



Third Quarter 2020

Earnings Summary

November 2, 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: the expected impact of the COVID-19 pandemic and related public health measures on our business, results of operations, financial condition and liquidity; 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 on Form 10-K and our quarterly reports on Form 10-Q, noting that many of the risks, uncertainties and other factors identified therein are, and will be, amplified by the COVID-19 pandemic.

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.

Third Quarter Key Metrics

3.3M

Power Optimizers
Shipped

153K

Inverters Shipped

1.45 GW

Systems Shipped

\$338.1M

Revenues

Financial Results for Quarter

- Revenue of \$338.1 million
- Revenue from solar products of \$312.5 million
- Total cash and investments, net of debt, \$553.8 million
- GAAP gross margin of 32.0%
- Non-GAAP gross margin of 33.5%
- Non-GAAP gross margin for the solar business of 34.8%
- GAAP operating income of \$30.4 million
- Non-GAAP operating income of \$50.0 million
- GAAP net income of \$43.8 million
- Non-GAAP net income of \$65.9 million
- Net diluted GAAP earnings per share of \$0.83
- Net diluted Non-GAAP earnings per share of \$1.21
- Cash flow from operation of \$28.4 million



Noteworthy

- Record revenues from Europe
- Residential revenues growing globally, while commercial revenues still impacted more heavily by Covid-19
- North America environment continues to improve, Sept. sales by distributors reported significantly up month over month, above Sep 2019
- Sella 1 factory manufacturing ramped per plan and facilitating shorter new product R&D cycles
- Collaboration with Schneider Electric in growing U.S. new home segment
- Released new residential 3-phase 600v inverter for Australia, substantially expanding accessible market
- Production ramp continues in Vietnam and Hungary, and together with Sella 1, expected that 60% of U.S. product in Q4 will come from non-tariff regions
- Gearing up to supply first significant batch of full powertrain solutions to an automotive OEM
- Managing through the second wave of Covid-19 restrictions in various regions
- Issued Sustainability Report, embracing long-term plans and targets

GAAP Financial Results

*USD in millions	Q3 19	Q2 20	Q3 20
Revenues	410.6	331.9	338.1
Gross margin	33.9%	31.0%	32.0%
Operating expenses	73.3 **	73.0	77.7
Operating income	66.0	30.0	30.4
Net income	41.6	36.7	43.8
Net diluted earnings per share	0.81	0.70	0.83

*With the exception of gross margin and per share data

** Q3 19 includes non recurring expenses of \$8.3M

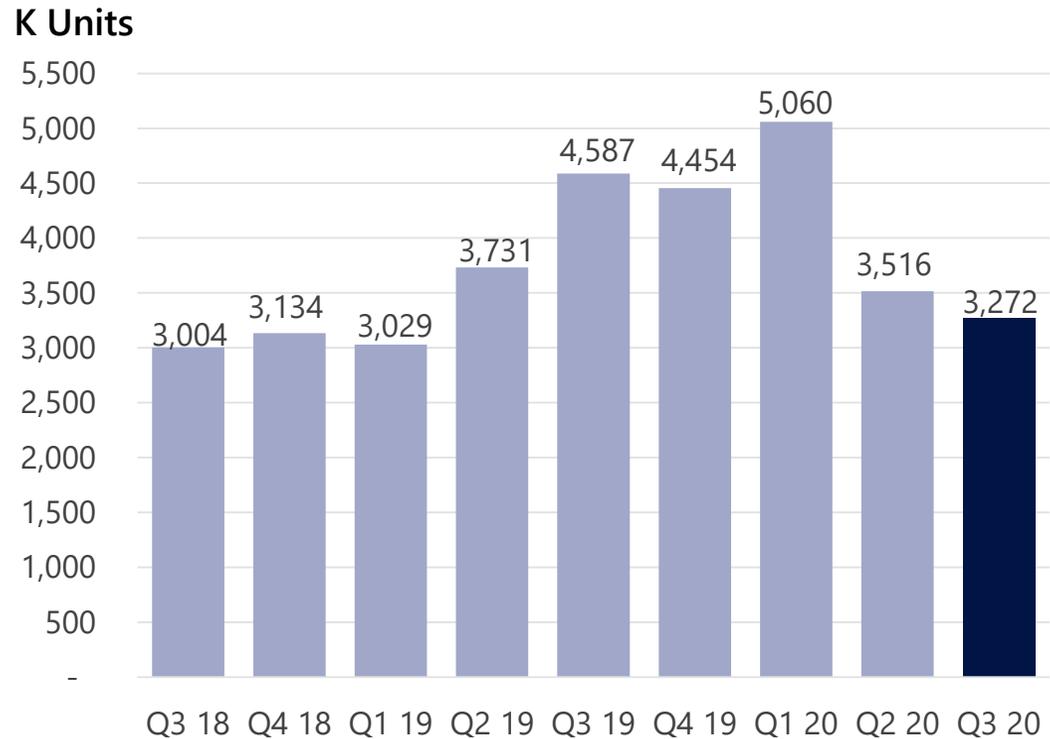
NON-GAAP Financial Results

*USD in millions	Q3 19	Q2 20	Q3 20
Revenues	410.6	331.9	338.1
Gross margin	35.1%	32.4%	33.5%
Operating expenses	54.8	61.1	63.2
Operating income	89.2	46.6	50.0
Net income	63.6	52.1	65.9
Net diluted earnings per share	1.21	0.95	1.21

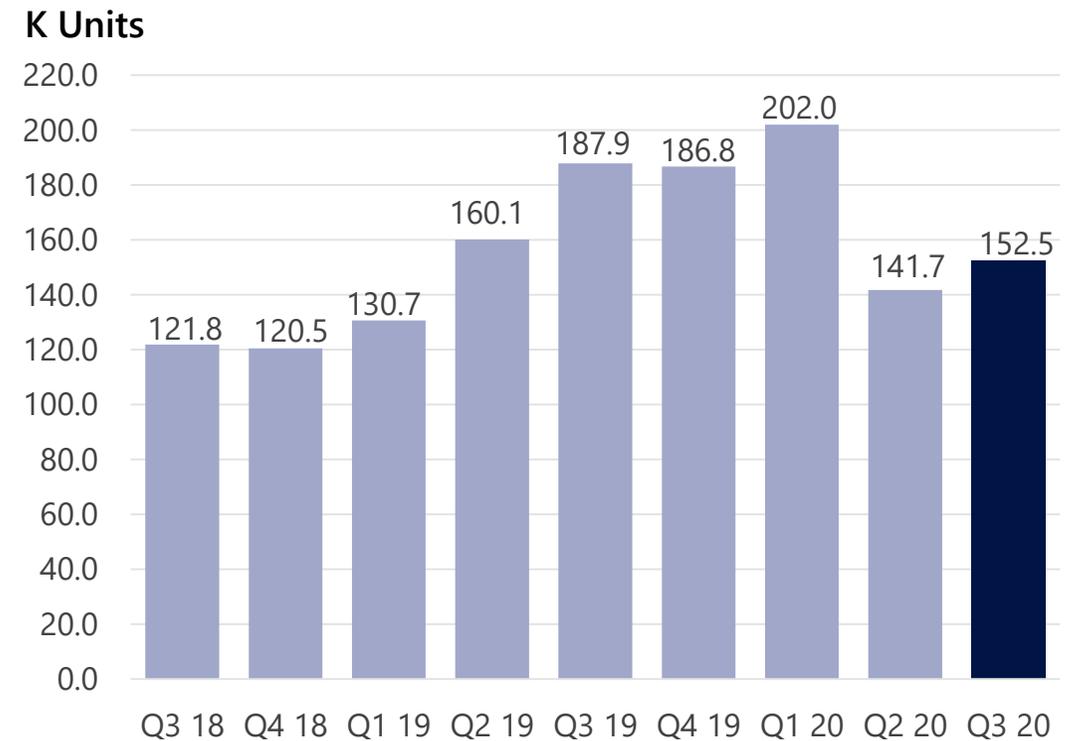
*With the exception of gross margin and per share data

Units Shipped

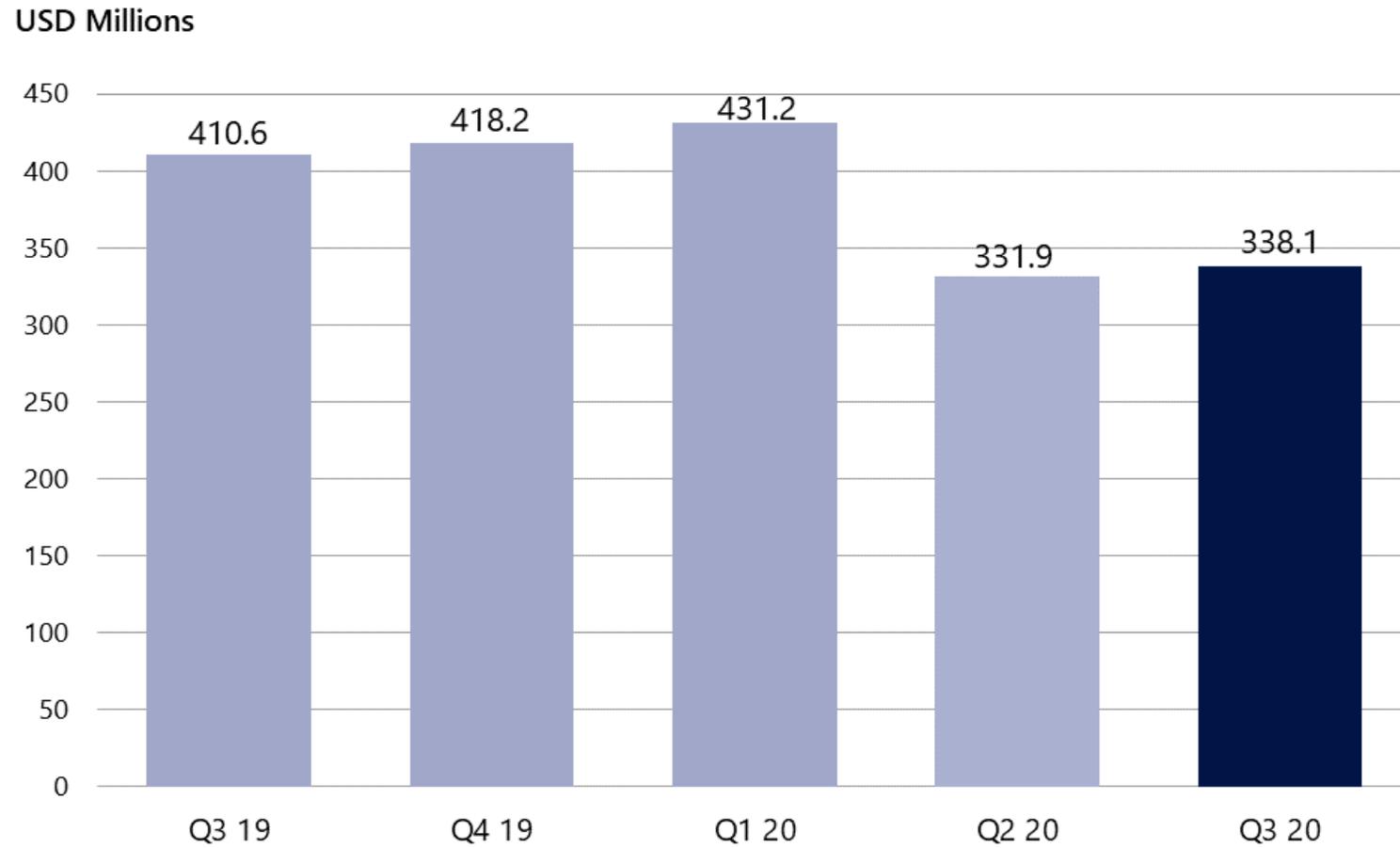
Power optimizers shipped



Inverters shipped

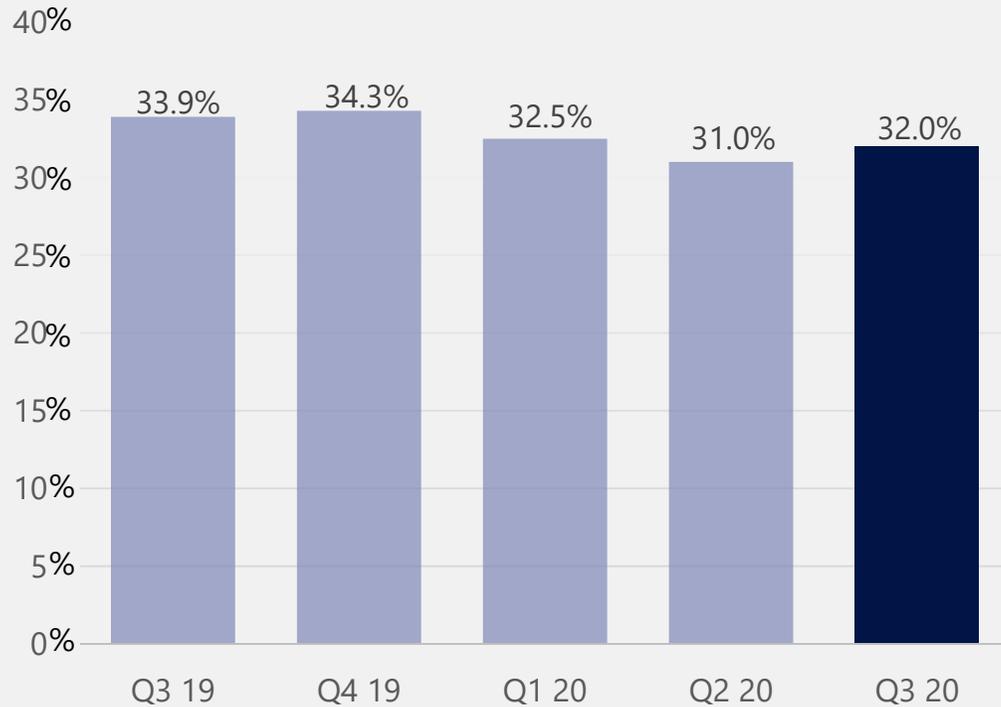


Quarterly Revenues

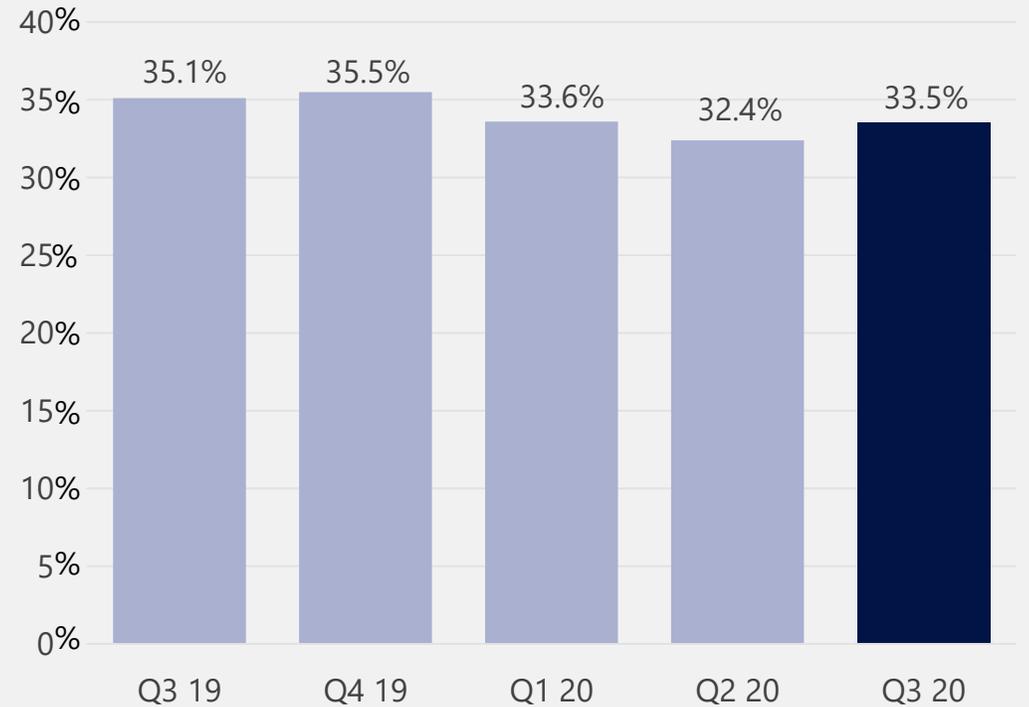


Gross Margins Trend by Quarters (%)

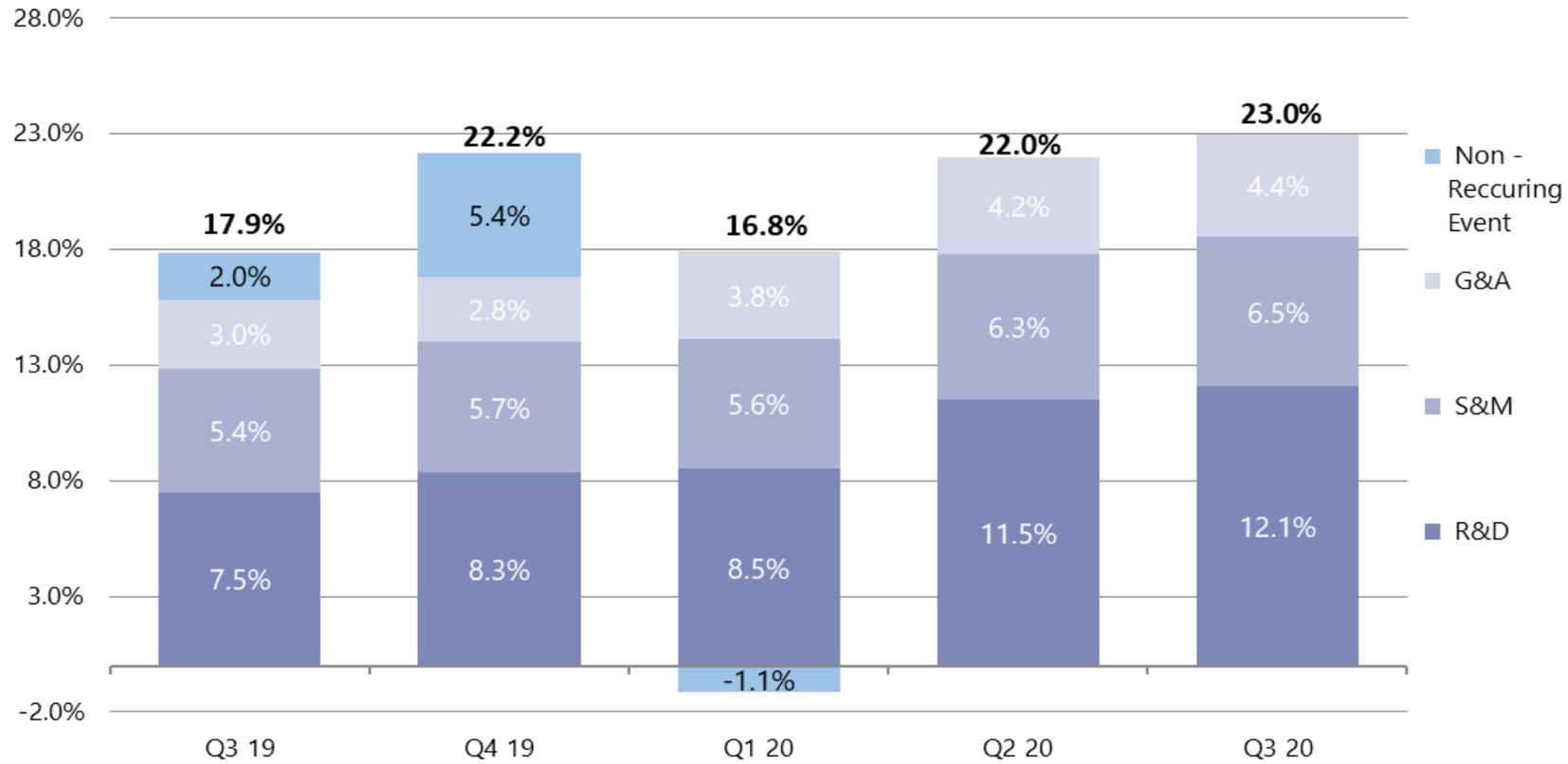
GAAP



Non-GAAP

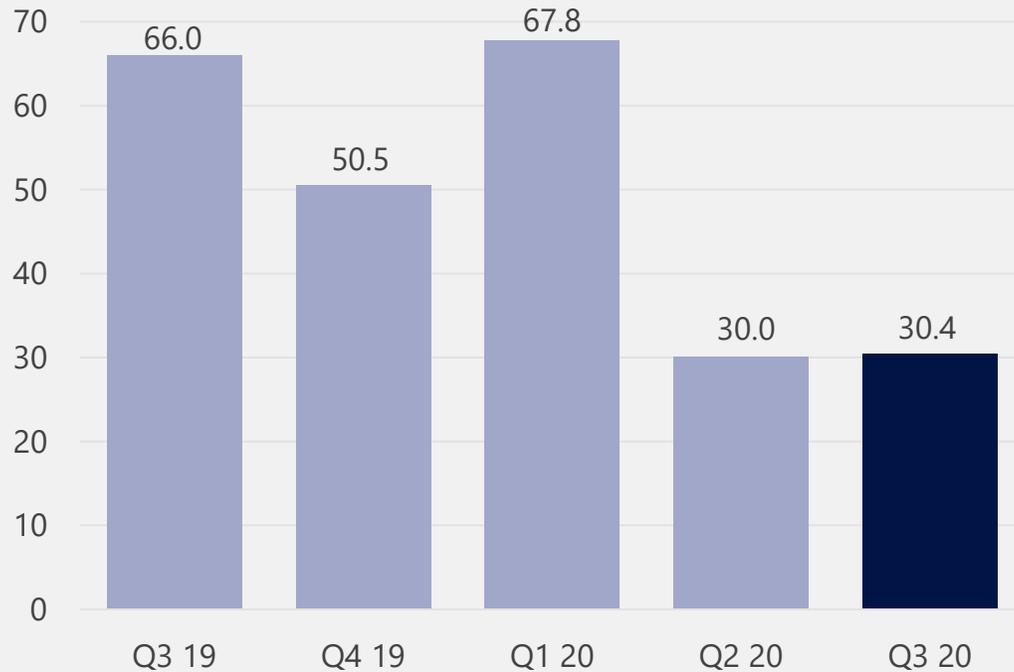


GAAP Operating Expenses



Consolidated Operating Income

GAAP



Non-GAAP



USD Millions

Consolidated Net Income

GAAP



Non-GAAP



USD Millions

Balance Sheet & Cash flow

USD in millions	Q3 19	Q2 20	Q3 20
Cash and investments	432.9	592.7	1,201.9
Total Debt*	21.0	15.3	648.1
Cash and Investments Net of Debt	411.9	577.4	553.8
Inventory	134.3	264.5	297.0
Capital Expenditures	17.4	46.8	36.4
Cash Flow From Operations	68.7	59.3	28.4

* Debt balances relate to pre acquisition loans in Kokam and SMRE in addition to convertible senior notes issued during Q3 20

Fourth Quarter Guidance*

- Revenues to be within the range of \$345 million to \$365 million;
- Non-GAAP gross margins expected to be within the range of 32% to 34%;
- Revenues from solar products to be within the range of \$320 million to \$335 million;
- Non-GAAP gross margins from sale of solar products expected to be within the range of 34% to 36%

*The pandemic effects on economies around the world are unprecedented. The guidance includes the anticipated impact of the COVID-19 pandemic and related public health measures on the Company's business, at the time of publication.



Appendix

Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Gross Profit				
	Three months ended			Nine months ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Gross profit (GAAP)	108,063	102,963	139,309	351,034	336,089
Stock-based compensation	2,730	2,359	1,691	7,362	4,696
Cost of product adjustment	----	----	107	313	1,108
Amortization and depreciation of acquired assets	2,429	2,325	2,898	7,110	7,282
Gross profit (Non-GAAP)	<u>113,222</u>	<u>107,647</u>	<u>144,005</u>	<u>365,819</u>	<u>349,175</u>

	Reconciliation of GAAP to Non-GAAP Gross Margin				
	Three months ended			Nine months ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Gross margin (GAAP)	32.0%	31.0%	33.9%	31.9%	33.4%
Stock-based compensation	0.8%	0.7%	0.4%	0.7%	0.5%
Cost of product adjustment	----	----	----	----	0.1%
Amortization and depreciation of acquired assets	0.7%	0.7%	0.8%	0.6%	0.7%
Gross margin (Non-GAAP)	<u>33.5%</u>	<u>32.4%</u>	<u>35.1%</u>	<u>33.2%</u>	<u>34.7%</u>

Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Operating expenses				
	Three months ended			Nine months ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Operating expenses (GAAP)	77,669	72,998	73,292	222,900	196,671
Stock-based compensation - R&D	(6,904)	(5,847)	(4,269)	(18,129)	(11,935)
Stock-based compensation - S&M	(4,066)	(3,445)	(2,779)	(10,703)	(7,905)
Stock-based compensation - G&A	(2,559)	(2,310)	(2,628)	(6,799)	(7,907)
Amortization and depreciation of acquired assets - R&D	(26)	(25)	(17)	(77)	(62)
Amortization and depreciation of acquired assets - S&M	(370)	(292)	(440)	(957)	(1,247)
Amortization and depreciation of acquired assets - G&A	(8)	(9)	(54)	(25)	(80)
Acquisition related expenses	----	----	----	----	(949)
Assets disposal	(558)	----	(14)	(558)	(566)
Other operating income (expenses)	----	----	(8,305)	4,900	(8,305)
Operating expenses (Non-GAAP)	<u>63,178</u>	<u>61,070</u>	<u>54,786</u>	<u>190,552</u>	<u>157,715</u>

	Reconciliation of GAAP to Non-GAAP Operating income				
	Three months ended			Nine months ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Operating income (GAAP)	30,394	29,965	66,017	128,134	139,418
Cost of product adjustment	----	----	107	313	1,108
Stock-based compensation	16,259	13,961	11,367	42,993	32,443
Amortization and depreciation of acquired assets	2,833	2,651	3,409	8,169	8,671
Acquisition related expenses	----	----	----	----	949
Assets disposal	558	----	14	558	566
Other operating (income) expenses	----	----	8,305	(4,900)	8,305
Operating income (Non-GAAP)	<u>50,044</u>	<u>46,577</u>	<u>89,219</u>	<u>175,267</u>	<u>191,460</u>

Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Financial expenses (income), net				
	Three months ended			Nine months ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Financial expenses (income), net (GAAP)	(15,765)	(11,565)	17,023	(10,725)	22,401
Notes due 2025	(168)	----	----	(168)	----
Non cash interest	(1,254)	(1,200)	(955)	(3,582)	(2,590)
Currency fluctuation related to lease standard	(243)	(892)	(800)	(102)	(2,325)
Amortization and depreciation of acquired assets	----	----	----	(982)	----
Financial expenses (income), net (Non-GAAP)	(17,430)	(13,657)	15,268	(15,559)	17,486
	Reconciliation of GAAP to Non-GAAP Tax on income				
	Three months ended			Nine months ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Tax on income (GAAP)	2,408	4,862	7,270	16,192	24,405
Deferred taxes	(816)	3,236	2,963	5,956	4,923
Tax on income (Non-GAAP)	1,592	8,098	10,233	22,148	29,328

Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net income				
	Three months ended			Nine months ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Net income attributable to Solaredge Technologies Inc. (GAAP)	43,751	36,668	41,627	122,667	93,771
Cost of product adjustment	----	----	107	313	1,108
Stock-based compensation	16,259	13,961	11,367	42,993	32,443
Amortization and depreciation of acquired assets	2,833	2,651	3,409	9,151	8,671
Acquisition related expenses	----	----	----	----	949
Assets disposal	558	----	14	558	566
Other operating (income) expenses	----	----	8,305	(4,900)	8,305
Notes due 2025	168	----	----	168	----
Non cash interest	1,254	1,200	955	3,582	2,590
Currency fluctuation related to lease standard	243	892	800	102	2,325
Deferred taxes	816	(3,236)	(2,963)	(5,956)	(4,923)
Net income attributable to Solaredge Technologies Inc. (Non-GAAP)	<u>65,882</u>	<u>52,136</u>	<u>63,621</u>	<u>168,678</u>	<u>145,805</u>

Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net basic EPS				
	Three months ended			Nine months ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Net basic earnings per share (GAAP)	0.87	0.74	0.86	2.46	1.97
Cost of product adjustment	----	----	0.01	0.01	0.02
Stock-based compensation	0.32	0.28	0.23	0.86	0.68
Amortization and depreciation of acquired assets	0.05	0.05	0.07	0.18	0.18
Acquisition related expenses	----	----	----	----	0.02
Other operating (income) expenses	----	----	0.17	(0.10)	0.17
Assets disposal	0.01	----	----	0.01	0.01
Notes due 2025	----	----	----	----	----
Non cash interest	0.03	0.02	0.02	0.08	0.06
Currency fluctuation related to lease standard	----	0.02	0.02	----	0.05
Deferred taxes	0.02	(0.06)	(0.06)	(0.12)	(0.10)
Net basic earnings per share (Non-GAAP)	<u>1.30</u>	<u>1.05</u>	<u>1.32</u>	<u>3.38</u>	<u>3.06</u>

Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net diluted EPS				
	Three months ended			Nine months ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Net diluted earnings per share (GAAP)	0.83	0.70	0.81	2.33	1.87
Cost of product adjustment	----	----	----	0.01	0.01
Stock-based compensation	0.28	0.24	0.19	0.74	0.54
Amortization and depreciation of acquired assets	0.05	0.05	0.07	0.17	0.18
Acquisition related expenses	----	----	----	----	0.02
Other operating (income) expenses	----	----	0.16	(0.09)	0.16
Assets disposal	0.01	----	----	0.01	0.01
Notes due 2025	----	----	----	----	----
Non cash interest	0.02	0.02	0.02	0.07	0.05
Currency fluctuation related to lease standard	----	0.02	0.02	----	0.05
Deferred taxes	0.02	(0.06)	(0.06)	(0.11)	(0.10)
Net diluted earnings per share (Non-GAAP)	<u>1.21</u>	<u>0.97</u>	<u>1.21</u>	<u>3.13</u>	<u>2.79</u>

	Reconciliation of GAAP to Non-GAAP No. of shares used in Net diluted EPS				
	Three months ended			Nine months ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Number of shares used in computing net diluted earnings per share (GAAP)	53,144,188	52,536,437	51,081,594	52,623,675	49,935,638
Stock-based compensation	1,134,877	1,154,279	1,375,391	1,229,630	2,090,912
Number of shares used in computing net diluted earnings per share (Non-GAAP)	<u>54,279,065</u>	<u>53,690,716</u>	<u>52,456,985</u>	<u>53,853,305</u>	<u>52,026,550</u>

NASDAQ | SEDG