



Calendar Second Quarter 2017

Earnings summary

August 02<sup>nd</sup>, 2017

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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 on Form 10K.

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 OPERATING METRICS



**1,774K optimizers  
shipped**



**75K inverters  
shipped**



**563 Megawatts  
shipped**



**\$136.1M revenues**

# SECOND QUARTER HIGHLIGHTS

## Financial highlights for quarter

- Record revenue of \$136.1 million, up 18% QoQ
- GAAP gross margin of 34.6%
- GAAP operating income of \$19.1 million
- GAAP net income of \$22.5 million
- Record Non-GAAP net income of \$25.8 million
- Record cash flow from operation - \$31.6M

## Business highlights for quarter

- 563 Megawatts AC inverters shipped
- 1.8 million optimizers and 75K inverters shipped



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# HIGHLIGHTS

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- Record revenues generated from outside the United States (46% of total revenues), with particularly significant growth in Germany and the Netherlands
- Commercial sales continue to increase, reaching record high
- Announced new products developments:
  - next generation power optimizer
  - large capacity commercial inverter solution
  - the first PV inverter-integrated electric vehicle charger
- HD Wave rollout completed and is available worldwide

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# NOTEWORTHY

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- A combination of high demand, component allocation and rapid growth require increase in air shipments and increased lead time
- Still no signs of change in competitive landscape
- Stable ASP environment

# GAAP FINANCIAL RESULTS

*USD in millions	CQ2'17	CQ1'17	CQ2'16
Revenues	136.1	115.1	124.8
Gross margin	34.6%	33.6%	31.4%
Operating expenses	28.0	26.7	21.2
Operating income	19.1	12.0	17.9
Net income	22.5	14.2	17.3
Net diluted earnings per share	0.50	0.32	0.39

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

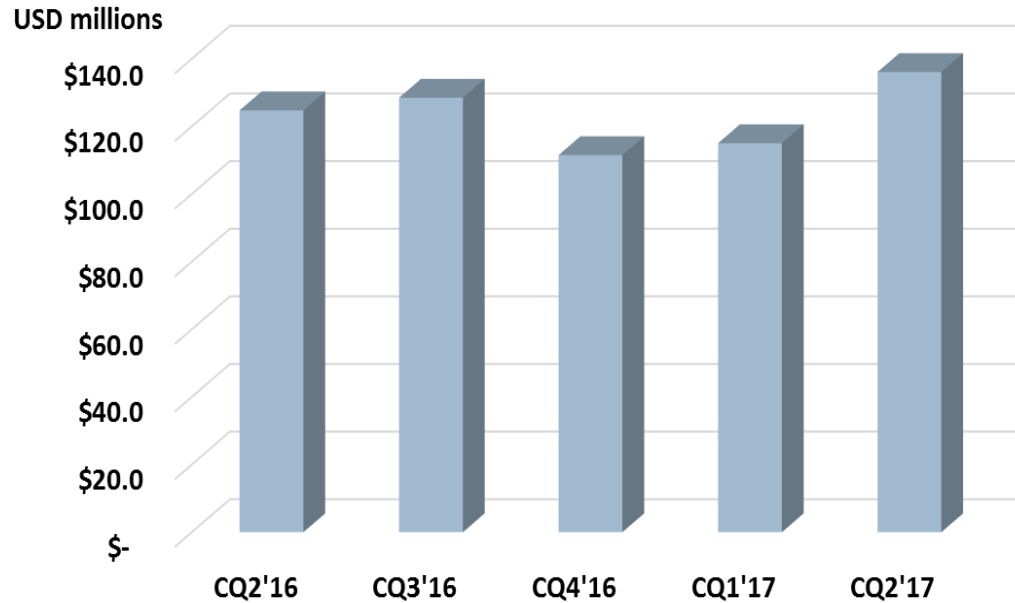
# NON-GAAP FINANCIAL RESULTS

*USD in millions	CQ2'17	CQ1'17	CQ2'16
Revenues	136.1	115.1	124.8
Gross margin	35.0%	34.0%	31.6%
Operating expenses	24.4	23.6	19.1
Operating income	23.1	15.6	20.3
Net income	25.8	16.5	19.9
Net diluted earnings per share	0.55	0.36	0.44

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

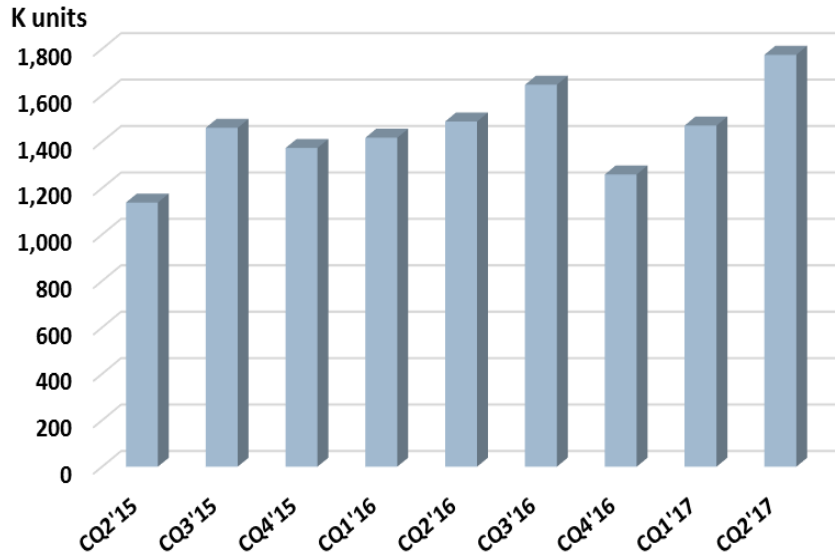


# QUARTERLY REVENUES

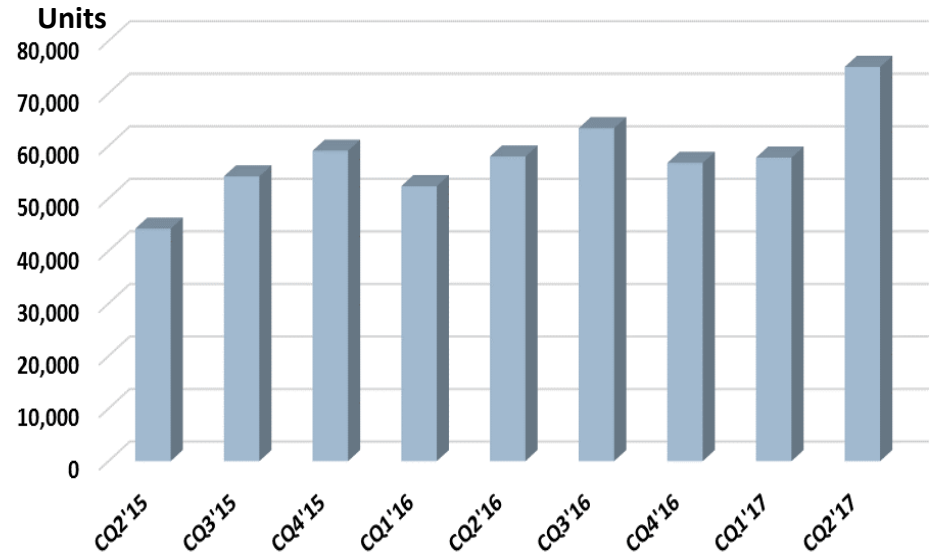


# UNITS SHIPPED

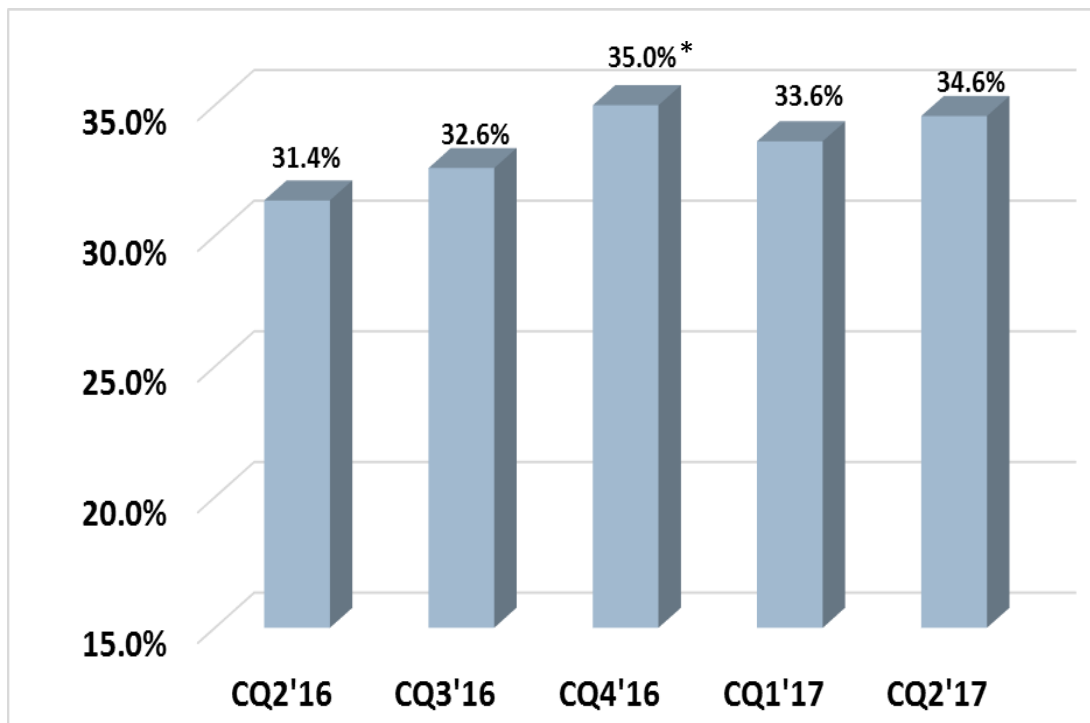
## Optimizers shipped



## Inverters shipped

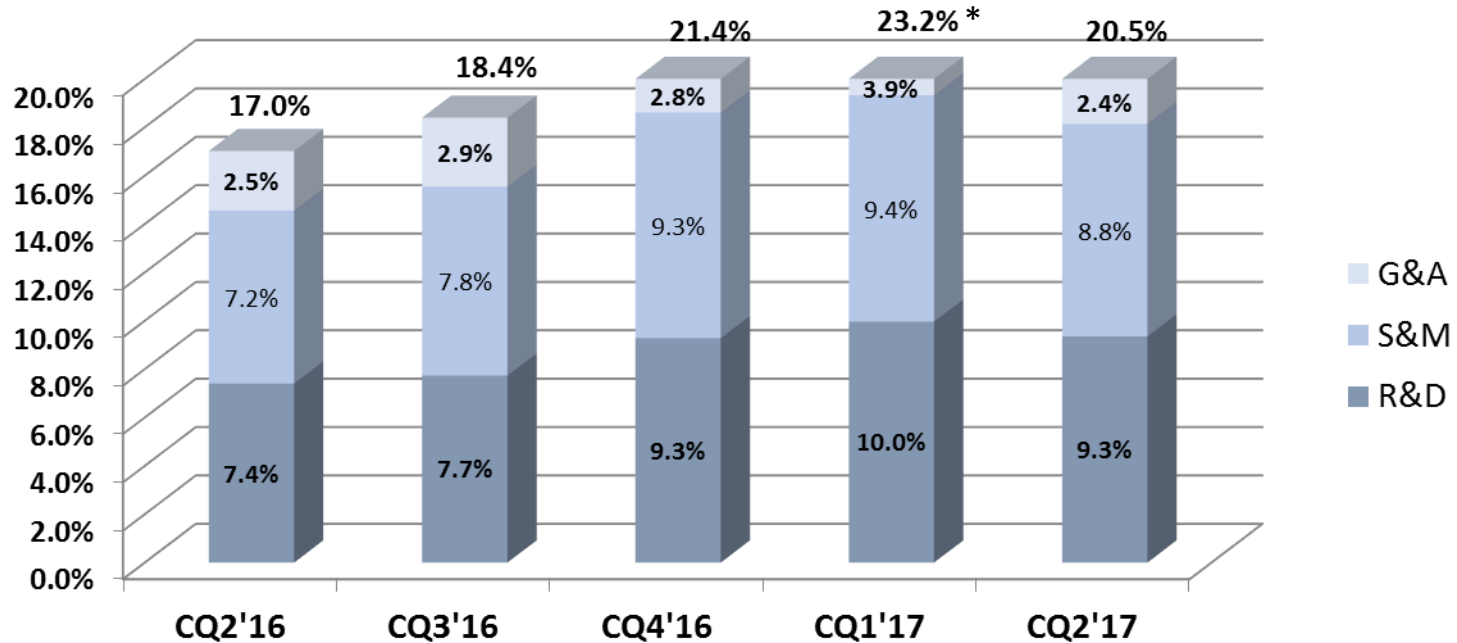


# GROSS MARGIN



\*CQ4' 16 margin included one time benefit of approximately 2%

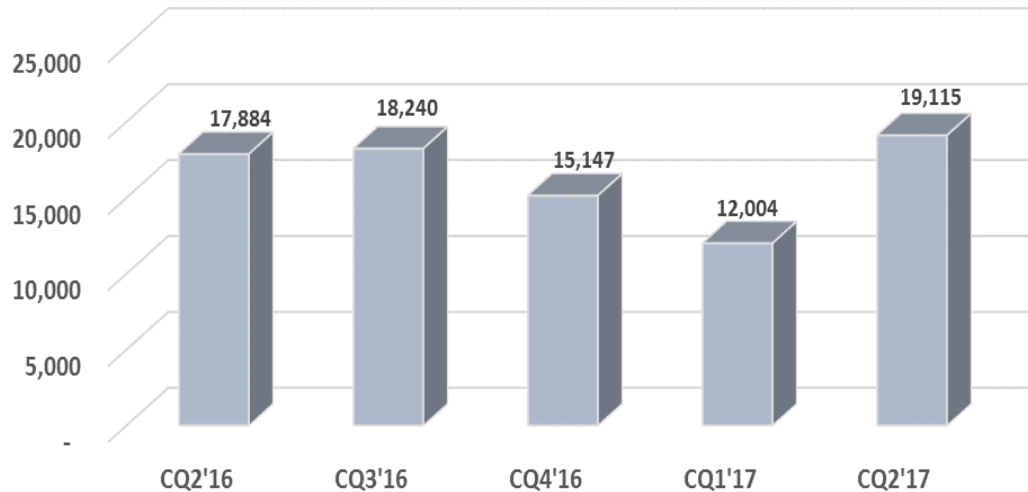
# OPERATING EXPENSES



\*CQ1' 17 margin includes accrual of doubtful debt representing 1% of revenues

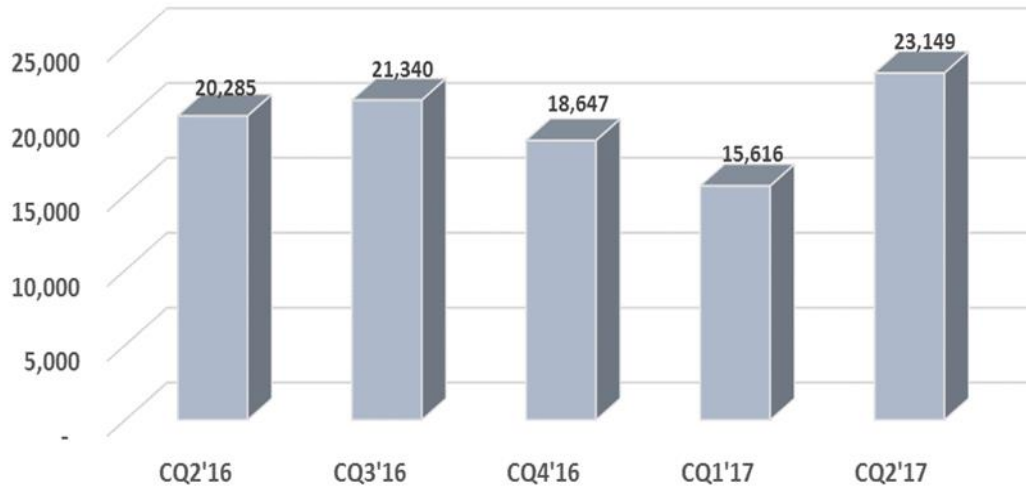
# GAAP OPERATING INCOME

USD thousands



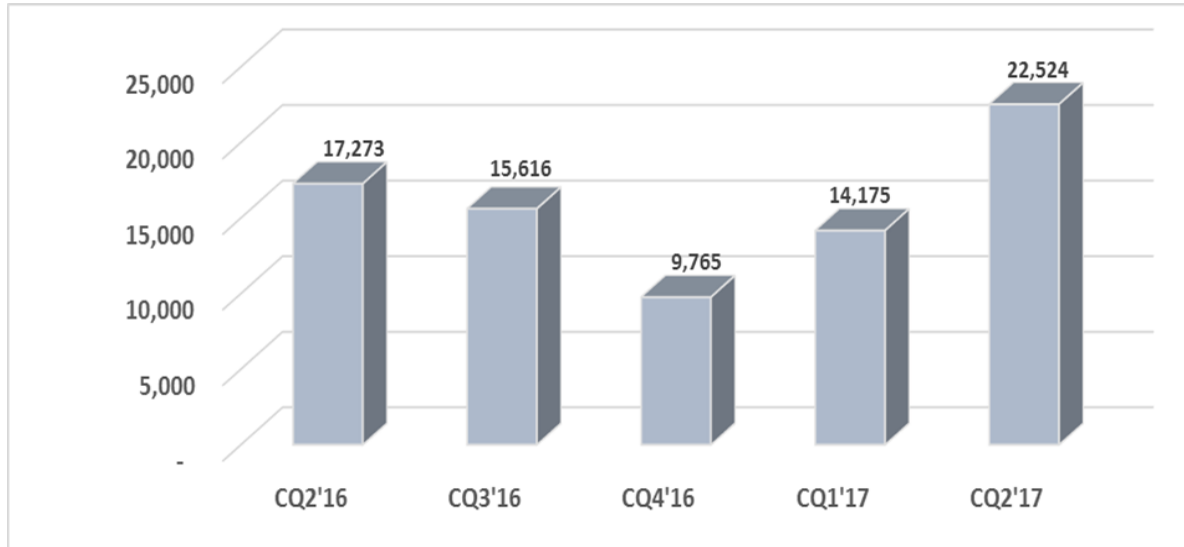
# NON- GAAP OPERATING INCOME

USD thousands

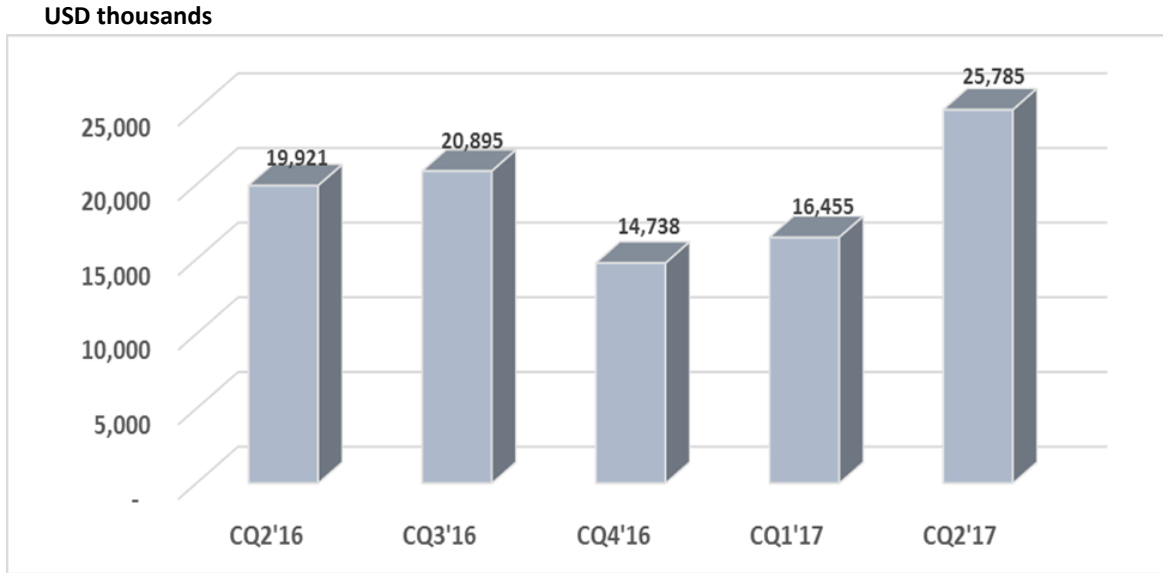


# GAAP NET INCOME

USD thousands



# NON-GAAP NET INCOME





# BALANCE SHEET & CASH FLOW

USD in millions	CQ2'17	CQ1'17	CQ2'16
Cash and investments	274.7	247.6	186.6
Inventory	56.2	60.9	81.6
Capital Expenditures	5.7	1.9	4.1
Total Debt	0.0	0.0	0.0
Cash Flow From Operations	31.6	25.7	18.0

# THIRD QUARTER OUTLOOK

- ▢ Revenues expected to be within the range of \$155 million to \$165 million
- ▢ Gross margin expected to be within the range of 33% to 35%



## Appendix

# RECONCILIATION OF GAAP TO NON-GAAP

	Reconciliation of GAAP to Non-GAAP Gross Profit				
	Three months ended			6 months ended	
	<u>June 30, 2017</u>	<u>March 31, 2017</u>	<u>June 30,2016</u>	<u>June 30, 2017</u>	<u>June 30,2016</u>
<b>Gross profit (GAAP)</b>	47,066	38,676	39,113	85,742	79,847
Stock-based compensation	517	493	310	1,010	556
<b>Gross profit (Non-GAAP)</b>	<u>47,583</u>	<u>39,169</u>	<u>39,423</u>	<u>86,752</u>	<u>80,403</u>

	Reconciliation of GAAP to Non-GAAP Gross Margin				
	Three months ended			6 months ended	
	<u>June 30, 2017</u>	<u>March 31, 2017</u>	<u>June 30,2016</u>	<u>June 30, 2017</u>	<u>June 30,2016</u>
<b>Gross margin (GAAP)</b>	34.6%	33.6%	31.4%	34.1%	31.9%
Stock-based compensation	0.4%	0.4%	0.2%	0.4%	0.2%
<b>Gross margin (Non-GAAP)</b>	<u>35.0%</u>	<u>34.0%</u>	<u>31.6%</u>	<u>34.5%</u>	<u>32.2%</u>

# RECONCILIATION OF GAAP TO NON-GAAP

## Reconciliation of GAAP to Non-GAAP Operating expenses

	Three months ended			6 months ended	
	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	<b>Operating expenses (GAAP)</b>	27,951	26,672	21,229	54,623
Stock-based compensation R&D	1,280	1,205	747	2,485	1,471
Stock-based compensation S&M	1,204	1,030	730	2,234	1,572
Stock-based compensation G&A	1,033	884	613	1,917	1,432
<b>Operating expenses (Non-GAAP)</b>	<b>24,434</b>	<b>23,553</b>	<b>19,138</b>	<b>47,987</b>	<b>37,748</b>

## Reconciliation of GAAP to Non-GAAP Operating income

	Three months ended			6 months ended	
	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	<b>Operating income (GAAP)</b>	19,115	12,004	17,884	31,119
Stock-based compensation	4,034	3,612	2,401	7,646	5,032
<b>Operating income (Non-GAAP)</b>	<b>23,149</b>	<b>15,616</b>	<b>20,285</b>	<b>38,765</b>	<b>42,655</b>

# RECONCILIATION OF GAAP TO NON-GAAP

## Reconciliation of GAAP to Non-GAAP Tax on income (Tax benefit)

	Three months ended			6 months ended	
	June 30, 2017	March 31, 2017	June 30,2016	June 30, 2017	June 30,2016
	<b>Tax on income (Tax benefit) (GAAP)</b>	186	(761)	84	(575)
Deferred tax asset (realized)	773	1,332	(247)	2,105	(147)
<b>Tax on income (Tax benefit) (Non-GAAP)</b>	<u>959</u>	<u>571</u>	<u>(163)</u>	<u>1,530</u>	<u>906</u>

## Reconciliation of GAAP to Non-GAAP Net income

	Three months ended			6 months ended	
	June 30, 2017	March 31, 2017	June 30,2016	June 30, 2017	June 30,2016
	<b>Net income (GAAP)</b>	22,524	14,175	17,273	36,699
Stock-based compensation	4,034	3,612	2,401	7,646	5,032
Deferred tax realized (asset)	(773)	(1,332)	247	(2,105)	147
<b>Net income (Non-GAAP)</b>	<u>25,785</u>	<u>16,455</u>	<u>19,921</u>	<u>42,240</u>	<u>43,251</u>

# RECONCILIATION OF GAAP TO NON-GAAP

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

	Three months ended			6 months ended	
	June 30, 2017	March 31, 2017	June 30,2016	June 30, 2017	June 30,2016
	<b>Net basic earnings per share (GAAP)</b>	0.54	0.34	0.42	0.88
Stock-based compensation	0.10	0.09	0.06	0.19	0.12
Deferred tax realized (asset)	(0.02)	(0.03)	0.01	(0.05)	0.01
<b>Net basic earnings per share (Non-GAAP)</b>	<u>0.62</u>	<u>0.40</u>	<u>0.49</u>	<u>1.02</u>	<u>1.07</u>

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

	Three months ended			6 months ended	
	June 30, 2017	March 31, 2017	June 30,2016	June 30, 2017	June 30,2016
	<b>Net diluted earnings per share (GAAP)</b>	0.50	0.32	0.39	0.83
Stock-based compensation	0.06	0.06	0.04	0.12	0.08
Deferred tax realized (asset)	(0.01)	(0.02)	0.01	(0.05)	0.01
<b>Net diluted earnings per share (Non-GAAP)</b>	<u>0.55</u>	<u>0.36</u>	<u>0.44</u>	<u>0.90</u>	<u>0.95</u>

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

	Three months ended			6 months ended	
	June 30, 2017	March 31, 2017	June 30,2016	June 30, 2017	June 30,2016
	<b>Number of shares used in computing net diluted earnings per share (GAAP)</b>	44,831,590	43,837,505	44,463,087	44,335,521
Stock-based compensation	2,228,246	2,490,662	1,216,866	2,359,454	1,144,371
<b>Number of shares used in computing net diluted earnings per share (Non-GAAP)</b>	<u>47,059,836</u>	<u>46,328,167</u>	<u>45,679,953</u>	<u>46,694,975</u>	<u>45,664,865</u>

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