

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.

Third Quarter 2019  
Earnings Summary

November 6, 2019

# 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



**4.6M**

Power Optimizers Shipped



**188K**

Inverters Shipped



**1.5 GW**

Systems Shipped



**\$410.6M**

Revenues

# Financial Results for Quarter

- Record revenue of \$410.6 million, up 26.3% QoQ and 73.5% YoY
- Record revenue from solar products of \$387.8 million
- GAAP gross margin of 33.9%
- Non-GAAP gross margin of 35.1%
- Non-GAAP gross margin for the solar business of 35.4%
- Record GAAP operating income of \$66.0 million
- Record Non-GAAP operating income of \$89.2 million
- GAAP net income of \$41.6 million
- Record Non-GAAP net income of \$63.6 million
- Net diluted GAAP earnings per share of \$0.81
- Record net diluted Non-GAAP earnings per share of \$1.21
- Cash flow from operation of \$68.7 million
- Total cash and investments, net of debt of \$411.9 million



# Noteworthy

- Record revenue, record Non-GAAP net income and record Non-GAAP net diluted EPS
- Revenues for first nine months of 2019 surpassed \$1 billion
- Strong growth and record revenues in the U.S. and in Europe
- Welcome to Uri Bechor, Chief Operating Officer
- Manufacturing capacity ramp is on schedule in Vietnam, Europe and China to accommodate growth
- Manufacturing capacity constraints required significant air shipments, negatively impacting gross margin by 254 basis points above impact of last quarter's air shipments
- Non-GAAP gross margins of solar business: 35.4%, air freight costs offset by cost reduction and increased operational efficiencies
- Record cash flow from operations of \$68.7M
- Non solar businesses break even on operating level for first time

# GAAP Financial Results

*USD in millions	Q3 18	Q2 19	Q3 19
Revenues	236.6	325.0	410.6
Gross margin	33.0%	34.1%	33.9%
Operating expenses	43.9	65.3	73.3 **
Operating income	34.0	45.4	66.0
Net income	45.6	33.1	41.6
Net diluted earnings per share	0.95	0.66	0.81

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

\*\* Including non recurring expenses of \$8.3M

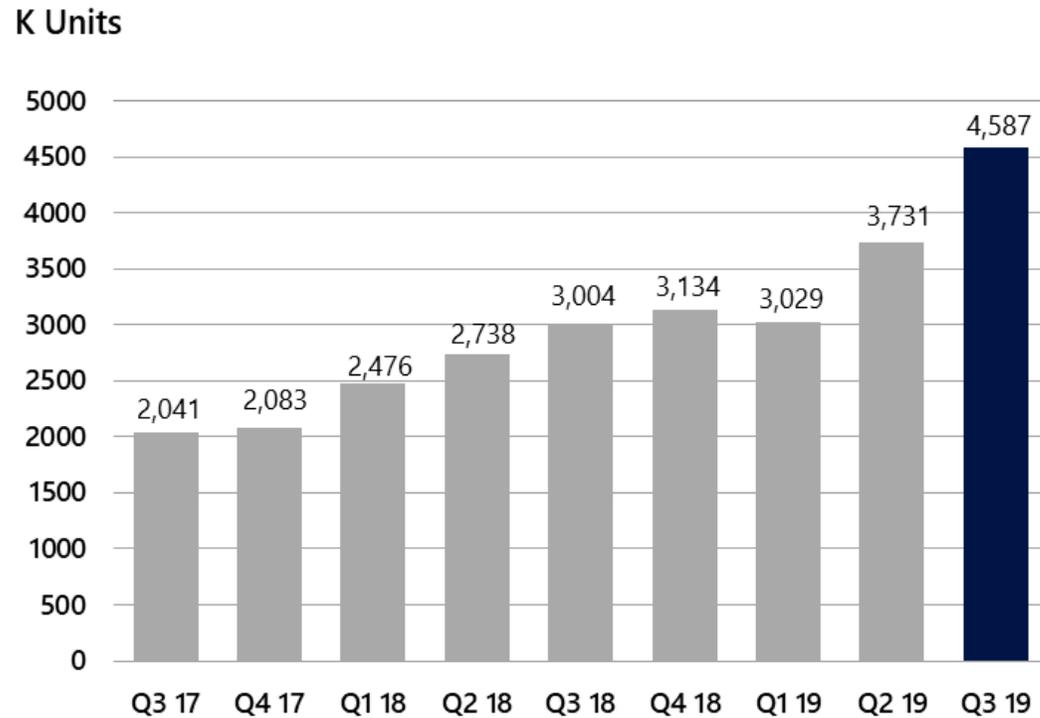
# NON-GAAP Financial Results

*USD in millions	Q3 18	Q2 19	Q3 19
Revenues	236.6	325.0	410.6
Gross margin	33.6%	35.7%	35.1%
Operating expenses	37.0	54.9	54.8
Operating income	42.5	61.0	89.2
Net income	42.7	49.3	63.6
Net diluted earnings per share	0.86	0.94	1.21

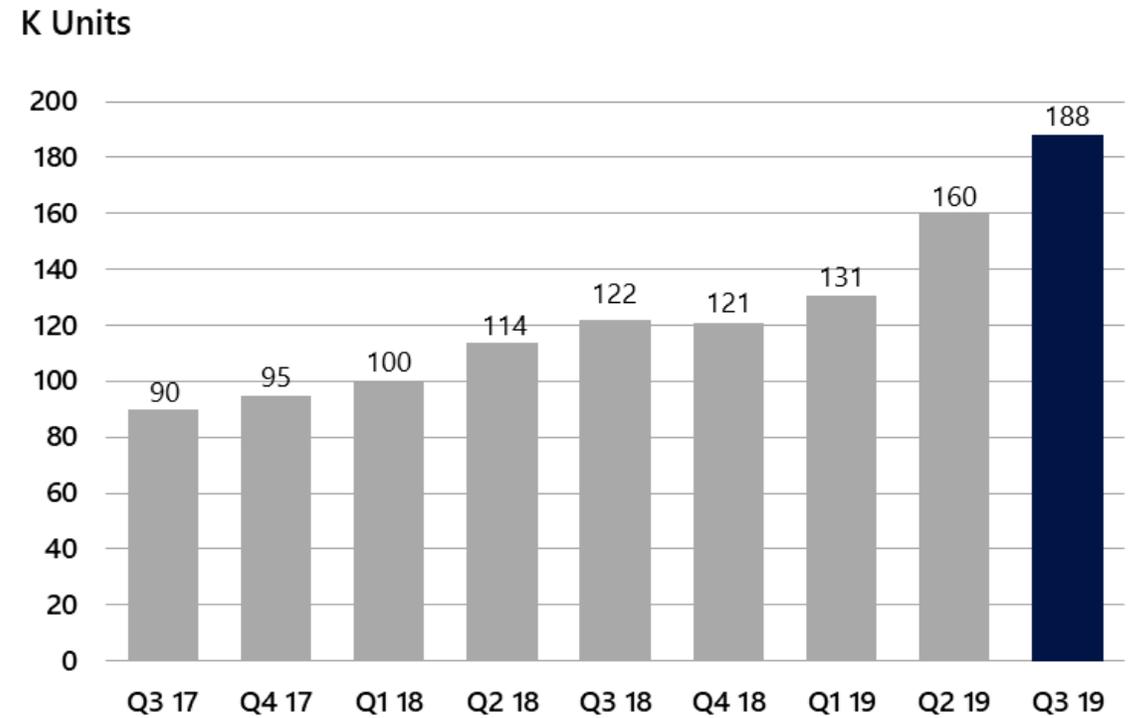
\*With the exception of gross margin and per share data

# Units Shipped

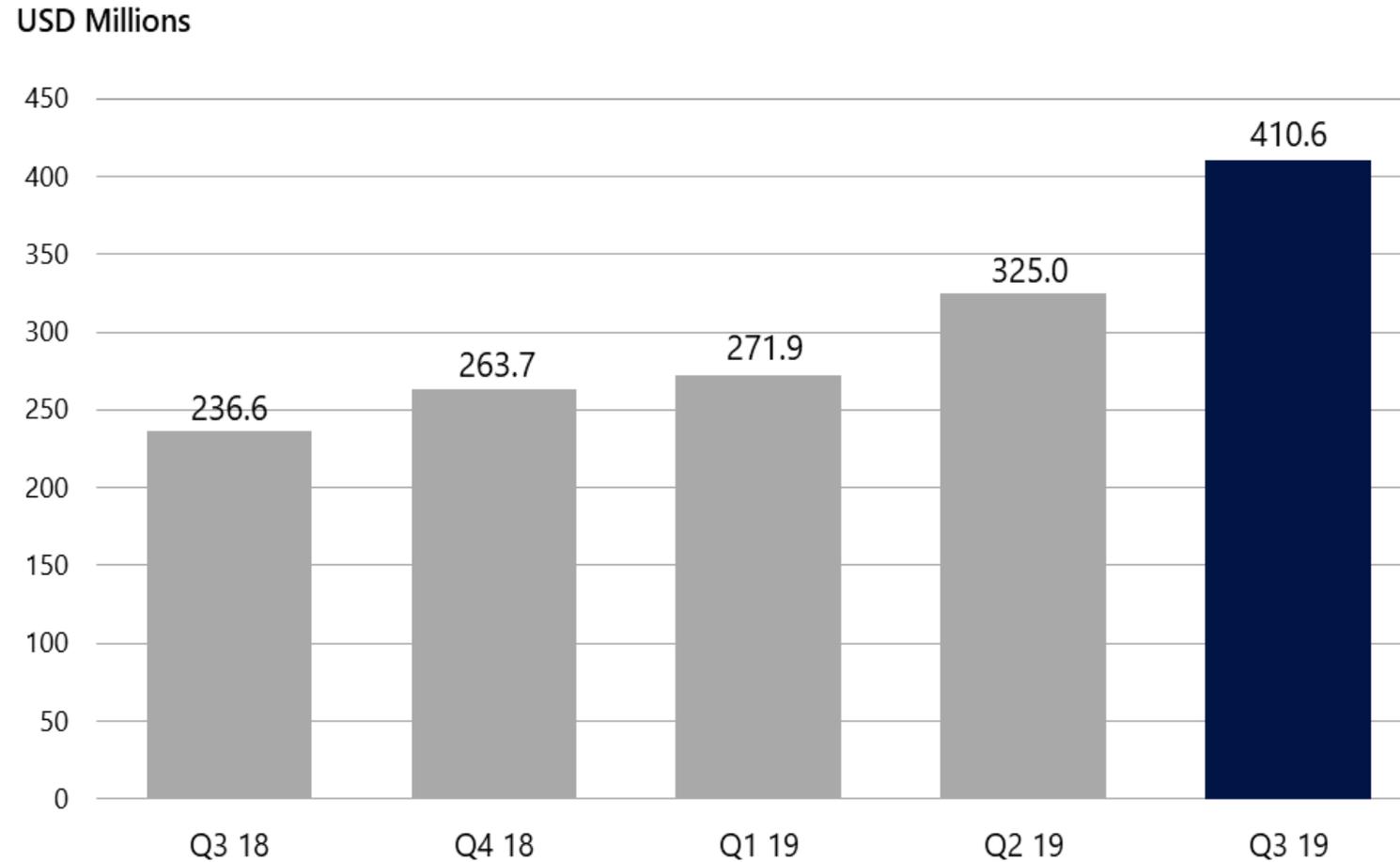
## Power optimizers shipped



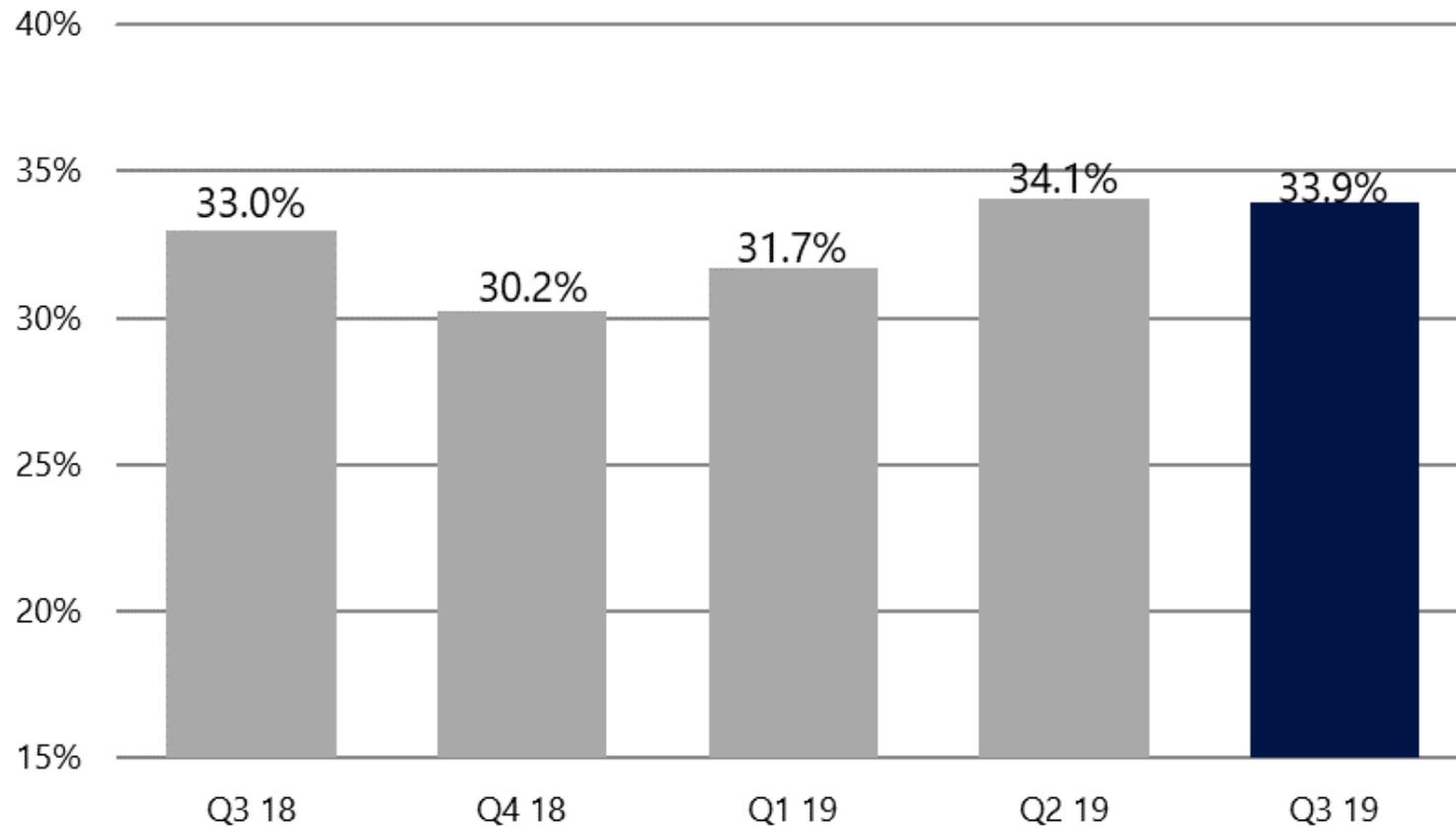
## Inverters shipped



# Quarterly Revenues

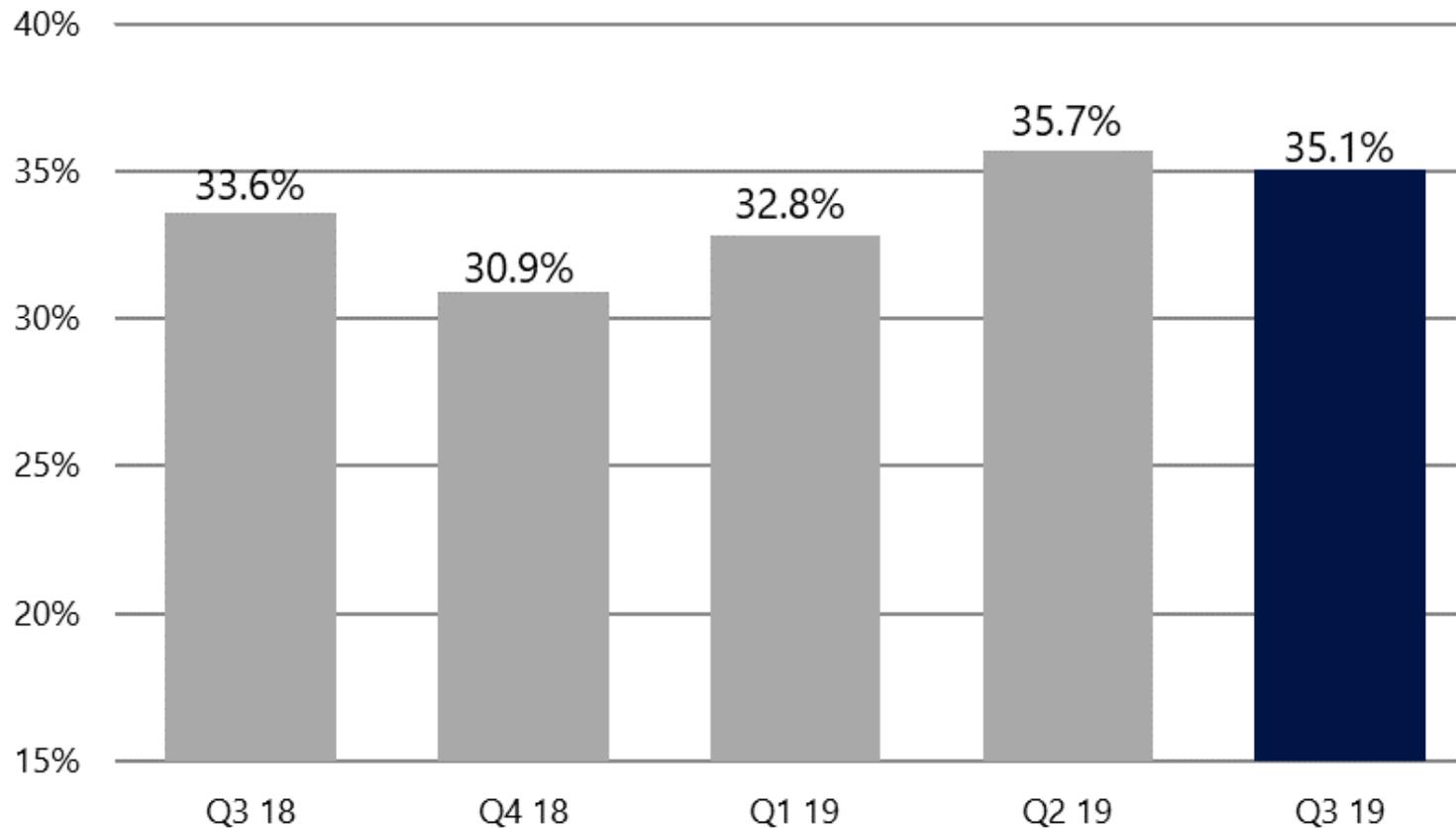


# GAAP Gross Margins Trend by Quarters (%)



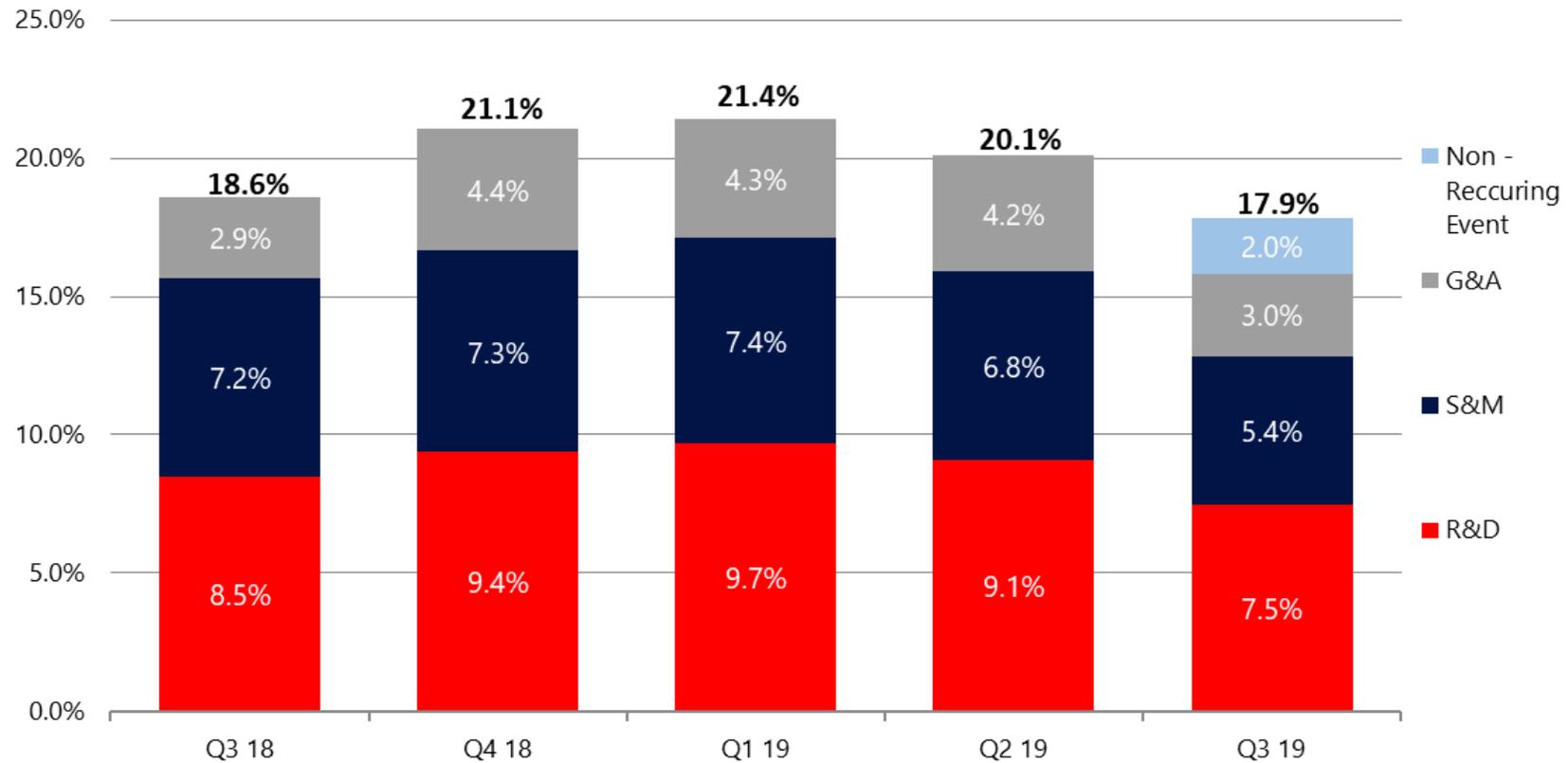
Q3 19 result represents 254 basis points of higher air shipments compared to Q2

# Non-GAAP Gross Margins Trend by Quarters (%)



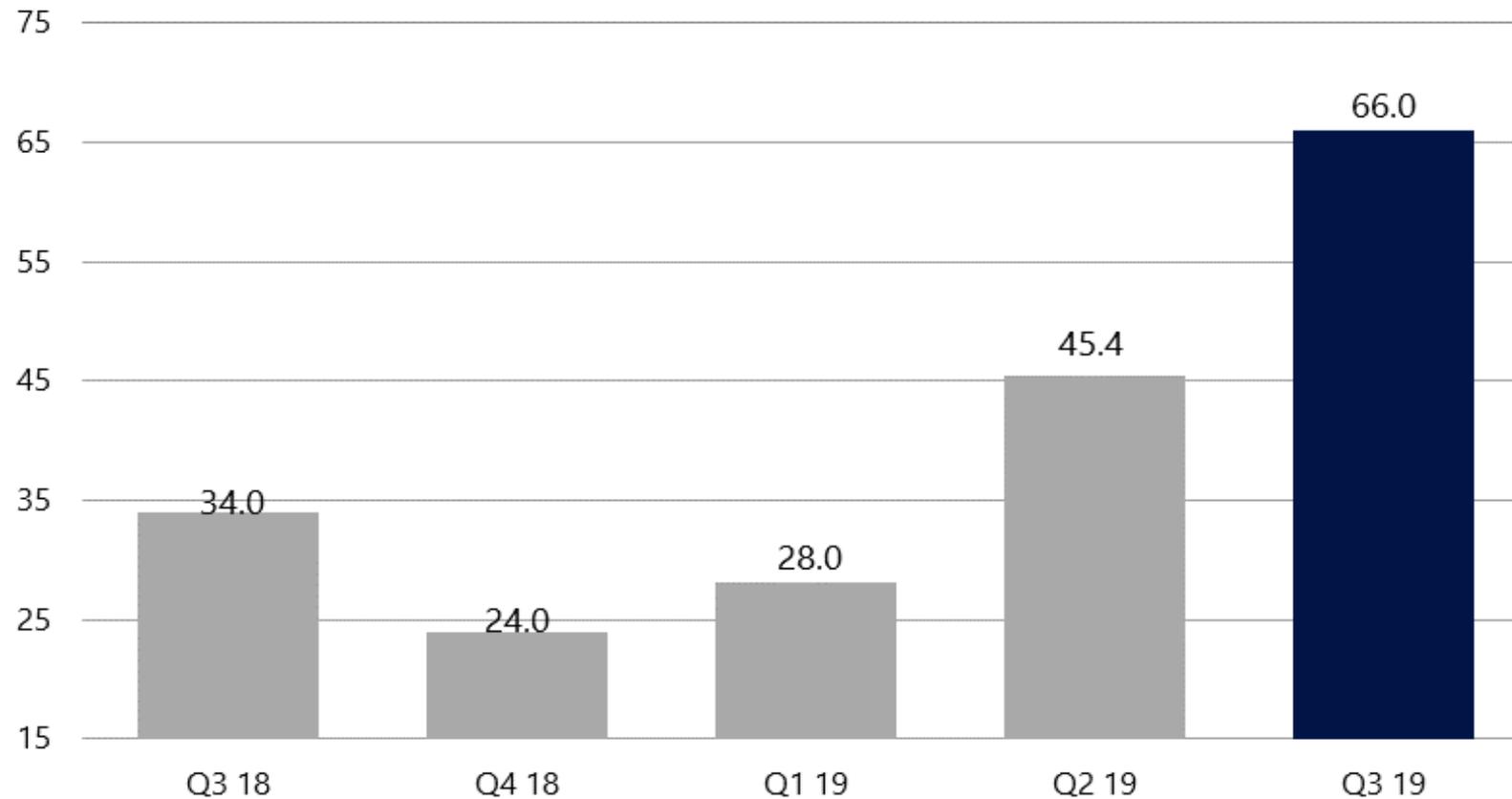
Q3 19 result represents 254 basis points of higher air shipments compared to Q2

# GAAP Operating Expenses



# Consolidated GAAP Operating Income

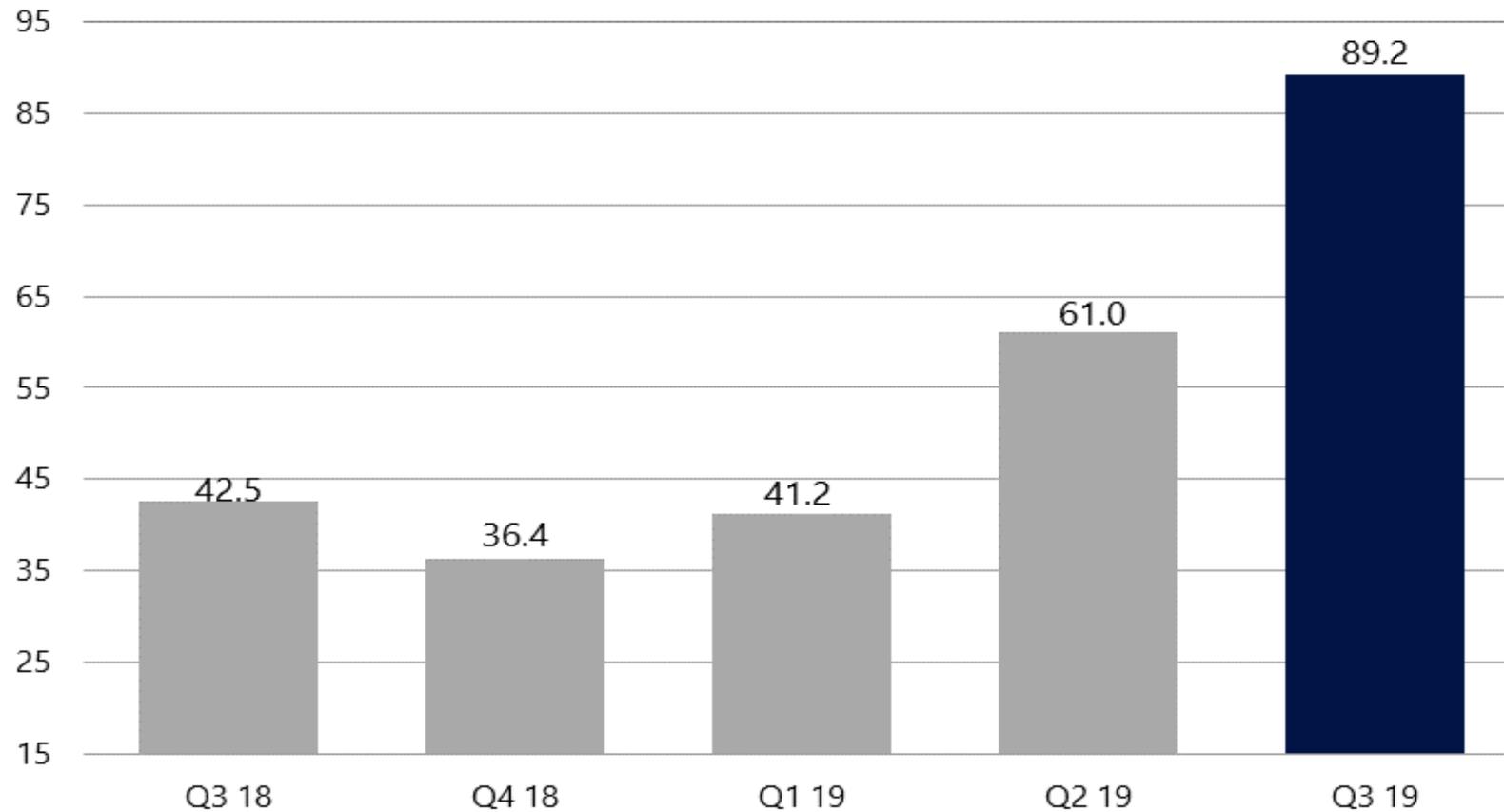
USD Millions



\* Q3 19 includes a non-recurring expense of \$8.3M.

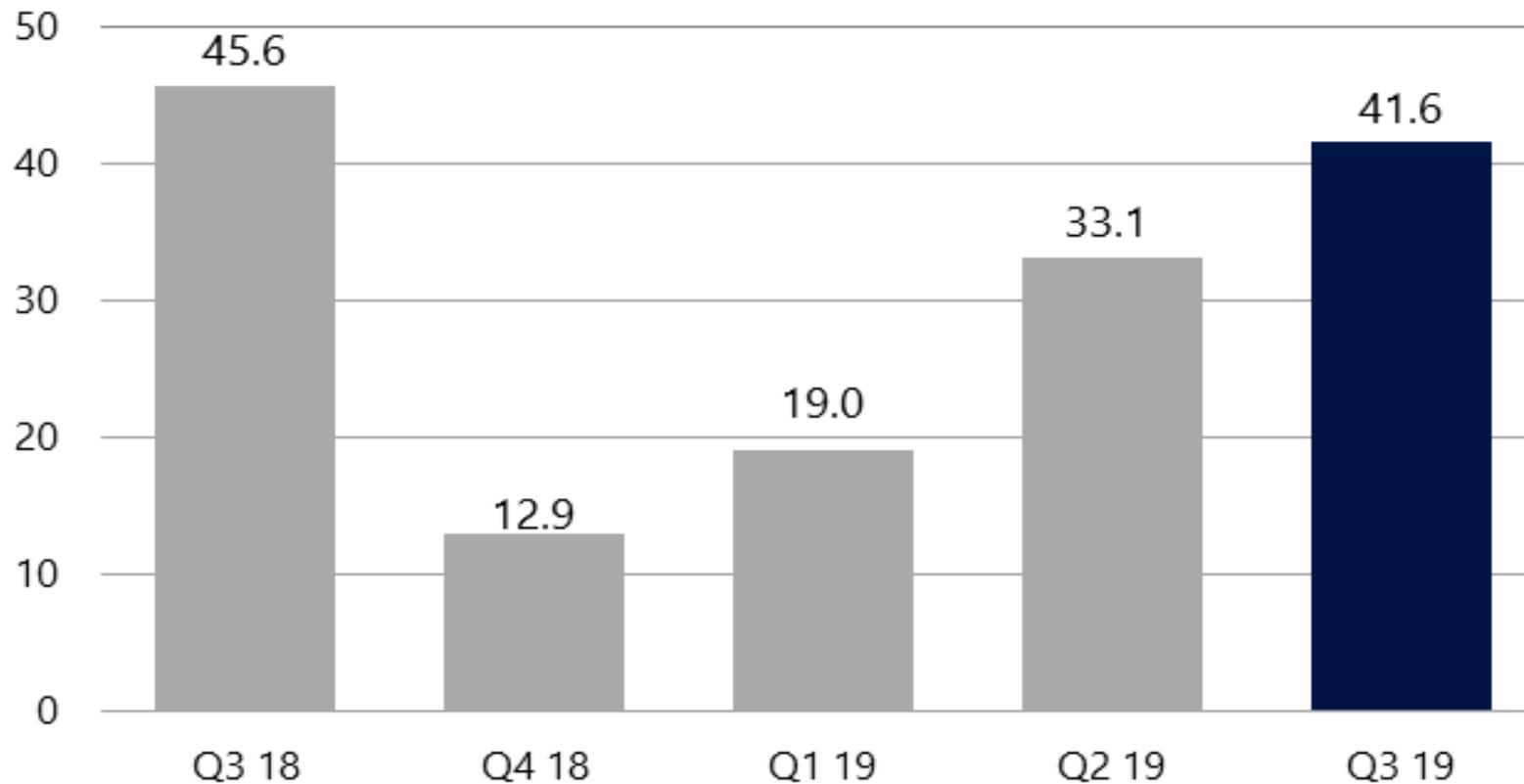
# Consolidated NON-GAAP Operating Income

USD Millions



# Consolidated GAAP Net Income

USD Millions



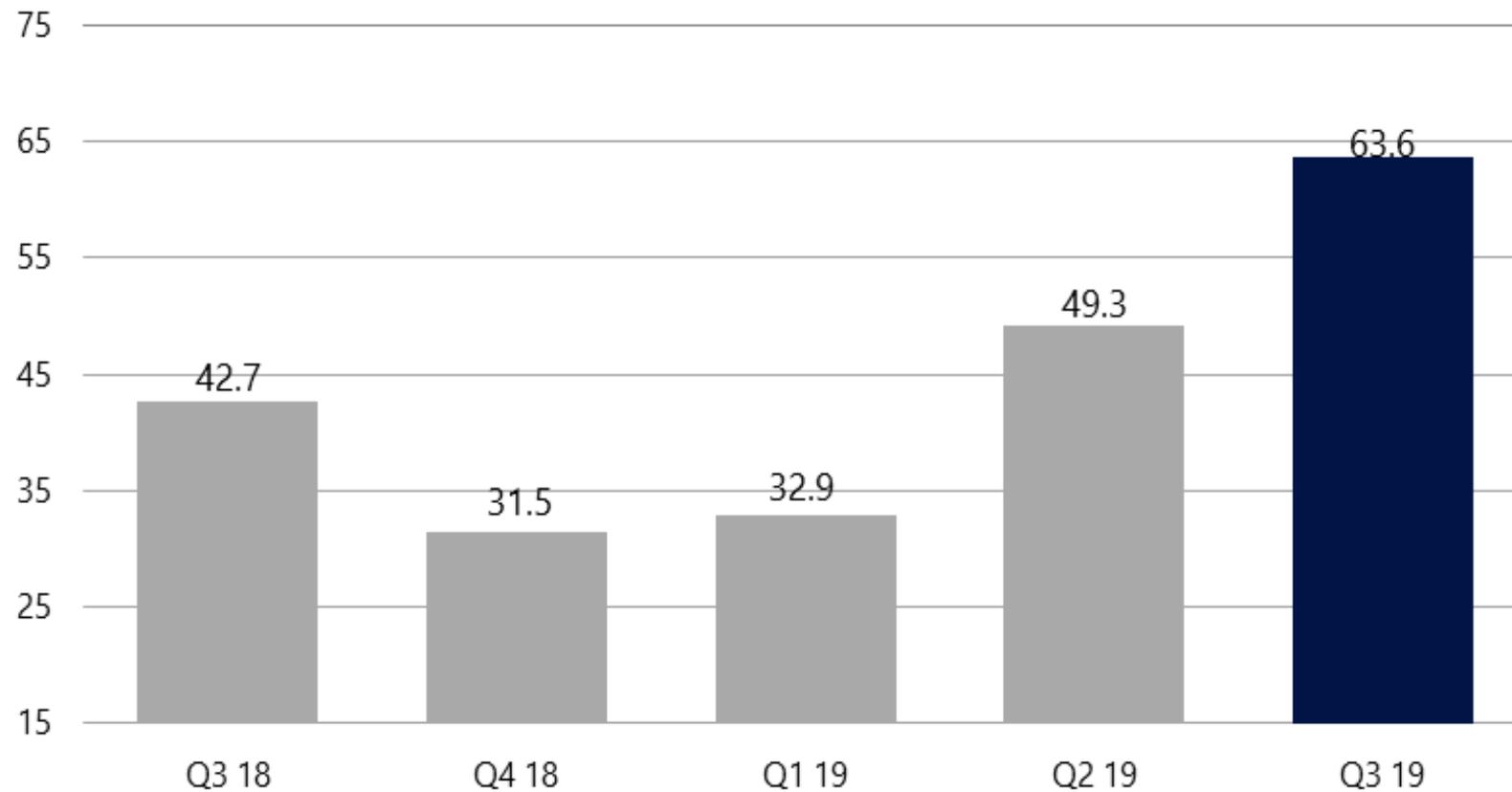
Q3-18 includes a tax benefit of \$10.3M.

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

Q3-19 includes a non-recurring expense of \$8.3M.

# Consolidated NON-GAAP Net Income

USD Millions



# Balance Sheet & Cash flow

USD in millions	Q3 18	Q2 19	Q3 19
Cash and investments*	453.2	373.6	432.9
Inventory	107.2	148.9	134.3
Capital Expenditures	8.7	11.7	17.4
Total Debt**	-	22.0	21.0
Cash Flow From Operations	34.3	50.8	68.7

\* A total amount of \$214.4M, net, was paid for acquisitions between Jul-18 to Sep-19

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

# Fourth Quarter Guidance

- Revenues to be within the range of \$410 million to \$420 million;
- Gross margins expected to be within the range of 32% to 34%;
- Revenues from solar products to be within the range of \$388 million to \$398 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

**Gross profit (GAAP)**  
 Stock-based compensation  
 Cost of product adjustment  
 Amortization and depreciation of acquired assets  
**Gross profit (Non-GAAP)**

**Gross margin (GAAP)**  
 Stock-based compensation  
 Cost of product adjustment  
 Amortization and depreciation of acquired assets  
**Gross margin (Non-GAAP)**

Reconciliation of GAAP to Non-GAAP Gross Profit				
Three months ended			Nine months ended	
September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
139,309	110,670	77,982	336,089	239,525
1,691	1,651	1,127	4,696	3,019
107	319	208	1,108	208
2,898	3,307	193	7,282	193
<u>144,005</u>	<u>115,947</u>	<u>79,510</u>	<u>349,175</u>	<u>242,945</u>

Reconciliation of GAAP to Non-GAAP Gross Margin				
Three months ended			Nine months ended	
September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
33.9%	34.1%	33.0%	33.4%	35.6%
0.4%	0.5%	0.5%	0.5%	0.5%
0.0%	0.1%	0.1%	0.1%	0.0%
0.8%	1.0%	0.1%	0.7%	0.0%
<u>35.1%</u>	<u>35.7%</u>	<u>33.6%</u>	<u>34.7%</u>	<u>36.1%</u>

# Reconciliation of GAAP to Non-GAAP

## Operating expenses (GAAP)

Stock-based compensation R&D
Stock-based compensation S&M
Stock-based compensation G&A
Amortization and depreciation of acquired assets - R&D
Amortization and depreciation of acquired assets - S&M
Amortization and depreciation of acquired assets - G&A
Non recurring expenses
Assets disposal
Acquisition related expenses

## Operating expenses (Non-GAAP)

Reconciliation of GAAP to Non-GAAP Operating expenses				
Three months ended			Nine months ended	
September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
73,292	65,317	43,945	196,671	124,059
(4,269)	(4,176)	(2,988)	(11,935)	(7,975)
(2,779)	(2,722)	(2,250)	(7,905)	(6,548)
(2,628)	(2,823)	(1,585)	(7,907)	(4,385)
(17)	(9)	(110)	(62)	(110)
(440)	51	(29)	(1,247)	(29)
(54)	(26)	---	(80)	---
(8,305)	---	---	(8,305)	---
(14)	(552)	---	(566)	---
---	(151)	---	(949)	---
<u>54,786</u>	<u>54,909</u>	<u>36,983</u>	<u>157,715</u>	<u>105,012</u>

## Operating income (GAAP)

Cost of product adjustment
Stock-based compensation
Amortization and depreciation of acquired assets
Non recurring expenses
Acquisition related expenses
Assets disposal

## Operating income (Non-GAAP)

Reconciliation of GAAP to Non-GAAP Operating income				
Three months ended			Nine months ended	
September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
66,017	45,353	34,037	139,418	115,466
107	319	208	1,108	208
11,367	11,372	7,950	32,443	21,927
3,409	3,291	332	8,671	332
8,305	---	---	8,305	---
---	151	---	949	---
14	552	---	566	---
<u>89,219</u>	<u>61,038</u>	<u>42,527</u>	<u>191,460</u>	<u>137,933</u>

# Reconciliation of GAAP to Non-GAAP

## Financial expenses (income), net (GAAP)

Non cash interest

Currency fluctuation due to new lease standard adoption

## Financial expenses (income), net (Non-GAAP)

## Tax on income (tax benefit) (GAAP)

Deferred tax realized (asset)

Transition tax of foreign earnings

## Tax on income (tax benefit) (Non-GAAP)

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

	Three months ended			Nine months ended	
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Financial expenses (income), net (GAAP)	17,023	(773)	689	22,401	2,585
Non cash interest	(955)	(850)	(640)	(2,590)	(1,720)
Currency fluctuation due to new lease standard adoption	(800)	(577)	----	(2,325)	----
Financial expenses (income), net (Non-GAAP)	15,268	(2,200)	49	17,486	865

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

	Three months ended			Nine months ended	
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Tax on income (tax benefit) (GAAP)	7,270	13,213	(12,295)	24,405	(3,016)
Deferred tax realized (asset)	2,963	987	1,771	4,923	4,789
Transition tax of foreign earnings	----	----	10,305	----	9,485
Tax on income (tax benefit) (Non-GAAP)	10,233	14,200	(219)	29,328	11,258

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net income attributable to Solaredge Technologies Inc.				
	Three months ended			Nine months ended	
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>Net income attributable to Solaredge Technologies Inc. (GAAP)</b>	41,627	33,128	45,643	93,771	115,897
Cost of product adjustment	107	319	208	1,108	208
Stock-based compensation	11,367	11,372	7,950	32,443	21,927
Amortization and depreciation of acquired assets	3,409	3,291	332	8,671	332
Non recurring expenses	8,305	----	----	8,305	----
Acquisition related expenses	----	151	----	949	----
Assets disposal	14	552	----	566	----
Non cash interest	955	850	640	2,590	1,720
Currency fluctuation due to new lease standard adoption	800	577	----	2,325	----
Deferred tax realized (asset)	(2,963)	(987)	(1,771)	(4,923)	(4,789)
Transition tax of foreign earnings	----	----	(10,305)	----	(9,485)
<b>Net income attributable to Solaredge Technologies Inc. (Non-GAAP)</b>	<b>63,621</b>	<b>49,253</b>	<b>42,697</b>	<b>145,805</b>	<b>125,810</b>

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net basic earnings per share				
	Three months ended			Nine months ended	
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>Net basic earnings per share (GAAP)</b>	0.86	0.69	1.00	1.97	2.57
Cost of product adjustment	0.01	0.01	0.00	0.02	0.00
Stock-based compensation	0.23	0.24	0.17	0.68	0.49
Amortization and depreciation of acquired assets	0.07	0.07	0.01	0.18	0.01
Non recurring expenses	0.17	----	----	0.17	----
Acquisition related expenses	----	----	----	0.02	----
Assets disposal	----	0.01	----	0.01	0.00
Non cash interest	0.02	0.02	0.01	0.06	0.04
Currency fluctuation due to new lease standard adoption	0.02	0.01	----	0.05	----
Deferred tax realized (asset)	(0.06)	(0.02)	(0.04)	(0.10)	(0.11)
Transition tax of foreign earnings	----	----	(0.23)	----	(0.21)
<b>Net basic earnings per share (Non-GAAP)</b>	<b>1.32</b>	<b>1.03</b>	<b>0.94</b>	<b>3.06</b>	<b>2.80</b>

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net diluted earnings per share				
	Three months ended			Nine months ended	
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>Net diluted earnings per share (GAAP)</b>	0.81	0.66	0.95	1.87	2.41
Cost of product adjustment	----	----	----	0.01	----
Stock-based compensation	0.19	0.19	0.13	0.54	0.38
Amortization and depreciation of acquired assets	0.07	0.07	0.01	0.18	----
Non recurring expenses	0.16	----	----	0.16	----
Acquisition related expenses	----	----	----	0.02	----
Assets disposal	----	0.01	----	0.01	----
Non cash interest	0.02	0.02	0.01	0.05	0.04
Currency fluctuation due to new lease standard adoption	0.02	0.01	----	0.05	----
Deferred tax realized (asset)	(0.06)	(0.02)	(0.03)	(0.10)	(0.10)
Transition tax of foreign earnings	----	----	(0.21)	----	(0.19)
<b>Net diluted earnings per share (Non-GAAP)</b>	<u>1.21</u>	<u>0.94</u>	<u>0.86</u>	<u>2.79</u>	<u>2.54</u>

	Reconciliation of GAAP to Non-GAAP No. of shares used in Net diluted earnings per share				
	Three months ended			Nine months ended	
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>Number of shares used in computing net diluted earnings per share (GAAP)</b>	51,081,594	49,940,034	48,281,240	49,935,638	48,091,185
Stock-based compensation	1,375,391	2,130,135	1,463,633	2,090,912	1,446,775
<b>Number of shares used in computing net diluted earnings per share (Non-GAAP)</b>	<u>52,456,985</u>	<u>52,070,169</u>	<u>49,744,873</u>	<u>52,026,550</u>	<u>49,537,960</u>

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