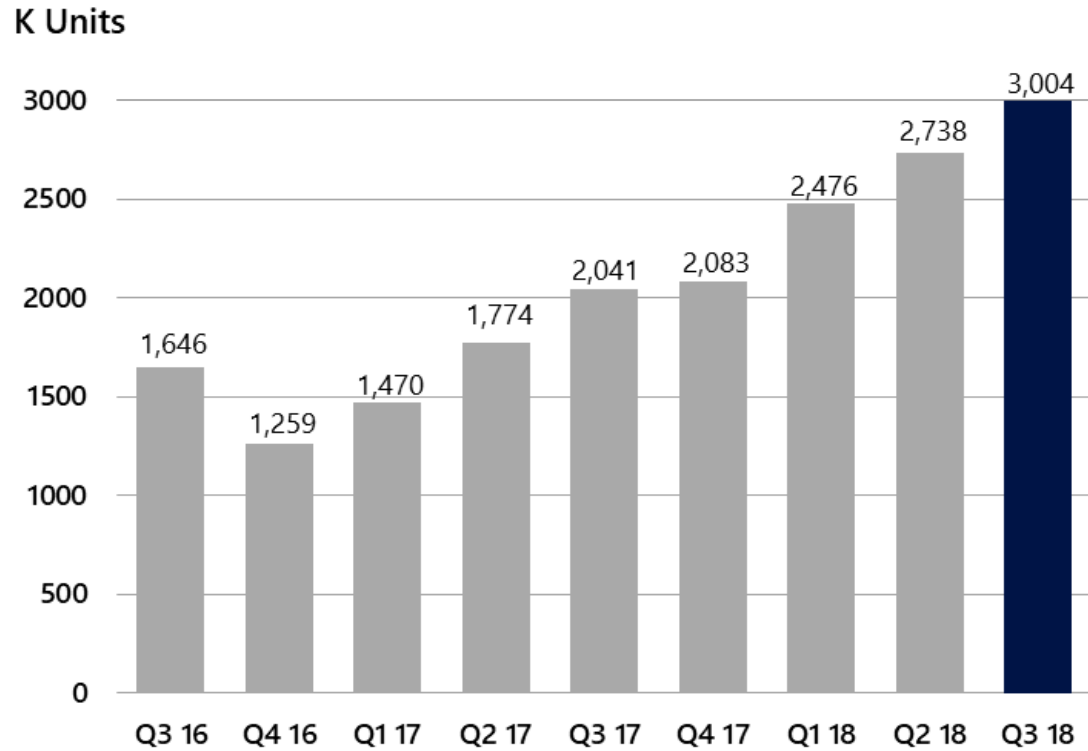
NON-GAAP Financial Results

*USD in Millions	Q3 '17	Q2 '18	Q3 '18
Revenues	166.6	227.1	236.6
Gross margin	35.2%	36.5%	33.6%
Operating expenses	28.7	35.1	37.0
Operating income	29.9	47.8	42.5
Net income	31.5	40.6	42.7
Net diluted earnings per share	0.66	0.82	0.86

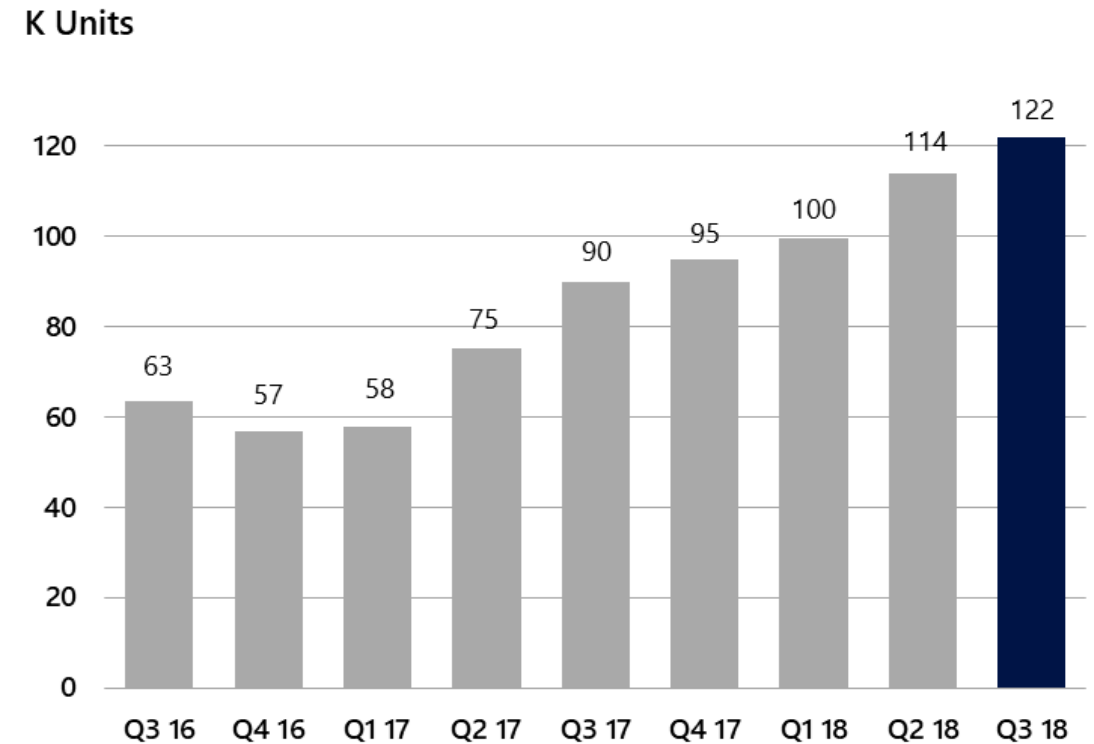
*With the exception of gross margin and per share data

Units Shipped

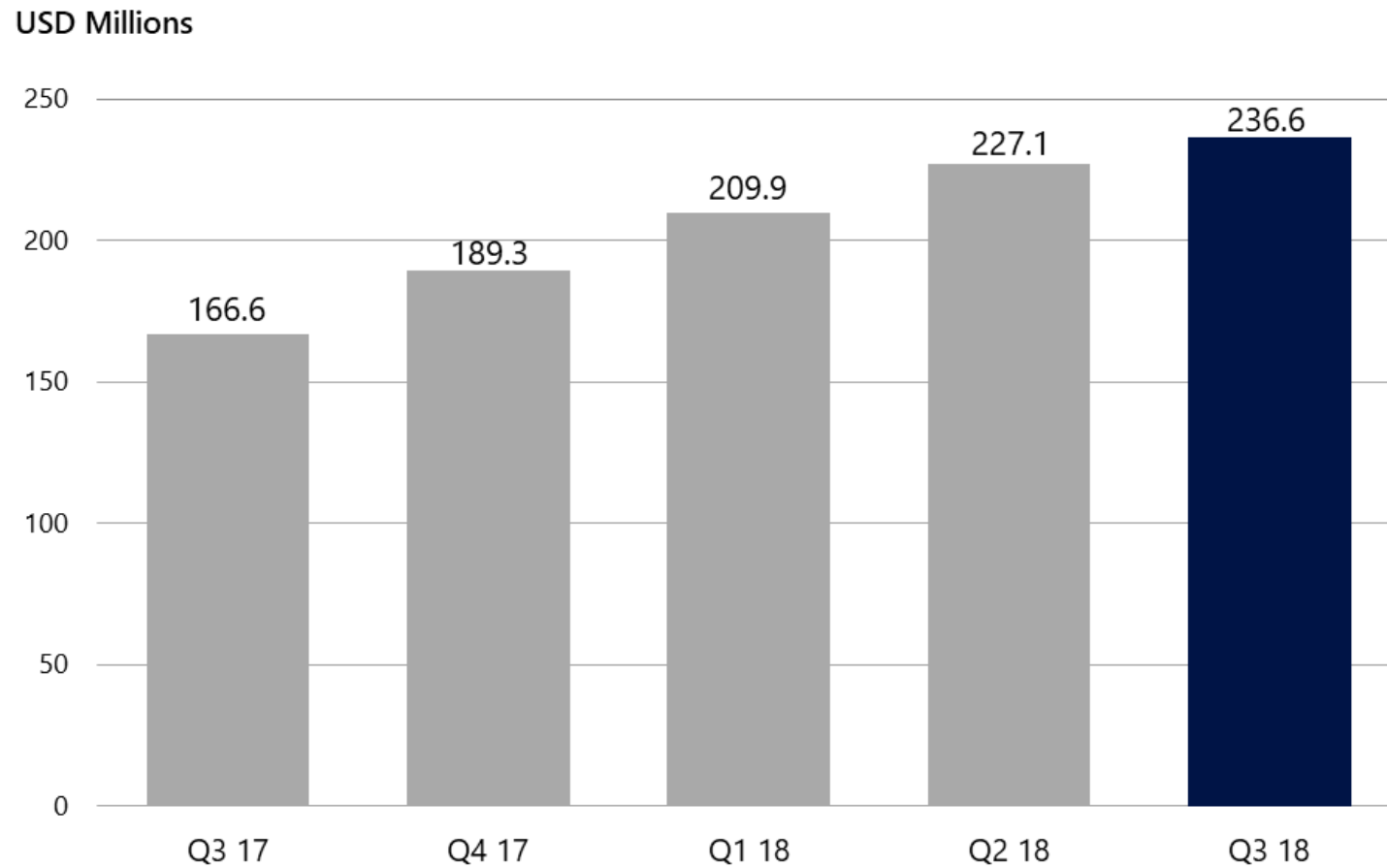
Power optimizers shipped



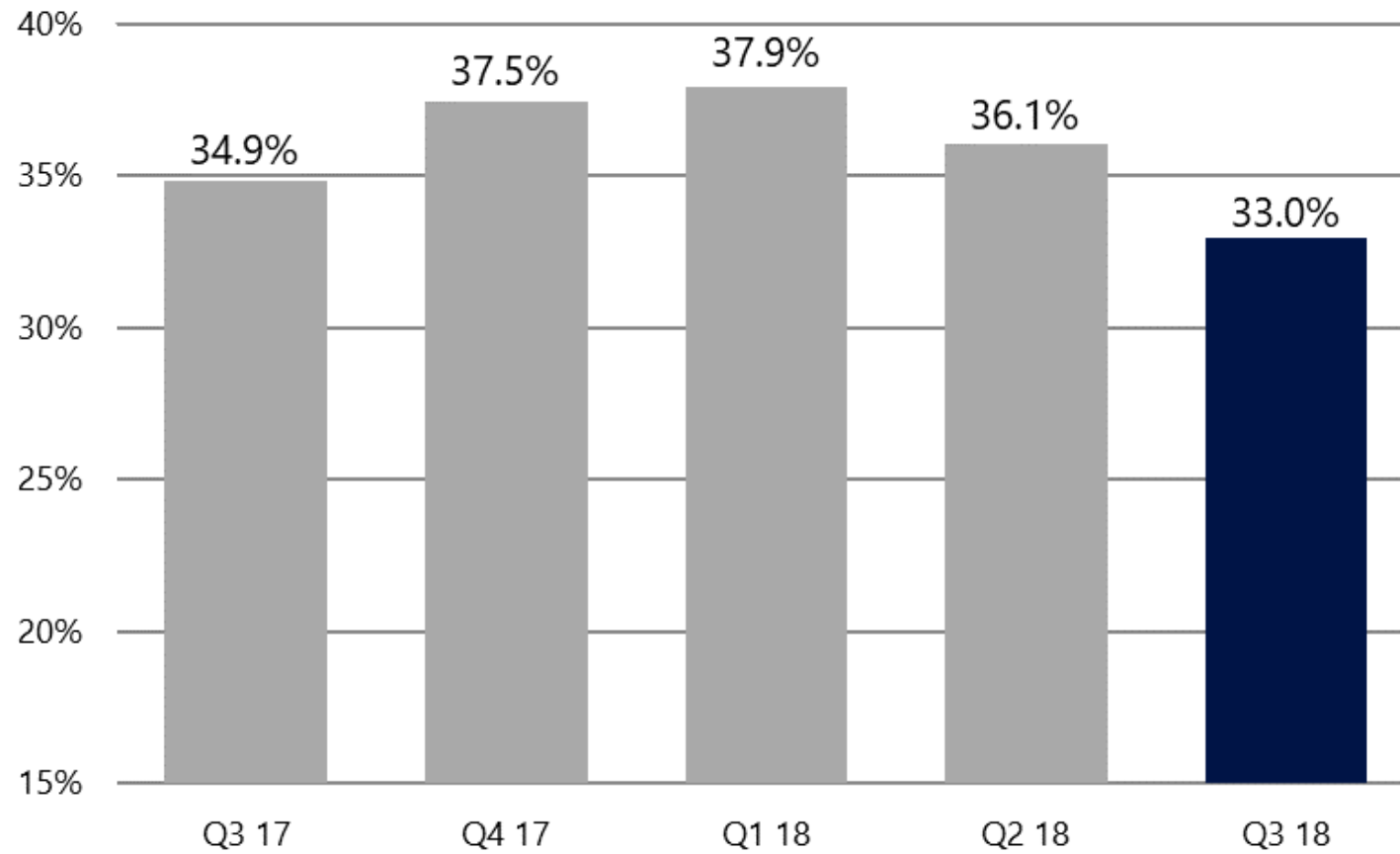
Inverters shipped



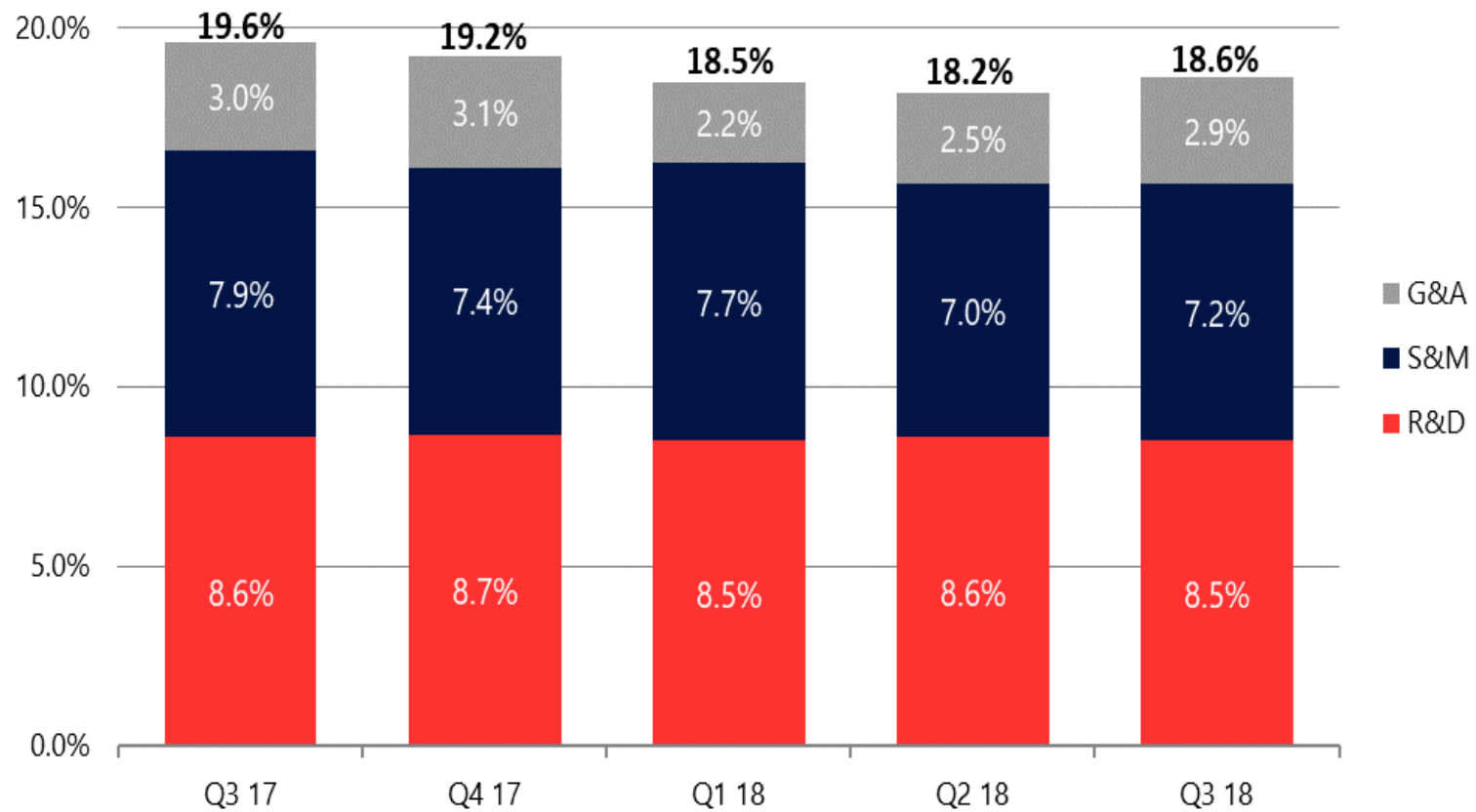
Quarterly Revenues



Gross Margin

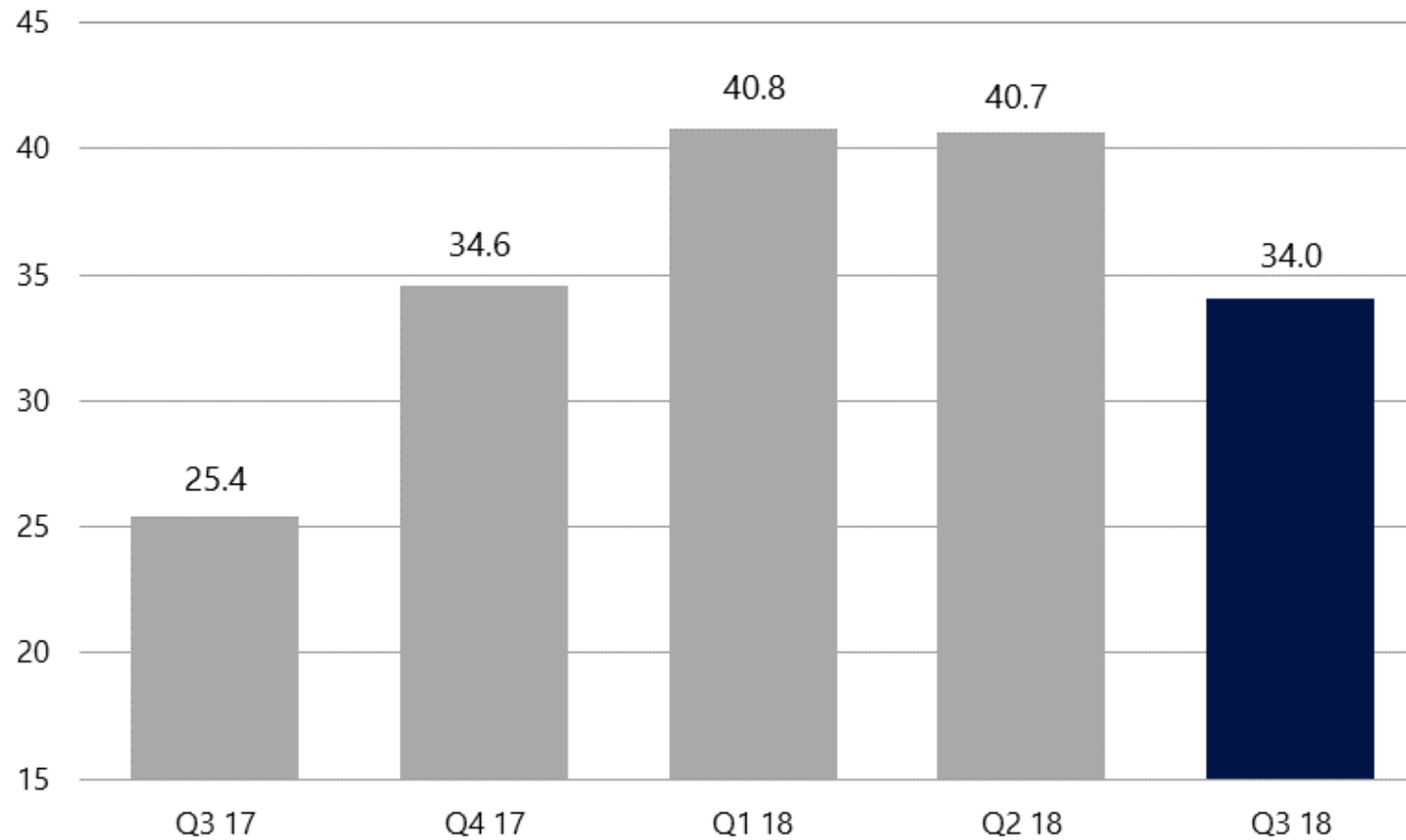


Operating Expenses



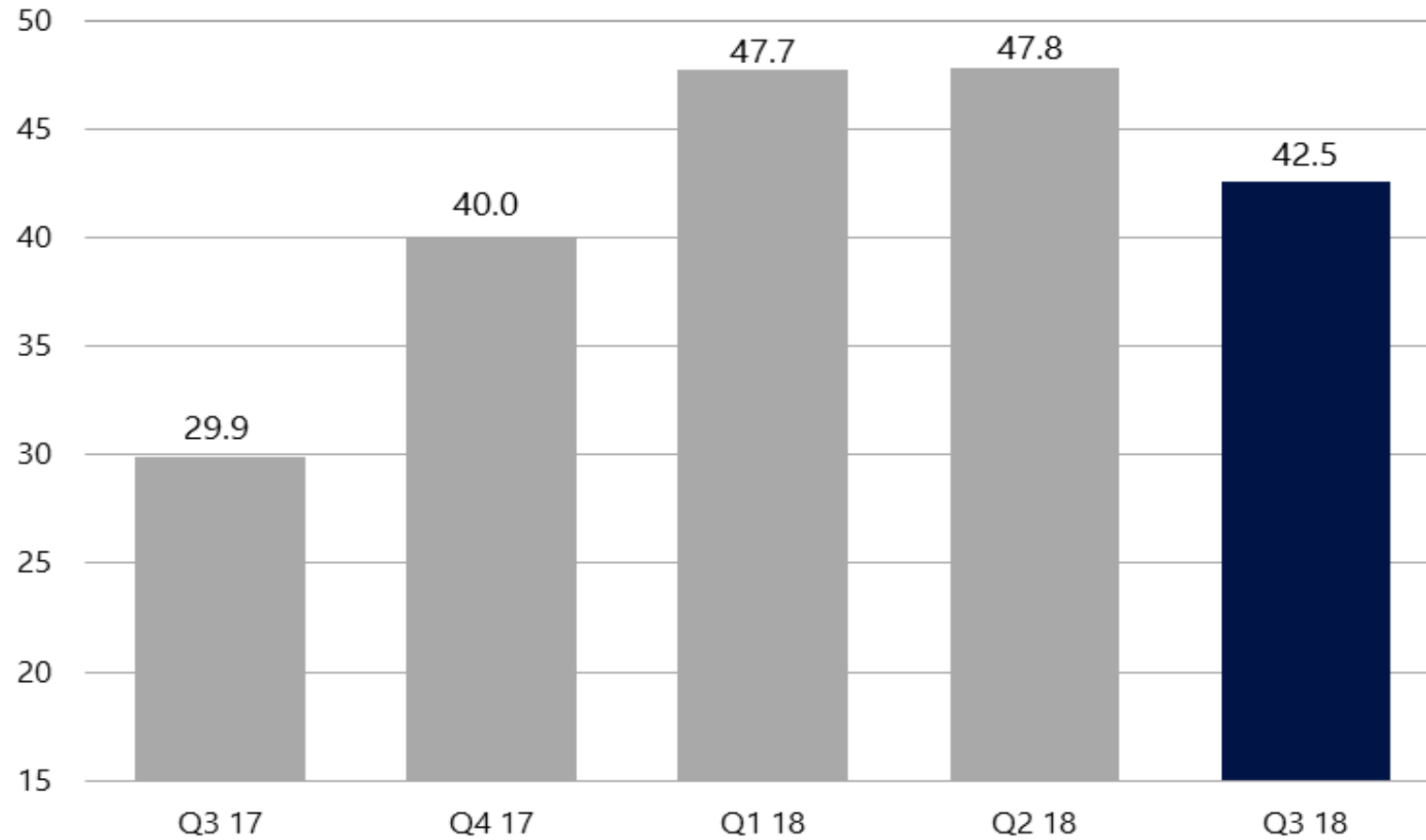
GAAP Operating Income

USD Millions



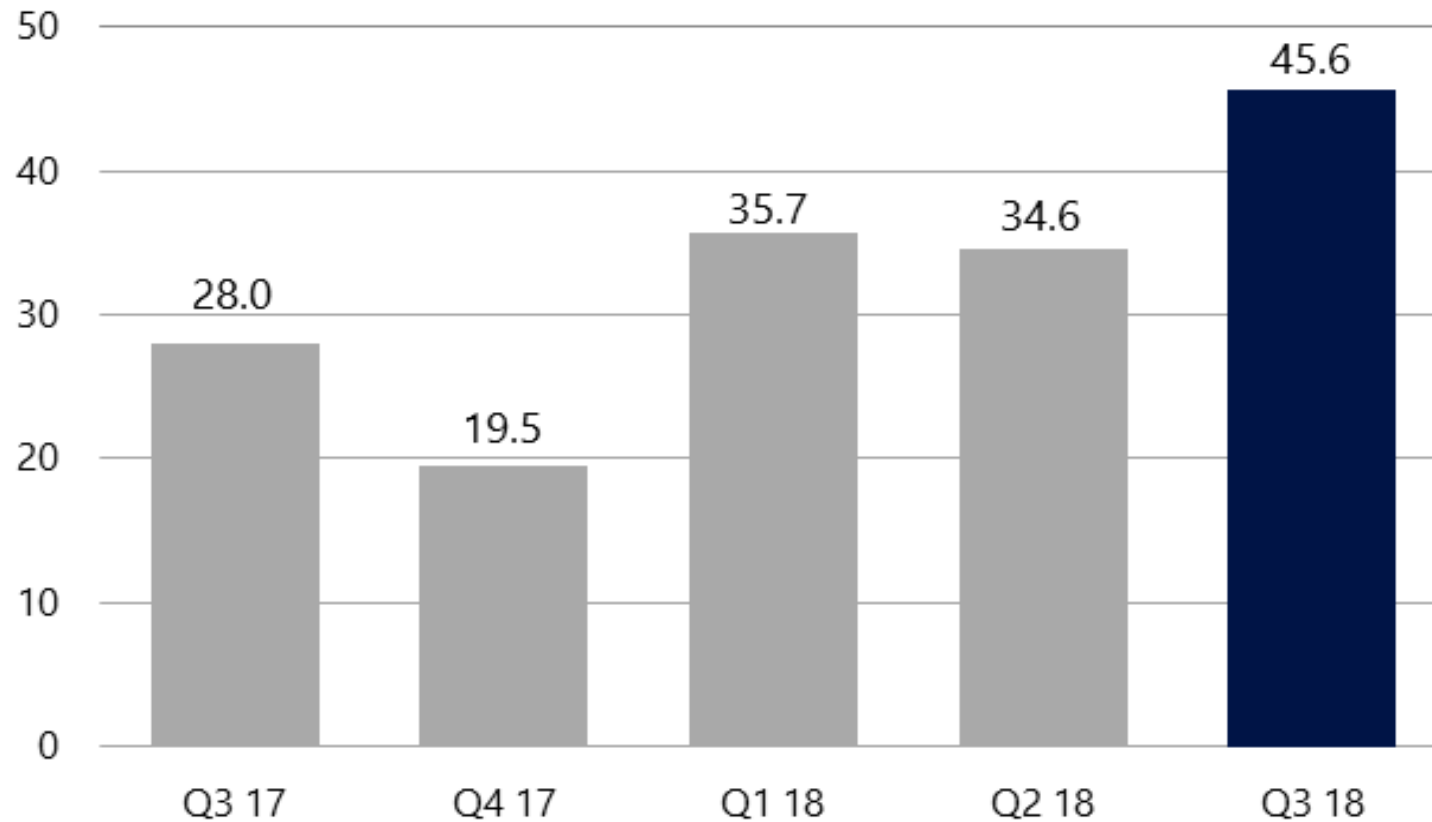
NON-GAAP Operating Income

USD Millions



GAAP Net Income

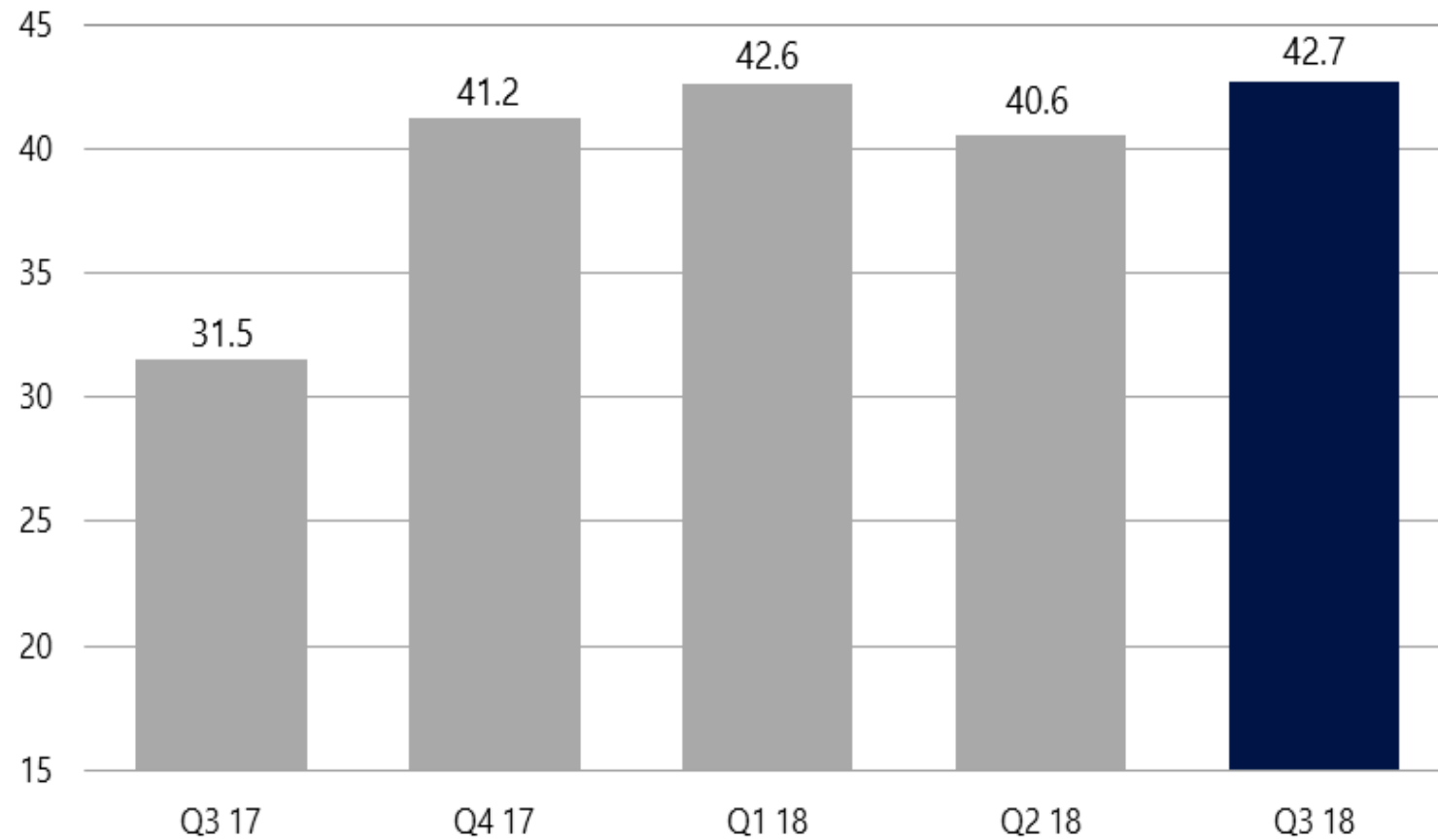
USD Millions



* Q4-17, Q1-18, and Q3-18 includes one time transition tax of \$18.7M, \$0.8M and a tax benefit of \$10.3M respectively

NON-GAAP Net Income

USD Millions



Balance Sheet & Cash flow

USD in millions	Q3 '17	Q2 '18	Q3 '18
Cash and investments	304.7	437.6	453.2
Inventory	62.4	102.0	107.2
Capital Expenditures	5.6	10.1	8.7
Total Debt	-	-	-
Cash Flow From Operations	33.6	43.9	34.3

Fourth Quarter Guidance

- Revenues to be within the range of \$245 million to \$255 million;
- GAAP gross margins expected to be within the range of 30% to 32%, depending on the effects of recent M&A; and
- Non GAAP gross margins expected to be within the range of 32% to 34%.



Appendix

Reconciliation of GAAP to Non-GAAP

Reconciliation of GAAP to Non-GAAP Gross Profit

	Three months ended			Nine months ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Gross profit (GAAP)	77,982	81,946	58,054	239,525	143,796
Stock-based compensation	1,127	968	538	3,019	1,548
Cost of product adjustment	208	----	----	208	----
Intangible Assets Amortization	193	----	----	193	----
Gross profit (Non-GAAP)	79,510	82,914	58,592	242,945	145,344

Reconciliation of GAAP to Non-GAAP Gross Margin

	Three months ended			Nine months ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Gross margin (GAAP)	33.0%	36.1%	34.9%	35.6%	34.4%
Stock-based compensation	0.5%	0.4%	0.3%	0.5%	0.4%
Cost of product adjustment	0.1%	----	----	0.0%	----
Intangible Assets Amortization	0.1%	----	----	0.0%	----
Gross margin (Non-GAAP)	33.6%	36.5%	35.2%	36.1%	34.8%

Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Operating expenses				
	Three months ended			Nine months ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Operating expenses (GAAP)	43,945	41,281	32,658	124,059	87,281
Stock-based compensation R&D	2,988	2,605	1,423	7,975	3,908
Stock-based compensation S&M	2,250	2,094	1,439	6,548	3,673
Stock-based compensation G&A	1,585	1,461	1,137	4,385	3,054
Intangible Assets Amortization - R&D	110	----	----	110	----
Intangible Assets Amortization - S&M	29	----	----	29	----
Fixed Assets disposal	----	----	----	64	----
Operating expenses (Non-GAAP)	36,983	35,121	28,659	104,948	76,646

	Reconciliation of GAAP to Non-GAAP Operating income				
	Three months ended			Nine months ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Operating income (GAAP)	34,037	40,665	25,396	115,466	56,515
Cost of product adjustment	208	----	----	208	----
Stock-based compensation	7,950	7,128	4,537	21,927	12,183
Intangible Assets Amortization	332	----	----	332	----
Fixed Assets disposal	----	----	----	64	----
Operating income (Non-GAAP)	42,527	47,793	29,933	137,997	68,698

Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Financial expenses (income), net				
	Three months ended			Nine months ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Financial expenses (income), net (GAAP)	689	2,480	----	2,585	----
Non cash interest	(640)	(568)	----	(1,720)	----
Financial expenses (income), net (Non-GAAP)	49	1,912	----	865	----
	Reconciliation of GAAP to Non-GAAP Tax on income (Tax benefit)				
	Three months ended			Nine months ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Tax on income (Tax benefit) (GAAP)	(12,295)	3,617	91	(3,016)	(484)
Deferred tax realized (asset)	(1,771)	(1,697)	(959)	(4,789)	(3,064)
Transition tax of foreign earnings	(10,305)	----	----	(9,485)	----
Tax on income (Tax benefit) (Non-GAAP)	(219)	5,314	1,050	11,258	2,580

Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net income				
	Three months ended			Nine months ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net income (GAAP)	45,643	34,568	27,971	115,897	64,670
Cost of product adjustment	208	----	----	208	----
Stock-based compensation	7,950	7,128	4,537	21,927	12,183
Intangible Assets Amortization	332	----	----	332	----
Fixed Assets disposal	----	----	----	64	----
Non cash interest	640	568	----	1,720	----
Deferred tax realized (asset)	(1,771)	(1,697)	(959)	(4,789)	(3,064)
Transition tax of foreign earnings	(10,305)	----	----	(9,485)	----
Net income (Non-GAAP)	42,697	40,567	31,549	125,874	73,789

Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net basic EPS				
	Three months ended			Nine months ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net basic earnings per share (GAAP)	1.00	0.76	0.66	2.57	1.55
Cost of product adjustment	0.00			0.00	
Stock-based compensation	0.17	0.16	0.11	0.49	0.29
Intangible Assets Amortization	0.01			0.01	
Fixed Assets disposal	----	----	----	0.00	----
Non cash interest	0.01	0.01	----	0.04	----
Deferred tax realized (asset)	(0.04)	(0.03)	(0.03)	(0.11)	(0.08)
Transition tax of foreign earnings	(0.23)	----	----	(0.21)	----
Net basic earnings per share (Non-GAAP)	<u>0.94</u>	<u>0.90</u>	<u>0.74</u>	<u>2.80</u>	<u>1.76</u>

	Reconciliation of GAAP to Non-GAAP Net diluted EPS				
	Three months ended			Nine months ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net diluted earnings per share (GAAP)	0.95	0.72	0.61	2.41	1.44
Cost of product adjustment	----			----	
Stock-based compensation	0.13	0.12	0.07	0.38	0.19
Intangible Assets Amortization	0.01			----	
Fixed Assets disposal	----	----	----	----	----
Non cash interest	0.01	0.01	----	0.04	----
Deferred tax realized (asset)	(0.03)	(0.03)	(0.02)	(0.10)	(0.06)
Transition tax of foreign earnings	(0.21)	----	----	(0.19)	----
Net diluted earnings per share (Non-GAAP)	<u>0.86</u>	<u>0.82</u>	<u>0.66</u>	<u>2.54</u>	<u>1.57</u>

	Reconciliation of GAAP to Non-GAAP No. of shares used in Net diluted EPS				
	Three months ended			Nine months ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Number of shares used in computing net diluted earnings per share (GAAP)	48,281,240	48,291,280	46,131,556	48,091,185	44,937,527
Stock-based compensation	1,463,633	1,341,286	1,535,258	1,446,775	2,084,722
Number of shares used in computing net diluted earnings per share (Non-GAAP)	<u>49,744,873</u>	<u>49,632,566</u>	<u>47,666,814</u>	<u>49,537,960</u>	<u>47,022,249</u>

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