

A low-angle, upward-looking photograph of a modern glass skyscraper. The building's facade is composed of numerous rectangular glass panels, creating a complex geometric pattern of reflections and lines. The sky is a clear, pale blue. The right side of the image is partially obscured by a dark blue diagonal overlay.

Fourth Quarter 2019

Earnings Summary

February 19, 2020

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 Metrics



4.5M
Power Optimizers Shipped



187K
Inverters Shipped



1.6 GW
Systems Shipped



\$418.2M
Revenues

Financial Results for Quarter

- Record revenue of \$418.2 million, up 58.6% YoY
- Record revenue from solar products of \$389.0 million
- GAAP gross margin of 34.3%
- Non-GAAP gross margin of 35.5%
- Non-GAAP gross margin for the solar business of 37.8%
- GAAP operating income of \$50.5 million
- Non-GAAP operating income of \$85.3 million
- Record GAAP net income of \$52.8 million
- Record Non-GAAP net income of \$87.4 million
- Net diluted GAAP earnings per share of \$1.03
- Record net diluted Non-GAAP earnings per share of \$1.65
- Record cash flow from operation of \$83.1 million
- Total cash and investments, net of debt of \$451.7 million



2019 Highlights

- Record revenue of \$1.4 billion, up 52.1% YoY
- Record revenue from solar products \$1.3 billion up 46.2% YoY
- GAAP gross margin of 33.6%
- Record GAAP operating income of \$189.9 million
- Record GAAP net income of \$146.5 million
- Record Non-GAAP net income of \$233.2 million
- Record cash flow from operation of \$259.0 million

Business highlights for year

- 5.6 Gigawatts AC inverters shipped
- 15.8M power optimizers and 666K inverters shipped



Noteworthy

- Record revenues, record GAAP and Non-GAAP net income and record Non-GAAP net diluted EPS for Q and year
- Sequential revenue growth of more than 50% YoY and increased profitability
- Record cash generation from operations for Q and full year
- Corona virus not affecting expected deliveries in Q1 '20 but may require additional air shipments
- JET certification received in Japan for single phase inverters
- Manufacturing expansion underway in Vietnam and Hungary
- Record quarter for commercial megawatts shipped

GAAP Financial Results

*USD in millions	Q4 18	Q3 19	Q4 19
Revenues	263.7	410.6	418.2
Gross margin	30.2%	33.9%	34.3%
Operating expenses	55.8	73.3**	92.7**
Operating income	24.0	66.0	50.5
Net income	12.9	41.6	52.8
Net diluted earnings per share	0.27	0.81	1.03

*With the exception of gross margin and per share data

** Q4 19 and Q3 19 Include non recurring operating expenses of \$22.4M and \$8.3M respectively

NON-GAAP Financial Results

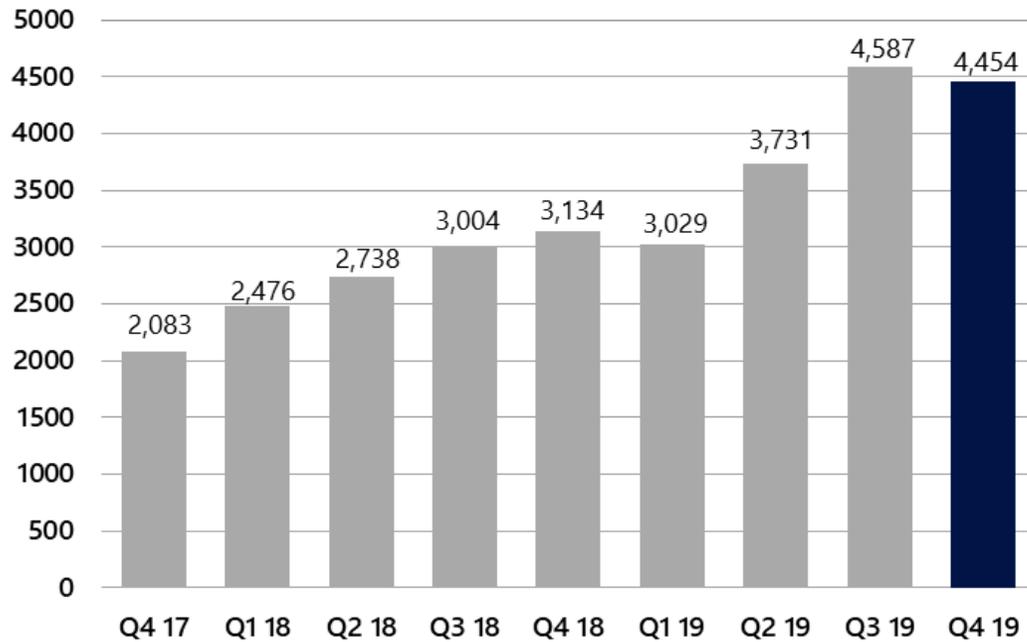
*USD in millions	Q4 18	Q3 19	Q4 19
Revenues	263.7	410.6	418.2
Gross margin	30.9%	35.1%	35.5%
Operating expenses	45.1	54.8	63.1
Operating income	36.4	89.2	85.3
Net income	31.5	63.6	87.4
Net diluted earnings per share	0.63	1.21	1.65

*With the exception of gross margin and per share data

Units Shipped

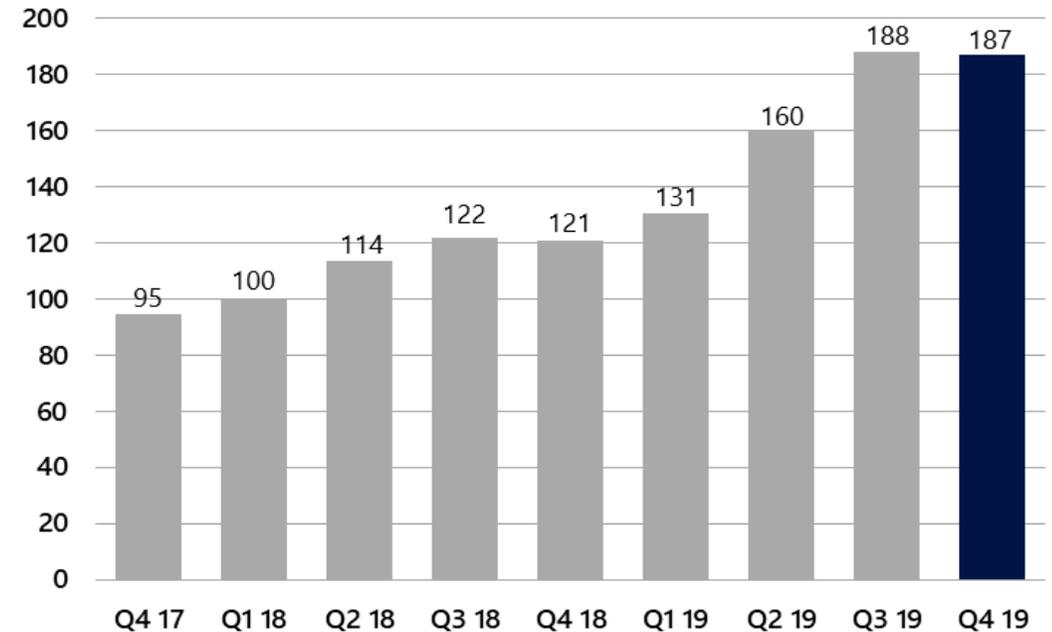
Power optimizers shipped

K Units

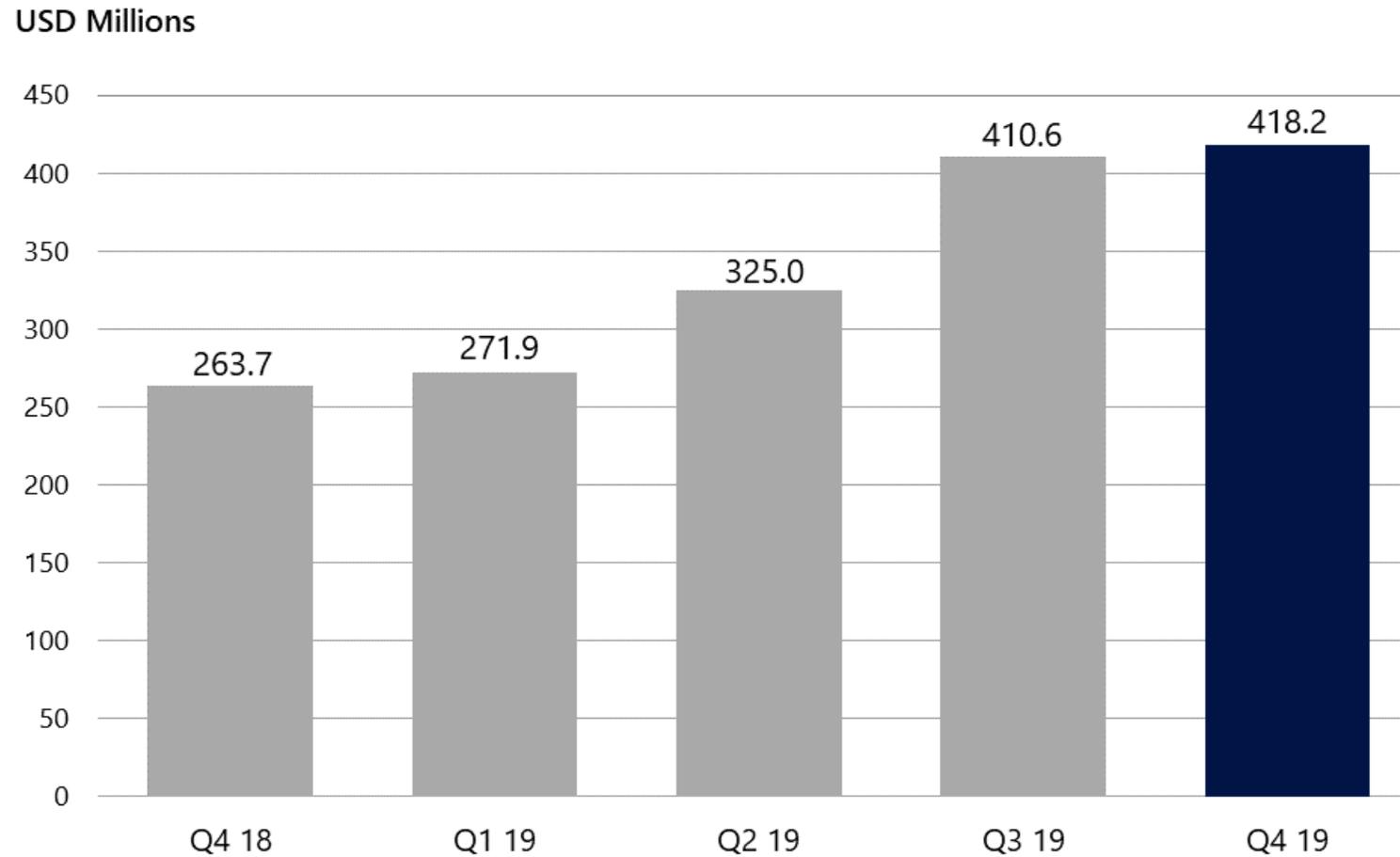


Inverters shipped

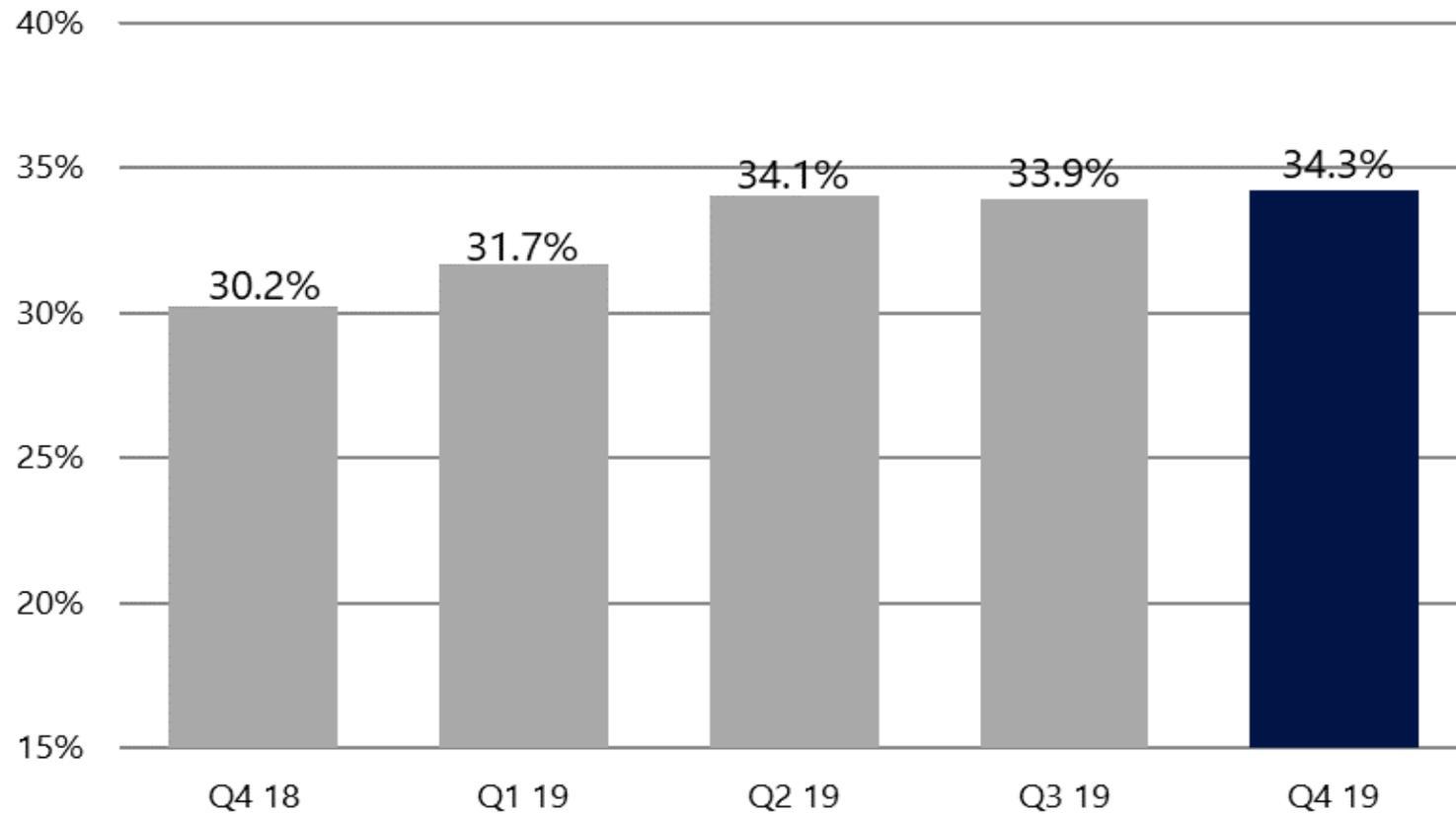
K Units



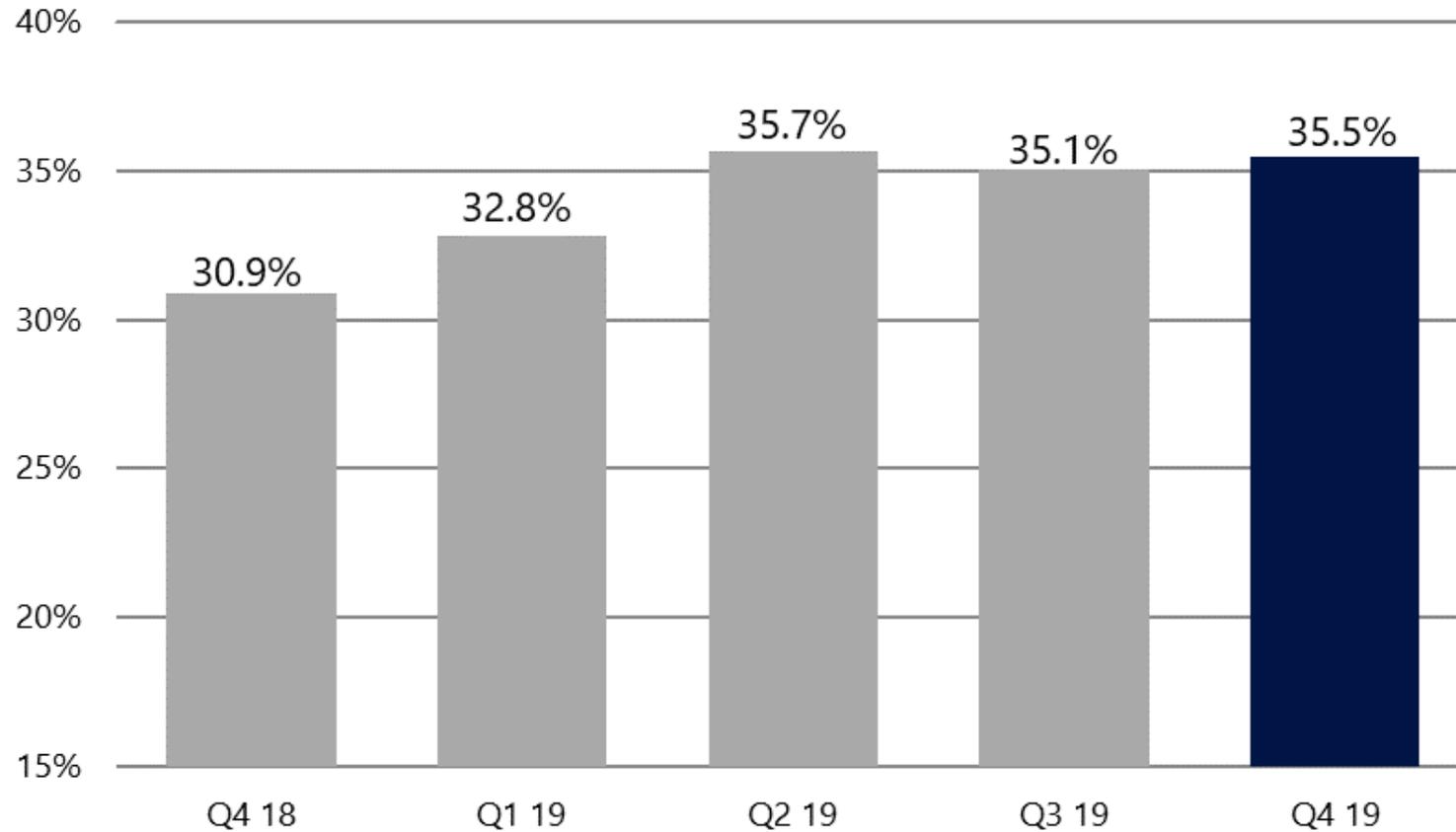
Quarterly Revenues



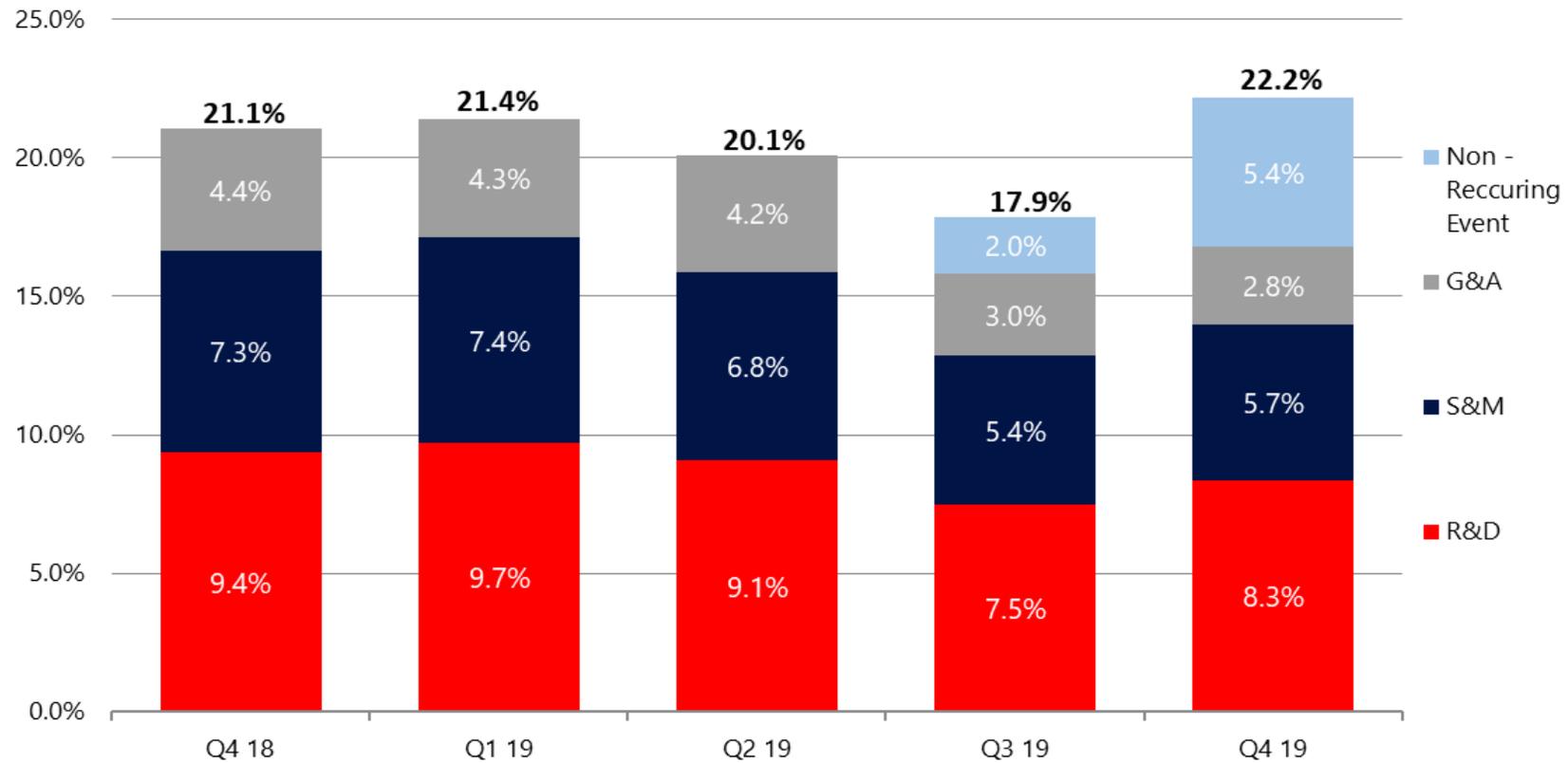
GAAP Gross Margins Trend by Quarters (%)



Non-GAAP Gross Margins Trend by Quarters (%)

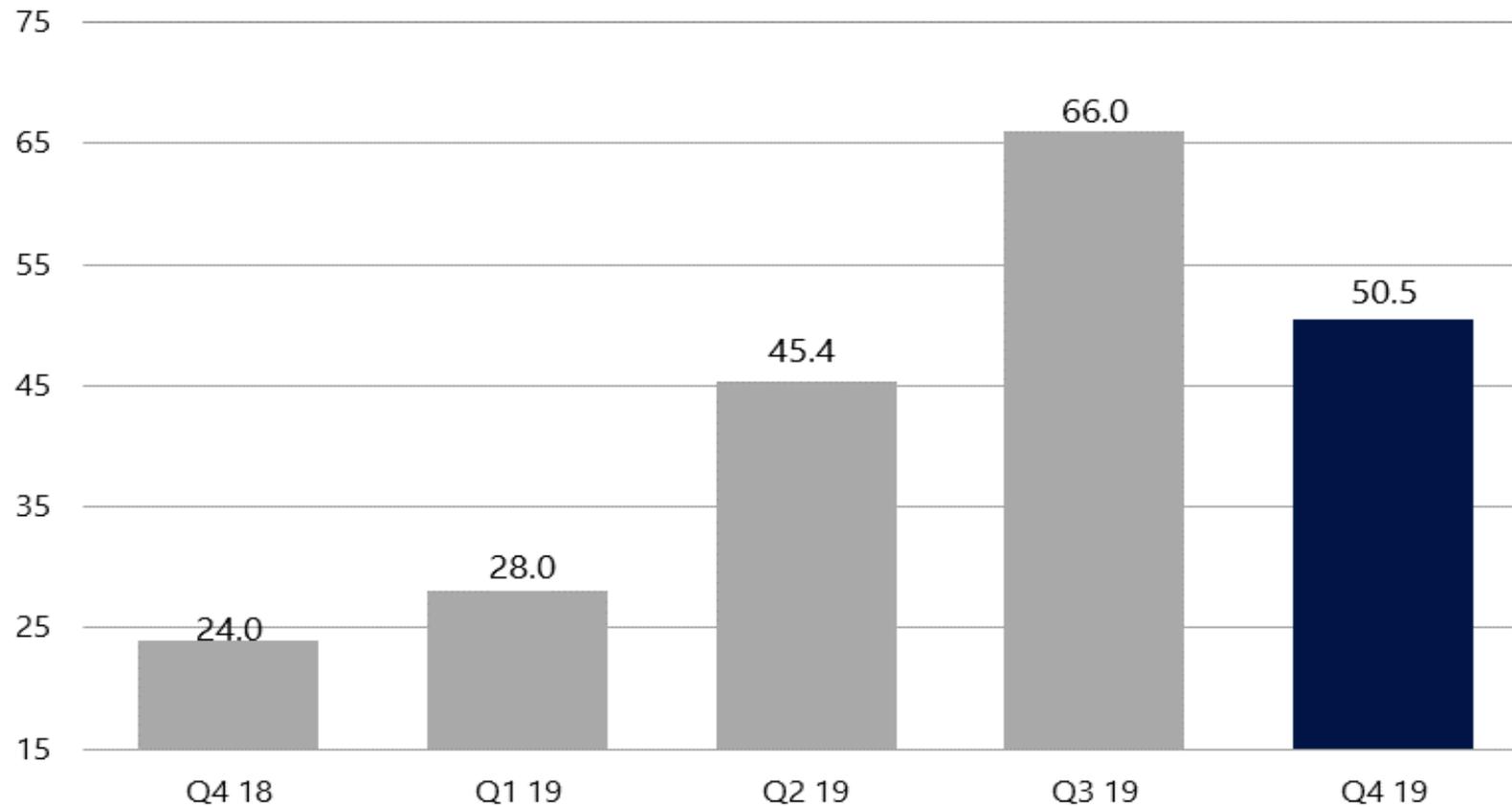


GAAP Operating Expenses



Consolidated GAAP Operating Income

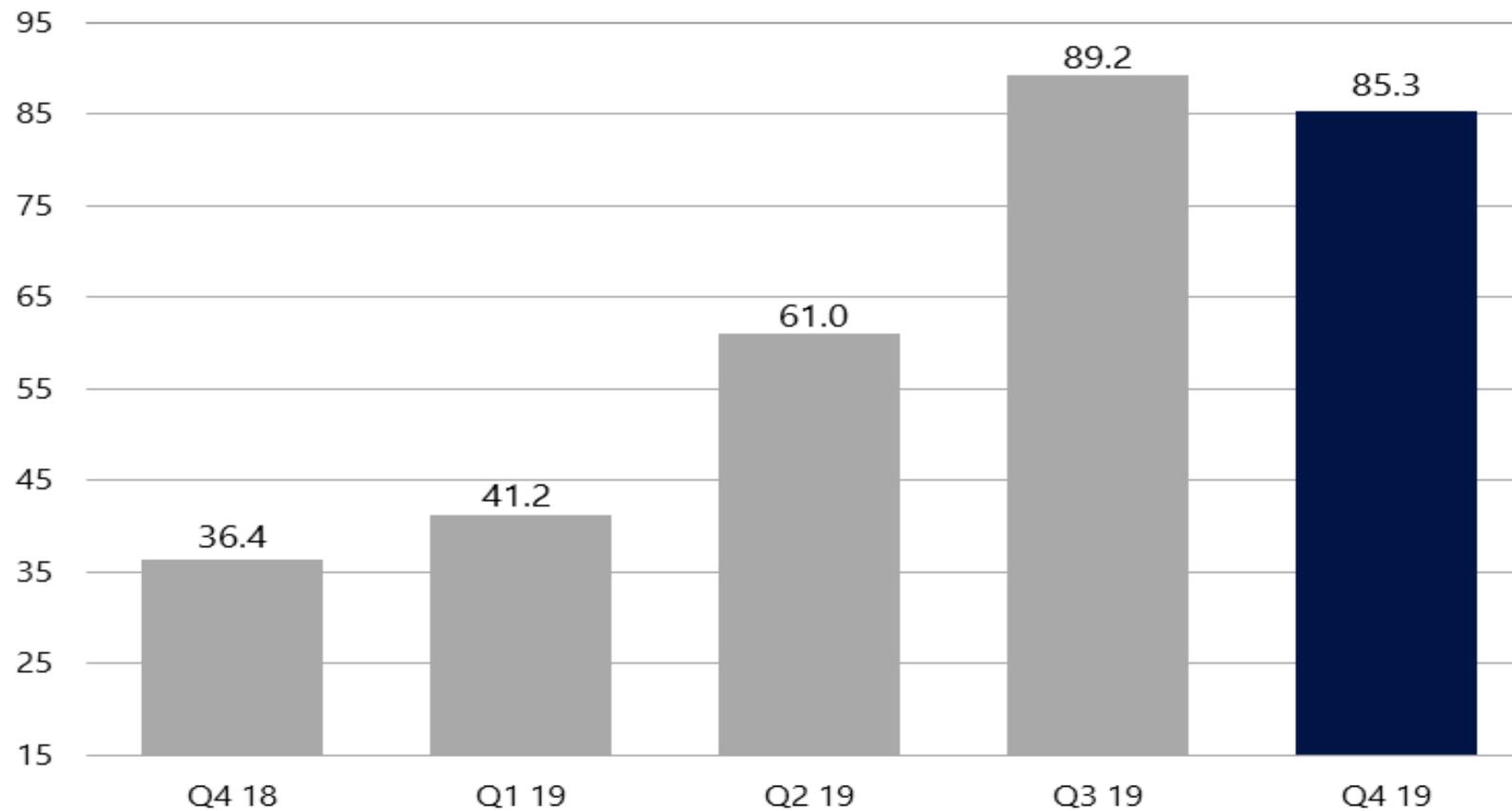
USD Millions



* Q4 19 and Q3 19 Include non recurring operating expenses of \$22.4M and \$8.3M respectively

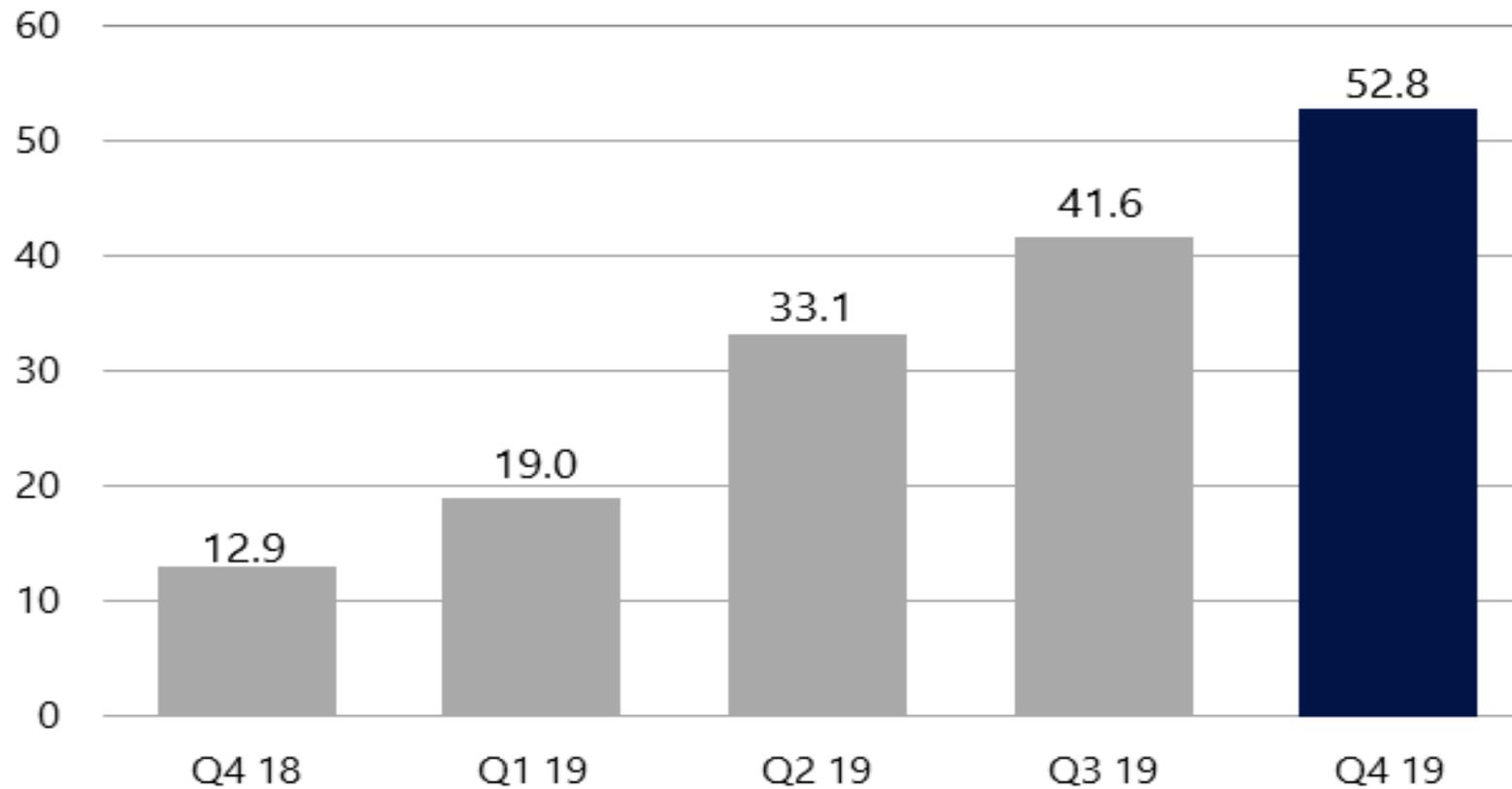
Consolidated NON-GAAP Operating Income

USD Millions



Consolidated GAAP Net Income

USD Millions

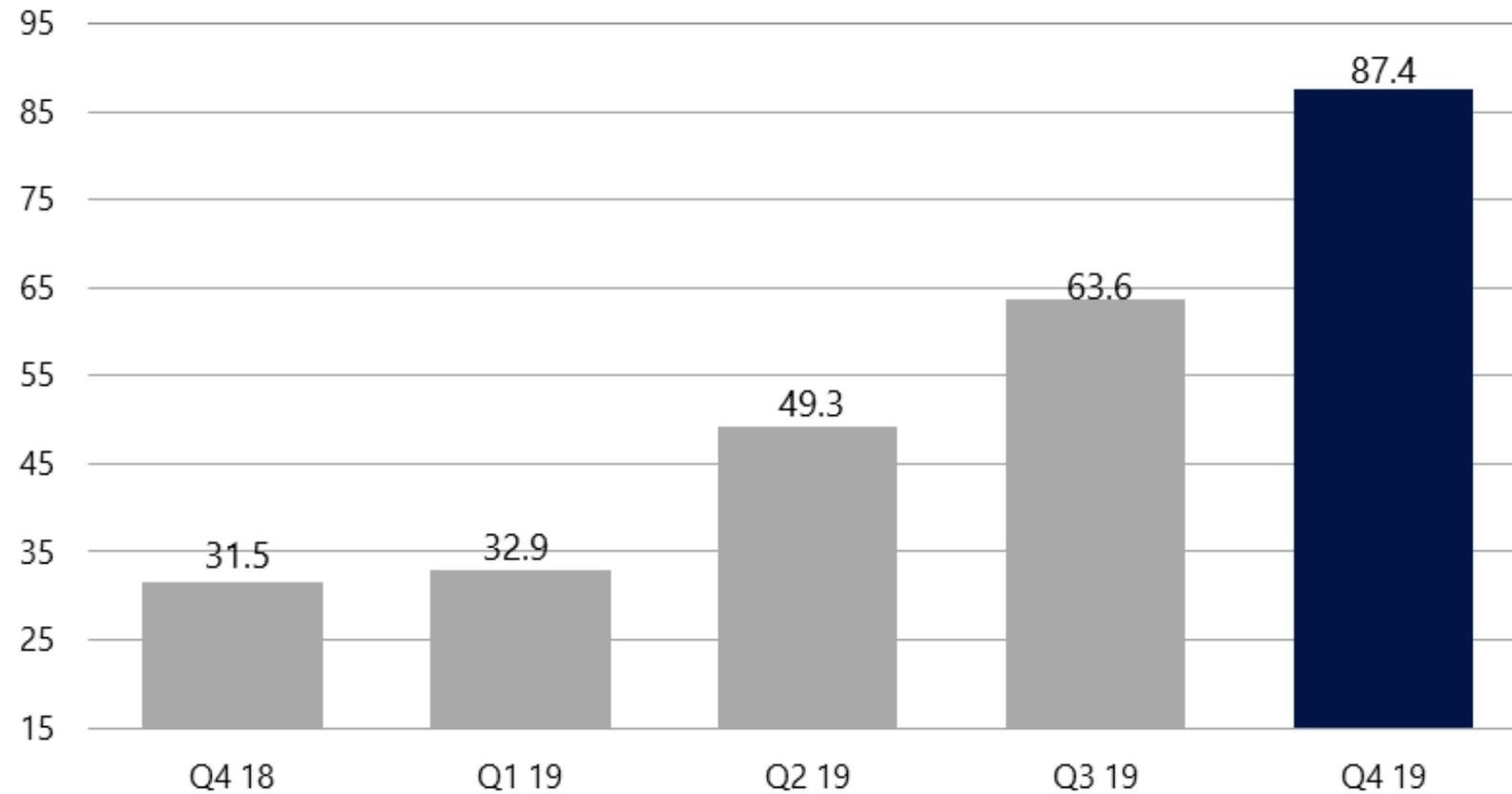


Q4-18 includes a provisional tax expense of \$8.2M

Q4 19 and Q3 19 Include non recurring operating expenses of \$22.4M and \$8.3M respectively

Consolidated NON-GAAP Net Income

USD Millions



Balance Sheet & Cash flow

USD in millions	Q4 18	Q3 19	Q4 19
Cash and investments*	391.4	432.9	467.5
Inventory	141.5	134.3	170.8
Capital Expenditures	8.6	17.4	32.9
Total Debt**	20.2	21.0	15.8
Cash Flow From Operations	46.9	68.7	83.1

* A total amount of \$218.8M, net of cash acquired was paid for acquisitions between Jul-18 to Dec-19

** Debt balances relate to pre acquisition loans in Kokam and SMRE

First Quarter Guidance

- ▀ Revenues to be within the range of \$425 million to \$440 million;
- ▀ Gross margins expected to be within the range of 32% to 34%;
- ▀ Revenues from solar products to be within the range of \$405 million to \$415 million;
- ▀ Gross margins from sale of solar products expected to be within the range of 33% to 35%



Appendix

Reconciliation of GAAP to Non-GAAP

Reconciliation of GAAP to Non-GAAP Gross Profit

	Three months ended			Year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Gross profit (GAAP)	143,249	139,309	79,711	479,338	319,236
Stock-based compensation	2,268	1,691	1,323	6,964	4,342
Cost of product adjustment	448	107	398	1,556	606
Amortization and depreciation of acquired assets	2,489	2,898	----	9,771	193
Gross profit (Non-GAAP)	148,454	144,005	81,432	497,629	324,377

Reconciliation of GAAP to Non-GAAP Gross Margin

	Three months ended			Year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Gross margin (GAAP)	34.3%	33.9%	30.2%	33.6%	34.1%
Stock-based compensation	0.5%	0.4%	0.5%	0.5%	0.4%
Cost of product adjustment	0.1%	----	0.2%	0.1%	0.1%
Amortization and depreciation of acquired assets	0.6%	0.8%	----	0.7%	----
Gross margin (Non-GAAP)	35.5%	35.1%	30.9%	34.9%	34.6%

Reconciliation of GAAP to Non-GAAP

Reconciliation of GAAP to Non-GAAP Operating expenses

	Three months ended			Year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Operating expenses (GAAP)	92,721	73,292	55,757	289,392	179,816
Stock-based compensation - R&D	(4,937)	(4,269)	(3,230)	(16,872)	(11,205)
Stock-based compensation - S&M	(3,157)	(2,779)	(2,564)	(11,062)	(9,112)
Stock-based compensation - G&A	916	(2,628)	(1,574)	(6,991)	(5,959)
Amortization and depreciation of acquired assets - R&D	(30)	(17)	(652)	(92)	(762)
Amortization and depreciation of acquired assets - S&M	33	(440)	(101)	(1,214)	(130)
Amortization and depreciation of acquired assets - G&A	45	(54)	----	(35)	----
Acquisition related expenses	----	----	(2,140)	(949)	(2,140)
Assets disposal	(56)	(14)	(435)	(622)	(435)
Non recurring operating expenses	(22,391)	(8,305)	----	(30,696)	----
Operating expenses (Non-GAAP)	63,144	54,786	45,061	220,859	150,073

Reconciliation of GAAP to Non-GAAP Operating income

	Three months ended			Year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Operating income (GAAP)	50,528	66,017	23,954	189,946	139,420
Cost of product adjustment	448	107	398	1,556	606
Stock-based compensation	9,446	11,367	8,691	41,889	30,618
Amortization and depreciation of acquired assets	2,441	3,409	753	11,112	1,085
Acquisition related expenses	----	----	2,140	949	2,140
Assets disposal	56	14	435	622	435
Non recurring operating expenses	22,391	8,305	----	30,696	----
Operating income (Non-GAAP)	85,310	89,219	36,371	276,770	174,304

Reconciliation of GAAP to Non-GAAP

Reconciliation of GAAP to Non-GAAP Financial expenses (income), net

	Three months ended			Year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Financial expenses (income), net (GAAP)	(11,058)	17,023	(288)	11,343	2,297
Non cash interest	(1,055)	(955)	(769)	(3,645)	(2,489)
Currency fluctuation due to new lease standard adoption	(266)	(800)	----	(2,591)	----
Intangible assets amortization	348	----	528	348	528
Financial expenses (income), net (Non-GAAP)	(12,031)	15,268	(529)	5,455	336

Reconciliation of GAAP to Non-GAAP Tax on income (tax benefit)

	Three months ended			Year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Tax on income (GAAP)	9,241	7,270	12,093	33,646	9,077
Deferred tax realized (asset)	1,114	2,963	2,304	6,037	7,093
Transition tax of foreign earnings	----	----	(8,189)	----	1,296
Tax on income (Non-GAAP)	10,355	10,233	6,208	39,683	17,466

Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net income attributable to Solaredge Technologies Inc.				
	Three months ended			Year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net income attributable to Solaredge Technologies Inc. (GAAP)	52,778	41,627	12,936	146,549	128,833
Cost of product adjustment	448	107	398	1,556	606
Stock-based compensation	9,446	11,367	8,691	41,889	30,618
Amortization and depreciation of acquired assets	2,093	3,409	225	10,764	557
Acquisition related expenses	-	----	2,140	949	2,140
Assets disposal	56	14	435	622	435
Non recurring operating expenses	22,391	8,305	----	30,696	----
Non cash interest	1,055	955	769	3,645	2,489
Currency fluctuation due to new lease standard adoption	266	800	----	2,591	----
Deferred tax realized (asset)	(1,114)	(2,963)	(2,304)	(6,037)	(7,093)
Transition tax of foreign earnings	-	----	8,189	----	(1,296)
Net income attributable to Solaredge Technologies Inc. (Non-GAAP)	87,419	63,621	31,479	233,224.00	157,289

Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net basic earnings per share				
	Three months ended			Year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net basic earnings per share (GAAP)	1.08	0.86	0.28	3.06	2.85
Cost of product adjustment	0.01	0.01	0.01	0.03	0.01
Stock-based compensation	0.20	0.23	0.19	0.87	0.68
Amortization and depreciation of acquired assets	0.04	0.07	0.01	0.23	0.01
Acquisition related expenses	----	----	0.04	0.02	0.05
Assets disposal	----	----	0.01	0.01	0.01
Non recurring operating expenses	0.46	0.17	----	0.64	----
Non cash interest	0.02	0.02	0.02	0.08	0.05
Currency fluctuation due to new lease standard adoption	----	0.02	----	0.06	----
Deferred tax realized (asset)	(0.02)	(0.06)	(0.05)	(0.13)	(0.15)
Transition tax of foreign earnings	----	----	0.18	----	(0.03)
Net basic earnings per share (Non-GAAP)	<u>1.79</u>	<u>1.32</u>	<u>0.69</u>	<u>4.87</u>	<u>3.48</u>

Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net diluted earnings per share				
	Three months ended			Year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net diluted earnings per share (GAAP)	1.03	0.81	0.27	2.90	2.69
Cost of product adjustment	0.01	----	0.01	0.02	0.01
Nonvested PSUs	(0.01)	----	----	----	----
Stock-based compensation	0.15	0.19	0.16	0.68	0.53
Amortization and depreciation of acquired assets	0.04	0.07	0.01	0.22	0.01
Acquisition related expenses	----	----	0.04	0.02	0.04
Assets disposal	----	----	0.01	0.01	0.01
Non recurring operating expenses	0.43	0.16	----	0.59	----
Non cash interest	0.02	0.02	0.01	0.07	0.05
Currency fluctuation due to new lease standard adoption	----	0.02	----	0.05	----
Deferred tax realized (asset)	(0.02)	(0.06)	(0.04)	(0.12)	(0.14)
Transition tax of foreign earnings	----	----	0.16	----	(0.03)
Net diluted earnings per share (Non-GAAP)	1.65	1.21	0.63	4.44	3.17

	Reconciliation of GAAP to Non-GAAP No. of shares used in Net diluted earnings per share				
	Three months ended			Year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Number of shares used in computing net diluted earnings per share (GAAP)	50,966,778	51,081,594	47,637,478	50,195,661	47,980,002
Stock-based compensation	1,774,490	1,375,391	2,204,179	2,011,807	1,636,127
Number of shares used in computing net diluted earnings per share (Non-GAAP)	52,741,268	52,456,985	49,841,657	52,207,468	49,616,129

NASDAQ | SEDG