



Fiscal First Quarter 2016

Earnings summary

November 4, 2015

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; 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 Registration Statement on Form S-1 (including the related prospectus).

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 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 OPERATING METRICS



**1,460K optimizers
shipped**



**54K inverters
shipped**



**356 Megawatts
shipped**



\$115.1M revenues

FISCAL FIRST QUARTER HIGHLIGHTS

Financial highlights for quarter

- Record revenue of \$115.1 million, up 16.9% QoQ; 71.8% YoY
- GAAP gross margin of 29.1%
- GAAP net income of \$14.4 million
- Non-GAAP net income of \$16.3 million
- Continued to generate cash flow from operations

Business highlights for quarter

- Increased gross margin while reducing ASP as planned
- HD Wave inverter technology unveiled
- 356 Megawatts AC inverters shipped
- 1,460K optimizers and 54K inverters shipped



NOTEWORTHY

- ☐ Financial and business parameters are within plan and above guidance
- ☐ Gross margins expected to continue to increase while ASP erosion for calendar 2015 is expected to be 7.5-10%, within plan
- ☐ Expecting growth in business in Europe in 2016, despite expected significant changes in the U.K. market
- ☐ Successful launch of HD Wave technology and inverter
- ☐ Significant growth in commercial sales
- ☐ First shipments of storage interface products on schedule for Q4 deliveries

FINANCIAL RESULTS

| USD in millions* | FYQ1 '16 | FYQ4 '15 | FYQ1 '15 |
|--------------------------------|----------|----------|----------|
| Revenues | 115.1 | 98.4 | 67.0 |
| Gross margin | 29.1% | 28.7% | 20.9% |
| Operating expenses | 18.7 | 16.4 | 11.7 |
| Operating income | 14.9 | 11.9 | 2.4 |
| Net income | 14.4 | 9.3 | 2.5 |
| Net diluted earnings per share | 0.32 | 0.21 | 0.00 |

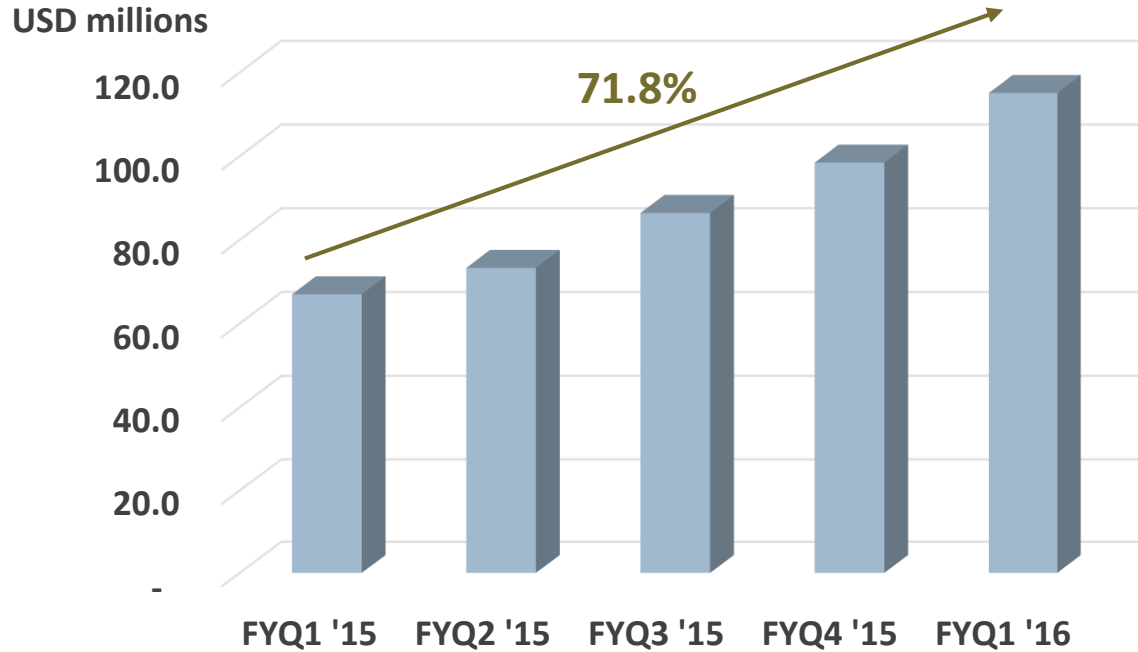
*with the exception of gross margin and per share data

NON-GAAP FINANCIAL RESULTS

| USD in millions* | FYQ1 '16 | FYQ4 '15 | FYQ1 '15 |
|--------------------------------|----------|----------|----------|
| Revenues | 115.1 | 98.4 | 67.0 |
| Gross margin | 29.3% | 28.9% | 21.0% |
| Operating expenses | 17.0 | 15.4 | 11.4 |
| Operating income | 16.7 | 13.1 | 2.7 |
| Net income | 16.3 | 13.8 | 2.8 |
| Net diluted Earnings Per Share | 0.36 | 0.31 | 0.09 |

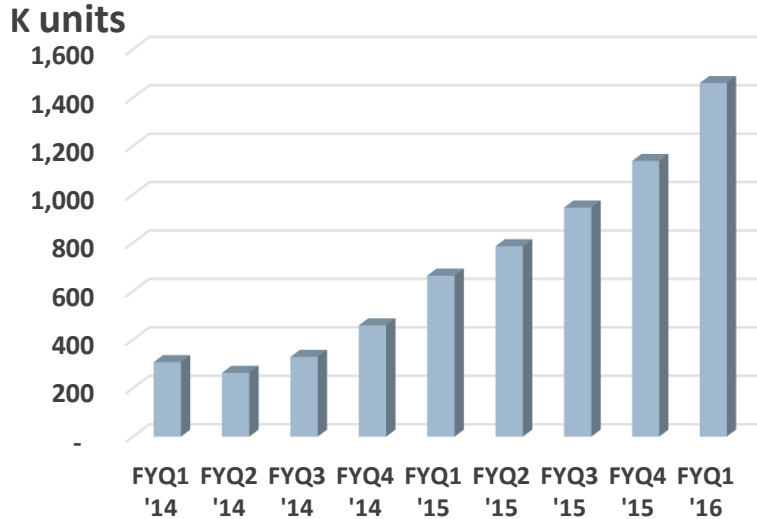
*with the exception of gross margin and per share data

REVENUE GROWTH

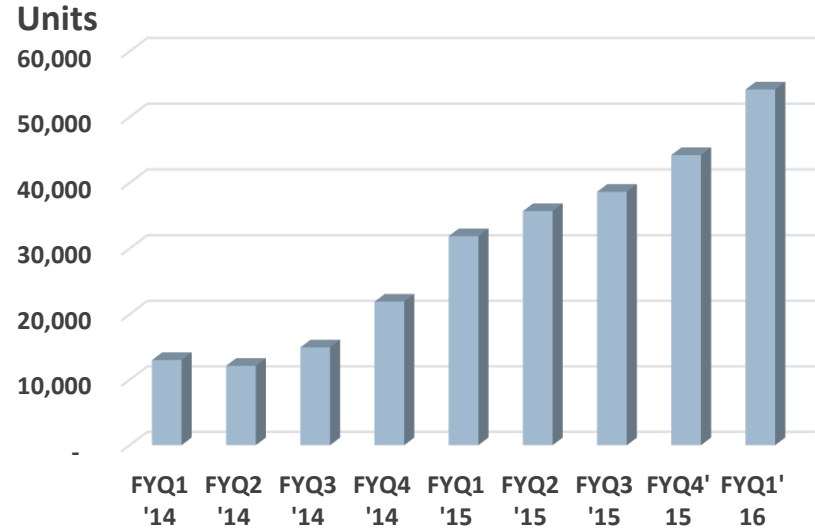


UNITS SHIPPED

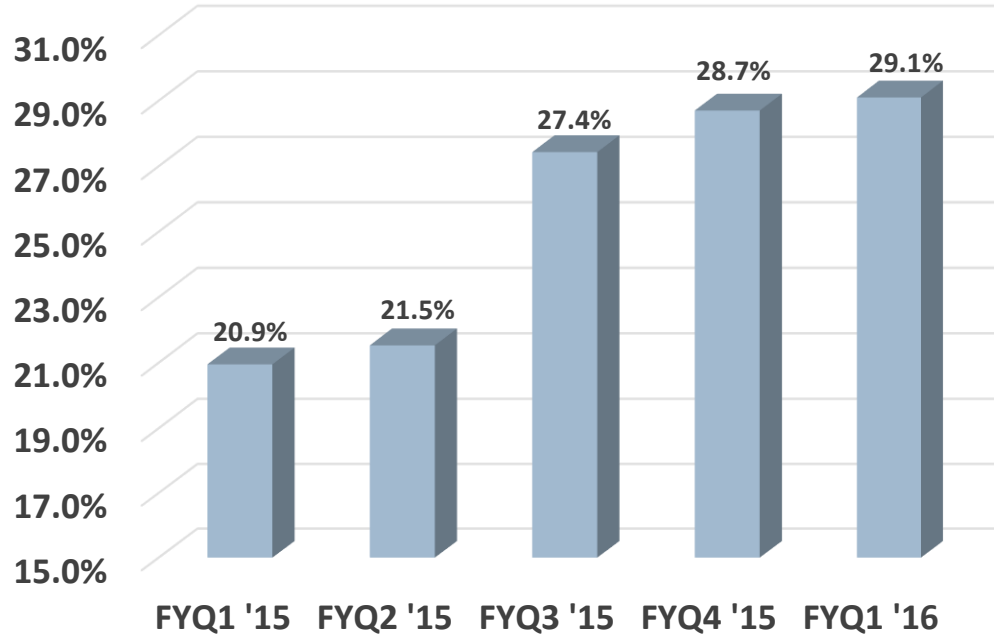
Optimizers shipped



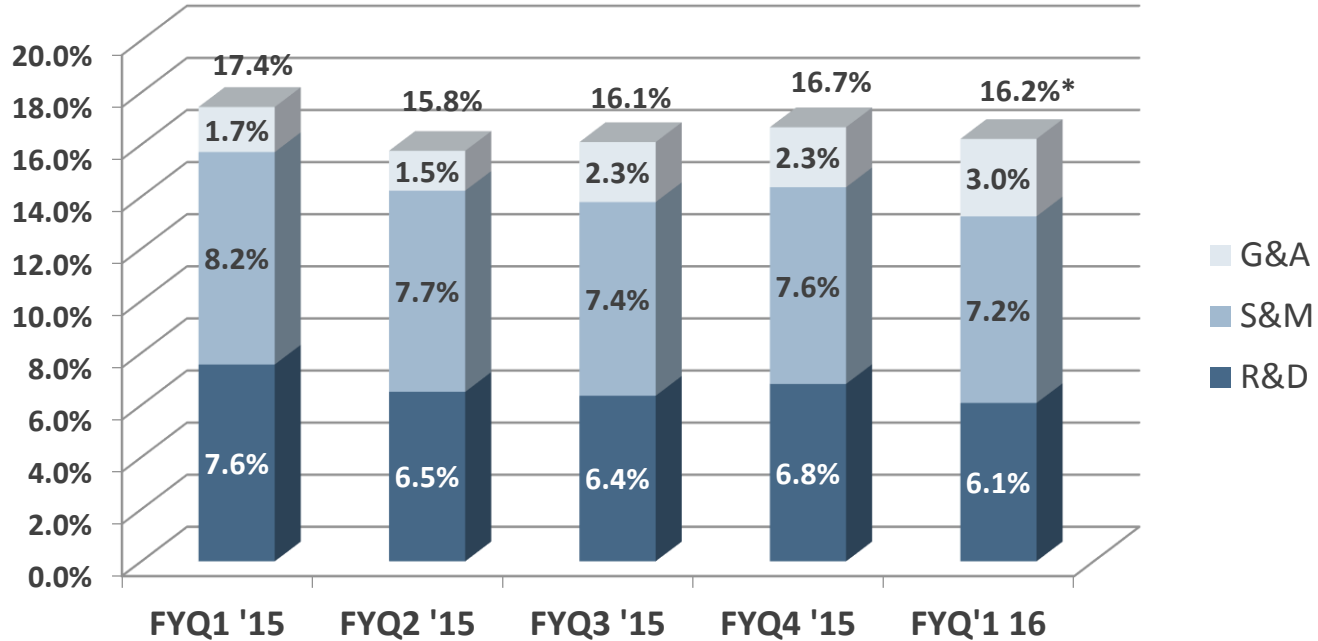
Inverter shipped



GROSS MARGINS



OPERATING EXPENSES

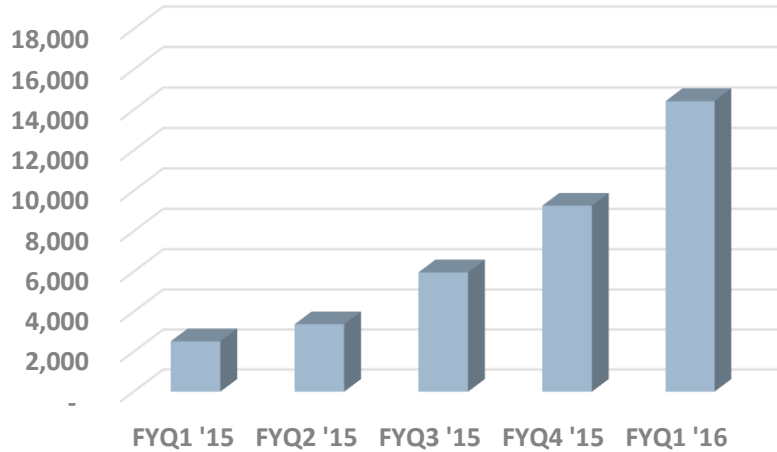


* G&A expenses includes \$600K, or 0.5% of revenues, of accrual for doubtful account

NET INCOME

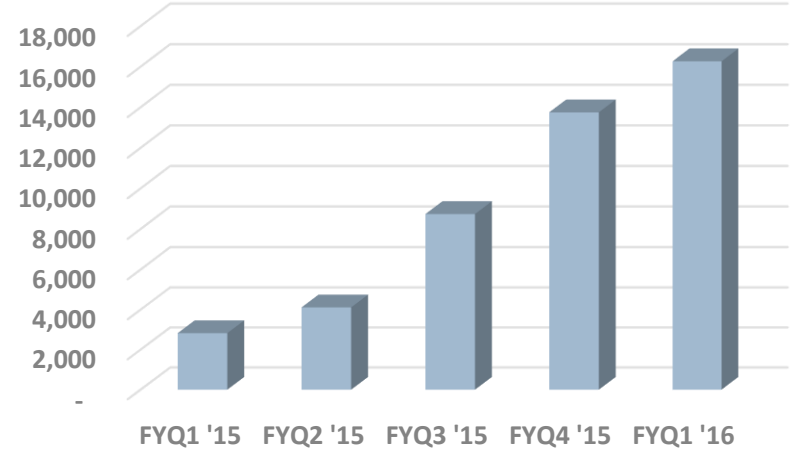
GAAP

USD thousands



Non-GAAP

USD thousands



BALANCE SHEET & CASH FLOW

| USD in millions | FYQ1 '16 | FYQ4 '15 | FYQ1 '15 |
|---------------------------|----------|----------|----------|
| Cash and investments | 150.3 | 148.4 | 36.3 |
| Inventory | 79.9 | 74.0 | 29.7 |
| Capital Expenditures* | 3.3 | 3.5 | 1.0 |
| Total Debt | - | - | 25.0 |
| Cash Flow From Operations | 5.9 | 15.7 | (0.3) |

* FYQ1 '16 and FYQ4 '15 includes \$0.9M and \$0.7M related to leasehold improvements, respectively.

FISCAL FIRST QUARTER OUTLOOK

▭ Revenues to be within the range of \$118.0 million to \$121.0 million

▭ Gross margin to be within the range of 28.0% to 30.0%.



Appendix

— RECONCILIATION OF GAAP TO NON-GAAP —

Reconciliation of GAAP to Non-GAAP Gross Profit

| | FYQ1 '16 | FYQ4 '15 | FYQ1 '15 (1) |
|--------------------------------|---------------|---------------|---------------|
| Gross profit (GAAP) | 33,527 | 28,271 | 14,030 |
| Stock-based compensation | 180 | 188 | 37 |
| Gross profit (Non-GAAP) | <u>33,707</u> | <u>28,459</u> | <u>14,067</u> |

Reconciliation of GAAP to Non-GAAP Gross Margin

| | FYQ1 '16 | FYQ4 '15 | FYQ1 '15 (1) |
|--------------------------------|--------------|--------------|--------------|
| Gross margin (GAAP) | 29.1% | 28.7% | 20.9% |
| Stock-based compensation | 0.2% | 0.2% | 0.1% |
| Gross margin (Non-GAAP) | <u>29.3%</u> | <u>28.9%</u> | <u>21.0%</u> |

Reconciliation of GAAP to Non-GAAP Operating expenses

| | FYQ1 '16 | FYQ4 '15 | FYQ1 '15 (1) |
|--------------------------------------|---------------|---------------|---------------|
| Operating expenses (GAAP) | 18,653 | 16,398 | 11,679 |
| Stock-based compensation R&D | 395 | 184 | 111 |
| Stock-based compensation S&M | 616 | 263 | 101 |
| Stock-based compensation G&A | 641 | 569 | 71 |
| Operating expenses (Non-GAAP) | <u>17,001</u> | <u>15,382</u> | <u>11,396</u> |

—RECONCILIATION OF GAAP TO NON-GAAP—

Reconciliation of GAAP to Non-GAAP Operating income (loss)

| | FYQ1 '16 | FYQ4 '15 | FYQ1 '15 (1) |
|------------------------------------|----------|----------|--------------|
| Operating income (GAAP) | 14,874 | 11,873 | 2,351 |
| Stock-based compensation | 1,832 | 1,204 | 320 |
| Operating income (Non-GAAP) | 16,706 | 13,077 | 2,671 |

Reconciliation of GAAP to Non-GAAP Finance expenses

| | FYQ1 '16 | FYQ4 '15 | FYQ1 '15 (1) |
|---|----------|----------|--------------|
| Finance expenses (Income) (GAAP) | 72 | 1,699 | (516) |
| Warrants remeasurement | ---- | 3,285 | (15) |
| Finance expenses (Non-GAAP) | 72 | (1,586) | (501) |

Reconciliation of GAAP to Non-GAAP Net income (loss)

| | FYQ1 '16 | FYQ4 '15 | FYQ1 '15 (1) |
|-------------------------------------|----------|----------|--------------|
| Net income (loss) (GAAP) | 14,432 | 9,261 | 2,520 |
| Stock-based compensation | 1,832 | 1,204 | 320 |
| Warrants remeasurement | ---- | 3,285 | (15) |
| Net income (loss) (Non-GAAP) | 16,264 | 13,750 | 2,825 |

—RECONCILIATION OF GAAP TO NON-GAAP—

| | Reconciliation of GAAP to Non-GAAP Net basic EPS | | |
|--|--|----------|--------------|
| | FYQ1 '16 | FYQ4 '15 | FYQ1 '15 (1) |
| Net basic earnings (loss) per share (GAAP) | 0.37 | 0.24 | ---- |
| Stock-based compensation | 0.04 | 0.03 | 0.01 |
| Warrants remeasurement | ---- | 0.08 | ---- |
| Additional shares giving effect to IPO and conversion of preferred stock at the beginning of the periods | ---- | ---- | 0.09 |
| Net basic earnings (loss) per share (Non-GAAP) | 0.41 | 0.35 | 0.10 |

| | Reconciliation of GAAP to Non-GAAP No. of shares used in net basic EPS | | |
|--|--|------------|---------------|
| | FYQ1 '16 | FYQ4 '15 | FYQ1 '15 (1) |
| Number of shares used in computing net basic earnings (loss) per share (GAAP) | 39,301,620 | 39,160,372 | 2,812,684 |
| Additional shares giving effect to IPO and conversion of preferred stock at the beginning of the periods | ---- | ---- | 25,575,898.76 |
| Number of shares used in computing net basic earnings (loss) per share (Non-GAAP) | 39,301,620 | 39,160,372 | 28,388,583 |

—RECONCILIATION OF GAAP TO NON-GAAP—

Reconciliation of GAAP to Non-GAAP Net diluted EPS

| | FYQ1 '16 | FYQ4 '15 | FYQ1 '15 (1) |
|--|-------------|-------------|--------------|
| Net diluted earnings (loss) per share (GAAP) | 0.32 | 0.21 | ---- |
| Stock-based compensation | 0.04 | 0.02 | ---- |
| Warrants remeasurement | ---- | 0.08 | ---- |
| Additional shares giving effect to IPO and conversion of preferred stock at the beginning of the periods | ---- | ---- | 0.09 |
| Net diluted earnings (loss) per share (Non-GAAP) | 0.36 | 0.31 | 0.09 |

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

| | FYQ1 '16 | FYQ4 '15 | FYQ1 '15 (1) |
|--|-------------------|-------------------|-------------------|
| Number of shares used in computing net diluted earnings (loss) per share (GAAP) | 44,455,964 | 44,473,080 | 2,812,684 |
| Stock-based compensation | 686,470 | 319,840 | 1,552,809 |
| Warrants remeasurement | 0 | 126,634 | 0 |
| Additional shares giving effect to IPO and conversion of preferred stock at the beginning of the periods | ---- | ---- | 25,575,898.76 |
| Number of shares used in computing net diluted earnings (loss) per share (Non-GAAP) | 45,142,434 | 44,919,554 | 29,941,392 |

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