SolarEdge Q1 2026 Prepared Remarks

Erica Mannion – Sapphire Investor Relations

Good morning and thank you for joining us to discuss SolarEdge's operating results for the first quarter ended March 31, 2026, as well as the company's outlook for the second quarter of 2026. With me today are Shuki Nir, Chief Executive Officer, Asaf Alperovitz, Chief Financial Officer, and Meir Adest, co-founder of SolarEdge.

Shuki will begin with a brief review of the results for the first quarter ended March 31, 2026. Asaf will review the financial results for the first quarter, followed by the Company's outlook for the second 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 March 31, 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. Last quarter, I spoke about SolarEdge shifting from defense to offense with 2026 being a year of transformation and acceleration for the company. Our priorities are clear: driving towards profitable growth, expanding global market share, scaling SolarEdge Nexis, and investing in high-growth adjacencies such as AI data-center power. And we are doing this while maintaining the operational and financial discipline we have established. The team's morale and energy are the strongest they have been in years, and we are all aligned around improving our execution and maximizing the various opportunities ahead of us.

The first aspect of our transformation is achieving profitable growth. We have been steadily growing our revenues while expanding our gross margins in recent quarters. First quarter revenue was up on a year-over-year basis for the fifth consecutive quarter, growing 46% over Q1 2025. This was achieved without a significant pull forward of revenue and was once again accompanied by expanded margins.

At the midpoint of our guidance, we expect to approach breakeven operating profit in the second quarter. This marks an important milestone in our transformation, and reflects the relentless focus our entire team has had on operational efficiency and delivering best-in-class products and customer experience.

The next area of transformation is market share gains. Starting with the U.S. resi market.

The market got off to a slow start this year, as customers faced changes in tax credit policies and uncertainty related to FEOC. These uncertainties have slowed tax equity funding for TPOs, creating strain on installers' businesses and cash flows. Even so, we believe we are well-positioned to benefit when the market rebounds since the anticipated market evolution towards the 48E tax credit and higher battery attach rates are expected to play directly to our strengths: namely, our position as a leading provider to TPOs, and our fully-integrated DC-coupled battery architecture.

Turning to the US C&I market where we continue to build momentum. As you know, our scalable architecture of inverters and optimizers enhances the returns for C&I rooftop projects by harvesting more energy, enhancing safety and enabling customers to benefit from tax credits with products that are designed to be both domestic content and FEOC compliant. These advantages have resulted in share gains and, more specifically, in continued penetration of enterprise accounts, which come with a more stable cadence of business and improved visibility.

We view this position as structural rather than cyclical: domestic content and FEOC compliance are difficult for non-U.S. competitors to replicate quickly, and we expect this to continue to support our market share over multiple quarters.

We secured additional safe harbor transactions from both residential and C&I customers in the quarter and expect to secure additional deals in the second quarter, primarily through the physical work test method. These transactions provide several important strategic benefits.

First, they increase the visibility of our potential future revenue and share gains. The associated products can be deployed for up to four years and will translate into revenue when the customers take delivery of the entire product. Second, they create a natural entry point for incremental sales. When installers complete a safe harbored solar installation that also requires a battery or an EV charger, we are well positioned to capture that upsell. Third, these transactions allow us to size our operations more efficiently and support a more stable and predictable manufacturing profile over time.

Next let's turn to Europe. The market was slow in the first two months of the year but picked up in March, a trend that continued into April, driven in part by rising electricity prices in the region.

Despite the slow start, we delivered a strong first quarter in Europe, with revenue reaching its highest point since Q4 2023. The revenue growth is a result of stronger battery demand in both Resi and C&I across the region.

I would like to highlight that the strength in Europe is even before we have fully ramped the exports of U.S. manufactured products and before the roll out of SolarEdge Nexis platform.

Speaking of Nexis, our third area of transformation is product innovation and leadership. The SolarEdge Nexis launch event in Germany exceeded our expectations. Nearly 1,000 installers joined us in person or via the live stream, creating an atmosphere so electric you could feel it in the room.

What made the moment truly powerful was our customers' reaction. Their enthusiasm wasn't just polite applause - it was genuine excitement, because Nexis was built for the customer. Every feature exists because we listened closely, understood their pain points, and learned what they valued, and what frustrated them, in day-to-day installations and operations. Their feedback became the blueprint for Nexis. And the result is something we believe is truly special.

The excitement is already reflected in the order book. Our entire planned Q2 Nexis production is fully booked by European customers, and we continue to expand capacity to meet additional demand.

We believe the Nexis platform positions us at the leading edge of technology and feature innovation. It also enables us to address incremental segments of the market including larger homes, which account for over 50% of the residential market in Germany.

In addition, two weeks ago, we unveiled the second generation of our commercial battery - the CSS-OutDoor 197 kWh solution – which marks another major step forward in our energy-storage roadmap. This new system is purpose built for medium to large scale installations, whether deployed as a standalone storage asset or paired seamlessly with PV.

What sets the solution apart is the software suite, which enables multiple optimization modes: from maximizing self consumption to peak shaving, tariff optimization, and managing export and import limitations.

The fourth element of the transformation is investing in AI data center power solutions. At GTC26, NVIDIA featured a live, energized 800 VDC power rack, which reinforced that high-voltage DC power is moving from concept to infrastructure roadmap. The 800V DC evolution aligns exceptionally well with the technical capabilities SolarEdge has been building for twenty years. We believe this represents a multi-billion dollar addressable opportunity over time. Our plan is to deliver a working system in 2026, initial pilot installations in 2027, and a broader roll out in 2028.

Since our last call we've continued to advance our solid state transformer platform and have made progress toward a system capable of converting 34.5kV directly to 800V DC at efficiencies above 99%.

To summarize. We are executing on our transformation plan. We believe we have a clear line of sight to profitable growth. We have multiple tailwinds supporting continued global market share gains. We are moving toward high-volume shipments of new products. We are advancing our AI data center power solutions. We have firmly shifted to offense, and will press our advantages in every market that we serve.

Lastly, I would like to briefly address our CFO transition. Asaf will continue in his role through June 9th, and I would like to use this opportunity to thank him for his professionalism and commitment to the company, and for all the work he has done to further our turnaround. Our CFO search is well underway with strong candidates. Our finance organization is deep, our systems and processes are well established, and we expect no disruption to our 2026 plan or to our financial discipline.

With that I will turn the call over to Asaf.

Asaf Alperovitz – Chief Financial Officer

Thank you Shuki, and good morning everyone.

Starting with our quarterly results:

Non-GAAP revenues for the first quarter were $310 million dollars, up 46% year-over-year, and down 7% quarter over quarter, outperforming the typical seasonal decline of 10-15%. This result does not include any significant one-time or pull forward of revenue from safe harbor.

Revenues from the US this quarter amounted to $158 million dollars, down 20% quarter over quarter, and representing 51% of our revenues. Revenues from Europe were $114 million dollars, up 14% quarter over quarter, and representing 37% of our revenues. International Markets revenues were $38 million dollars, up 5% quarter over quarter and representing 12% of our revenues.

Non-GAAP gross margin this quarter was slightly up to 23.5% compared to 23.3% in Q4, towards the high end of our guidance. We achieved higher gross margins despite the lower revenue, largely due to a more favorable product mix and lower seasonal warranty costs.

A brief note on tariffs. On February 20th the U.S. Supreme Court ruled that certain tariffs imposed under the International Emergency Economic Powers Act, or IEEPA, were invalid. The refund submission process with the U.S. Customs and Border Protection has already commenced, and we anticipate that the refunds could total approximately $55 million. These potential refunds are not included in our Q2 guidance.

Non-GAAP operating expenses for the first quarter were $97.7 million dollars. However, excluding a one-time doubtful debt expense of approximately $14 million dollars, our ongoing operating expenses were approximately $84 million, below our guidance range and down from $88.7 million last quarter. This doubtful debt is related to one of our US customers, but NOT to Freedom Forever, which I will discuss shortly. This OPEX reduction is largely reflective of our ongoing cost control, the efficiency measures we implemented, and our focus on our core businesses. And, we are keeping our costs in check, despite the continued headwinds we face from a strengthening New Israeli Shekel against the U.S. dollar.

A brief note on our exposure to the bankruptcy of Freedom Forever. Freedom has been a long standing and valued partner of ours, and we appreciate the scale they brought to the residential solar market over the years. We have a net zero exposure on our balance sheet, as we have not recognized significant revenue from Freedom over the course of the last 18 months. During this period, payments received were first applied to a reduction in their outstanding balances. Given the uncertainty around Freedom's financial position, remaining amounts owed to us have been fully offset by a deferred revenue liability on the balance sheet throughout this 18 month period, and netted to zero.

We hold a UCC lien against Freedom's assets, representing the amounts owed to us by Freedom, which equal approximately $100 million. We do not know what, if any, amount will be recovered, but any amount we ultimately recover would be recognized as a benefit in our P&L in the period received[DL1.1].

Non-GAAP operating loss for Q1 was approximately $25 million dollars. When excluding the one-time $14 million doubtful debt expense, our ongoing operating loss was approximately $11 million, flat with Q4, despite 7% lower revenue. As these results demonstrate, we are relentlessly pursuing ever greater operational efficiency as we continue our journey back to profitable growth.

Our non-GAAP net loss was $26.3 million dollars in Q1, compared to a non-GAAP net loss of $8.2 million dollars in Q4.

Non-GAAP net loss per share was 43 cents in Q1, compared to 14 cents in Q4.

Both Non-GAAP net loss and loss per share, were also impacted by the one-time $14 million doubtful debt charge as I just noted.

Turning now to our balance sheet. As of March 31, 2026, our cash and investments totaled approximately $583 million. During the first quarter, we generated roughly $21 million of free cash flow. Our cash and investments increased by about $2 million in the quarter, as free cash flow was partially offset by several items, the largest being a one-time non-operational $26 million payment related to a lease amendment for our new headquarters.

Aligned with our efficiency measures, this amendment significantly reduces our planned footprint when we move into the new campus next year, and is expected to lower our annual lease expense by approximately $8 million.

Our capital expenditures this quarter were approximately $4 million. For the full year 2026 we anticipate capital expenditures in the range of $60 to $80 million. The main buckets of capex this year are: one) increased production capacity in the U.S. for both PV and batteries; two) investment in our new headquarters in Israel, largely related to advanced R&D facilities; three) investment related to our AI data center offering; and lastly, ongoing maintenance capex.

Despite this higher capex, and our planned investment in working capital to support our anticipated growth and the Nexis launch, we expect to generate positive cash flow for the full year 2026. This reflects solid underlying operating performance, continued discipline in managing expenses and capital investments, and our continued ability to monetize 45X credits, which is an important contributor to our cash flow expectations.

Turning to our working capital items. Our rigorous focus on cash management continues to yield positive results. In Q1 our cash conversion cycle reached its fastest point in many years, driven by lower DSOs and higher DPOs. And this is despite our inventory growing by $44 million, largely related to higher raw materials procurement in support of our Nexis launch, and higher battery demand.

AR net, decreased this quarter to $223 million dollars compared to $267 million dollars last quarter, driven by our strong collection.

Turning now to our guidance for the second quarter of 2026. We are expecting revenues to be within the range of $325 to $355 million dollars. This range does not include any significant one-time pull forward of revenue.

We expect non-GAAP gross margin to be within the range of 23% to 27%. This range does not include any impact from potential IEEPA refunds.

We expect non GAAP operating expenses to be in the range of $86 million to $91 million. For comparison, ongoing operating expenses in Q1 were $84 million, excluding the one time $14 million doubtful debt charge. The midpoint of our OPEX guidance therefore reflects a modest sequential increase, driven primarily by the strengthening of the New Israeli Shekel against the U.S. dollar, net of our hedging activities.

At the midpoint of our Q2 guidance, the implied EBIT loss for the period is approximately $3.5 million, bringing us close to breakeven. This represents a meaningful step in our focus on gradual progression toward profitable growth as we move into the third quarter.

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