



SolarEdge Announces Fiscal Second Quarter Financial Results

February 3, 2016

FREMONT, Calif.--(BUSINESS WIRE)--Feb. 3, 2016-- SolarEdge Technologies, Inc. (NASDAQ: SEDG) today announced its financial results for the fiscal second quarter ended December 31, 2015.

Fiscal Second Quarter 2016 Highlights

- Record revenue of \$124.8 million, up 8.5% from last quarter and 70.3% year-over-year
- GAAP gross margin of 30.9%
- GAAP net income of \$24.1 million
- Non-GAAP net income of \$19.8 million
- 416 Megawatts (AC) of inverters shipped

"Execution of our strategy and related business plan has resulted in another successful quarter," said Guy Sella, Founder, Chairman and CEO of SolarEdge. "In addition to our revenue growth and increased profitability, this quarter we installed our first HD-wave inverter units and we commenced shipments of our StorEdge solution. We remain committed to introducing innovative technologies to continue to drive down the cost of and broaden the application of renewable energy technologies."

Revenues

The Company reported revenues of \$124.8 million, an increase of \$9.8 million, or 8.5% from the prior quarter and an increase of \$51.5 million or 70.3% from the second quarter of fiscal 2015.

Gross Margin

GAAP gross margin was 30.9%, up from 29.1% in the prior quarter and up from 21.5% in the second quarter of fiscal 2015. Non-GAAP gross margin was 31.1%, up from 29.3% in the prior quarter and 21.6% in the second quarter of fiscal 2015. See "Reconciliation on Non-GAAP Measures" below.

Operating Expenses

Operating expenses were \$19.3 million, or 15.5% of revenue, increasing from \$18.7 million, or 16.2% of revenue, in the prior quarter and an increase from \$11.5 million, or 15.8% of revenue, when compared to the second quarter of fiscal 2015.

Operating Income

Operating income was \$19.3 million, up from \$14.9 million in the prior quarter and up from operating income of \$4.2 million in the second quarter of fiscal 2015.

Financial Expenses

Financial expenses were \$1.0 million compared to \$0.1 million in the previous quarter and \$0.5 million in the second quarter of fiscal 2015.

Tax Benefit

Tax benefit for the quarter was \$5.8 million. Because the Company is profitable, and expects to continue to be profitable, the Company has recorded for the first time a \$6.6 million tax asset, representing expected future utilization of its carry forward net operating losses and the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes as well as the amounts used for income tax purposes.

Net Income

GAAP net income was \$24.1 million, up from \$14.4 million in the prior quarter and up from \$3.4 million in the second quarter of fiscal 2015. Non-GAAP net income was \$19.8 million, an increase from \$16.3 million in the prior quarter and an increase from \$4.1 million in the second quarter of fiscal 2015. See "Reconciliation on Non-GAAP Measures" below.

EPS

GAAP net diluted earnings per share ("EPS") was \$0.55, up from \$0.32 in the prior quarter and up from \$0.00 in the second quarter of fiscal 2015. Non-GAAP net diluted EPS was \$0.44, an increase from \$0.36 in the prior quarter and an increase from \$0.12 in the second quarter of fiscal 2015. See "Reconciliation on Non-GAAP Measures" below.

Cash

At December 31, 2015, cash, cash equivalents, restricted cash and investments totaled \$162.0 million compared to \$150.3 million on September 30, 2015. During the fiscal second quarter, the Company generated \$13.1 million of cash from operating activities.

Outlook for the Third Quarter of Fiscal 2016

The Company provides guidance for the third quarter of fiscal 2016 as follows:

- Revenues expected to be within the range of \$121 million to \$125 million;
- Gross margins expected to be within the range of 29% to 31%.

Conference Call

The Company will host a conference call to discuss these results at 5:00 P.M. Eastern Time on Wednesday, February 3, 2016. The call will be available, live, to interested parties by dialing +1 877-719-9810. For international callers, please dial +1 719-325-4783. The Conference ID number is 9448208. A live webcast will also be available in the Investor Relations section of the Company's website at: <http://investors.solaredge.com>

A replay of the webcast will be available in the Investor Relations section of the Company's web site approximately two hours after the conclusion of the call and remain available for approximately 30 calendar days.

About SolarEdge

SolarEdge provides an intelligent inverter solution that has changed the way power is harvested and managed in solar photovoltaic systems. The SolarEdge DC optimized inverter system maximizes power generation at the individual PV module-level while lowering the cost of energy produced by the solar PV system. The SolarEdge system consists of power optimizers, inverters, storage solutions and a cloud-based monitoring platform and addresses a broad range of solar market segments, from residential solar installations to commercial and small utility-scale solar installations.

Use of Non-GAAP Financial Measures

The Company has presented certain non-GAAP financial measures in this release, including non-GAAP gross margin, non-GAAP net income and non-GAAP net diluted EPS. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either exclude or include amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles in the United States, or GAAP. Reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure can be found in the accompanying tables to this press release. These non-GAAP financial measures do not reflect a comprehensive system of accounting, differ from GAAP measures with the same captions and may differ from non-GAAP financial measures with the same or similar captions that are used by other companies. As such, these non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP.

The Company uses these non-GAAP financial measures to analyze its operating performance and future prospects, develop internal budgets and financial goals, and to facilitate period-to-period comparisons. The Company believes that these non-GAAP financial measures reflect an additional way of viewing aspects of its operations that, when viewed with its GAAP results, provide a more complete understanding of factors and trends affecting its business.

For a reconciliation of non-GAAP measures to their most comparable GAAP measures, please see "Reconciliation on Non-GAAP Measures" below.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This release contains forward looking statements which are made pursuant to the safe harbor provisions 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. These forward looking statements are often characterized by the use of words such as "anticipate," "believe," "could," "seek," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "will," "would" or similar expressions and the negative or plural of those terms and other like terminology.

Forward-looking statements are only predictions based on our current expectations and our projections about future events. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual revenues, gross margins, other financial results, levels of activity, performance or achievements to be materially different from those expressed or implied by the forward looking statements. Given these factors, you should not place undue reliance on these forward-looking statements. These factors include, but are not limited to, the matters discussed in Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2015 and, Quarterly Report on Form 10-Q for the quarter ended December 31, 2015, when it becomes available, Current Reports on Form 8-K and other reports filed with the SEC. All information set forth in this release is as of February 3, 2016. SolarEdge undertakes no duty or obligation to update any forward-looking statements contained in this release as a result of new information, future events or changes in its expectations.

SOLAREGE TECHNOLOGIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

| | Three months ended December 31, | | Six months ended December 31, | |
|------------------|------------------------------------|-----------|----------------------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| | Unaudited | | Unaudited | |
| Revenues | \$ 124,832 | \$ 73,290 | \$ 239,886 | \$ 140,259 |
| Cost of revenues | 86,250 | 57,509 | 167,777 | 110,448 |

| | | | | |
|----------------------------------|-----------|----------|-----------|----------|
| Gross profit | 38,582 | 15,781 | 72,109 | 29,811 |
| Operating expenses: | | | | |
| Research and development, net | 8,299 | 4,768 | 15,290 | 9,827 |
| Sales and marketing | 8,833 | 5,658 | 17,077 | 11,119 |
| General and administrative | 2,188 | 1,121 | 5,606 | 2,280 |
| Total operating expenses | 19,320 | 11,547 | 37,973 | 23,226 |
| Operating income | 19,262 | 4,234 | 34,136 | 6,585 |
| Financial income (expenses), net | (959) | (458) | (1,031) | 58 |
| Income before taxes on income | 18,303 | 3,776 | 33,105 | 6,643 |
| Taxes on income (tax benefit) | (5,802) | 401 | (5,432) | 748 |
| Net income | \$ 24,105 | \$ 3,375 | \$ 38,537 | \$ 5,895 |

SOLAREEDGE TECHNOLOGIES INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

| | December 31, June 30, | |
|--|-----------------------|------------|
| | 2015 | 2015 |
| | Unaudited | |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 106,150 | \$ 144,750 |
| Restricted cash | 3,417 | 3,639 |
| Marketable Securities | 27,137 | - |
| Trade receivables, net | 46,685 | 35,428 |
| Prepaid expenses and other accounts receivable | 24,233 | 32,645 |
| Inventories | 87,400 | 73,950 |
| Total current assets | 295,022 | 290,412 |
| PROPERTY AND EQUIPMENT, NET | 21,428 | 14,717 |
| LONG-TERM ASSETS: | | |
| Long-term marketable securities | 25,290 | - |
| Long-term prepaid expenses and lease deposits | 510 | 529 |
| Deferred tax assets | 6,565 | - |
| Intangible assets, net | 758 | - |
| | 33,123 | 529 |
| Total assets | \$ 349,573 | \$ 305,658 |
| | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Trade payables | \$ 61,977 | \$ 80,684 |
| Employees and payroll accruals | 12,864 | 6,814 |
| Warranty obligations | 11,862 | 9,431 |
| Deferred revenues | 1,983 | 1,676 |
| Accrued expenses and other accounts payable | 7,169 | 6,987 |

| | | |
|--|------------|------------|
| Total current liabilities | 95,855 | 105,592 |
| LONG-TERM LIABILITIES | | |
| Warranty obligations | 29,032 | 22,448 |
| Deferred revenues | 11,427 | 8,289 |
| Lease incentive obligation | 2,320 | 2,385 |
| Total long-term liabilities | 42,779 | 33,122 |
| STOCKHOLDERS' EQUITY: | | |
| Share capital | 4 | 4 |
| Additional paid-in capital | 292,681 | 287,152 |
| Accumulated other comprehensive loss | (293) | (222) |
| Accumulated deficit | (81,453) | (119,990) |
| Total stockholders' equity | 210,939 | 166,944 |
| Total liabilities and stockholders' equity | \$ 349,573 | \$ 305,658 |

SOLAREGE TECHNOLOGIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

| | Six months ended December 31, | |
|---|----------------------------------|-----------|
| | 2015 | 2014 |
| | Unaudited | |
| Cash flows provided by operating activities: | | |
| Net income | \$ 38,537 | \$ 5,895 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 1,629 | 1,103 |
| Amortization of intangible assets | 42 | - |
| Amortization of premiums on available-for-sale marketable securities | 35 | - |
| Stock-based compensation related to employee and non-employee consultants stock options | 4,057 | 780 |
| Realized gains on cash flow hedges | (2) | - |
| Financial income, net related to term loan | - | (656) |
| Remeasurement of warrants to purchase preferred and common stock | - | 265 |
| Changes in assets and liabilities: | | |
| Inventories | (13,452) | (22,128) |
| Prepaid expenses and other accounts receivable | 6,504 | (10,671) |
| Trade receivables, net | (11,268) | (5,919) |
| Deferred tax assets, net | (6,527) | - |
| Trade payables | (18,701) | 33,429 |
| Employees and payroll accruals | 6,073 | 361 |
| Warranty obligations | 9,015 | 6,116 |
| Deferred revenues | 3,446 | 1,694 |
| Accrued expenses and other accounts payable | (273) | (860) |
| Lease incentive obligation | (65) | - |

| | | |
|--|------------|-----------|
| Net cash provided by operating activities | 19,050 | 9,409 |
| Cash flows used in investing activities: | | |
| Investment in available-for-sale marketable securities | (52,860) | - |
| Purchase of property and equipment | (5,636) | (3,133) |
| Purchase of intangible assets | (800) | - |
| Decrease (increase) in restricted cash | 222 | (1,807) |
| Decrease (increase) in short and long-term lease deposits | 37 | (31) |
| Net cash used in investing activities | (59,037) | (4,971) |
| Cash flows from financing activities: | | |
| Proceeds from short-term bank loans | \$ - | \$ 6,000 |
| Repayments of short term loan | - | (19,326) |
| Repayments of term loan | - | (1,578) |
| Proceeds from issuance of Series E Convertible Preferred stock | - | 24,837 |
| Issuance costs | - | (292) |
| Proceeds from exercise of employee stock options | 1,472 | 16 |
| Net cash provided by financing activities | 1,472 | 9,657 |
| Increase (decrease) in cash and cash equivalents | (38,515) | 14,095 |
| Cash and cash equivalents at the beginning of the period | 144,750 | 9,754 |
| Erosion due to exchange rate differences | (85) | (75) |
| Cash and cash equivalents at the end of the period | \$ 106,150 | \$ 23,774 |

SOLAREEDGE TECHNOLOGIES INC.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(In thousands, except per share data)

(unaudited)

Reconciliation of Non-GAAP Financial Measures

| | Three months ended | | | Six months ended | |
|---|--------------------|-----------------|---------------------|------------------|---------------------|
| | Dec 31, 2015 | Sep 30, 2015 | Dec 31, 2014 (1) | Dec 31, 2015 | Dec 31, 2014 (1) |
| Gross profit (GAAP) | 38,582 | 33,527 | 15,781 | 72,109 | 29,811 |
| Stock-based compensation | 209 | 180 | 74 | 389 | 112 |
| Gross profit (Non-GAAP) | 38,791 | 33,707 | 15,855 | 72,498 | 29,923 |
| Gross margin (GAAP) | 30.9% | 29.1% | 21.5% | 30.1% | 21.3% |
| Stock-based compensation | 0.2% | 0.2% | 0.1% | 0.1% | 0.0% |
| Gross margin (Non-GAAP) | 31.1% | 29.3% | 21.6% | 30.2% | 21.3% |
| Operating expenses (GAAP) | 19,320 | 18,653 | 11,547 | 37,973 | 23,226 |
| Stock-based compensation R&D | 518 | 395 | 155 | 913 | 266 |
| Stock-based compensation S&M | 749 | 616 | 153 | 1,365 | 254 |
| Stock-based compensation G&A | 750 | 641 | 77 | 1,391 | 148 |
| Operating expenses (Non-GAAP) | 17,303 | 17,001 | 11,162 | 34,304 | 22,558 |
| Operating income (GAAP) | 19,262 | 14,874 | 4,234 | 34,136 | 6,585 |
| Stock-based compensation | 2,226 | 1,832 | 459 | 4,058 | 780 |
| Operating income (Non-GAAP) | 21,488 | 16,706 | 4,693 | 38,194 | 7,365 |
| Finance expenses (Income) (GAAP) | 959 | 72 | 458 | 1,031 | (58) |
| Warrants remeasurement | ---- | ---- | 280 | ---- | 265 |
| Finance expenses (Non-GAAP) | 959 | 72 | 178 | 1,031 | (323) |
| Tax on income (Tax benefit) (GAAP) | (5,802) | 370 | 401 | (5,432) | 748 |
| Tax benefit due to deferred tax asset | 6,527 | ---- | ---- | 6,527 | ---- |

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Tax on income (Tax benefit) (Non-GAAP) | 725 | 370 | 401 | 1,095 | 748 |
| Net income (GAAP) | 24,105 | 14,432 | 3,375 | 38,537 | 5,895 |
| Stock-based compensation | 2,226 | 1,832 | 459 | 4,058 | 780 |
| Warrants remeasurement | ---- | ---- | 280 | ---- | 265 |
| Tax benefit due to deferred tax asset | (6,527) | ---- | ---- | (6,527) | ---- |
| Net income (Non-GAAP) | 19,804 | 16,264 | 4,114 | 36,068 | 6,940 |
| Net basic earnings per share (GAAP) | 0.61 | 0.37 | ---- | 0.98 | ---- |
| Stock-based compensation | 0.06 | 0.04 | 0.01 | 0.10 | 0.02 |
| Warrants remeasurement | ---- | ---- | 0.01 | ---- | 0.01 |
| Additional shares giving effect to IPO and conversion of preferred stock at the beginning of the periods | ---- | ---- | 0.11 | ---- | 0.20 |
| Tax benefit due to deferred tax asset | (0.17) | ---- | ---- | (0.16) | ---- |
| Net basic earnings per share (Non-GAAP) | 0.50 | 0.41 | 0.13 | 0.92 | 0.23 |
| Number of shares used in computing net basic earnings per share (GAAP) | 39,511,967 | 39,301,620 | 2,815,694 | 39,406,797 | 2,814,188 |
| Additional shares giving effect to IPO and conversion of preferred stock at the beginning of the periods | ---- | ---- | 28,202,001 | ---- | 26,888,953 |
| Number of shares used in computing net basic earnings per share (Non-GAAP) | 39,511,967 | 39,301,620 | 31,017,695 | 39,406,797 | 29,703,141 |
| Net diluted earnings per share (GAAP) | 0.55 | 0.32 | ---- | 0.87 | ---- |
| Stock-based compensation | 0.03 | 0.04 | ---- | 0.07 | 0.01 |
| Warrants remeasurement | ---- | ---- | 0.01 | ---- | ---- |
| Additional shares giving effect to IPO and conversion of preferred stock at the beginning of the periods | ---- | ---- | 0.11 | ---- | 0.20 |
| Tax benefit due to deferred tax asset | (0.14) | ---- | ---- | (0.14) | ---- |
| Net diluted earnings per share (Non-GAAP) | 0.44 | 0.36 | 0.12 | 0.80 | 0.21 |
| Number of shares used in computing net diluted earnings per share (GAAP) | 44,007,348 | 44,455,964 | 2,815,694 | 44,231,660 | 2,814,188 |
| Stock-based compensation | 1,341,335 | 686,470 | 3,173,096 | 1,013,903 | 2,620,910 |
| Warrants remeasurement | ---- | 0 | 6,739 | 0 | 10,109 |
| Additional shares giving effect to IPO and conversion of preferred stock at the beginning of the periods | ---- | ---- | 28,202,001 | ---- | 26,888,953 |
| Number of shares used in computing net diluted earnings per share (Non-GAAP) | 45,348,683 | 45,142,434 | 34,197,530 | 45,245,563 | 32,334,160 |

(1) Assumes shares of common stock outstanding after accounting for the automatic conversion of the shares of preferred stock then outstanding into common stock at the beginning of fiscal year 2015.

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