



SolarEdge Announces First Quarter 2017 Financial Results

May 9, 2017

FREMONT, Calif.--(BUSINESS WIRE)--May 9, 2017-- SolarEdge Technologies, Inc. (Nasdaq:SEDG), a global leader in PV inverters, power optimizers, and module-level monitoring services, today announced its financial results for the first quarter 2017 ended March 31, 2017.

First Quarter 2017 Highlights

- Revenues for the quarter of \$115.1 million
- GAAP gross margin for the quarter of 33.6%
- GAAP operating income for the quarter of \$12.0 million
- GAAP net income for the quarter of \$14.2 million
- Non-GAAP net income for the quarter of \$16.5 million
- GAAP net diluted earnings per share for the quarter of \$0.32
- Non-GAAP net diluted earnings per share for the quarter of \$0.36
- 455 Megawatts (AC) of inverters shipped for the quarter

"In a quarter where the PV market is exhibiting decline in the United States, we have increased our revenues, profitability and cash flow generation quarter over quarter. Much of this is attributed to increased sales in Europe and our growing worldwide geographic spread," said Guy Sella, Founder, Chairman and CEO of SolarEdge. "We are confident that with our financial strength, cash balance and substantial R&D capabilities, we are well positioned to continue to increase revenues in existing markets and new markets as we see fit."

Quarter Ended March 31, 2017 Summary

The Company reported revenues of \$115.1 million, up 3% from the prior quarter.

GAAP gross margin reached 33.6%, down from 35.0% in the prior quarter and up from 32.5% year over year.

GAAP operating expenses were \$26.7 million, an increase of 12% from the prior quarter and 27% year over year.

GAAP operating income was \$12.0 million, down from \$15.1 million in the prior quarter and from \$19.7 million year over year.

GAAP net income was \$14.2 million, up from \$9.8 million in the prior quarter and down from \$20.8 million year over year.

Non-GAAP net income was \$16.5 million, up from \$14.7 million in the prior quarter and down from \$23.3 million year over year.

GAAP net diluted earnings per share ("EPS") was \$0.32, up from \$0.22 in the prior quarter and down from \$0.47 year over year.

Non-GAAP net diluted EPS was \$0.36, up from \$0.32 in the prior quarter and down from \$0.51 year over year.

As of March 31, 2017, cash, cash equivalents, restricted cash and marketable securities totaled \$247.6 million, compared to \$224.3 million on December 31, 2016.

Outlook for the Quarter Ending June 30, 2017

The Company also provides guidance for the quarter ending June 30, 2017 as follows:

- Revenues to be within the range of \$120 million to \$130 million;
- Gross margins to be within the range of 32% to 34%.

Conference Call

The Company will host a conference call to discuss these results at 4:30 P.M. EDT on Tuesday, May 9, 2017. The call will be available, live, to interested parties by dialing 877-857-6173. For international callers, please dial +1 719-325-4802. The Conference ID number is 5892673. A live webcast will also be available in the Investors 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 will 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. SolarEdge is online at <http://www.solaredge.com>

Use of Non-GAAP Financial Measures

The Company has presented certain non-GAAP financial measures in this release. 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 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.

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; 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 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 the section entitled "Risk Factors" of our Registration Statement on Form S-1 (including the related prospectus), Annual Report on Form 10-KT for the year ended December 31, 2016, filed on February 21, 2017, Current Reports on Form 8-K and other reports filed with the SEC. All information set forth in this release is as of May 9, 2017. The Company 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.

SOLAREEDGE TECHNOLOGIES INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (In thousands, except per share data)

| | Three months ended March 31, | |
|-------------------------------|---|-------------|
| | 2017 | 2016 |
| | Unaudited | |
| Revenues | \$ 115,054 | \$ 125,205 |
| Cost of revenues | 76,378 | 84,471 |
| Gross profit | 38,676 | 40,734 |
| Operating expenses: | | |
| Research and development, net | 11,458 | 8,709 |
| Sales and marketing | 10,775 | 8,826 |
| General and administrative | 4,439 | 3,460 |
| Total operating expenses | 26,672 | 20,995 |
| Operating income | 12,004 | 19,739 |
| Financial income, net | 1,410 | 2,029 |
| Income before taxes on income | 13,414 | 21,768 |
| Tax benefit (taxes on income) | 761 | (969) |
| Net income | \$ 14,175 | \$ 20,799 |

SOLAREGE TECHNOLOGIES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

| | March 31, 2017 Unaudited | December 31, 2016 |
|---|--------------------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 119,933 | \$ 104,683 |
| Restricted cash | 991 | 897 |
| Marketable Securities | 81,800 | 74,465 |
| Trade receivables, net | 79,268 | 71,041 |
| Prepaid expenses and other accounts receivable | 26,561 | 21,347 |
| Inventories | 60,913 | 67,363 |
| Total current assets | 369,466 | 339,796 |
| LONG-TERM ASSETS: | | |
| Marketable securities | 44,893 | 44,262 |
| Property, equipment and intangible assets, net | 37,933 | 37,381 |
| Prepaid expenses and lease deposits | 594 | 489 |
| Deferred tax assets, net | 4,084 | 2,815 |
| Total long term assets | 87,504 | 84,947 |
| Total assets | \$ 456,970 | \$ 424,743 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Trade payables, net | \$ 43,740 | \$ 34,001 |
| Employees and payroll accruals | 11,767 | 13,018 |
| Warranty obligations | 12,895 | 13,616 |
| Deferred revenues | 1,025 | 1,202 |
| Accrued expenses and other accounts payable | 9,189 | 8,648 |
| Total current liabilities | 78,616 | 70,485 |
| LONG-TERM LIABILITIES: | | |
| Warranty obligations | 48,230 | 44,759 |
| Deferred revenues | 20,902 | 18,660 |
| Lease incentive obligation | 1,987 | 2,061 |
| Total long-term liabilities | 71,119 | 65,480 |
| COMMITMENTS AND CONTINGENT LIABILITIES | | |
| STOCKHOLDERS' EQUITY: | | |
| Common stock | 4 | 4 |
| Additional paid-in capital | 311,081 | 307,098 |
| Accumulated other comprehensive loss | (25) | (324) |

| | | |
|--|------------|------------|
| Accumulated deficit | (3,825) | (18,000) |
| Total stockholders' equity | 307,235 | 288,778 |
| Total liabilities and stockholders' equity | \$ 456,970 | \$ 424,743 |

SOLAREEDGE TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

| | Three months ended March 31, | |
|---|---------------------------------|-----------|
| | 2017 | 2016 |
| | Unaudited | |
| Cash flows provided by operating activities: | | |
| Net income | \$ 14,175 | \$ 20,799 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and Amortization of property, equipment and intangible assets | 1,520 | 993 |
| Amortization of premiums on available-for-sale marketable securities | 383 | 174 |
| Stock-based compensation | 3,612 | 2,632 |
| Deferred tax assets, net | (1,333) | (100) |
| Realized losses on Cash Flow Hedges | - | 2 |
| Changes in assets and liabilities: | | |
| Inventories | 6,453 | 2,006 |
| Prepaid expenses and other accounts receivable | (4,583) | 6,682 |
| Trade receivables, net | (8,070) | (9,413) |
| Trade payables | 9,734 | (16,853) |
| Employees and payroll accruals | (1,272) | (556) |
| Warranty obligations | 2,750 | 5,765 |
| Deferred revenues | 2,060 | 2,496 |
| Accrued expenses and other accounts payable | 311 | 770 |
| Lease incentive obligation | (74) | (55) |
| Net cash provided by operating activities | 25,666 | 15,342 |
| Cash flows used in investing activities: | | |
| Purchase of property and equipment | (1,872) | (5,909) |
| Decrease (increase) in restricted cash | (94) | 2,473 |
| Increase in short and long-term lease deposits | (66) | (14) |
| Investment in available-for-sale marketable securities | (24,070) | (36,023) |
| Maturities of available-for-sale marketable securities | 15,665 | 1,000 |
| Net cash used in investing activities | (10,437) | (38,473) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of shares upon exercise of options | 371 | 1,167 |
| Net cash provided by financing activities | 371 | 1,167 |
| Increase (decrease) in cash and cash equivalents | 15,600 | (21,964) |
| Cash and cash equivalents at the beginning of the period | 104,683 | 106,150 |

| | | |
|--|---------|--------|
| Effect of exchange rate differences on cash and cash equivalents | (350) | (116) |
| Cash and cash equivalents at the end of the period | 119,933 | 84,070 |

SOLAREEDGE TECHNOLOGIES INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(In thousands, except gross profit and per share data)
(Audited)

| | | | |
|---|-----------------------|--------------------------|-----------------------|
| Reconciliation of GAAP to Non-GAAP Gross Profit | | | |
| Three months ended | | | |
| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
| Gross profit (GAAP) | 38,676 | 39,025 | 40,734 |
| Stock-based compensation | 493 | 486 | 246 |
| Gross profit (Non-GAAP) | 39,169 | 39,511 | 40,980 |
| Reconciliation of GAAP to Non-GAAP Gross Margin | | | |
| Three months ended | | | |
| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
| Gross margin (GAAP) | 33.6% | 35.0% | 32.5% |
| Stock-based compensation | 0.4% | 0.4% | 0.2% |
| Gross margin (Non-GAAP) | 34.0% | 35.4% | 32.7% |
| Reconciliation of GAAP to Non-GAAP Operating expenses | | | |
| Three months ended | | | |
| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
| Operating expenses (GAAP) | 26,672 | 23,878 | 20,995 |
| Stock-based compensation R&D | 1,205 | 1,134 | 724 |
| Stock-based compensation S&M | 1,030 | 1,003 | 842 |
| Stock-based compensation G&A | 884 | 877 | 819 |
| Operating expenses (Non-GAAP) | 23,553 | 20,864 | 18,610 |
| Reconciliation of GAAP to Non-GAAP Operating income | | | |
| Three months ended | | | |
| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
| Operating income (GAAP) | 12,004 | 15,147 | 19,739 |
| Stock-based compensation | 3,612 | 3,500 | 2,631 |
| Operating income (Non-GAAP) | 15,616 | 18,647 | 22,370 |
| Reconciliation of GAAP to Non-GAAP Tax on income (Tax benefit) | | | |
| Three months ended | | | |
| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
| Tax on income (Tax benefit) (GAAP) | (761) | 2,203 | 969 |
| Deferred tax asset (realized) | 1,332 | (1,473) | 100 |
| Tax on income (Tax benefit) (Non-GAAP) | 571 | 730 | 1,069 |
| Reconciliation of GAAP to Non-GAAP Net income | | | |
| Three months ended | | | |
| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
| Net income (GAAP) | 14,175 | 9,765 | 20,799 |
| Stock-based compensation | 3,612 | 3,500 | 2,631 |
| Deferred tax realized (asset) | (1,332) | 1,473 | (100) |
| Net income (Non-GAAP) | 16,455 | 14,738 | 23,330 |
| Reconciliation of GAAP to Non-GAAP Net basic EPS | | | |
| Three months ended | | | |
| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
| Net basic earnings per share (GAAP) | 0.34 | 0.24 | 0.52 |
| Stock-based compensation | 0.09 | 0.08 | 0.06 |

| | | | |
|--|-------------|-------------|-------------|
| Deferred tax realized (asset) | (0.03) | 0.04 | ---- |
| Net basic earnings per share (Non-GAAP) | 0.40 | 0.36 | 0.58 |

Reconciliation of GAAP to Non-GAAP Net diluted EPS

Three months ended

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|--|-----------------------|--------------------------|-----------------------|
| Net diluted earnings per share (GAAP) | 0.32 | 0.22 | 0.47 |
| Stock-based compensation | 0.06 | 0.07 | 0.04 |
| Deferred tax realized (asset) | (0.02) | 0.03 | ---- |
| Net diluted earnings per share (Non-GAAP) | 0.36 | 0.32 | 0.51 |

Reconciliation of GAAP to Non-GAAP No. of shares used in Net diluted EPS

Three months ended

| | March 31, 2017 | December 31, 2016 | March 31, 2016 |
|---|-----------------------|--------------------------|-----------------------|
| Number of shares used in computing net diluted earnings per share (GAAP) | 43,837,505 | 43,683,458 | 44,577,901 |
| Stock-based compensation | 2,490,662 | 2,399,308 | 1,071,876 |
| Number of shares used in computing net diluted earnings per share (Non-GAAP) | 46,328,167 | 46,082,766 | 45,649,777 |

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Source: SolarEdge Technologies, Inc.

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