



Calendar 3<sup>rd</sup> Quarter 2017

Earnings summary

November 8, 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 Form 10-K/T for the period from July 1, 2016 to December 31, 2016.

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



**2,041K optimizers  
shipped**



**90K inverters  
shipped**



**676 Megawatts  
shipped**



**\$166.6M revenues**

# THIRD QUARTER HIGHLIGHTS

## Financial highlights for quarter

- Record revenue of \$166.6 million, up 22% QoQ
- GAAP gross margin of 34.9%
- Record GAAP operating income of \$25.4 million
- Record GAAP net income of \$28.0 million
- Record Non-GAAP net income of \$31.5 million
- Record cash flow from operation - \$33.6M

## Business highlights for quarter

- 676 Megawatts AC inverters shipped
- Two million optimizers and 90K inverters shipped



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# HIGHLIGHTS

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- Record revenues from outside the United States (51% of total revenues), continuing last quarter's significant growth in Germany and the Netherlands
- Two million optimizers shipped; aggregate of 20 million optimizers shipped since sales began in 2010
- Commercial sales continue to increase
- Strong momentum in Australia
- Transition of all non-storage residential inverters to HD-wave platform completed

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# NOTEWORTHY

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- Continued component allocation issues combined with high product demand require increase in air shipments and increased lead time
- Competitive landscape unchanged
- ASP environment remains stable
- New product family targeting a new market segment for SolarEdge

# GAAP FINANCIAL RESULTS

*USD in millions	CQ3'17	CQ2'17	CQ3'16
Revenues	166.6	136.1	128.5
Gross margin	34.9%	34.6%	32.6%
Operating expenses	32.7	28.0	23.6
Operating income	25.4	19.1	18.2
Net income	28.0	22.5	15.6
Net diluted earnings per share	0.61	0.50	0.35

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

# NON-GAAP FINANCIAL RESULTS

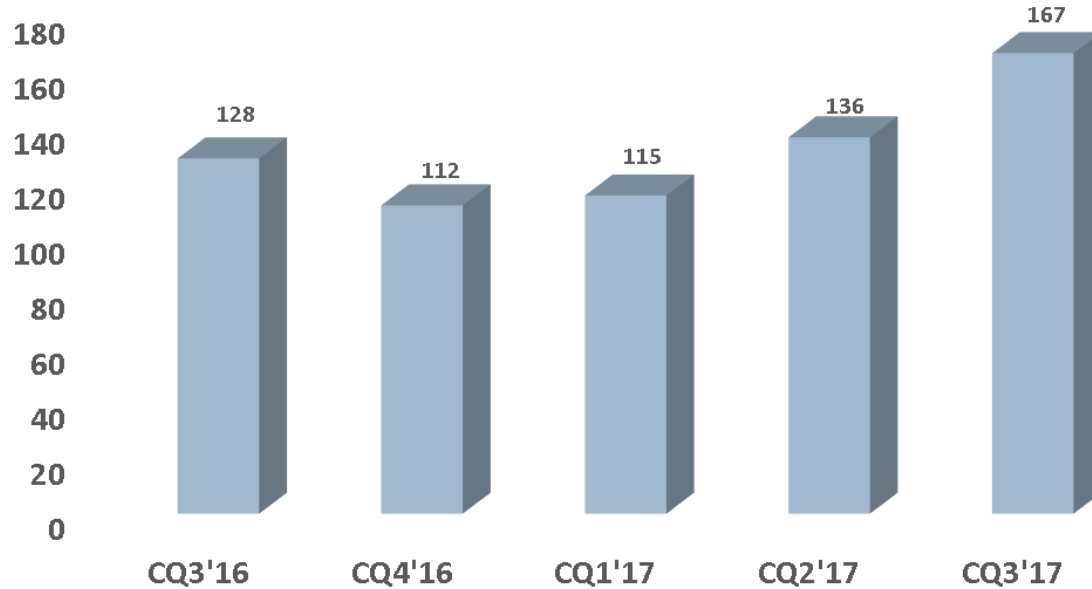
*USD in millions	CQ3'17	CQ2'17	CQ3'16
Revenues	166.6	136.1	128.5
Gross margin	35.2%	35.0%	32.9%
Operating expenses	28.7	24.4	20.9
Operating income	29.9	23.1	21.3
Net income	31.5	25.8	20.9
Net diluted earnings per share	0.66	0.55	0.46

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



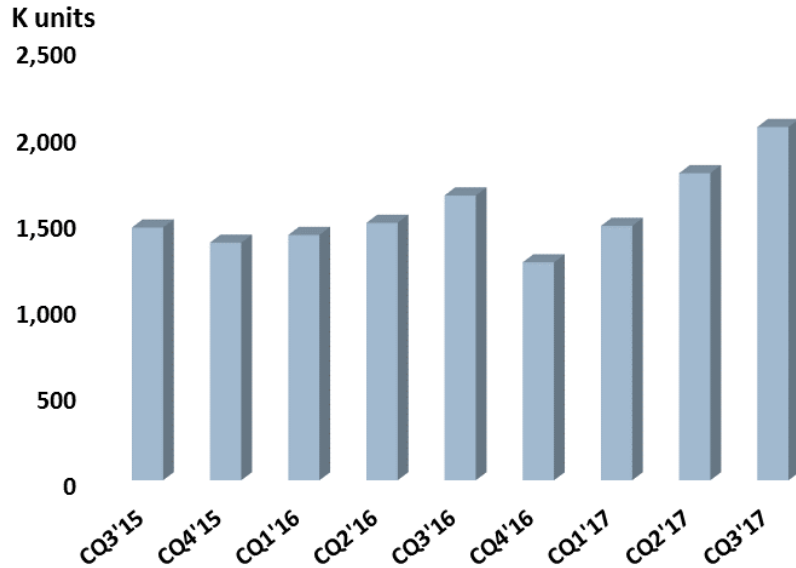
# QUARTERLY REVENUES

USD millions

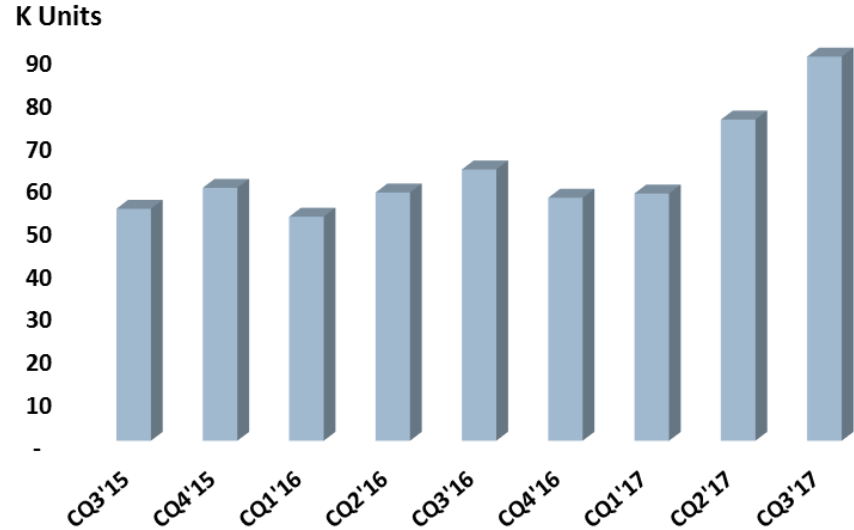


# UNITS SHIPPED

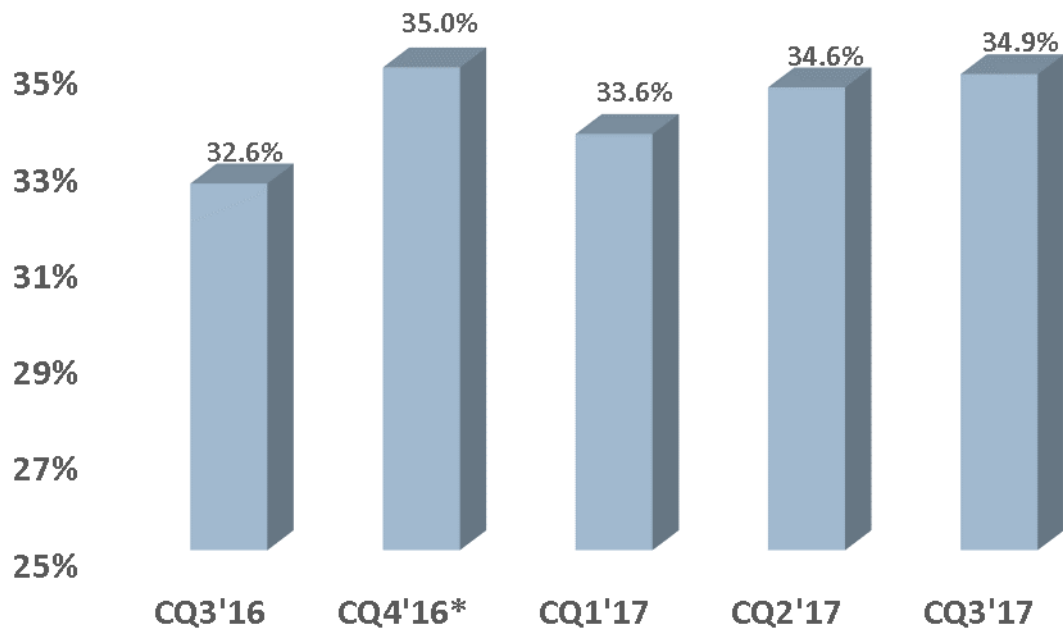
## Optimizers shipped



## Inverters shipped

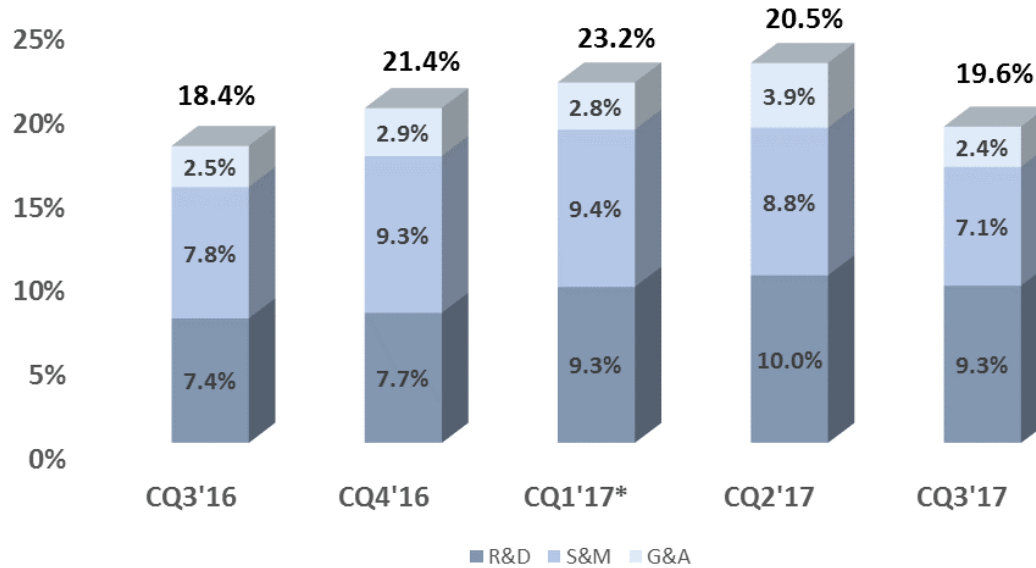


# GROSS MARGIN



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

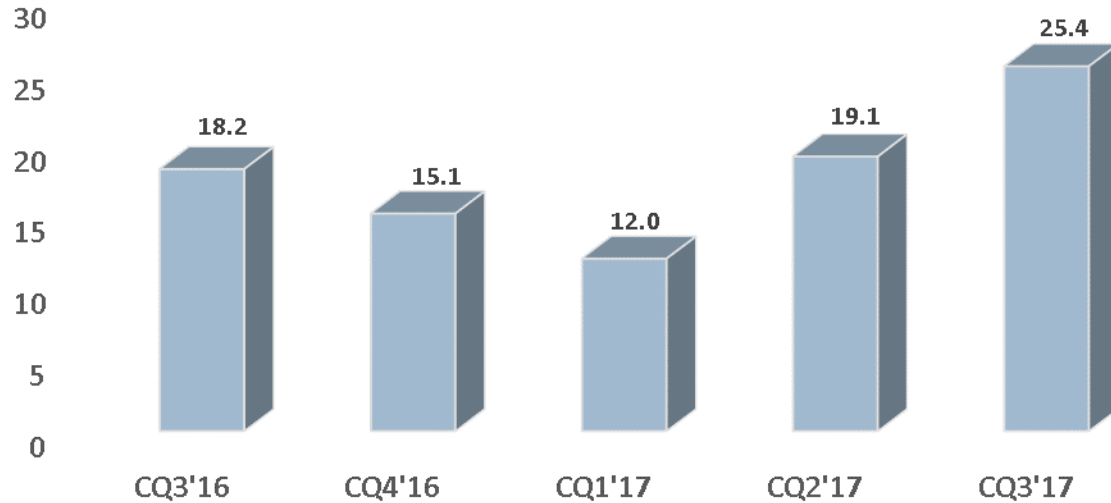
# OPERATING EXPENSES



\*CQ1' 17 Operating expenses included accrual for doubtful debt, representing 1% of revenues

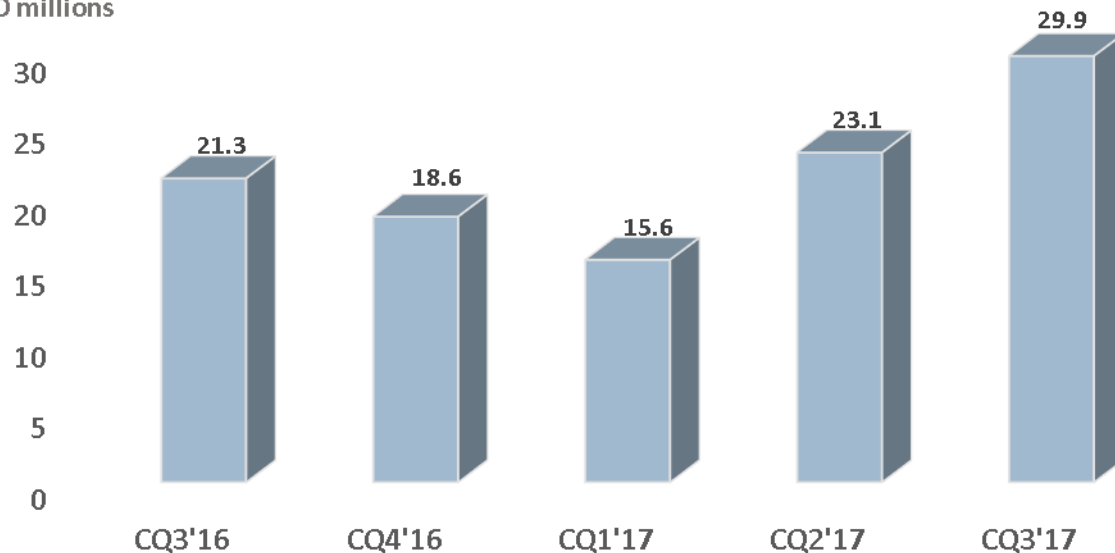
# GAAP OPERATING INCOME

USD millions



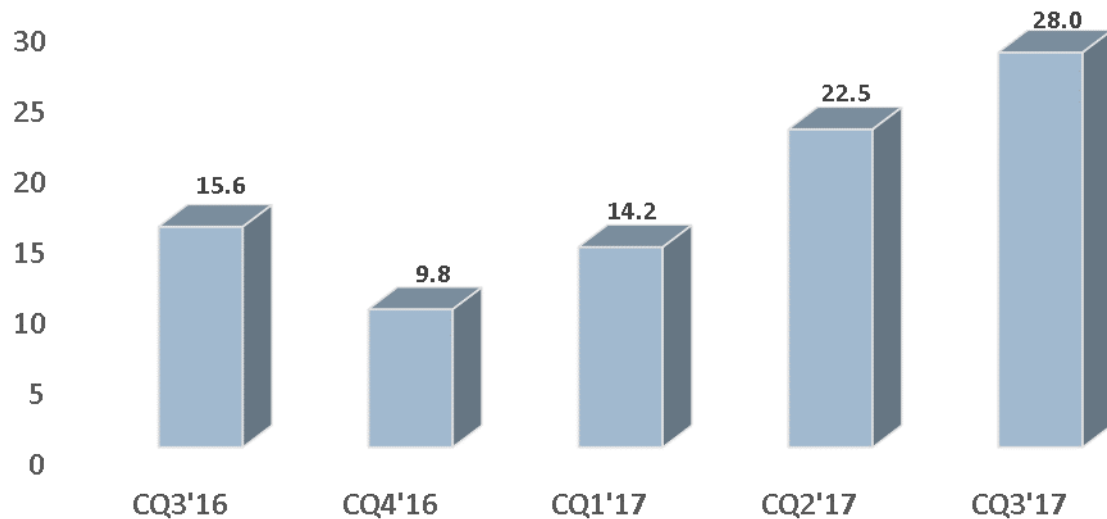
# NON-GAAP OPERATING INCOME

USD millions



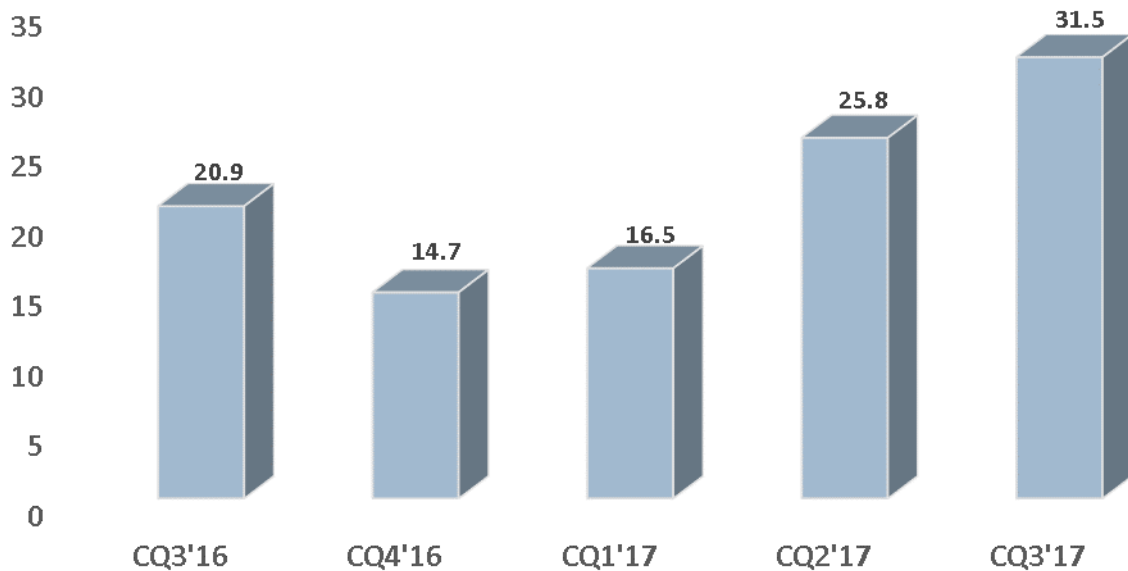
# GAAP NET INCOME

USD millions



# NON-GAAP NET INCOME

USD millions





# BALANCE SHEET & CASH FLOW

USD in millions	CQ3'17	CQ2'17	CQ3'16
Cash and investments	304.7	274.7	206.7
Inventory	62.4	56.2	68.4
Capital Expenditures	5.6	5.7	3.8
Total Debt	0.0	0.0	0.0
Cash Flow From Operations	33.6	31.6	24.4

# FOURTH QUARTER GUIDANCE

- ▢ Revenues expected to be within the range of \$175 million to \$185 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			Nine months ended	
	September 30, 2017	June 30, 2017	September 30,2016	September 30, 2017	September 30,2016
	<b>Gross profit (GAAP)</b>	58,054	47,066	41,875	143,796
Stock-based compensation	538	517	385	1,548	941
<b>Gross profit (Non-GAAP)</b>	<u>58,592</u>	<u>47,583</u>	<u>42,260</u>	<u>145,344</u>	<u>122,663</u>

## Reconciliation of GAAP to Non-GAAP Gross Margin

	Three months ended			Nine months ended	
	September 30, 2017	June 30, 2017	September 30,2016	September 30, 2017	September 30,2016
	<b>Gross margin (GAAP)</b>	34.9%	34.6%	32.6%	34.4%
Stock-based compensation	0.3%	0.4%	0.3%	0.4%	0.2%
<b>Gross margin (Non-GAAP)</b>	<u>35.2%</u>	<u>35.0%</u>	<u>32.9%</u>	<u>34.8%</u>	<u>32.4%</u>

# RECONCILIATION OF GAAP TO NON-GAAP

## Reconciliation of GAAP to Non-GAAP Operating expenses

	Three months ended			Nine months ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<b>Operating expenses (GAAP)</b>	32,658	27,951	23,635	87,281	65,859
Stock-based compensation R&D	1,423	1,280	927	3,908	2,398
Stock-based compensation S&M	1,439	1,204	849	3,673	2,421
Stock-based compensation G&A	1,137	1,033	939	3,054	2,371
<b>Operating expenses (Non-GAAP)</b>	<u>28,659</u>	<u>24,434</u>	<u>20,920</u>	<u>76,646</u>	<u>58,668</u>

## Reconciliation of GAAP to Non-GAAP Operating income

	Three months ended			Nine months ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<b>Operating income (GAAP)</b>	25,396	19,115	18,240	56,515	55,863
Stock-based compensation	4,537	4,034	3,100	12,183	8,132
<b>Operating income (Non-GAAP)</b>	<u>29,933</u>	<u>23,149</u>	<u>21,340</u>	<u>68,698</u>	<u>63,995</u>

# RECONCILIATION OF GAAP TO NON-GAAP

	Reconciliation of GAAP to Non-GAAP Tax on income (Tax benefit)				
	Three months ended			Nine months ended	
	September 30, 2017	June 30, 2017	September 30,2016	September 30, 2017	September 30,2016
Tax on income (Tax benefit) (GAAP)	91	186	3,014	(484)	4,067
Deferred tax asset (realized)	959	773	(2,179)	3,064	(2,326)
<b>Tax on income (Tax benefit) (Non-GAAP)</b>	<b>1,050</b>	<b>959</b>	<b>835</b>	<b>2,580</b>	<b>1,741</b>

	Reconciliation of GAAP to Non-GAAP Net income				
	Three months ended			Nine months ended	
	September 30, 2017	June 30, 2017	September 30,2016	September 30, 2017	September 30,2016
Net income (GAAP)	27,971	22,524	15,616	64,670	53,688
Stock-based compensation	4,537	4,034	3,100	12,183	8,132
Deferred tax realized (asset)	(959)	(773)	2,179	(3,064)	2,326
<b>Net income (Non-GAAP)</b>	<b>31,549</b>	<b>25,785</b>	<b>20,895</b>	<b>73,789</b>	<b>64,146</b>

# RECONCILIATION OF GAAP TO NON-GAAP

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

	Three months ended			Nine months ended	
	September 30, 2017	June 30, 2017	September 30,2016	September 30, 2017	September 30,2016
	Net basic earnings per share (GAAP)	0.66	0.54	0.38	1.55
Stock-based compensation	0.11	0.10	0.08	0.29	0.20
Deferred tax realized (asset)	(0.03)	(0.02)	0.05	(0.08)	0.06
Net basic earnings per share (Non-GAAP)	0.74	0.62	0.51	1.76	1.58

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

	Three months ended			Nine months ended	
	September 30, 2017	June 30, 2017	September 30,2016	September 30, 2017	September 30,2016
	Net diluted earnings per share (GAAP)	0.61	0.50	0.35	1.44
Stock-based compensation	0.07	0.06	0.06	0.19	0.14
Deferred tax realized (asset)	(0.02)	(0.01)	0.05	(0.06)	0.05
Net diluted earnings per share (Non-GAAP)	0.66	0.55	0.46	1.57	1.40

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

	Three months ended			Nine months ended	
	September 30, 2017	June 30, 2017	September 30,2016	September 30, 2017	September 30,2016
	Number of shares used in computing net diluted earnings per share (GAAP)	46,131,556	44,831,590	43,995,227	44,937,527
Stock-based compensation	1,535,258	2,228,246	1,742,211	2,084,722	1,343,651
Number of shares used in computing net diluted earnings per share (Non-GAAP)	47,666,814	47,059,836	45,737,438	47,022,249	45,692,112

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