



Third Quarter 2023

Earnings Summary

Safe Harbor

Use of Forward-Looking Statements and Non-GAAP Measures

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; financing and investment plans; dividend policy; competitive position; industry and regulatory environment; general economic conditions; potential growth opportunities; cancellations and pushouts of existing backlog; installation rates; and the effects of competition. These forward-looking statements are often characterized by the use of words such as “anticipate,” “believe,” “could,” “seek,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “will,” “would” or similar expressions and the negative or plural of those terms and other like terminology.

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. Forward-looking and other statements regarding our sustainability efforts and aspirations are not an indication that these statements are necessarily material to investors or requiring disclosure in our filing with the Securities and Exchange Commission (“SEC”). In addition, historical, current and forward-looking sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve and assumptions that are subject to change in the future, including future rule-making.

Factors that could cause actual results to differ materially from our expectations include: future demand for renewable energy including solar energy solutions; changes, elimination or expiration of government subsidies and economic incentives for on-grid solar energy applications; changes in the U.S. trade environment; federal, state, and local regulations governing the electric utility industry with respect to solar energy; changes in tax laws, tax treaties, and regulations or the interpretation of them, including the Inflation Reduction Act; the retail price of electricity derived from the utility grid or alternative energy sources; interest rates and supply of capital in the global financial markets in general and in the solar market specifically; competition, including introductions of power optimizer, inverter and solar photovoltaic system monitoring products by our competitors; developments in alternative technologies or improvements in distributed solar energy generation; historic cyclical nature of the solar industry; product quality or performance problems in our products; our ability to forecast demand for our products accurately and to match production to such demand as well as our customers’ ability to forecast demand based on inventory levels; our dependence upon a small number of outside contract manufacturers and limited or single source suppliers; capacity constraints, delivery schedules, manufacturing yields, and costs of our contract manufacturers and availability of components; delays, disruptions, and quality control problems in manufacturing; existing and future responses to and effects of pandemics, epidemics, or other health crises; disruption in our global supply chain and rising prices of oil and raw materials as a result of various conflicts, including the evolving state of war in Israel; our customers’ financial stability and our ability to retain customers; our ability to retain key personnel and attract additional qualified personnel; our ability to manage effectively the growth of our organization and expansion into new markets and integration of acquired businesses; unrest and terrorism; macroeconomic conditions in our domestic and international markets, as well as inflation concerns, financial institutions instability, rising interest rates, recessionary concerns, the prospect of a shutdown of the U.S. federal government and the Israeli government’s plans to significantly reduce the Israeli Supreme Court’s judicial oversight; consolidation in the solar industry among our customers and distributors; cyber incidents; and the other factors set forth under “Item 1A. Risk Factors” in our Annual Report on Form 10-K and elsewhere in our SEC filings. SolarEdge cautions that the foregoing list of risks, uncertainties and other factors is not complete, and forward-looking statements speak only as of the date they are made. SolarEdge undertakes no duty to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law, regulation or other competent legal authority.

Included in this presentation are certain financial measures that are not calculated in accordance with U.S. generally accepted accounting principles (“GAAP”) that are designed to supplement, and not substitute, SolarEdge’s financial information presented in accordance with GAAP. These measures include but are not limited to non-GAAP revenues, non-GAAP gross margin, non-GAAP operating expenses, including as percentage of revenues, non-GAAP net income and non-GAAP net earnings per share. The non-GAAP measures, as defined by SolarEdge, may not be comparable to similar non-GAAP measures presented by other companies. The Non-GAAP measures are presented in this presentation because we believe that they provide investors with a means of evaluating and understanding how SolarEdge’s management evaluates the company’s operating performance. The presentation of such measures, which may include adjustments to exclude non-recurring items, should not be construed as an inference of SolarEdge’s future results, cash flows, or leverage will be unaffected by other non-recurring items. Refer to Appendix A for reconciliation of these non-GAAP measures to the most comparable GAAP measures.

Q3/2023

Key Metrics

273.9K

Inverters Shipped

3.3M

Power Optimizers
Shipped

121.1MW/h

Batteries Capacity Shipped

3.8GW

Systems Shipped

\$725.3M

GAAP Revenues

Third Quarter Financial Results

- GAAP revenues of \$725.3M
- Revenues from solar segment of \$676.4M
- Revenues from “all other” segment of \$48.7M
- GAAP gross margin of 19.7%
- Non-GAAP gross margin* of 20.8%
- Gross margin from sales of solar segment 24.0%
- Non-GAAP operating income* of \$23.1M
- Operating income from solar segment of \$45.7M
- GAAP net loss of \$(61.2)M
- Non-GAAP net loss* of \$(31.0)M
- GAAP net diluted loss per share of \$(1.08)
- Non-GAAP net diluted loss per share* of \$(0.55)
- Cash generated from operations of \$40.6M
- Total cash and investments, net of debt, \$831.4M

* Non-GAAP financial measures; see reconciliation in Appendix

Noteworthy

- GAAP revenues of \$725.3 million, down 27% q/q and down 13% from the same quarter last year
- Shipments of more than 3.8 GW of inverters
- Shipments of 121 MWh of residential batteries
- Initial inverter shipments from first U.S. manufacturing facility
- First shipments of new 330 KW inverter to the U.S.
- The quarter over quarter decline in Q3 revenues is a reflection of market conditions, slower installation rates and high channel inventory
- Quarterly revenue was divided geographically by:
 - Europe – 62.0%;
 - U.S. – 28.9%; and
 - RoW – 9.1%

Quarterly GAAP Financial Results

USD in millions*	Q3 22	Q2 23	Q3 23
GAAP Revenues	836.7	991.3	725.3
GAAP Gross margin	26.5%	32.0%	19.7%
GAAP Operating expenses	137.6	166.9	159.5
GAAP Operating income (loss)	84.4	150.4	(16.7)
GAAP Net income (loss)	24.7	119.5	(61.2)
GAAP Net diluted income (loss) per share	0.43	2.03	(1.08)

* With the exception of gross margin and per share data

Quarterly Non-GAAP Financial Results**

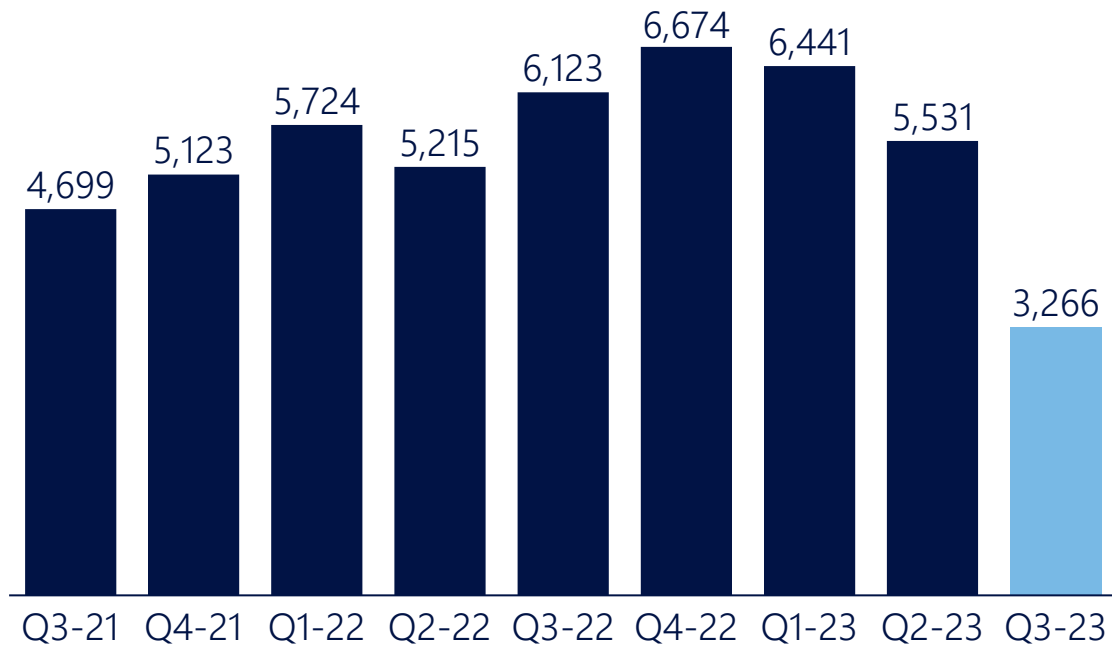
USD in millions*	Q3 22	Q2 23	Q3 23
Non-GAAP Revenues	836.6	991.1	725.1
Non-GAAP Gross margin	27.3%	32.7%	20.8%
Non-GAAP Operating expenses	108.3	133.3	128.0
Non-GAAP Operating income	120.2	191.0	23.1
Non-GAAP Net income (loss)	54.1	157.4	(31.0)
Non-GAAP Net diluted income (loss) per share	0.91	2.62	(0.55)

* With the exception of gross margin and per share data

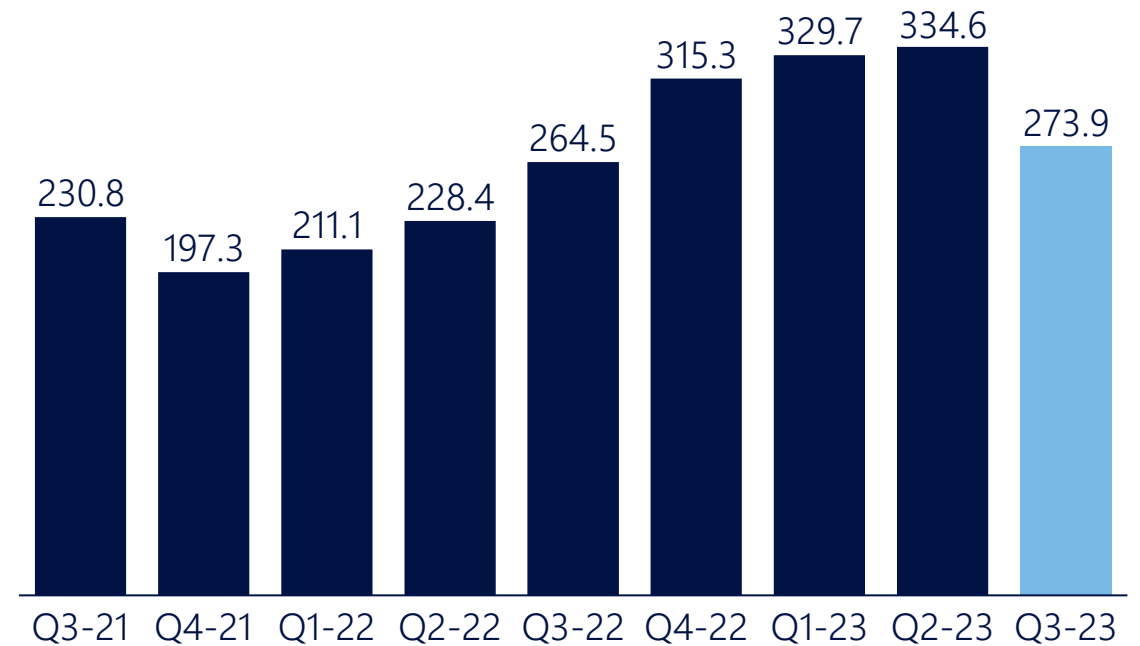
** See Appendix for reconciliations to most comparable GAAP measures

Units Shipped by Quarter

Power optimizers

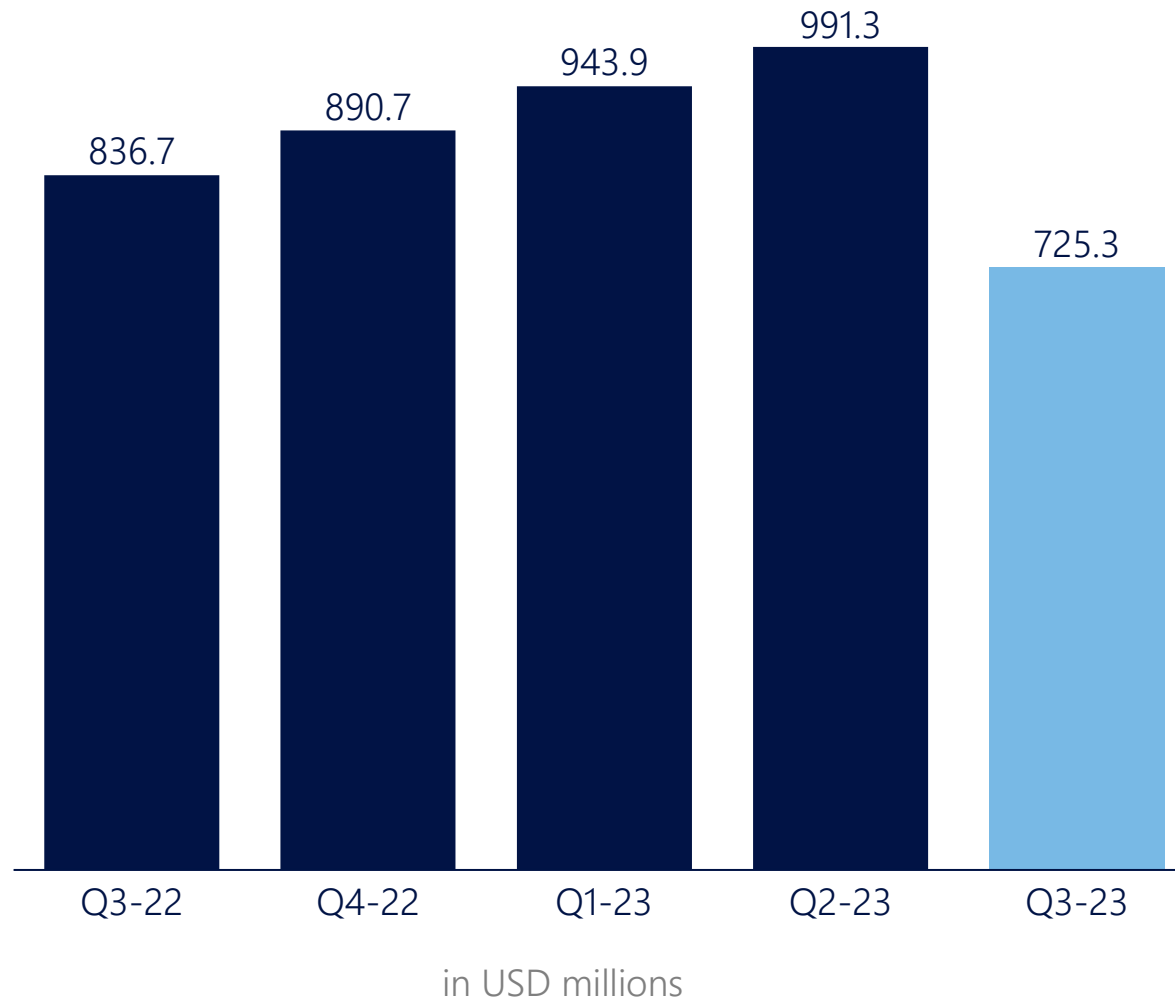


Inverters



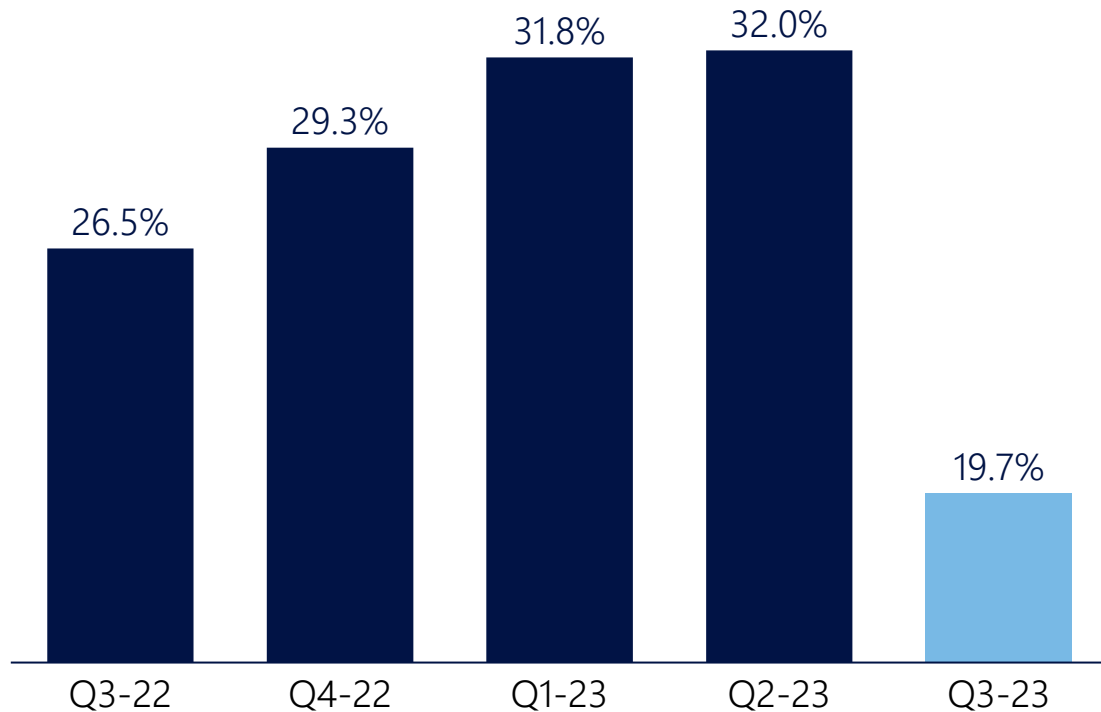
units in thousands

Quarterly GAAP Revenues

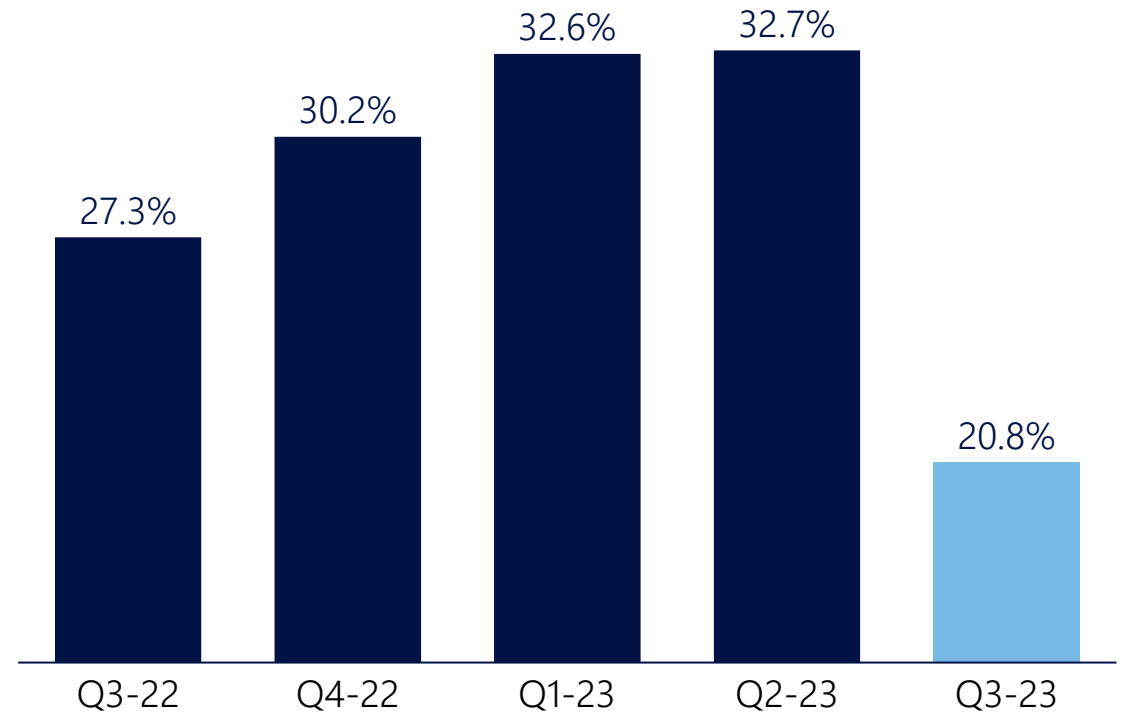


Gross Margin by Quarter

GAAP

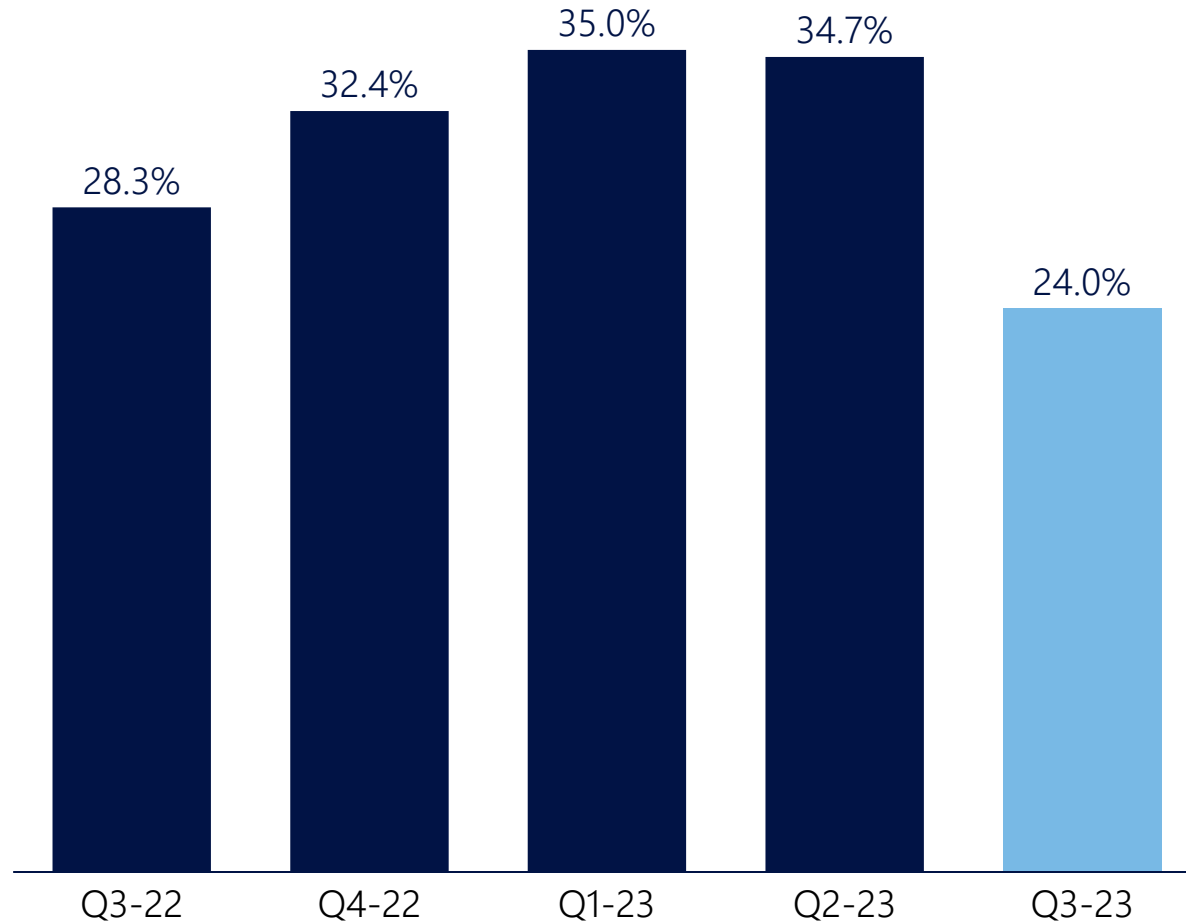


Non-GAAP*



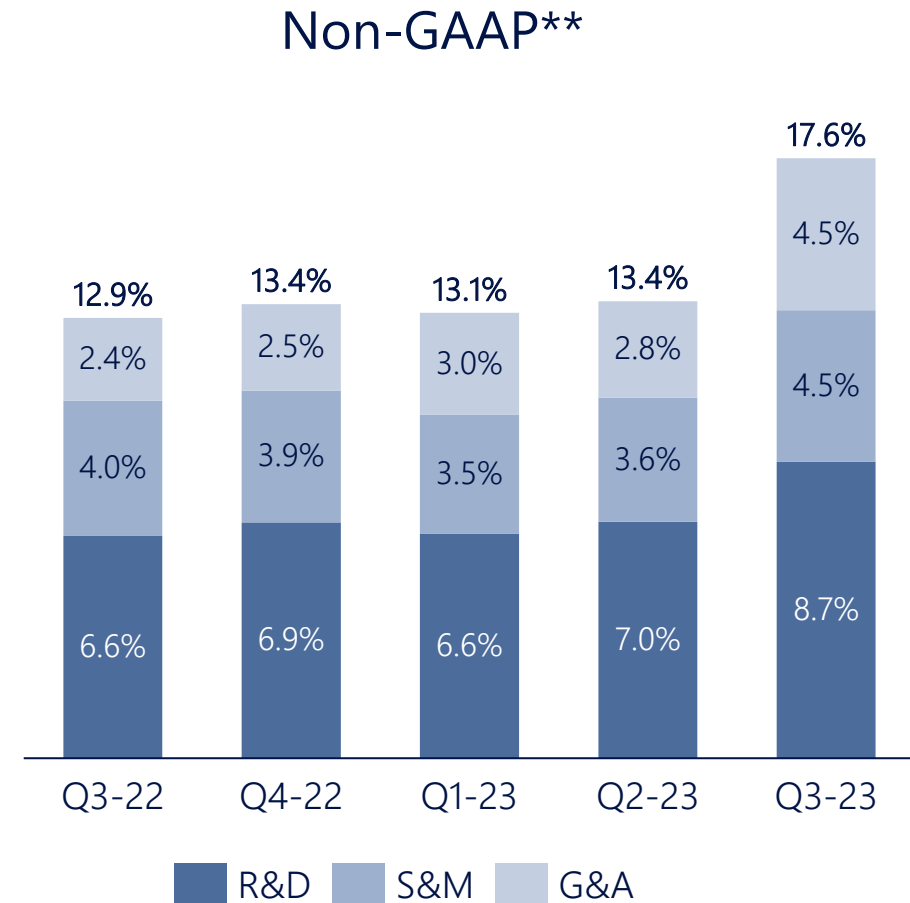
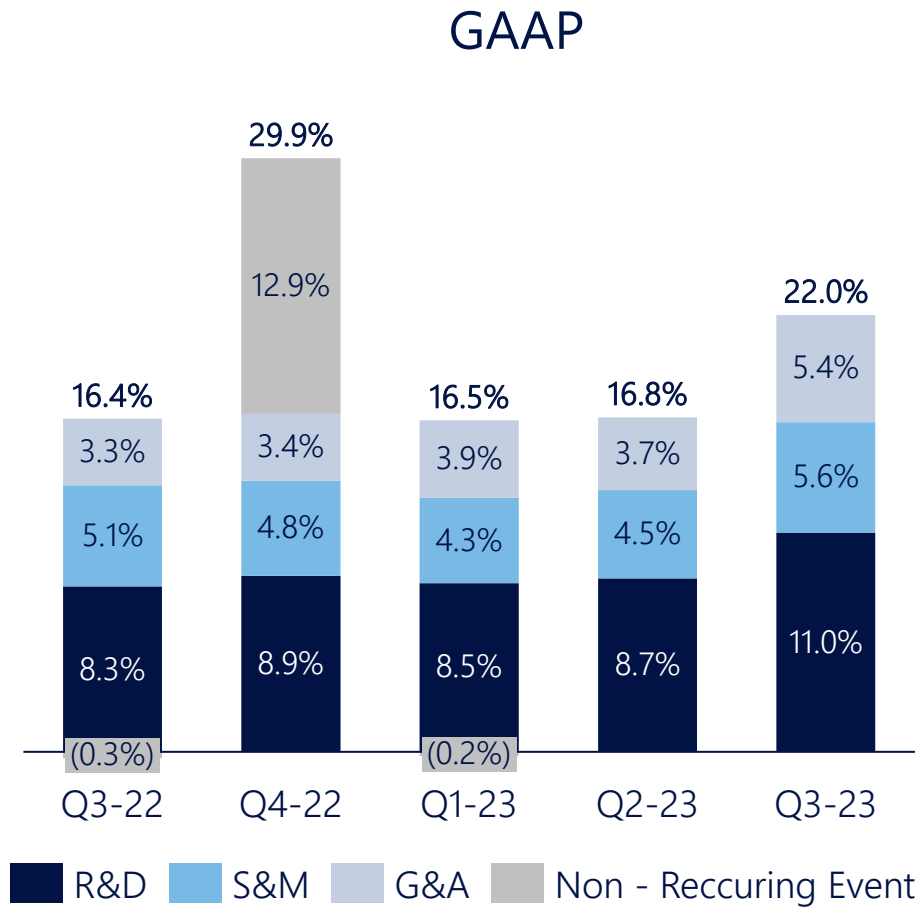
* Non-GAAP financial measures; see reconciliation in Appendix

Solar Segment Gross Margin by Quarter



% of Revenues

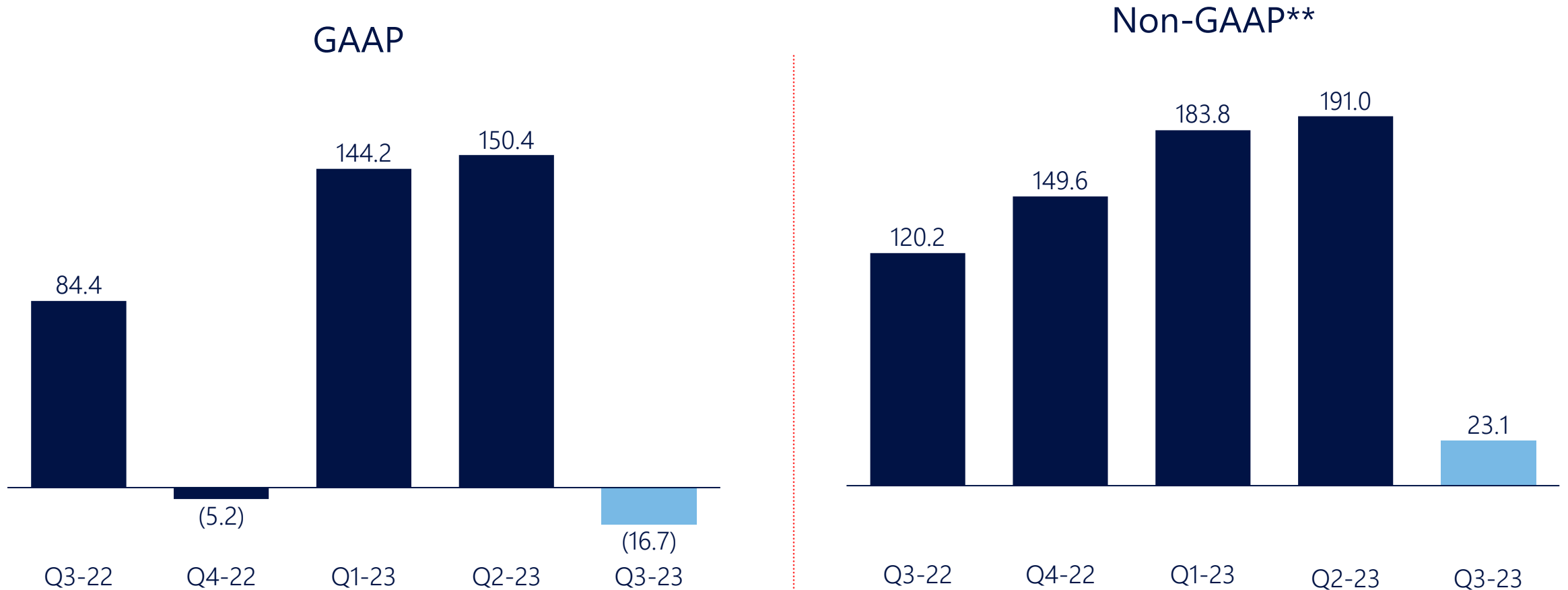
Consolidated* Operating Expenses by Quarter



* For purposes of this presentation, "consolidated" refers to both solar and "all other" segments

** Non-GAAP financial measures; see reconciliation in Appendix

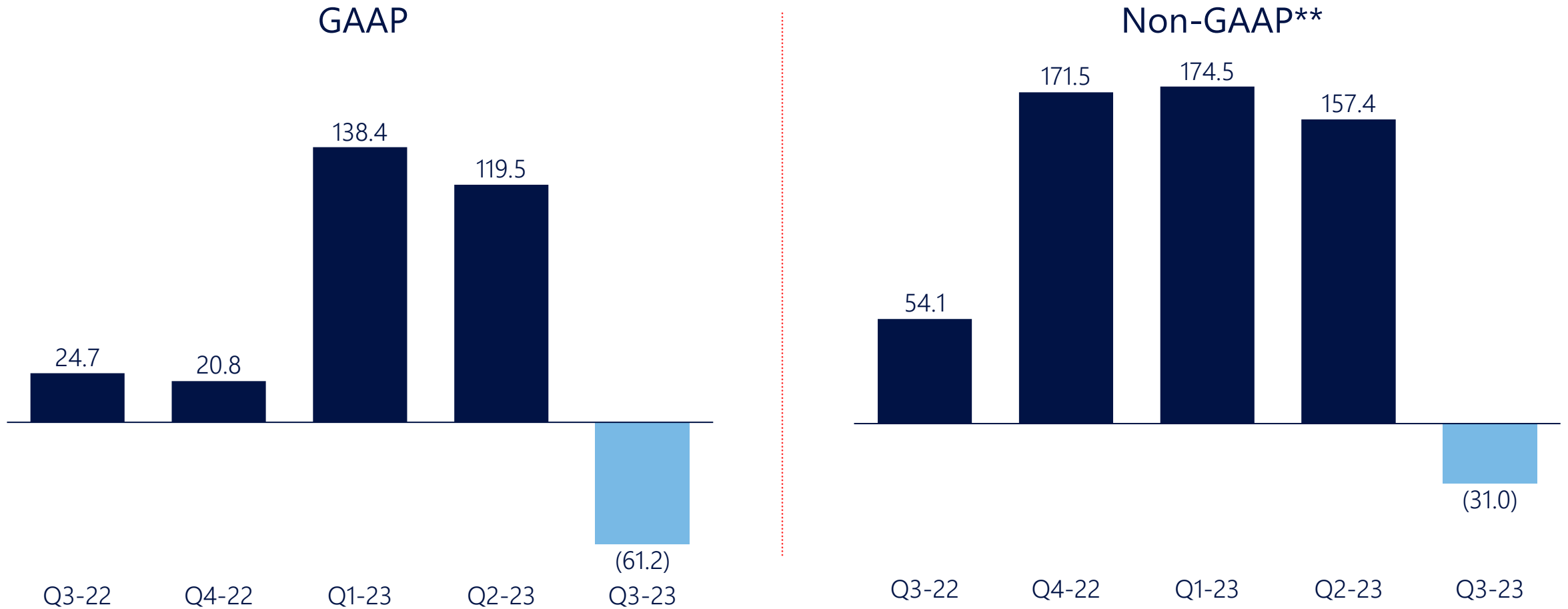
Consolidated* Operating Income by Quarter



* For purposes of this presentation, "consolidated" refers to both solar and "all other" segments

** Non-GAAP financial measures; see reconciliation in Appendix

Consolidated* Net Income by Quarter



* For purposes of this presentation, "consolidated" refers to both solar and "all other" segments

** Non-GAAP financial measures; see reconciliation in Appendix

Balance Sheet & Cash flow

USD in millions	Q3 22	Q2 23	Q3 23
Cash and investments	1,571.3	1,487.0	1,464.8
Total Debt	633.7	633.5	633.5
Cash and Investments Net of Debt	937.6	853.5	831.4
Inventory	561.4	984.2	1,177.8
Capital Expenditures, Net	31.5	45.3	45.7
Cash Flow From (used in) Operations	5.6	(88.7)	40.6

Fourth Quarter Guidance**

- Revenues to be within the range of \$300 million to \$350 million
- Non-GAAP gross margin** expected to be within the range of 5% to 8%, including approximately 130 basis points of net IRA manufacturing tax credit
- Non-GAAP operating expenses** to be within the range of \$126 million to \$130 million
- Revenues from the solar segment to be within the range of \$275 million to \$320 million
- Gross margin from the solar segment expected to be within the range of 7% to 10% including approximately 130 basis points of net IRA manufacturing tax credit

** Non-GAAP gross margin and non-GAAP operating expenses are non-GAAP financial measures and have not been reconciled to the most comparable GAAP outlook because it is not possible to do so without unreasonable efforts due to the uncertainty and potential variability of reconciling items, which are dependent on future events and often outside of management's control and which could be significant. Because such items cannot be reasonably predicted with the level of precision required, we are unable to provide outlook for the comparable GAAP measures. Forward-looking estimates of non-GAAP gross margin and non-GAAP operating expenses are made in a manner consistent with the relevant definitions and assumptions noted herein and in our filings with the SEC

Appendix



Reconciliation of GAAP to Non-GAAP

Reconciliation of GAAP to Non-GAAP Gross Profit

	Three months ended				
	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23
Gross profit (GAAP)	222,001	261,047	300,126	317,305	142,817
Revenues from finance component	(159)	(174)	(187)	(202)	(215)
Stock-based compensation	4,661	6,810	5,927	5,923	5,882
Amortization of stock-based compensation capitalized in inventories	---	---	---	316	441
Amortization and depreciation of acquired asset	2,064	961	1,515	872	2,096
Gross profit (Non-GAAP)	228,567	268,644	307,381	324,214	151,021

Reconciliation of GAAP to Non-GAAP Gross Margin

	Three months ended				
	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23
Gross margin (GAAP)	26.5%	29.3%	31.8%	32.0%	19.7%
Revenues from finance component	0.0%	0.0%	0.0%	0.0%	0.0%
Stock-based compensation	0.6%	0.8%	0.6%	0.6%	0.8%
Amortization of stock-based compensation capitalized in inventories	---	---	---	0.0%	0.0%
Amortization and depreciation of acquired assets	0.2%	0.1%	0.2%	0.1%	0.3%
Gross margin (Non-GAAP)	27.3%	30.2%	32.6%	32.7%	20.8%

Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Operating expenses				
	Three months ended				
	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23
Operating expenses (GAAP)	137,594	266,210	155,972	166,947	159,543
Stock-based compensation - R&D	(14,553)	(16,854)	(17,209)	(17,272)	(16,481)
Stock-based compensation - S&M	(9,341)	(7,928)	(8,079)	(7,822)	(7,739)
Stock-based compensation - G&A	(7,196)	(7,015)	(8,020)	(7,948)	(6,713)
Amortization and depreciation of acquired assets - R&D	(302)	(301)	(313)	(289)	(329)
Amortization and depreciation of acquired assets - S&M	(187)	(173)	(181)	(235)	(321)
Amortization and depreciation of acquired assets - G&A	(6)	(4)	(26)	17	(4)
Assets impairment	19	(114,473)	---	---	---
Gain (loss) from assets sales and disposal	2,303	(102)	1,434	---	---
Acquisition costs	---	(350)	---	(135)	---
Operating expenses (Non-GAAP)	<u>108,331</u>	<u>119,010</u>	<u>123,578</u>	<u>133,263</u>	<u>127,956</u>
	Reconciliation of GAAP to Non-GAAP Operating income (loss)				
	Three months ended				
	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23
Operating income (loss) (GAAP)	84,407	(5,163)	144,154	150,358	(16,726)
Revenues from finance component	(159)	(174)	(187)	(202)	(215)
Stock-based compensation	35,751	38,607	39,235	38,965	36,815
Amortization of stock-based compensation capitalized in inventories	---	---	---	316	441
Amortization and depreciation of acquired assets	2,559	1,439	2,035	1,379	2,750
Assets impairment	(19)	114,473	---	---	---
Loss (gain) from assets sales and disposal	(2,303)	102	(1,434)	---	---
Acquisition costs	---	350	---	135	---
Operating income (Non-GAAP)	<u>120,236</u>	<u>149,634</u>	<u>183,803</u>	<u>190,951</u>	<u>23,065</u>

Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Financial income (expenses), net				
	Three months ended				
	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23
Financial income (expense), net (GAAP)	(33,025)	56,101	23,674	3,384	(7,901)
Non cash interest expense	2,505	2,685	2,892	3,105	3,284
Unrealized losses (gains)	---	(170)	---	---	---
Currency fluctuation related to lease standard	(1,116)	749	(2,519)	(2,107)	(2,788)
Financial income (expense), net (Non-GAAP)	<u>(31,636)</u>	<u>59,365</u>	<u>24,047</u>	<u>4,382</u>	<u>(7,405)</u>
	Reconciliation of GAAP to Non-GAAP Other income (loss)				
	Three months ended				
	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23
Other income (loss) (GAAP)	7,533	186	(125)	---	(484)
Loss (gain) from sale of investment in privately-held company	(7,533)	(186)	---	---	484
Other income (loss) (Non-GAAP)	<u>---</u>	<u>---</u>	<u>(125)</u>	<u>---</u>	<u>---</u>
	Reconciliation of GAAP to Non-GAAP Tax on income				
	Three months ended				
	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23
Income tax benefit (expense) (GAAP)	(34,172)	(30,295)	(29,325)	(34,232)	(36,065)
Income tax adjustment	(291)	(7,186)	(3,901)	(3,735)	(10,561)
Income tax benefit (expense) (Non-GAAP)	<u>(34,463)</u>	<u>(37,481)</u>	<u>(33,226)</u>	<u>(37,967)</u>	<u>(46,626)</u>

Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net income (loss)				
	Three months ended				
	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23
Net income (loss) (GAAP)	24,743	20,829	138,378	119,510	(61,176)
Revenues from finance component	(159)	(174)	(187)	(202)	(215)
Stock-based compensation	35,751	38,607	39,235	38,965	36,815
Amortization of stock-based compensation capitalized in inventories	---	---	---	316	441
Amortization and depreciation of acquired assets	2,559	1,439	2,035	1,379	2,750
Assets impairment	(19)	114,473	---	---	---
Loss (gain) from assets sales and disposal	(2,303)	102	(1,434)	---	---
Acquisition costs	---	350	---	135	---
Non cash interest expense	2,505	2,685	2,892	3,105	3,284
Unrealized losses (gains)	---	(170)	---	---	---
Currency fluctuation related to lease standard	(1,116)	749	(2,519)	(2,107)	(2,788)
Gain from sale of investment in privately-held company	(7,533)	(186)	---	---	484
Uncertain tax positions	---	---	---	---	---
Income tax adjustment	(291)	(7,186)	(3,901)	(3,735)	(10,561)
Net income (loss) (Non-GAAP)	54,137	171,518	174,499	157,366	(30,966)

Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net basic earning (loss) per share				
	Three months ended				
	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23
Net basic earnings (loss) per share (GAAP)	0.44	0.37	2.46	2.12	(1.08)
Revenues from finance component	0.00	0.00	0.00	(0.01)	0.00
Stock-based compensation	0.64	0.69	0.70	0.70	0.65
Amortization of stock-based compensation capitalized in inventories	---	---	---	0.00	0.00
Amortization and depreciation of acquired assets	0.05	0.02	0.03	0.03	0.05
Assets impairment	0.00	2.05	---	---	---
Loss (gain) from assets sales and disposal	(0.04)	0.00	(0.02)	---	---
Acquisition costs	---	0.01	---	0.00	---
Non cash interest expense	0.04	0.05	0.05	0.05	0.06
Unrealized losses (gains)	---	(0.01)	---	---	---
Currency fluctuation related to lease standard	(0.02)	0.02	(0.05)	(0.03)	(0.05)
Gain from sale of investment in privately-held company	(0.13)	(0.01)	---	---	0.01
Uncertain tax positions	---	---	---	---	---
Income tax adjustment	(0.01)	(0.13)	(0.07)	(0.07)	(0.19)
Net basic earnings (loss) per share (Non-GAAP)	0.97	3.06	3.10	2.79	(0.55)

Reconciliation of GAAP to Non-GAAP

Reconciliation of GAAP to Non-GAAP Net diluted earnings (loss) per share					
Three months ended					
	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23
Net diluted earnings (loss) per share (GAAP)	0.43	0.36	2.35	2.03	(1.08)
Revenues from finance component	0.00	0.00	(0.01)	(0.01)	0.00
Stock-based compensation	0.59	0.64	0.62	0.62	0.65
Amortization of stock-based compensation capitalized in inventories	----	----	----	0.00	0.00
Amortization and depreciation of acquired assets	0.05	0.02	0.03	0.03	0.05
Assets impairment	0.00	1.91	----	----	----
Loss (gain) from assets sales and disposal	(0.04)	0.00	(0.02)	----	----
Acquisition costs	----	0.01	----	0.00	----
Non cash interest expense	0.03	0.03	0.04	0.04	0.06
Unrealized losses (gains)	----	0.00	----	----	----
Currency fluctuation related to lease standard	(0.02)	0.01	(0.04)	(0.03)	(0.05)
Gain from sale of investment in privately-held company	(0.13)	0.00	----	----	0.01
Uncertain tax positions	----	----	----	----	----
Income tax adjustment	0.00	(0.12)	(0.07)	(0.06)	(0.19)
Net diluted earnings (loss) per share (Non-GAAP)	0.91	2.86	2.90	2.62	(0.55)

Reconciliation of GAAP to Non-GAAP Net diluted earnings (loss) per share					
Three months ended					
	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23
Number of shares used in computing net diluted earnings (loss) per share (GAAP)	58,747,538	58,734,719	59,193,831	59,183,666	56,671,504
Stock-based compensation	784,228	1,237,266	939,571	986,527	----
Number of shares used in computing net diluted earnings (loss) per share (Non-GAAP)	59,531,766	59,971,985	60,133,402	60,170,193	56,671,504

Thank You

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