



Calendar First Quarter 2018

Earnings summary

May 09, 2018

SAFE HARBOR

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 Form.

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



**2.5M optimizers
shipped**



**100K inverters
shipped**



**800 Megawatts
shipped**



\$209.9M revenues

FIRST QUARTER HIGHLIGHTS

Financial highlights for quarter

- Record revenue of \$209.9 million, up 10.8% QoQ
- Record GAAP gross margin of 37.9%
- Record GAAP operating income of \$40.8 million
- Record GAAP net income of \$35.7 million
- Record Non-GAAP net income of \$42.6 million
- Record cash flow from operation of \$64.0 million

Business highlights for quarter

- 800 Megawatts AC inverters shipped
- 2.5M optimizers and 100K inverters shipped



NOTEWORTHY

- ☐ Record quarter performance in all financial parameters: revenues, gross margin, profitability and quarterly cash flow generation
- ☐ Record gross margin of 37.9%, stable ASP and continued cost reduction
- ☐ Record high sales in APAC, representing 13% of revenues
- ☐ Launched grid services and virtual power plant (VPP) offering
- ☐ Component shortages continue to be a challenge for undisrupted production, resulting in air shipments

NOTEWORTHY

- ☐ Announced purchase of assets of Gamatronic Electronics Ltd. that develops, manufactures and sells Uninterruptible Power Supply systems (UPS)
- ☐ Gamatronic's UPS business will serve as a basis for a new SolarEdge business unit
- ☐ Products include UPS systems of a wide range of outputs, monitoring and management solutions of power systems
- ☐ Gamatronic has been selling its products since 1970 globally including in the United States, China, Europe, South Africa and Latin America
- ☐ UPS market size estimated at above \$7 billion
- ☐ Effect on 2018 annual revenues expected to be minimal with marginally positive effect on EPS

GAAP FINANCIAL RESULTS

*USD in millions	Q1 18	Q4 17	Q1 17
Revenues	209.9	189.3	115.1
Gross margin	37.9%	37.5%	33.6%
Operating expenses	38.8	36.4	26.7
Operating income	40.8	34.6	12.0
Net income	35.7	19.5	14.2
Net diluted earnings per share	0.75	0.42	0.32

*With the exception of gross margin and per share data

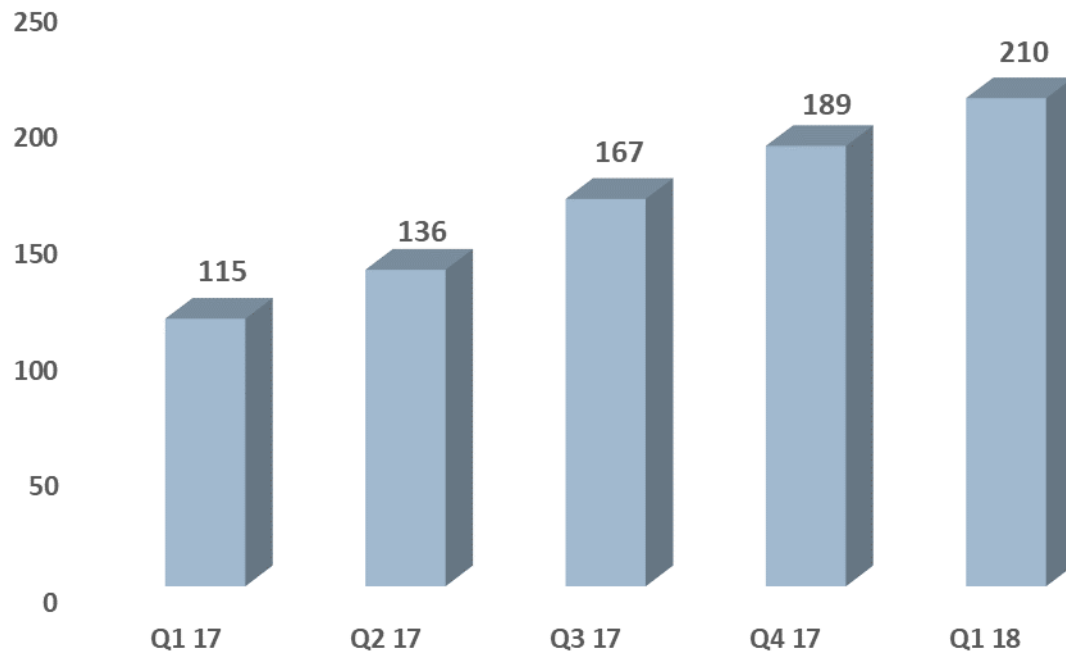
NON-GAAP FINANCIAL RESULTS

*USD in millions	Q1 18	Q4 17	Q1 17
Revenues	209.9	189.3	115.1
Gross margin	38.4%	37.9%	34.0%
Operating expenses	32.8	31.7	23.6
Operating income	47.7	40.0	15.6
Net income	42.6	41.2	16.5
Net diluted earnings per share	0.87	0.85	0.36

*With the exception of gross margin and per share data

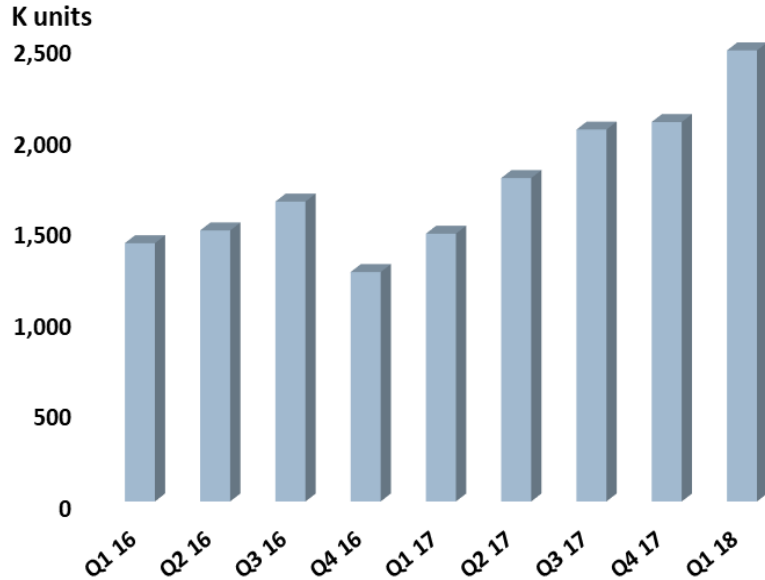
QUARTERLY REVENUES

USD millions

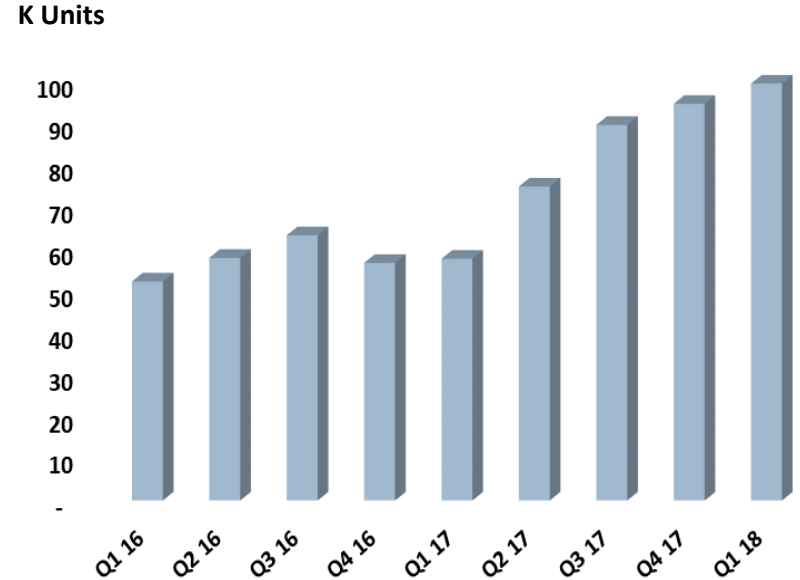


UNITS SHIPPED

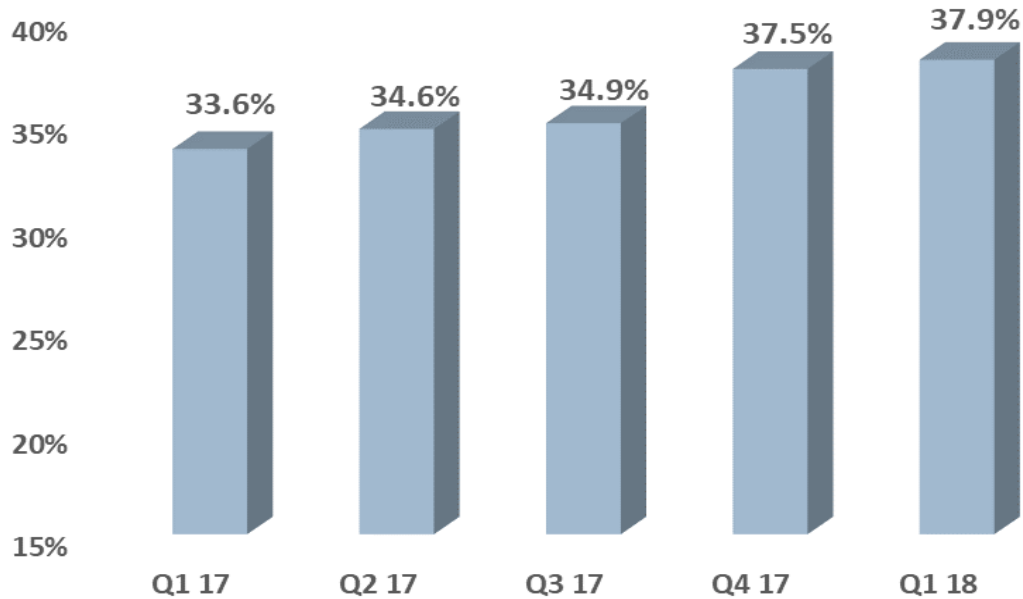
Optimizers shipped



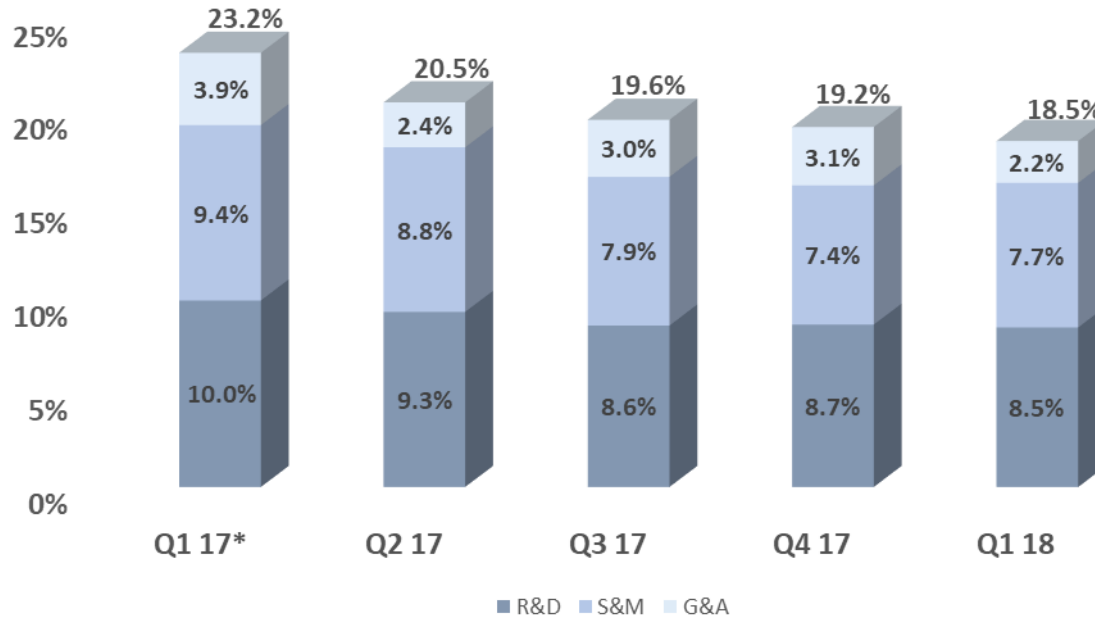
Inverters shipped



GROSS MARGIN



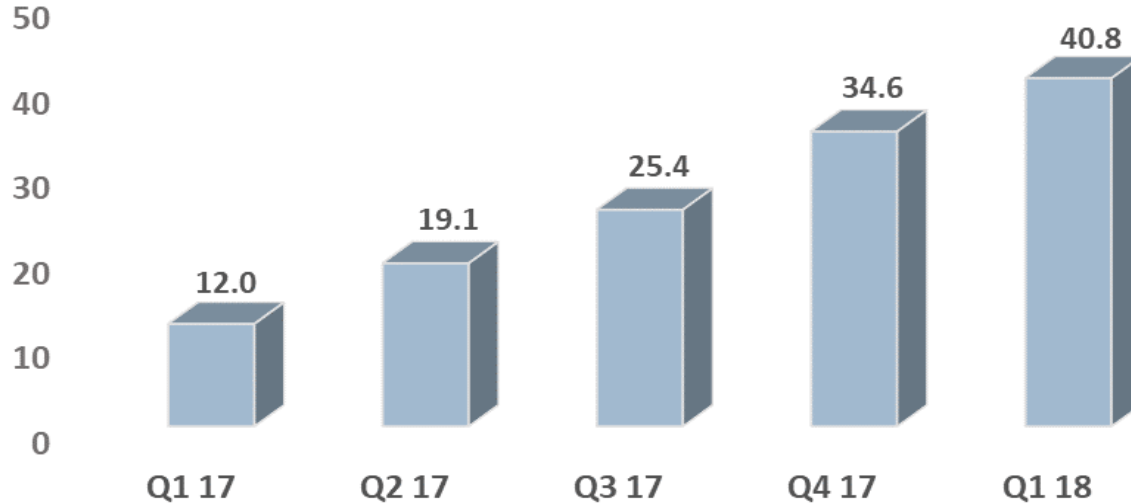
OPERATING EXPENSES PERCENTAGE



*Q1 17 operating expenses included accrual for doubtful debt, representing 1% of revenues

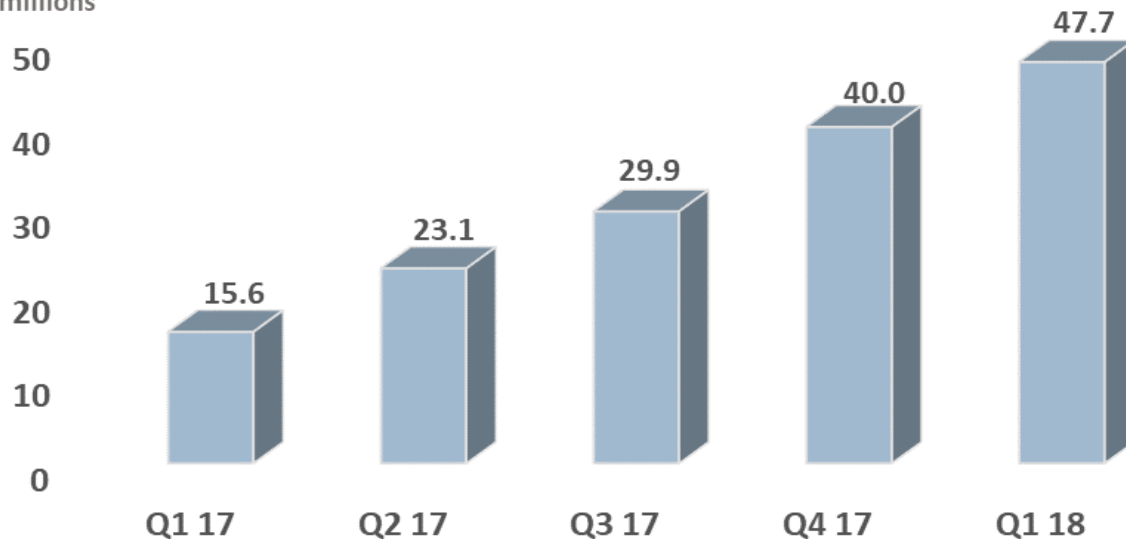
GAAP OPERATING INCOME

USD millions

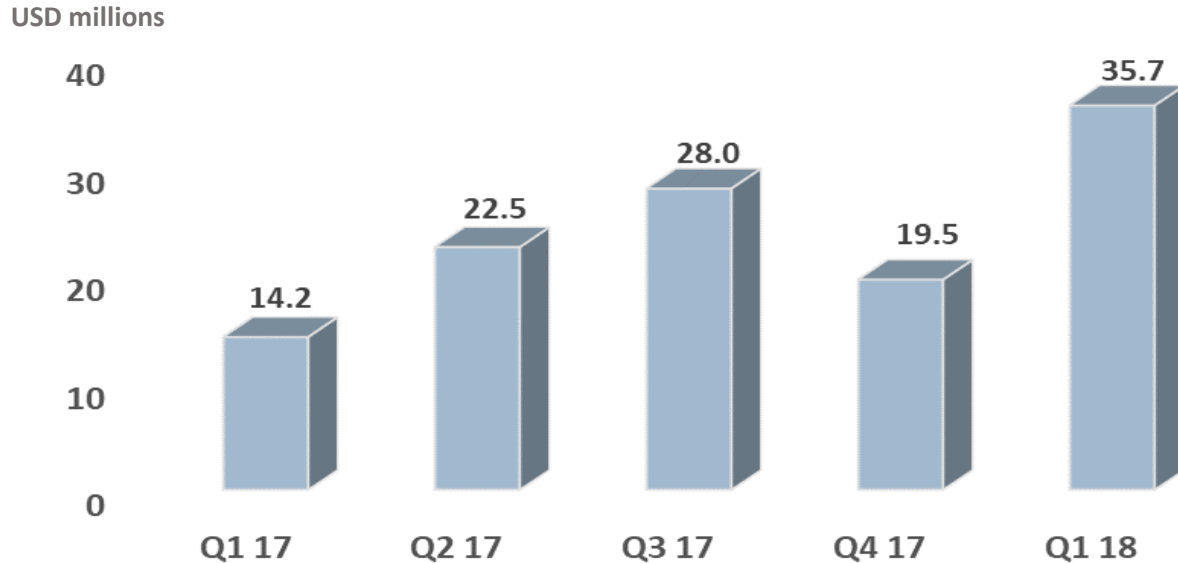


NON-GAAP OPERATING INCOME

USD millions



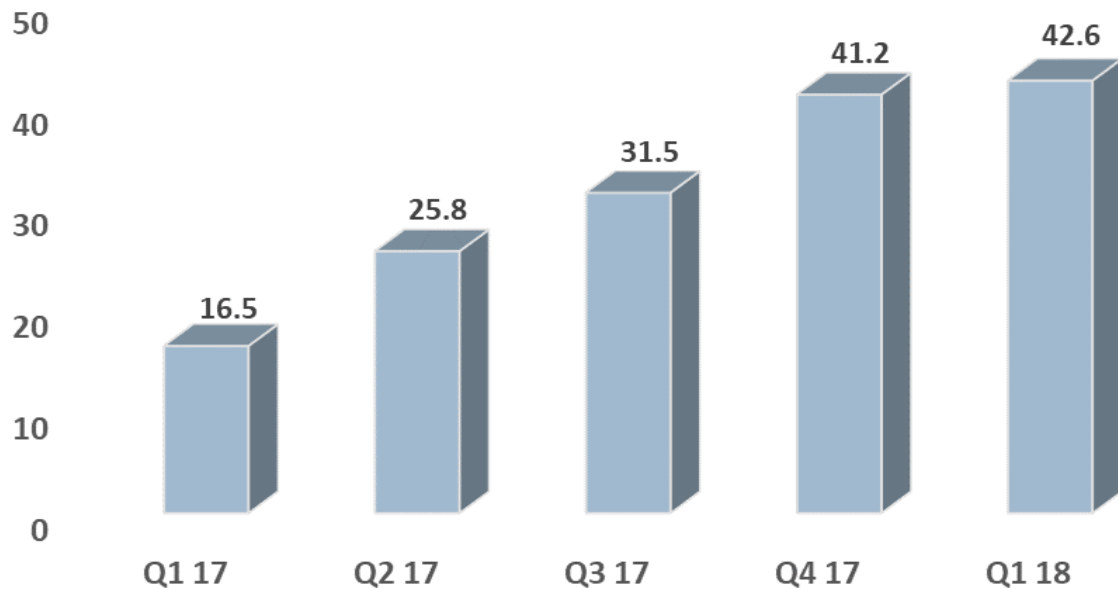
GAAP NET INCOME



* Q4 '17 and Q1 '18 include one time transition tax accrual of \$18.7M and \$0.8, respectively

NON-GAAP NET INCOME

USD millions



BALANCE SHEET & CASH FLOW

USD in millions	Q1 18	Q4 17	Q1 17
Cash and investments	400.8	345.1	247.6
Inventory	98.4	83.0	60.9
Capital Expenditures	11.3	8.8	2.1
Total Debt	-	-	-
Cash Flow From Operations	64.0	45.8	25.7

SECOND QUARTER GUIDANCE

- ▢ Revenues expected to be within the range of \$220 million to \$230 million
- ▢ Gross margin expected to remain flat within the range of 36% to 38%



Appendix

RECONCILIATION OF GAAP TO NON-GAAP

	Reconciliation of GAAP to Non-GAAP Gross Profit		
	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Gross profit (GAAP)	79,597	70,970	38,676
Stock-based compensation	924	703	493
Gross profit (Non-GAAP)	80,521	71,673	39,169

	Reconciliation of GAAP to Non-GAAP Gross Margin		
	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Gross margin (GAAP)	37.9%	37.5%	33.6%
Stock-based compensation	0.5%	0.4%	0.4%
Gross margin (Non-GAAP)	38.4%	37.9%	34.0%

RECONCILIATION OF GAAP TO NON-GAAP

Reconciliation of GAAP to Non-GAAP Operating expenses

	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Operating expenses (GAAP)	38,769	36,399	26,672
Stock-based compensation R&D	2,382	1,795	1,205
Stock-based compensation S&M	2,204	1,714	1,030
Stock-based compensation G&A	1,339	1,170	884
Operating expenses (Non-GAAP)	32,844	31,720	23,553

Reconciliation of GAAP to Non-GAAP Operating income

	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Operating income (GAAP)	40,828	34,571	12,004
Stock-based compensation	6,849	5,382	3,612
Operating income (Non-GAAP)	47,677	39,953	15,616

RECONCILIATION OF GAAP TO NON-GAAP

	Reconciliation of GAAP to Non-GAAP Financial income, net		
	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Financial income, net (GAAP)	584	1,487	1,410
Non cash interest	512	----	----
Financial income, net (Non-GAAP)	1,096	1,487	1,410
	Reconciliation of GAAP to Non-GAAP Other expenses		
	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Other expenses (GAAP)	64	----	----
Fixed Assets disposal	64	----	----
Other expenses (Non-GAAP)	----	----	----
	Reconciliation of GAAP to Non-GAAP Tax on income (Tax benefit)		
	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Tax on income (Tax benefit) (GAAP)	5,662	16,556	(761)
Deferred tax realized (asset)	(1,321)	(2,392)	(1,332)
Transition tax of foreign earnings	820	18,735	----
Tax on income (Tax benefit) (Non-GAAP)	6,163	213	571

RECONCILIATION OF GAAP TO NON-GAAP

	Reconciliation of GAAP to Non-GAAP Net income		
	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Net income (GAAP)	35,686	19,502	14,175
Stock-based compensation	6,849	5,382	3,612
Non cash interest	512	----	----
FA disposal	64	----	----
Deferred tax realized (asset)	(1,321)	(2,392)	(1,332)
Transition tax of foreign earnings	820	18,735	----
Net income (Non-GAAP)	42,610	41,227	16,455

RECONCILIATION OF GAAP TO NON-GAAP

	Reconciliation of GAAP to Non-GAAP Net basic EPS		
	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Net basic earnings per share (GAAP)	0.81	0.45	0.34
Stock-based compensation	0.15	0.12	0.09
Non cash interest	0.01	----	----
FA disposal	----	----	----
Deferred tax realized (asset)	(0.03)	(0.05)	(0.03)
Transition tax of foreign earnings	0.02	0.43	----
Net basic earnings per share (Non-GAAP)	0.96	0.95	0.40

	Reconciliation of GAAP to Non-GAAP Net diluted EPS		
	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Net diluted earnings per share (GAAP)	0.75	0.42	0.32
Stock-based compensation	0.12	0.10	0.06
Non cash interest	0.01	----	----
FA disposal	----	----	----
Deferred tax realized (asset)	(0.03)	(0.05)	(0.02)
Transition tax of foreign earnings	0.02	0.38	----
Net diluted earnings per share (Non-GAAP)	0.87	0.85	0.36

	Reconciliation of GAAP to Non-GAAP No. of shares used in Net diluted EPS		
	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Number of shares used in computing net diluted earnings per share (GAAP)	47,673,522	46,876,328	43,837,505
Stock-based compensation	1,535,408	1,375,527	2,490,662
Number of shares used in computing net diluted earnings per share (Non-GAAP)	49,208,930	48,251,855	46,328,167

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