SolarEdge Q2 2026 Prepared Remarks

Erica Mannion – Sapphire Investor Relations

Good morning and thank you for joining us to discuss SolarEdge's operating results for the second quarter ended June 30, 2026, as well as the company's outlook for the third quarter of 2026. With me today are Shuki Nir, Chief Executive Officer, Maoz Sigron, Chief Financial Officer, and Meir Adest, co-founder of SolarEdge.

Shuki will begin with a brief review of the results for the second quarter ended June 30, 2026. Maoz will review the financial results for the second quarter, followed by the Company's outlook for the third quarter of 2026. 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 and our filings with the SEC for a more complete description of such risks and uncertainties. We disclaim any obligation to update our forward-looking statements. Please note, during this earnings call we may refer to certain Non-GAAP measures, 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 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 June 30, 2026 press release 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, Erica. Good morning, everyone and thank you for joining our call today. On our last call, I discussed how 2026 would be a year of transformation and acceleration for the company, built around four main priorities: driving profitable growth, expanding global market share, scaling the SolarEdge Nexis platform, and advancing our opportunity in power infrastructure for the AI factories of the future. This quarter, we saw tangible progress across each of these priorities, and I'm pleased to say that we reached an important milestone in our turnaround.

Starting with our execution towards profitable growth. Since the beginning of 2025 we have grown our quarterly revenue year over year and have just delivered a strong second quarter. Revenue grew 20% year over year to 346 million dollars, once again with no significant pull forward of revenue, and non-GAAP gross margin expanded for the sixth consecutive quarter. Combined with our continued expense discipline, we delivered non-GAAP operating profitability for the first time in nearly three years — an important milestone in our transformation, and a reflection of the relentless focus our team has maintained on operational efficiency and customer centricity.

Looking to the third quarter, we expect revenue to be in the range of 310-340 million dollars. Most of the sequential decline is expected in Europe, at approximately $15 million at the mid-point, mainly due to seasonality. At the same time, given the continued softness in the market, we do not expect the typical third-quarter pickup in the U.S.

Shifting to our second priority, market share gains. Our objective in 2026 has been to grow market share through product innovation, operational focus and improved customer satisfaction.

The U.S. resi market demand remained soft in the second quarter, as customers navigated a slower tax equity funding environment and continued uncertainty around FEOC. This environment has resulted in less funds available to start new projects and to pay for the completion of existing ones. It has put a strain on installers' businesses and cashflows and led to lower purchases from distributors who have also reduced the amount of inventory they carry. We expect this softness to continue in the third quarter, as the market awaits further clarity and better funding environment. With that said, when the market rebounds, we believe we are well positioned to gain share. This is due to our fit with the TPO business model and the amount of safe harbor transactions closed ahead of the July 4th deadline. We will share more information about the safe harbor transactions in both resi and C&I during our investor day on September 10.

In US C&I we have seen strong momentum. Better execution across EPCs, small C&I customers and enterprise accounts has helped increase our market share to more than 50% of U.S. C&I rooftop installations in the most recent report. In addition, SolarEdge systems are now installed on the rooftops of more than 60% of Fortune 100 companies. The outlook for this market remains positive, supported by rising electricity prices and data-center-driven demand. We have been the only major C&I inverter vendor to deliver U.S.-manufactured products at scale designed to meet domestic content, non-FEOC and FCC "Covered List" requirements. Together with the safe-harbor agreements we have secured, we believe that we can gain further share in the coming years.

In Europe, we more than doubled our revenue year-over-year as demand for solar grew in anticipation of higher electricity prices, and demand for storage increased in anticipation of the phase-out of net metering across several major markets. We believe the excitement around Nexis, along with the orders we have received in recent months, are positive indicators of our ability to gain share in the DACH region in the coming quarters. We expect a similar momentum across Europe with the planned roll out of the single-phase Nexis in Q1 2027.

In addition, in recent quarters we have launched retrofit campaigns in the Netherlands and the DACH region, where our combined installed base is greater than one million homes. In Q2 we generated more than $20 million in upsell activities and we expect this opportunity to continue growing.

Turning to our third priority, scaling the Nexis platform. At Intersolar in Germany this June, the highlight for us was the fantastic feedback we received from installers about Nexis. As discussed in previous calls, the platform was designed from the ground up to be a leading PV and storage solution in an environment where the grid is congested and utilities introduce dynamic tariffs. Recently, an independent renewable energy engineering consultant benchmarked Nexis against a leading competitor in Europe from the homeowner’s perspective. The analysis shows that Nexis is expected to deliver €5,000 in additional savings over 15 years, driven by superior round trip efficiency across all power levels and higher PV production.

In the second quarter we began to meaningfully roll out the 3-phase version of Nexis in Europe with shipments exceeding 60 million Dollars. In the US, initial feedback from installers and TPOs has been very positive and we expect Nexis installations to grow as we begin to roll out in volume. Nexis has been approved on a growing list of U.S. financing platforms — spanning TPO, prepaid PPA, and loan products — giving installers and homeowners more ways to access SolarEdge Nexis regardless of how they choose to finance.

Turning to our fourth priority in the AI factory market where we believe there is a substantial long-term opportunity.

In the second quarter, our data center business shifted from development to demonstrations as we continued to advance our solution, and to engage with prospects and the eco-system. Prospective customers, which importantly included their technical and engineering teams, had the opportunity to see live demonstrations of our SST in our labs. These demonstrations validated several critical elements of the system, including 99% efficiency across a range of power levels, direct conversion from medium-voltage AC to a regulated DC bus, and encouraging insulation results.

In a number of RFIs we have responded to, efficiency is a key area of focus. Efficiency directly translates into greater compute capacity within a fixed power envelope. And this additional compute leads to higher revenues, lower cost per token and improved return on investment for the data center.

Our technical progress and customer evaluations and feedback have increased our confidence in both the size of this opportunity and the strength of our position. We believe SolarEdge is developing a highly differentiated solution that addresses the growing need for greater power efficiency and increased compute capacity within data centers. We remain focused on our next planned milestones: getting to a working system in our lab by the end of this year, followed by pilot installations in 2027 and volume shipments in 2028.

To summarize: The second quarter marked a meaningful point in our turnaround. We returned to non-GAAP operating profitability and made progress in all four priorities. While we are pleased with this progress, our team continues to focus on maintaining the operating and financial discipline, driving profitable growth, gaining share in our core markets, scaling up the Nexis platform and advancing our SST to capture the AI factory opportunity.

Lastly, I would like to welcome our new CFO, Maoz. His experience across finance, operations, capital markets, and organizational transformation is highly relevant as we continue our journey from turnaround to profitable growth. I am confident that his leadership, together with the strength of our finance organization, will serve us well as we enter this next phase.

With that, I will hand it over to Maoz.

Maoz Sigron – Chief Financial Officer

Thank you Shuki, and good morning everyone.

I am very pleased to join SolarEdge and to speak with you today on my first earnings call as CFO of the Company.

I am excited about the opportunities ahead in residential and C&I, as well as the vast emerging opportunity in AI Factories. I've spent time with teams across the organization and have been impressed by the extent of the company's technology, the quality of its people, and the operational discipline that has been established.

My immediate priorities are continuity and execution, including; first, supporting profitable growth of our core business by ensuring our investments in Nexis and in our offering in the AI factory market, are aligned with clear milestones and returns; second, focusing on operational excellence by driving cost discipline and cost structure, while strengthening execution rigor, across manufacturing and the supply chain; and third, managing cash by prioritizing free cash-flow generation, maintaining a strong balance sheet and liquidity position.

Starting with our quarterly results:

GAAP revenue for the second quarter was $346.2 million, up 11.5% quarter over quarter and 19.6% year over year. Non-GAAP revenue was $345.5 million, up 11.5% quarter over quarter and 23.0% year over year, above the midpoint of our guidance range. This result does not include any significant pull-forward of revenue from safe-harbors.

GAAP revenue from the US amounted to $154.9 million, down 2% quarter over quarter, and representing 44.7% of our revenue. Revenue from Europe was $154.4 million, up 36% quarter over quarter, representing 44.6% of our revenue. International Markets revenue was $36.9 million, down 5% quarter over quarter, representing 10.7% of our revenue.

GAAP gross margin was 27.5% this quarter, compared to 22% in the first quarter and 11.1% in the second quarter of last year.

Non-GAAP gross margin was 28.6% this quarter, compared to 23.5% in the first quarter and 13.1% in the second quarter of last year, above the high end of our guidance range. These results include a gross benefit of $13.3 million related to IEEPA tariff refunds.

The improvement was driven by continued cost discipline, favorable product mix, the IEEPA refund, and improved operating leverage, as fixed costs were absorbed over higher volumes.

GAAP operating expenses for the second quarter were $111.2 million, compared to $123.3 million in the first quarter and $147.6 million in the second quarter of last year.

Non-GAAP operating expenses for the second quarter were $88.5 million, the exact midpoint of our guidance range, compared to $97.7 million in the first quarter and $85.2 million in the second quarter of last year. Despite the continued headwinds we face from a strengthening new Israeli shekel against the U.S. dollar, we are maintaining our ongoing cost control and leveraging efficiency measures to ensure profitable growth.

GAAP operating losses for the second quarter were $16 million, compared to GAAP operating losses of $55 million in the first quarter, and $115.5 million in the second quarter of last year.

Non-GAAP operating income for the second quarter was $10.2 million, compared to non-GAAP operating losses of $24.8 million in the first quarter, and $48.3 million in the second quarter of last year.

Our GAAP net loss was $30.8 million in the second quarter, compared to GAAP net losses of $57.4 million in the first quarter, and GAAP net losses of $124.7 million in the second quarter of last year.

Our non-GAAP net income was $3.6 million in the second quarter, compared to a non-GAAP net loss of $26.3 million in the first quarter, and non-GAAP net loss of $47.7 million in the second quarter of last year; Positive for the first time since the second quarter of 2023.

GAAP net loss per share was 50 cents in the second quarter, compared to a loss of 95 cents in the first quarter, and a loss of 213 cents in the second quarter of last year.

Non-GAAP net profit per diluted share was 5 cents in the second quarter, compared to a loss of 43 cents in the first quarter, and a loss of 81 cents in the second quarter of last year.

Turning now to our balance sheet.

As of June 30, 2026, cash, cash equivalents and Marketable securities were $601.6 million, up from $581.1 million as of December 31, 2025.

During the second quarter, we generated $3.1 million of free cash flow compared to $20.7 million in the first quarter, and a negative free-cash flow of $9.1 million in the second quarter of last year.

Our capital expenditure in the first half was $12 million.

For the full year 2026, we continue to expect capital expenditure within the range of $60 to $80 million, with our principal investment areas remaining: first, increased production capacity in the U.S. for both PV and batteries; second, investment in our new headquarters in Israel, largely related to advanced R&D facilities; third, investments related to our AI factory offering; and lastly, ongoing maintenance capex.

We continue to expect positive free cash flow for the full year, reflecting our improving operating performance, continued discipline in managing expenses and capital investments, and our ongoing ability to monetize 45X credits.

Turning to our working capital items, our rigorous focus on cash management continued to yield positive results.

In the second quarter, the net AR decreased once again, driven by strong collection. Combined with lower DSO and higher DPO, our conversion cycle continues to improve.

Turning now to our guidance for the third quarter of 2026.

We expect revenue to be within the range of $310 million to $340 million. This range does not include any significant pull forward of revenue.

We expect a non-GAAP gross margin of approximately 22% to 26%. This range does not include any impact from potential IEEPA refunds.

We expect non-GAAP operating expenses of approximately $86 million to $91 million; in line with our second quarter run-rate of $88.5 million and reflecting continued discipline in our core operations and planned investment in Nexis and AI factory SST.

Including the $11.5 million of IEEPA refunds we have already received in July, the midpoint of our guidance implies a non-GAAP operating profit in the third quarter.

We believe the combination of our operational discipline, market share gains and introduction of new innovative products including Nexis, will continue to drive profitable growth in the years ahead.

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