



Calendar Fourth Quarter 2017

Earnings summary

February 14, 2018 ❤️

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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 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.

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# KEY OPERATING METRICS



**2.1M optimizers  
shipped**



**95K inverters  
shipped**



**766 Megawatts  
shipped**



**\$189.3M revenues**

# FOURTH QUARTER HIGHLIGHTS

## Financial highlights for quarter

- Record revenue of \$189.3 million, up 13.7% QoQ
- Record GAAP gross margin of 37.5%
- Record GAAP operating income of \$34.6 million
- GAAP net income of \$19.5 million
- Non-GAAP net income of \$41.2 million
- Record cash flow from operation - \$45.8M

## Business highlights for quarter

- 766 Megawatts AC inverters shipped
- Over two million optimizers and 95K inverters shipped



# CY2017 HIGHLIGHTS

## Financial highlights for year

- Record revenue of \$607.0 million, up 23.9% YoY
- Record GAAP gross margin of 35.4%
- Record GAAP operating income of \$91.1 million
- Record GAAP net income of \$84.2 million
- Non-GAAP net income of \$115.0 million
- Record cash flow from operation - \$136.7M

## Business highlights for year

- 2.5 Gigawatts AC inverters shipped
- Over 7M optimizers and 317K inverters shipped



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# NOTEWORTHY

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- Record quarter performance in all financial parameters: revenues, gross margin, profitability (excluding one-time tax provision) and quarterly cash flow generation
- Record annual performance exhibiting growth in all regions (U.S. revenues representing 57.5% of annual revenues compared to 66% in 2016)
- Quarterly gross margin of 37.5% resulting from stable ASP and continued cost reduction, despite industry wide component availability issues
- Continue to expand manufacturing capacity in order to support growing demand for our products
- Omron Corporation announced offering and servicing of SolarEdge three-phase inverter solution in Japan

# GAAP FINANCIAL RESULTS

| *USD in millions               | CQ4'17 | CQ3'17 | CQ4'16 |
|--------------------------------|--------|--------|--------|
| Revenues                       | 189.3  | 166.6  | 111.5  |
| Gross margin                   | 37.5%  | 34.9%  | 35.0%  |
| Operating expenses             | 36.4   | 32.7   | 23.9   |
| Operating income               | 34.6   | 25.4   | 15.1   |
| Net income                     | 19.5   | 28.0   | 9.8    |
| Net diluted earnings per share | 0.42   | 0.61   | 0.22   |

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

# NON-GAAP FINANCIAL RESULTS

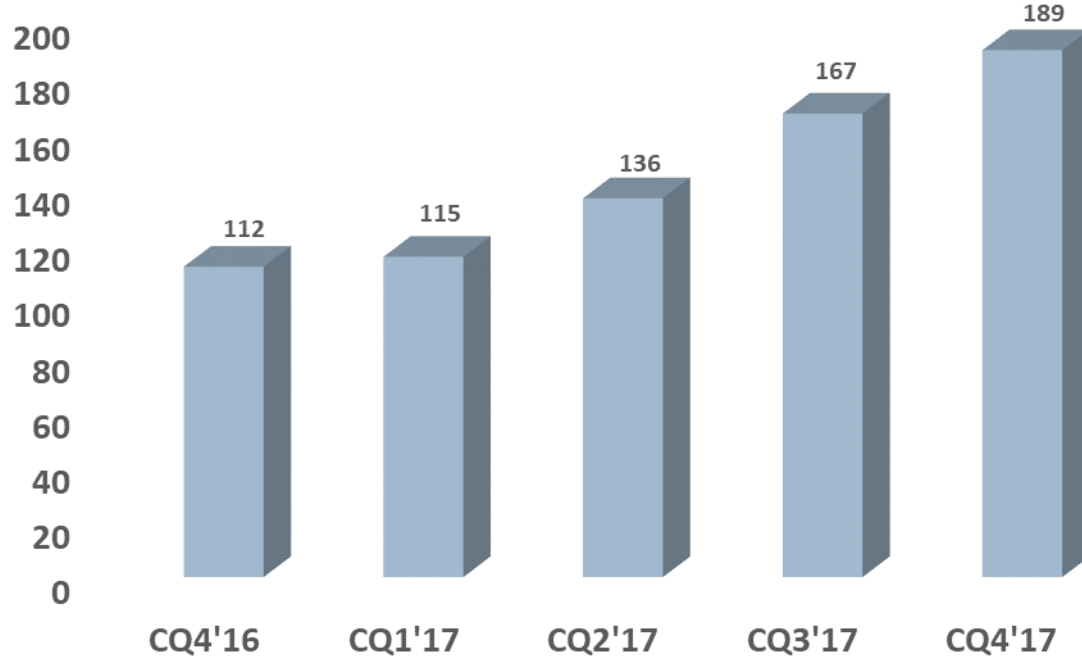
| *USD in millions               | CQ4'17 | CQ3'17 | CQ4'16 |
|--------------------------------|--------|--------|--------|
| Revenues                       | 189.3  | 166.6  | 111.5  |
| Gross margin                   | 37.9%  | 35.2%  | 35.4%  |
| Operating expenses             | 31.7   | 28.7   | 20.9   |
| Operating income               | 40.0   | 29.9   | 18.6   |
| Net income                     | 41.2   | 31.5   | 14.7   |
| Net diluted earnings per share | 0.85   | 0.66   | 0.32   |

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



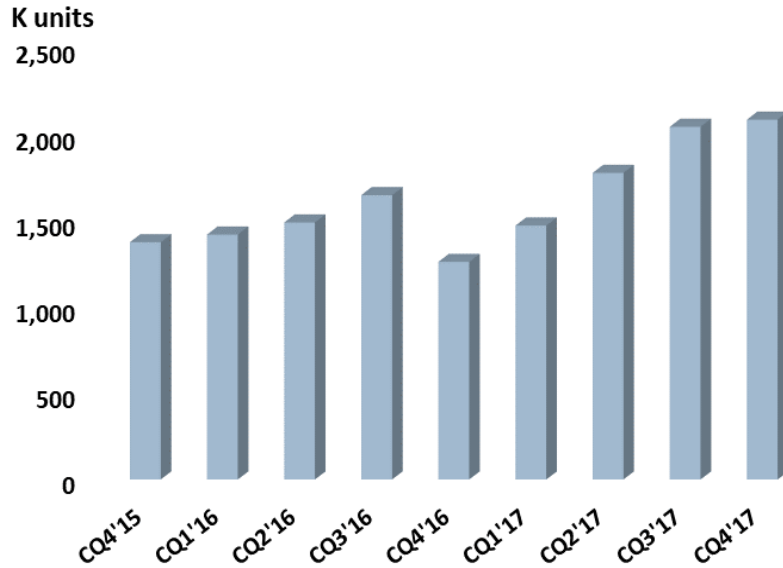
# QUARTERLY REVENUES

USD millions

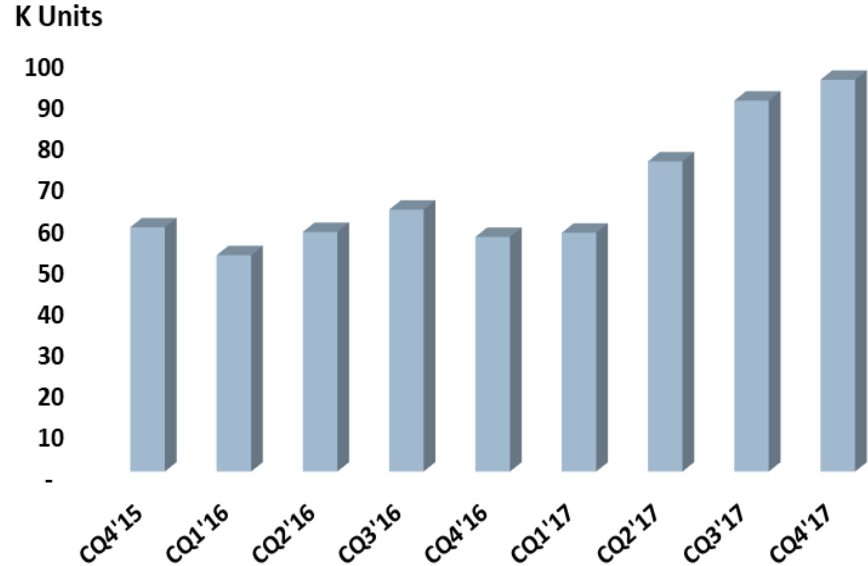


# UNITS SHIPPED

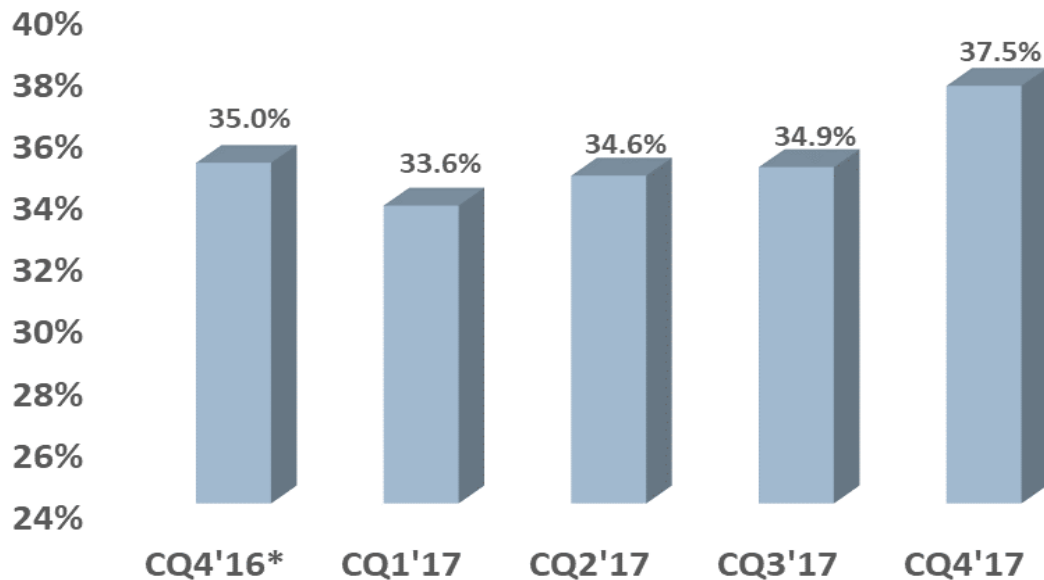
## Optimizers shipped



## Inverters shipped

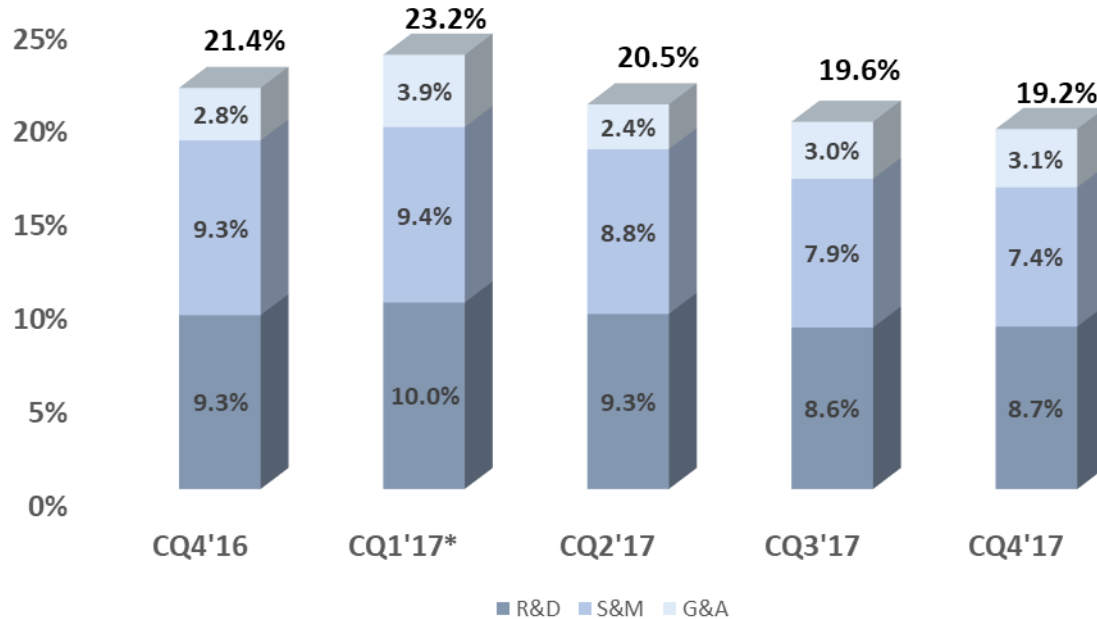


# GROSS MARGIN



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

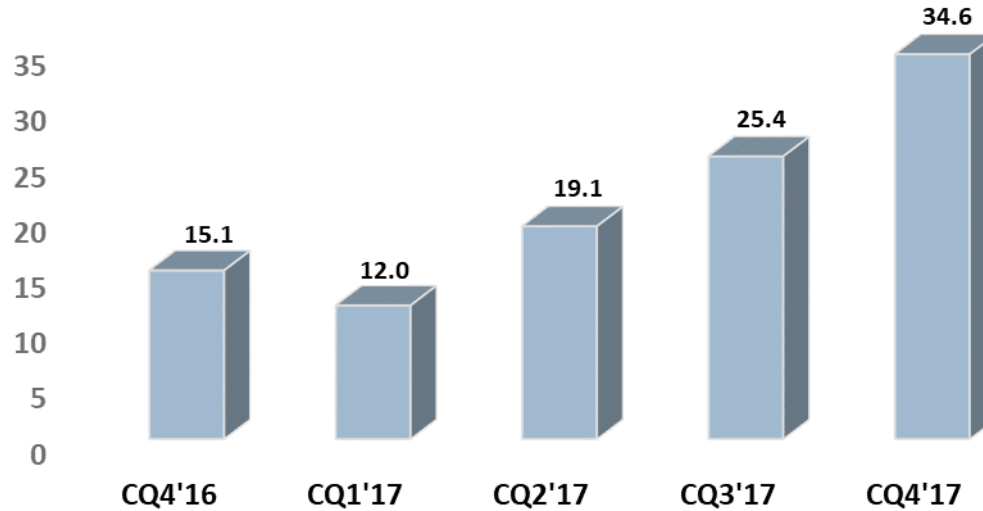
# OPERATING EXPENSES



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

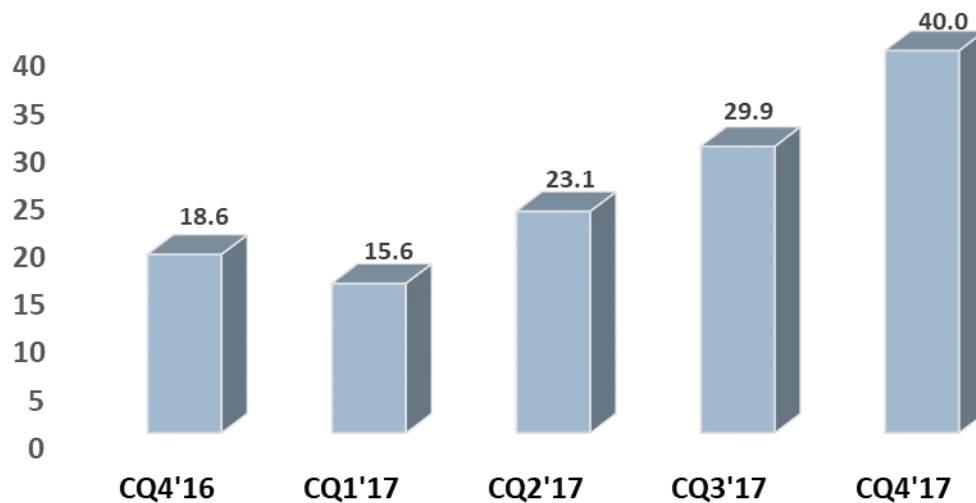
# GAAP OPERATING INCOME

USD millions



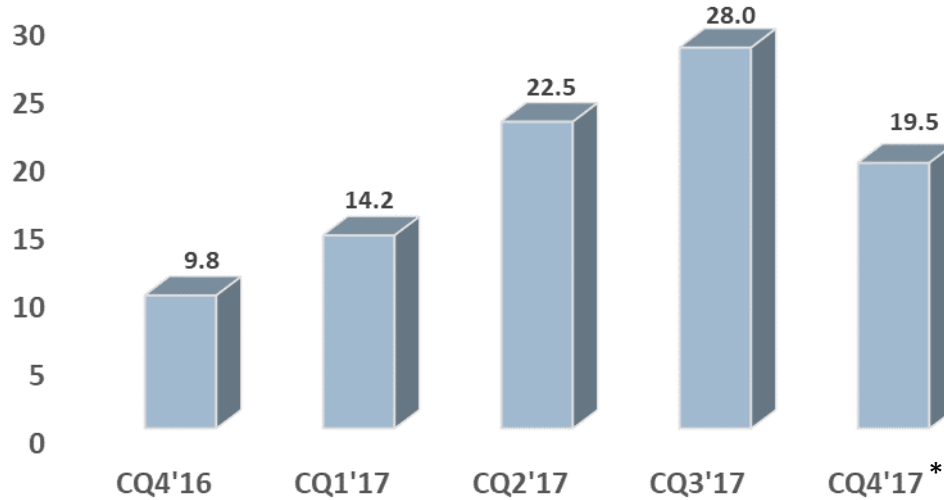
# NON-GAAP OPERATING INCOME

USD millions



# GAAP NET INCOME

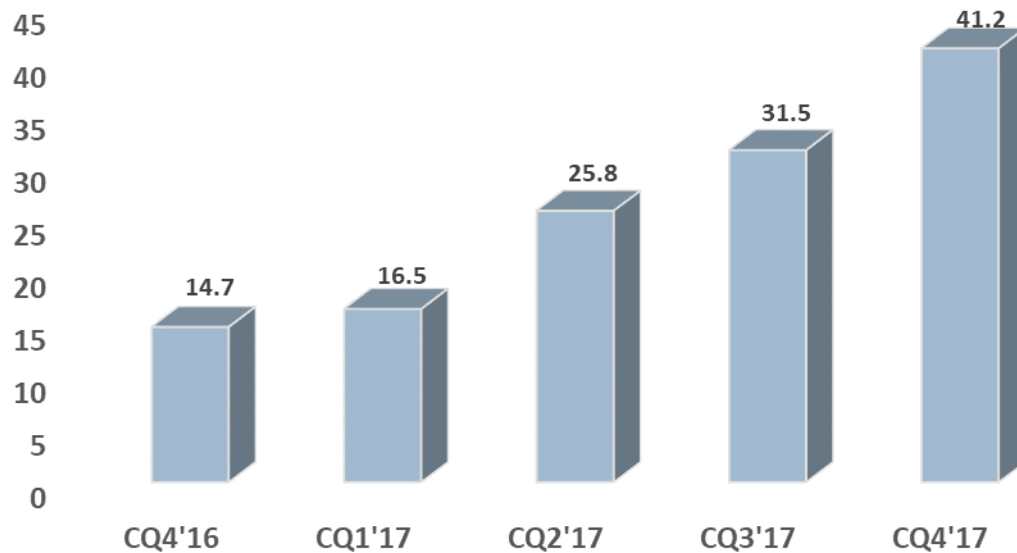
USD millions



\* Q4 '17 includes one time transition tax of \$18.7M

# NON-GAAP NET INCOME

USD millions





# BALANCE SHEET & CASH FLOW

| USD in millions           | CQ4'17 | CQ3'17 | CQ4'16 |
|---------------------------|--------|--------|--------|
| Cash and investments      | 345.1  | 304.7  | 224.3  |
| Inventory                 | 83.0   | 62.4   | 67.4   |
| Capital Expenditures      | 8.8    | 5.6    | 7.2    |
| Total Debt                | 0.0    | 0.0    | 0.0    |
| Cash Flow From Operations | 45.8   | 33.6   | 24.7   |

# FIRST QUARTER GUIDANCE

- ▢ Revenues expected to be within the range of \$200 million to \$210 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 |                    |                   | 12 months ended   |                   |
|--------------------------|--------------------|--------------------|-------------------|-------------------|-------------------|
|                          | December 31, 2017  | September 30, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| Gross profit (GAAP)      | 70,970             | 58,054             | 39,025            | 214,766           | 160,747           |
| Stock-based compensation | 703                | 538                | 486               | 2,251             | 1,427             |
| Gross profit (Non-GAAP)  | 71,673             | 58,592             | 39,511            | 217,017           | 162,174           |

## Reconciliation of GAAP to Non-GAAP Gross Margin

|                          | Three months ended |                    |                   | 12 months ended   |                   |
|--------------------------|--------------------|--------------------|-------------------|-------------------|-------------------|
|                          | December 31, 2017  | September 30, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| Gross margin (GAAP)      | 37.5%              | 34.9%              | 35.0%             | 35.4%             | 32.8%             |
| Stock-based compensation | 0.4%               | 0.3%               | 0.4%              | 0.3%              | 0.3%              |
| Gross margin (Non-GAAP)  | 37.9%              | 35.2%              | 35.4%             | 35.7%             | 33.1%             |

# RECONCILIATION OF GAAP TO NON-GAAP

|                                      | Reconciliation of GAAP to Non-GAAP Operating expenses |                    |                   |                   |                   |
|--------------------------------------|---|--------------------|-------------------|-------------------|-------------------|
|                                      | Three months ended                                    |                    |                   | 12 months ended   |                   |
|                                      | December 31, 2017                                     | September 30, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| <b>Operating expenses (GAAP)</b>     | 36,399  | 32,658             | 23,878            | 123,680           | 89,737            |
| Stock-based compensation R&D         | 1,795   | 1,423              | 1,134             | 5,703             | 3,532             |
| Stock-based compensation S&M         | 1,714   | 1,439              | 1,003             | 5,387             | 3,424             |
| Stock-based compensation G&A         | 1,170   | 1,137              | 877               | 4,224             | 3,248             |
| <b>Operating expenses (Non-GAAP)</b> | <b>31,720</b>   | <b>28,659</b>      | <b>20,864</b>     | <b>108,366</b>    | <b>79,532</b>     |

|                                    | Reconciliation of GAAP to Non-GAAP Operating income |                    |                   |                   |                   |
|------------------------------------|---|--------------------|-------------------|-------------------|-------------------|
|                                    | Three months ended                                  |                    |                   | 12 months ended   |                   |
|                                    | December 31, 2017                                   | September 30, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| <b>Operating income (GAAP)</b>     | 34,571  | 25,396             | 15,147            | 91,086            | 71,010            |
| Stock-based compensation           | 5,382   | 4,537              | 3,500             | 17,565            | 11,632            |
| <b>Operating income (Non-GAAP)</b> | <b>39,953</b>                                       | <b>29,933</b>      | <b>18,647</b>     | <b>108,651</b>    | <b>82,642</b>     |

# RECONCILIATION OF GAAP TO NON-GAAP

|   | Reconciliation of GAAP to Non-GAAP Tax on income (Tax benefit) |                    |                   |                   |                   |
|---|--|--------------------|-------------------|-------------------|-------------------|
|   | Three months ended   |                    |                   | 12 months ended   |                   |
|   | December 31, 2017  | September 30, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| <b>Tax on income (Tax benefit) (GAAP)</b>     | 16,556   | 91                 | 2,203             | 16,072            | 6,270             |
| Deferred tax realized (asset)                 | (2,392)  | 959                | (1,473)           | (5,456)           | (3,799)           |
| One-time transition tax of foreign earnings   | 18,735   | ----               | ----              | 18,735            | ----              |
| <b>Tax on income (Tax benefit) (Non-GAAP)</b> | <b>213</b>   | <b>1,050</b>       | <b>730</b>        | <b>2,793</b>      | <b>2,471</b>      |

|   | Reconciliation of GAAP to Non-GAAP Net income |                    |                   |                   |                   |
|---|---|--------------------|-------------------|-------------------|-------------------|
|   | Three months ended                            |                    |                   | 12 months ended   |                   |
|   | December 31, 2017                             | September 30, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| <b>Net income (GAAP)</b>                    | 19,502  | 27,971             | 9,765             | 84,172            | 63,453            |
| Stock-based compensation                    | 5,382   | 4,537              | 3,500             | 17,565            | 11,632            |
| Deferred tax realized (asset)               | (2,392)                                       | (959)              | 1,473             | (5,456)           | 3,799             |
| One-time transition tax of foreign earnings | 18,735  | ----               | ----              | 18,735            | ----              |
| <b>Net income (Non-GAAP)</b>                | <b>41,227</b>                                 | <b>31,549</b>      | <b>14,738</b>     | <b>115,016</b>    | <b>78,884</b>     |

# RECONCILIATION OF GAAP TO NON-GAAP

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

|  | Three months ended                         |                    |                   | 12 months ended   |                   |
|--|--|--------------------|-------------------|-------------------|-------------------|
|  | December 31, 2017                          | September 30, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
|  | <b>Net basic earnings per share (GAAP)</b> | 0.45               | 0.66              | 0.24              | 1.99              |
| Stock-based compensation                       | 0.12                                       | 0.11               | 0.08              | 0.42              | 0.28              |
| Deferred tax realized (asset)                  | (0.05)                                     | (0.03)             | 0.04              | (0.13)            | 0.09              |
| One-time transition tax of foreign earnings    | 0.43                                       | ----               | ----              | 0.44              | ----              |
| <b>Net basic earnings per share (Non-GAAP)</b> | <b>0.95</b>                                | <b>0.74</b>        | <b>0.36</b>       | <b>2.72</b>       | <b>1.93</b>       |

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

|  | Three months ended                           |                    |                   | 12 months ended   |                   |
|--|--|--------------------|-------------------|-------------------|-------------------|
|  | December 31, 2017                            | September 30, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
|  | <b>Net diluted earnings per share (GAAP)</b> | 0.42               | 0.61              | 0.22              | 1.85              |
| Stock-based compensation                         | 0.10   | 0.07               | 0.07              | 0.30              | 0.20              |
| Deferred tax realized (asset)                    | (0.05)                                       | (0.02)             | 0.03              | (0.12)            | 0.08              |
| One-time transition tax of foreign earnings      | 0.38   | ----               | ----              | 0.40              | ----              |
| <b>Net diluted earnings per share (Non-GAAP)</b> | <b>0.85</b>                                  | <b>0.66</b>        | <b>0.32</b>       | <b>2.43</b>       | <b>1.72</b>       |

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

|   | Three months ended  |                    |                   | 12 months ended   |                   |
|---|---|--------------------|-------------------|-------------------|-------------------|
|   | December 31, 2017   | September 30, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
|   | <b>Number of shares used in computing net diluted earnings per share (GAAP)</b> | 46,876,328         | 46,131,556        | 43,683,458        | 45,425,307        |
| Stock-based compensation  | 1,375,527   | 1,535,258          | 2,399,308         | 1,907,423         | 1,607,565         |
| <b>Number of shares used in computing net diluted earnings per share (Non-GAAP)</b> | <b>48,251,855</b>   | <b>47,666,814</b>  | <b>46,082,766</b> | <b>47,332,730</b> | <b>45,790,499</b> |

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