

## **SolarEdge Q2 2025 Prepared Remarks**

### ***J.B. Lowe – Head of Investor Relations***

Good morning and thank you for joining us to discuss SolarEdge's operating results for the second quarter ended June 30, 2025, as well as the company's outlook for the third quarter of 2025. With me today are Shuki Nir, Chief Executive Officer, and Asaf Alperovitz, Chief Financial Officer.

Shuki will begin with a brief review of the results for the second quarter ended June 30, 2025. Asaf will review the financial results for the second quarter, followed by the Company's outlook for the third quarter of 2025. 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. 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 June 30, 2025 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 JB. Good morning everyone and thank you for joining us. I am pleased to share with you today the progress we have made across all four pillars of our turnaround journey. But first let me review the recent changes to regulatory and tariff policies that removed some uncertainties hanging over the industry. The recently enacted One Big Beautiful Bill Act redefines solar and storage markets in several key ways, and I’d like to share with you how we intend to maximize the opportunities and navigate the challenges in this environment.

First, and most importantly for SolarEdge, the bill validates our multi-year strategy of onshoring manufacturing to the US by preserving the 45X advanced manufacturing credit for the next seven years. With the improved visibility this law provides, we intend to manufacture in the US, and to ship US-made SolarEdge products both domestically and across the globe, for years to come.

Second, US customers have a built-in incentive to prefer products that are made in the US. Especially if they comply with FEOC requirements and meet domestic content thresholds. This aligns with our U.S. manufacturing and supply chain strategy, which we believe positions us well to support such customers.

Third, the extension of storage tax credits will support the trend of increasing battery adoption. This expands our TAM, and requires just the kind

of sophisticated energy management algorithms that we have refined for years by using the vast amounts of data sourced from our large installed base.

Lastly, in the residential space, demand is expected to decline in 2026 with the elimination of the 25D credit, a decline that is expected to be partially offset by a shift to TPOs as the 48E credits continue through 2027. We believe we are well positioned to benefit from this shift given our strong position and product fit with TPOs.

Let's talk about tariffs. Since we last spoke, tariff rates on different countries have changed, and we have continued our efforts to optimize our supply chain for prevailing tariff and domestic content levels. When added together, the gross margin headwind in the second half is expected to decline to approximately 2% from the previous expectation of 4-6%. Additionally, we now expect free cash flow to be positive for the full year 2025. We still believe that we will fully offset the tariff headwind in 2026, net of pricing adjustments.

Switching to the progress across our key priorities. Q2 results and Q3 outlook both show that we are firmly moving in the right direction on all four priorities and I am proud of how our team has executed despite a challenging global environment.

First on financial strength. In Q2, we delivered quarter-over-quarter and year-over-year top line growth and margin expansion for the second straight quarter. The mid-point of our Q3 guidance follows the same trajectory. At the same time, we have kept our expenses in check and have focused on our core business.

Our second priority is recapturing market share.

In U.S. resi, we have seen a continued shift to the TPO model, which we expect will significantly accelerate in 2026. In recent years, we have built an

infrastructure that supports our TPO partners so we believe we are well prepared to capitalize on this market dynamic. We believe we have met and plan to continue to make efforts to meet requirements for both domestic content and FEOC which allow them to maximize 48E credits and adders. And we believe that our products are very well suited to support the scale, performance, and integration needs of the unique TPO business model.

In the US C&I segment, we believe that the growing importance of domestic content and increasing FEOC restrictions offer us a compelling opportunity to gain share.

For example, last week we announced a multi-year agreement with Solar Landscape to deploy SolarEdge equipment on more than 500 C&I rooftops across the country. In addition, we signed a multi-year frame agreement with a leading US retailer that will see SolarEdge products integrated across its locations nationwide. These new agreements underscore the value we bring to enterprises and build on the recent momentum we have had with this customer set.

Turning to Europe. Last week I met with our regional leadership team in Europe and visited with key customers. The positive momentum that we discussed on our last earnings call and experienced at Intersolar has continued. Our pricing and promotion campaigns have shown signs of success and our improved go-to market strategy is strengthening our partnerships with installers and distributors. As a result, the majority of our distribution partners reached normalized inventory levels at the end of Q2 2025, as we had anticipated. And importantly, we have seen initial market share gains in Europe in the second quarter.

That said, our share in Europe is still below what SolarEdge commanded in the past and is well below where I think we can and should be.

But with our energized team, our leading-edge and expanding software and service solutions, and our next generation platform coming soon, I believe we have a very good opportunity to grow our business in Europe even further in the quarters ahead.

Turning to our third priority - accelerating innovation. Our Nexis platform remains on track for initial volumes by the end of the year.

We already have several operative units in our facilities, and next month at RE+ we will have a hands-on experience for installers to demonstrate how flexible and easy Nexis is to install, connecting inverters and batteries with a simple click.

On commercial storage, we had a record sales quarter and we expect growth to continue. While still in the early days, we expect commercial storage to follow the same trend of accelerating adoption that we witnessed in the residential storage space. Moreover, we believe that our commercial storage offering, combined with our software capabilities, position us well as C&I customers increasingly transition to solutions that combine PV, storage and energy management software.

Speaking of software, we have seen increased traction with our Wevo EV charging software solution. In the US, Wevo was selected by PG&E to manage its nearly 4,000 EV chargers. Wevo software is also enabling the largest public charging station in New York state located in Queens and backed by a Con Ed program.

Additionally, as we announced this week, we have entered into a strategic partnership with the Schaeffler Group, one of the world's leading manufacturers for the automotive industry. Under the partnership, Wevo will manage the thousands of charge points that Schaeffler intends to deploy at its

facilities around the world. Schaeffler has been a SolarEdge PV customer for years, and this agreement highlights the additional software and service capabilities that we can add to our value stack for enterprise customers.

Our fourth key priority is ramping up our US manufacturing. In Q2 we continued to build out and optimize our U.S. manufacturing footprint, which now includes residential inverters in Texas, optimizers and commercial inverters in Florida, and batteries in Utah. We are also planning to ramp up production towards the end of the year in order to support exports of competitive products to our European and International customers.

To summarize.

We believe we are in a much better position today than we were a quarter ago. A layer of uncertainty has been removed from our business. And we have continued making good progress on all four pillars of our turnaround journey. While we are encouraged by the progress this quarter, we know there's still plenty of work ahead. We see significant room to improve execution, and even more opportunity to grow and build a healthier, more profitable business for the long term.

With that I will turn it over to Asaf.

***Asaf Alperovitz – Chief Financial Officer***

Thank you Shuki, and good morning everyone.

Starting with our quarterly results:

Total revenues for the second quarter were \$289 million dollars. Excluding revenues from our discontinued operations at the Kokam Energy Storage division of \$8 million, our Non-GAAP revenues were \$281 million dollars.

Revenues from the US this quarter amounted to \$185 million dollars, representing 66% of our Non-GAAP revenues. Revenues from Europe amounted to \$65 million dollars, representing 23% of our Non-GAAP revenues. International Market revenues amounted to \$31 million dollars, representing 11% of our Non-GAAP revenues.

Non-GAAP gross margin this quarter was up to 13.1% compared to 7.8% in Q1. The higher gross margin is largely due to: higher revenue, which drove increased utilization of our operational cost structure, higher US production volume, and favorable regional mix with higher US revenue. This was partly offset by incremental tariffs, which impacted our gross margin by 1%, compared to an expectation of 2 percentage points. Adjusting for the lower-than-expected tariff impact, our gross margins came in slightly above the high end of our guidance range.

During the second quarter, we continued to take action to streamline our operations and exit non-core activities. As a result, we recorded a one-time \$18 million dollar expense on the disposition of our tracker business. We also recorded a one-time expense of \$37 million dollars related to a write down of our Sella 2 facility, which we are looking to divest, to reflect fair market value. These charges were partially offset by a one-time \$10 million dollar gain on the sale of our Nonsan production facility in Korea. Going forward we will continue to seek avenues to right size our business with an emphasis on expense reduction and a focus on our core activities.

Non-GAAP operating expenses for the second quarter were \$85 million dollars compared to \$89 million dollars in the previous quarter. Similar to Q1, in the second quarter we were able to collect certain aged AR balances, which resulted in a reversal of an accrual for bad debt. Excluding this and other non-

recurring items that totaled approximately \$4 million dollars net, our non-GAAP operating expenses would have been approximately \$89 million dollars.

Non-GAAP operating loss for Q2 was \$48.3 million dollars compared to a Non-GAAP operating loss of \$72.4 million dollars in Q1.

Our non-GAAP net loss was \$47.7 million dollars in Q2, compared to a non-GAAP net loss of \$66.1 million dollars in Q1.

Non-GAAP net loss per share was eighty one cents in Q2, compared to one dollar and 14 cents in Q1.

The lower operating and net loss are largely due to the higher revenue, higher gross margin and lower operating expenses.

Turning now to our balance sheet:

As of June 30, 2025, our cash and investments portfolio was approximately \$812 million dollars.

Our cash position, net of short-term debt, was up by approximately \$19 million dollars to approximately \$470 million dollars. Free cash flow in the quarter was a use of approximately \$9 million dollars, largely due to the timing of certain working capital items. For the first half of the year, we generated \$10.8 million in free cash flow.

As Shuki mentioned, considering the recent developments in anticipated tariffs, and the progress we have made on our turnaround, we now expect to be free cash flow positive for the full year 2025.

AR net, increased this quarter to \$217 million dollars compared to \$133 million dollars last quarter, mostly due to higher revenue, with continuous improvement of our DSO through effective collection management.

Our inventory was down by \$108 million dollars to \$529 million dollars. Q2 marked the fifth consecutive quarter of inventory reduction. This is despite our continued ramp up of US production to support anticipated growth and the introduction of new products.

As you may know, we have approximately \$343 million in convertible notes that come due next month. As we have said previously, we intend to pay off these notes with cash on hand upon maturity. Given our healthy cash balance and the reduced uncertainty after the passage of the One Big Beautiful Bill Act, we are confident that our liquidity position is sufficient to both redeem this note and support our business for the foreseeable future.

As Shuki mentioned, by the end of the second quarter the majority of our distribution partners had normalized their inventory levels. As a result, we will no longer be providing quarterly Sell Through figures.

SolarEdge is focused on providing full system solutions, combining inverters, optimizers, EV chargers, storage systems and energy management software. This aligns with evolving market demand and customer preferences, and coincides with the streamlining of our product portfolio. Therefore, we will no longer be providing a breakdown of megawatt shipments by region or by end market, as management's focus is on regional revenue.

Turning now to our guidance for the third quarter of 2025.

We are expecting revenues to be within the range of \$315 to \$355 million dollars.

We expect non-GAAP gross margin to be within the range of 15% to 19%, including approximately 2 percentage points of new tariff impact.

We expect our non-GAAP operating expenses to be within the range of \$85 to \$90 million dollars.

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

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