SolarEdge Q3 2026 Prepared Remarks

Jeff Osborne – Head of Investor Relations

Good morning and thank you for joining us to discuss SolarEdge's operating results for the third quarter ended September 30, 2026, as well as the company's outlook for the fourth 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 third quarter ended September 30, 2026. Maoz will review the financial results for the third quarter, followed by the Company's outlook for the fourth 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 or are provided directly as part of this earnings call. 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 September 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 Jeff. Good morning everyone, and thank you for joining our call today.

As highlighted on previous calls, our turnaround continues to be guided by four priorities: driving profitable growth, expanding global market share, scaling the SolarEdge Nexis platform, and advancing our opportunity in SSTs for data centers. In the third quarter, we made further progress on each of them.

We met the midpoint of our revenue and gross margin guidance even as the market presented a more challenging near-term backdrop, as we continue to pursue profitable growth. This was also our fifth consecutive quarter of positive free cash flow, reflecting the steady progress we have made over the past two years.

But before I get into the details of Q3, I would like to address the outlook. We expect Q4 revenue of $245 to $275 million, below the expectations provided at our Investor Day. This decline is a result of two main developments:

First, our two main markets are expected to be soft in Q4 and Q1. The US residential market continues to be slow, mainly due to delays in additional guidance surrounding FEOC clarity and higher interest rates. And Germany is currently reforming its Renewable policy Act, called EEG. If the current draft

is adopted, the reduction of feed-in tariff support could meaningfully weigh on demand for new installations.

When adjusting for the expected levels of installations in the US and Germany, and in order not to over ship products into the channel, we expect our revenue in Q4 to further decline. We believe this inventory discipline is warranted as Q4 is typically followed by a seasonally weak Q1.

Second, we are making deliberate decisions to exit select underperforming geographic markets and redirect resources toward our core markets and higher-growth opportunities. In addition, given the lower revenue outlook, we are taking additional actions to reduce costs, simplify operations, and support profitability. These are difficult but necessary decisions to build a more focused and competitive SolarEdge. Maoz will walk you through the financial impact of the actions we are taking.

While the near-term backdrop is soft, the underlying fundamentals and growth drivers we laid out at our Investor Day remain in place. Even in this environment, our third-quarter results provide solid evidence that the underpinnings of our growth initiatives are taking shape.

Shifting to our second priority, market share gains. Starting with the U.S. commercial and industrial market. We continue to build on our higher than 50% market share in rooftop C&I, and our pipeline remains healthy. The outlook for the C&I market remains solid, supported by rising electricity prices, data-center-driven demand, and the expectation that storage attach rates will increase over time.

Within the U.S. residential market, demand remained soft. It is consistent with the broader financing-driven headwinds, and the higher interest rates. Beyond the near-term, we continue to believe the market's evolution

toward higher battery attach rates and third-party ownership plays to our strengths. Namely, our long-standing position as a leading provider to TPOs, and our fully integrated, DC-coupled battery architecture. Our confidence is supported by the visibility provided by the Safe Harbor transactions in both Resi and C&I. These agreements amount to $1.7 billion and may reach $3.3 billion when required optimizers are added.

Turning to Europe. In the third quarter we witnessed the expected seasonal decline, but continued to ramp up Nexis 3 phase, to deliver commercial storage solutions and to accelerate our battery upsell activities. Speaking of battery upsell activities, we continued to leverage our installed base of over 1 million homes in the Netherlands and Germany. In the quarter we recognized more than $30 million in revenue from upselling to them, up from more than $20 million in Q2.

Turning to our third priority, scaling the Nexis platform. Nexis systems delivered strong sequential growth and contributed over $100 million in revenue this quarter. We see continued adoption of three-phase Nexis in European markets since we started shipping in the second quarter. Nexis installations have shown higher average system size as it addresses the 10-30KW segment in Germany. They have also come with a higher attach rate of storage due to the built-in advantages the Nexis solution has in a PV plus storage environment.

In the US, Nexis has been added to the Approved Vendor Lists of every leading TPO and prepaid lease company we work with, and our meter collar solution was approved by California's top utilities. It allowed us to start rolling out Nexis in July, and so far, we have received very positive feedback which aligns with our value proposition - with Nexis, homeowners get higher savings, installers can complete more jobs faster, and TPOs can maximize fleet

return on investment. It’s important to note that the Nexis stackable battery has led to installations of systems ranging between 5 to 40 KWH to address different market segments. As VPPs gain market momentum, we are seeing average battery system sizes increase.

We expect to begin rolling out single-phase Nexis in Europe in the first quarter of next year, completing the platform's launch globally.

As many of you are aware, Nexis is also a key enabler of the continued shift in our mix toward PV plus storage solutions. Storage revenue grew again this quarter, driven by both higher attach rates on new systems and rising retrofit volumes. Storage was our largest product category by revenue for the second quarter in a row. We view this as an important marker of the transition we have been describing towards a holistic energy solution, which we believe more than doubles SolarEdge potential revenue.

Turning to our fourth priority in the datacenter market. In the third quarter we continued to advance our DC-native, grid-to-rack powertrain from medium voltage to 800 VDC. It is important to note that our solution is designed to support medium voltage ranging between 13.8kV through 34.5kV. Building on the live lab demonstrations we discussed last quarter, our three-phase conversion stage is now operating under load in our labs, with system-level validation of the full power path underway. At the heart of the system is our SST cell. During the quarter, the cell completed high-voltage insulation testing in our labs at the level used for 34.5 kV-class equipment, and its transformer completed partial discharge testing well above its operating voltage. This is a key step toward direct connection to 34.5 kV grids. Our SST cell has continued demonstrating efficiency above 99% in all demonstrations.

In the ecosystem, we issued our 800 VDC protection and grounding white paper, developed with NVIDIA and offered as a technology-neutral

framework. We have also extended our collaboration with Infineon on solid-state circuit protection. And at OCP we showcased our SST cell on NVIDIA's AI Factory MGX ecosystem wall. At the same time, we have continued live demonstrations to prospective customers, and active engagement at several RFIs.

We remain on track for a working system in our labs by the end of 2026, pilot installations in 2027, and volume shipments in 2028, consistent with the timeline we discussed at the Investor Day.

To summarize, in the third quarter we continued to execute against a challenging near-term backdrop. We delivered on our guidance, grew Nexis meaningfully, continued to shift our mix toward storage, advanced our data center opportunity with a high-visibility customer showcase, and took further action to streamline the business. The opportunity ahead remains strong and promising, and we remain focused on improving our execution and capitalizing on our advantages in the markets we participate in.

With that, I will turn the call over to Maoz.

Maoz Sigron – Chief Financial Officer

Thank you Shuki, and good morning everyone. Starting with our quarterly results:

GAAP revenue for the third quarter was $326.1 million, down 5.8% quarter over quarter and 4.1% year over year.

Non-GAAP revenue was $325.4 million, down 5.8% quarter over quarter and 4.2% year over year, in line with the midpoint of our $310 to $340 million guidance range.

GAAP revenue from the US amounted to $145.9 million, down 5.8% quarter over quarter, representing 44.7% of revenue; revenue from Europe was $141.7 million, down 8.2% quarter over quarter, representing 43.5% of revenue; International Markets revenue, was $38.5 million, up 4.3% quarter over quarter, representing 11.8% of revenue.

GAAP gross margin was 33.2% this quarter, compared to 27.5% in the second quarter, and 21.2% in the third quarter of last year.

Non-GAAP gross margin was 34.7% this quarter, compared to 28.6% in the second quarter, and 18.8% in the third quarter of last year.

This quarter's results included a benefit of approximately $36 million related to IEEPA tariff matters; excluding this item, we estimate non-GAAP gross margin was approximately 23.6%, near the midpoint of our previously guided range of 22% to 26%. The year-over-year improvement was driven by the IEEPA refund, 45X benefits associated with the transition to U.S. manufacturing, and the continued cost discipline.

GAAP operating expenses for the third quarter, were $110.1 million, compared to $111.2 million in the second quarter, and $107.3 million in the third quarter of last year.

Non-GAAP operating expenses were $88.8 million, compared to $88.5 million in the second quarter, and $87.7 million in the third quarter of last year, essentially flat, on sequential and year-over-year basis, and in-line-with the midpoint of our previous guidance range, of $86 to $91 million.

As Shuki discussed, we recently took additional restructuring actions to streamline our cost structure, including deemphasizing select geographic markets while reallocating resources to more profitable regions and activities.

Specifically, we have chosen to accelerate our investment in the data center opportunity relative to our initial plan. These actions will create a more agile organization while supporting continued innovation. From a modeling perspective, we are expected to deliver net savings in the mid-single-digit-millions each quarter, including approximately $3 million from COGS, and $2 million from OPEX.

From a top-line perspective, the regions in which we are deemphasizing, given the lower profitability profile represent approximately $40 to $50 million of annual revenue. Given the timing of implementation, we expect to see the top-line headwind starting in the fourth quarter, while the full expense benefit will be realized in the first quarter of 2027.

GAAP operating loss was $1.9 million, compared to $16 million in the second quarter and $35.2 million in the third quarter of last year.

Non-GAAP operating income for the third quarter was $23.9 million, compared to $10.2 million in the second quarter, and a non-GAAP operating loss of $23.8 million in the third quarter of last year. As for the gross margin, this result included the benefit of approximately $36 million related to IEEPA tariff matters.

GAAP net loss was $8.4 million, compared to $30.8 million in the second quarter and $50.1 million in the third quarter of last year.

Non-GAAP net income was $21.1 million in the third quarter, compared to $3.6 million in the second quarter and a non-GAAP net loss of $18.3 million in the third quarter of last year.

GAAP net loss per diluted share, was 14 cents in the third quarter, and a non-GAAP net income per diluted share, was 29 cents.

Adjusted EBITDA was $31.8 million in the third quarter, compared to $18.3 million in the second quarter, and an Adjusted EBITDA loss of $14.1 million in the third quarter of last year. The quarterly results included the benefit of approximately $36 million related to IEEPA tariff matters.

We generated $20.4 million of operating cash flow, and $7.8 million of free cash flow in the third quarter, compared to $3.1 million of free cash flow in the second quarter, and $22.8 million in the third quarter of last year, marking the fifth consecutive quarter of positive free cash flow. Year to date, free cash flow was $31.7 million.

Our capital expenditure this quarter, was $12.6 million, up from $8.3 million in the second quarter, including continued investment in our SST program, manufacturing capacity and investment in our new headquarters in Israel, which consolidates several locations into one, including expanding our advanced R&D facilities.

Year to date, capital expenditure was approximately $25 million, and we now expect full-year capital expenditure in the range of approximately $45 to $55 million.

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 now to our balance sheet.

As of September 30, 2026, our cash, cash equivalents, restricted cash and marketable securities, net of debt, were $260.9 million, compared to $264.6 million as of June 30, 2026. Cash and cash equivalents were $555.1 million, up from approximately $527.3 million in the second quarter.

Trade receivables decreased to $209.6 million from $211.9 million in the second quarter, with DSO increasing to 60 days from 57 days in the second quarter this year. Inventory increased to $621.1 million from $599.8 million in the second quarter this year, reflecting higher finished goods and lower raw materials. We are watching both closely and continue to manage our cash conversion cycle actively.

Turning now to our outlook for the fourth quarter of 2026.

As Shuki mentioned, we expect overall market conditions to remain soft. We anticipate continued weakness in the U.S. and further weakening in Germany ahead of the decision on feed-in tariff reform.

We expect revenue to be within the range of $245 million to $275 million. This revenue is below the $310 million we outlined as part of our full-year 2026 target at the Investor Day.

The net change at the mid point is $50 million and I will detail the 3 main contributors.

The first is $35 million for proactive channel inventory management in both the US and Germany. In the U.S., this is affected in part due to delays in additional guidance surrounding FEOC clarity and interest rates; in Germany, it is driven in part by the lack of clarity on potential regulatory changes. We believe these proactive measures should reduce the risk of channel inventory challenges in 2027.

Second, we expect our decision to deemphasize less profitable markets to reduce fourth-quarter revenue by approximately $10 million.

Third is the Euro Exchange rate, which is anticipated to reduce revenue by a further $5 million.

We expect non-GAAP gross margin to be within the range of 17% to 21%. This range reflects the under absorption of fixed costs in the fourth quarter and does not include any impact from potential IEEPA refunds.

During the second quarter we received $13.3 million IEEPA refunds, and $36 million in third quarter, we believe approximately $4 million remains to be returned during the fourth quarter.

We expect non-GAAP operating expenses to be within the range of $87 to $91 million.

Looking ahead to Q1 2027, we believe normal winter seasonality, combined with continued regulatory uncertainty in the U.S. and Germany, will result in a 10% plus sequential decline in revenue.

Beyond the first quarter, our expectation is that the policy uncertainty in the U.S. and Germany will be behind us. We believe that this will allow the growth drivers we have discussed, namely our Nexis solution, storage retrofit opportunity, and safe harbor backlog, to result in a flat year-over-year growth profile for our business, which, following our recent restructuring actions, is expected to result in an adjusted EBITDA break-even profile for 2027. In addition, as we expect customer pilots of our SST to conclude during 2027, we anticipate further clarity on the growth trajectory of our SST business for 2028.

With these growth opportunities, and our continued focus on operational discipline, we believe we 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.
