



# Second Quarter 2021

## Earnings Summary

August 2, 2021

# 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.

# Second Quarter Key Metrics

**5.0M**

Power Optimizers  
Shipped

**179.5K**

Inverters Shipped

**1.64 GW**

Systems Shipped

**\$480.1M**

GAAP Revenues

# Financial Results for Quarter

- Record GAAP revenue of \$480.1 million
- Record revenue from solar segment of \$431.5 million
- Record revenues from non- solar segment of \$48.6 million
- GAAP gross margin of 32.5%
- Non-GAAP gross margin of 33.9%
- Gross margin from sales of solar segment 37.4%
- Non-GAAP operating income of \$81.3 million
- GAAP net income of \$45.1 million
- Non-GAAP net income of \$72.5 million
- GAAP net diluted earnings per share of \$0.82
- Non-GAAP net diluted earnings per share of \$1.28
- Cash flow from operation of \$38.7 million
- Total cash and investments, net of debt, \$509.3 million



# Noteworthy

- Record revenues overall in both solar and non solar segments
- Record revenues in Europe overall driven by record revenues in the Netherlands, Italy, Poland, Austria and Switzerland
- Initiated battery shipments to the United States and Europe, ramping production in Q3
- Continued strong demand for Energy Hub backup enabled inverter in North America and started Energy Hub inverter shipments to Australia
- Commercial installations and product sell through from distribution channels increasing monthly; Released 120kW inverter in the United States
- Ramped deliveries to Stellantis of full powertrain kits for the Fiat E-Ducato light commercial vehicle
- Won and began deliveries for two utility-scale Kokam ESS projects in Australia
- Successfully managing through supply chain challenges to meet growth in demand

# GAAP Quarterly Financial Results

| *USD in millions               | Q2 20 | Q1 21 | Q2 21 |
|--------------------------------|-------|-------|-------|
| Revenues                       | 331.9 | 405.5 | 480.1 |
| Gross margin                   | 31.0% | 34.5% | 32.5% |
| Operating expenses             | 73.0  | 95.9  | 100.6 |
| Operating income               | 30.0  | 44.1  | 55.6  |
| Net income                     | 36.7  | 30.1  | 45.1  |
| Net diluted earnings per share | 0.70  | 0.55  | 0.82  |

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

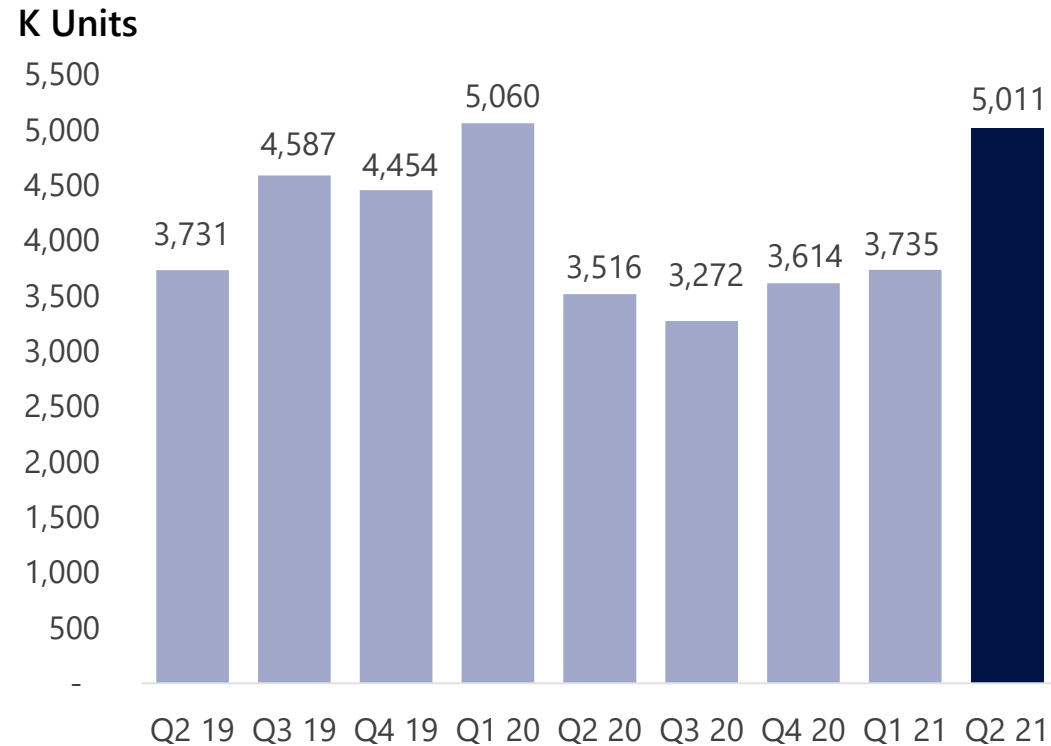
# NON-GAAP Quarterly Financial Results

| *USD in millions               | Q2 20 | Q1 21 | Q2 21 |
|--------------------------------|-------|-------|-------|
| Revenues                       | 331.9 | 405.4 | 480.0 |
| Gross margin                   | 32.4% | 36.5% | 33.9% |
| Operating expenses             | 61.1  | 76.2  | 81.5  |
| Operating income               | 46.6  | 71.9  | 81.3  |
| Net income                     | 52.1  | 55.5  | 72.5  |
| Net diluted earnings per share | 0.97  | 0.98  | 1.28  |

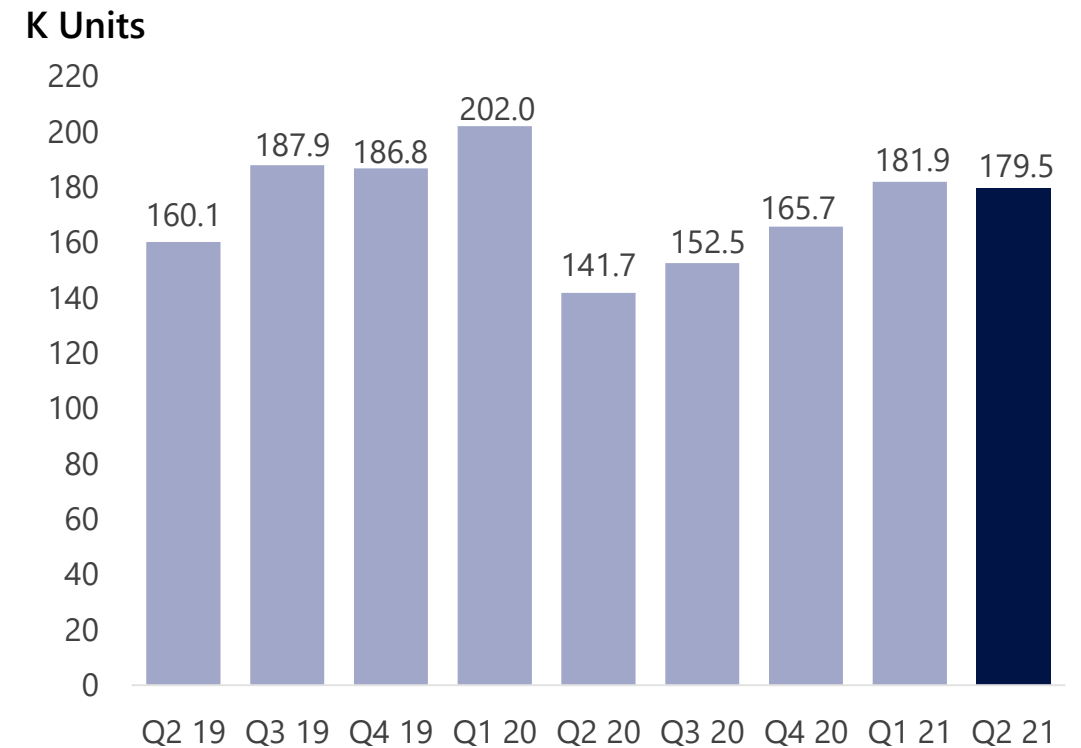
\* With the exception of gross margin and per share data

# Units Shipped

## Power optimizers shipped

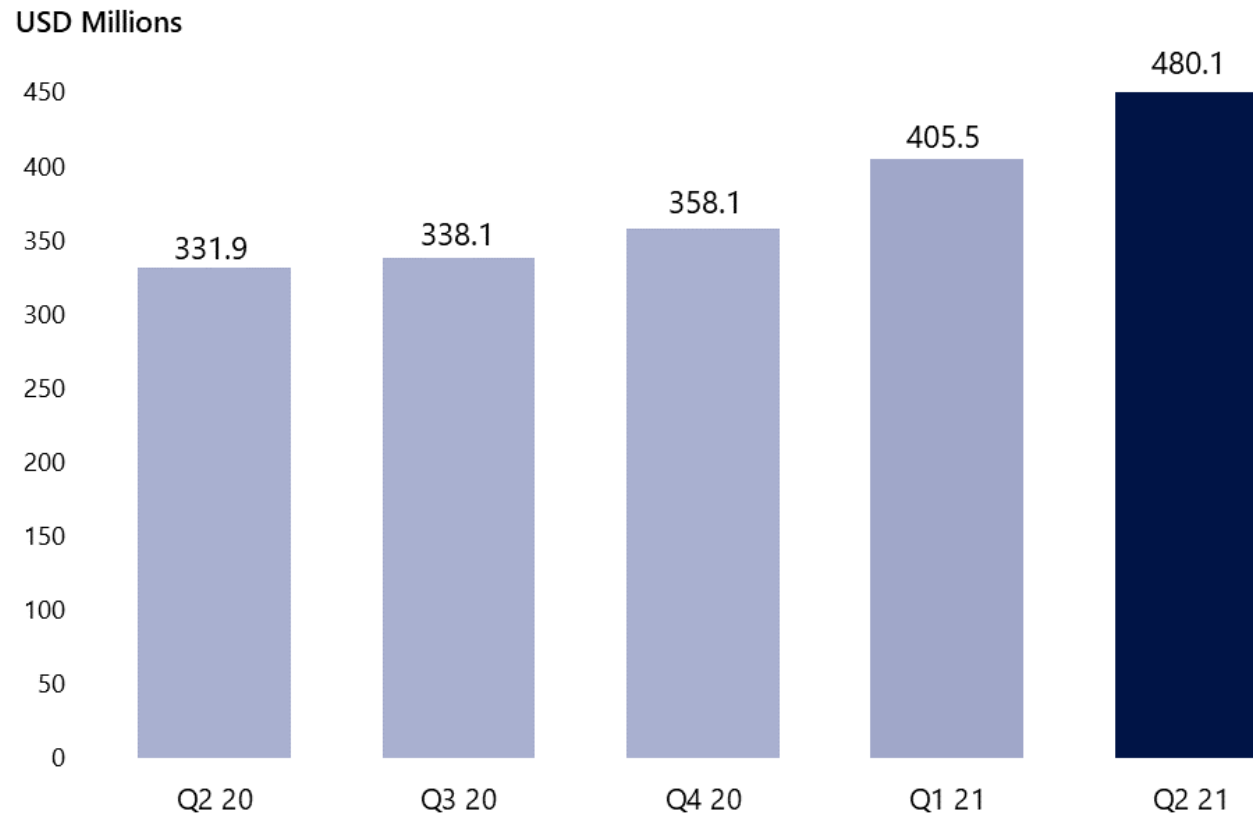


## Inverters shipped



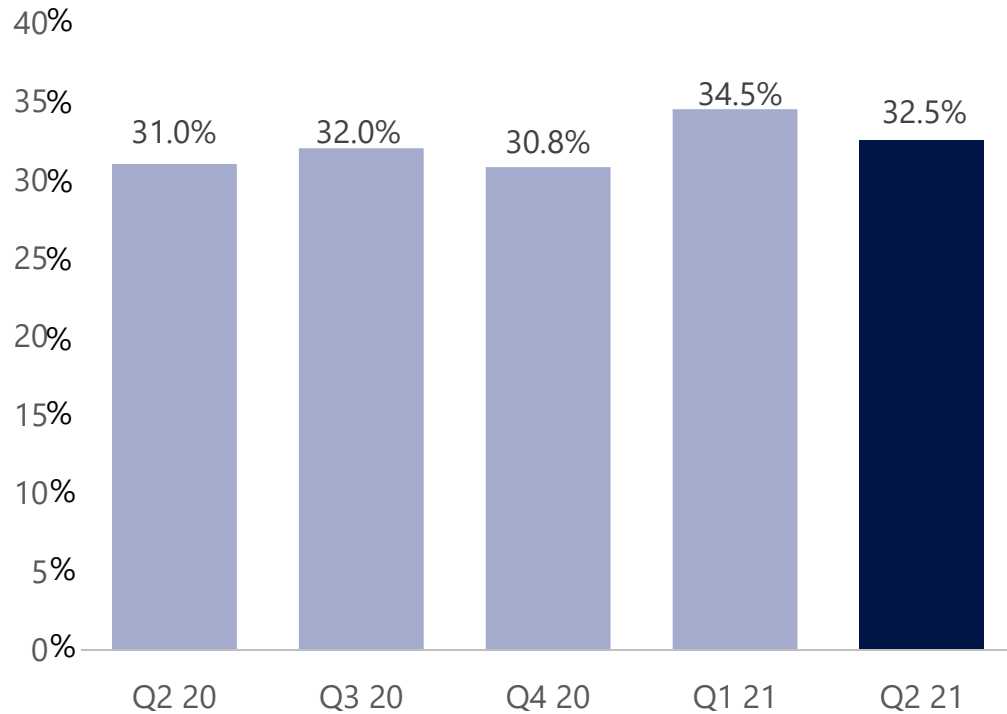


# Quarterly Revenue GAAP

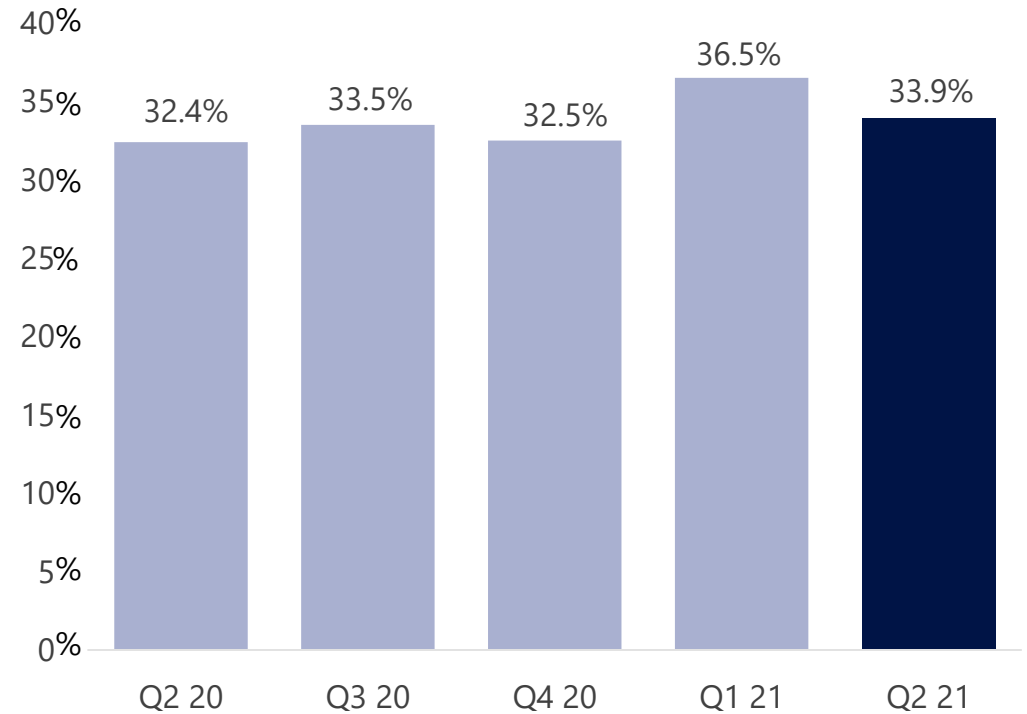


# Gross Margin Trend by Quarters (%)

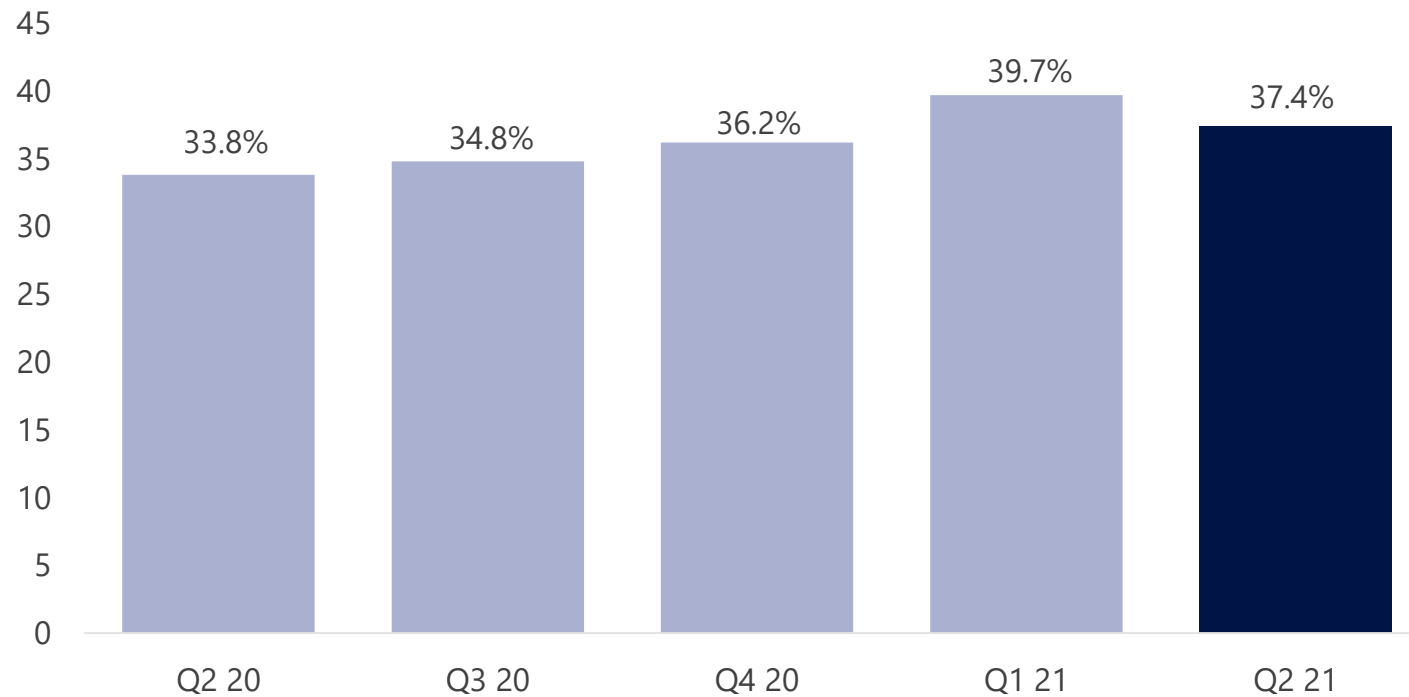
## GAAP



## Non-GAAP

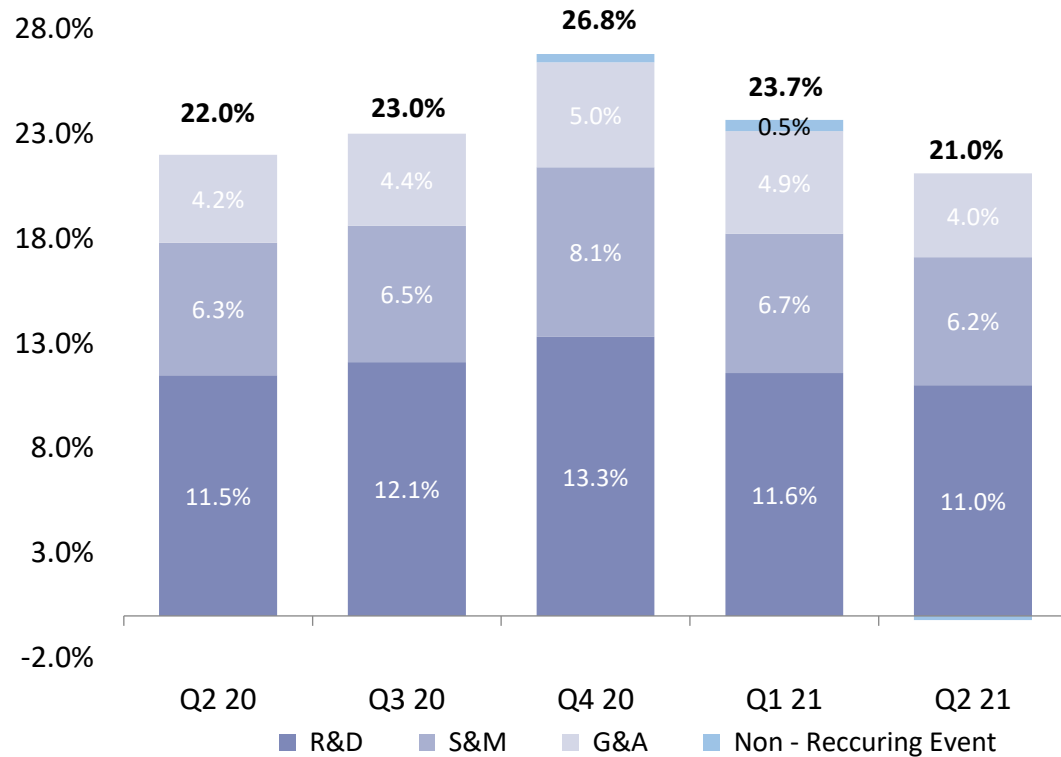


# Solar Segment Gross Margin Trend by Quarters (%)

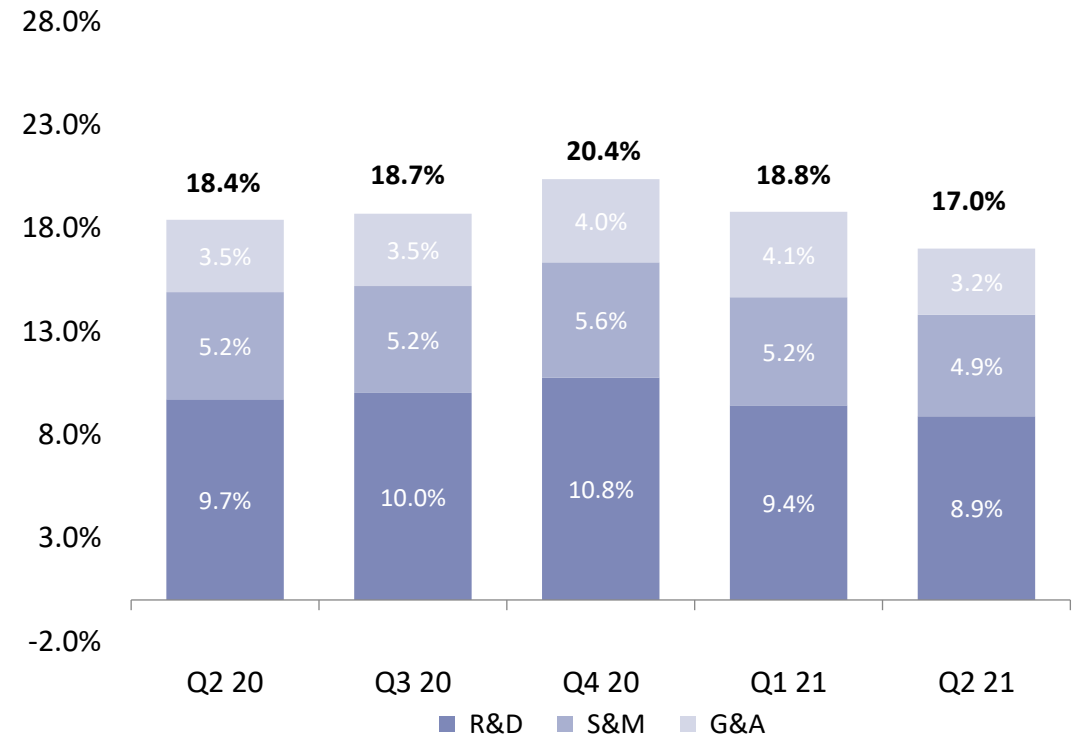


# Consolidated Operating Expenses

## GAAP

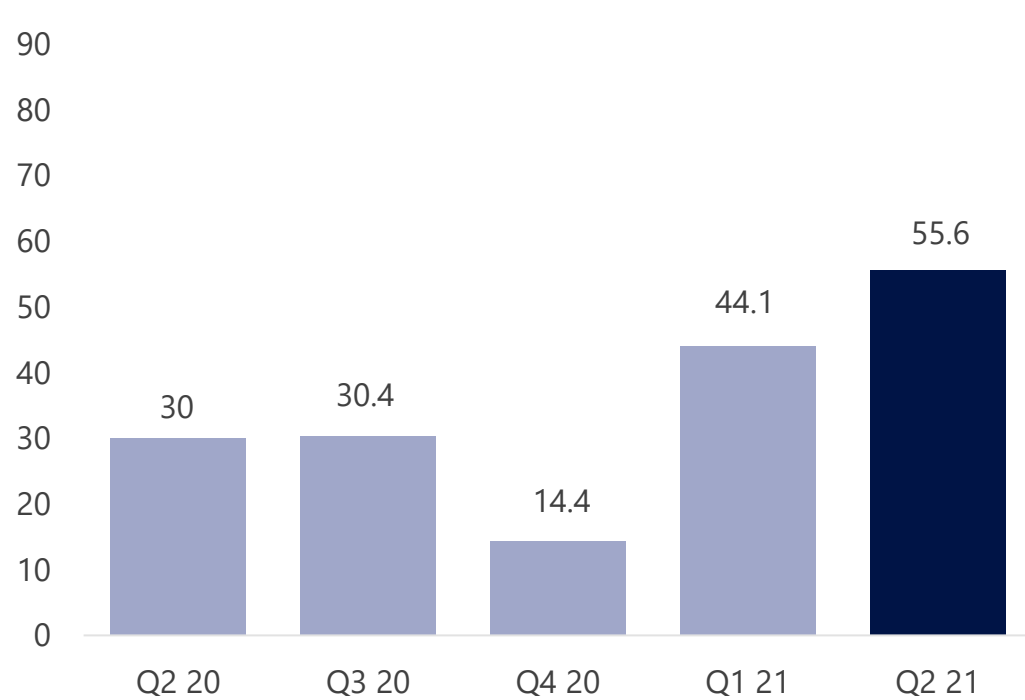


## Non-GAAP

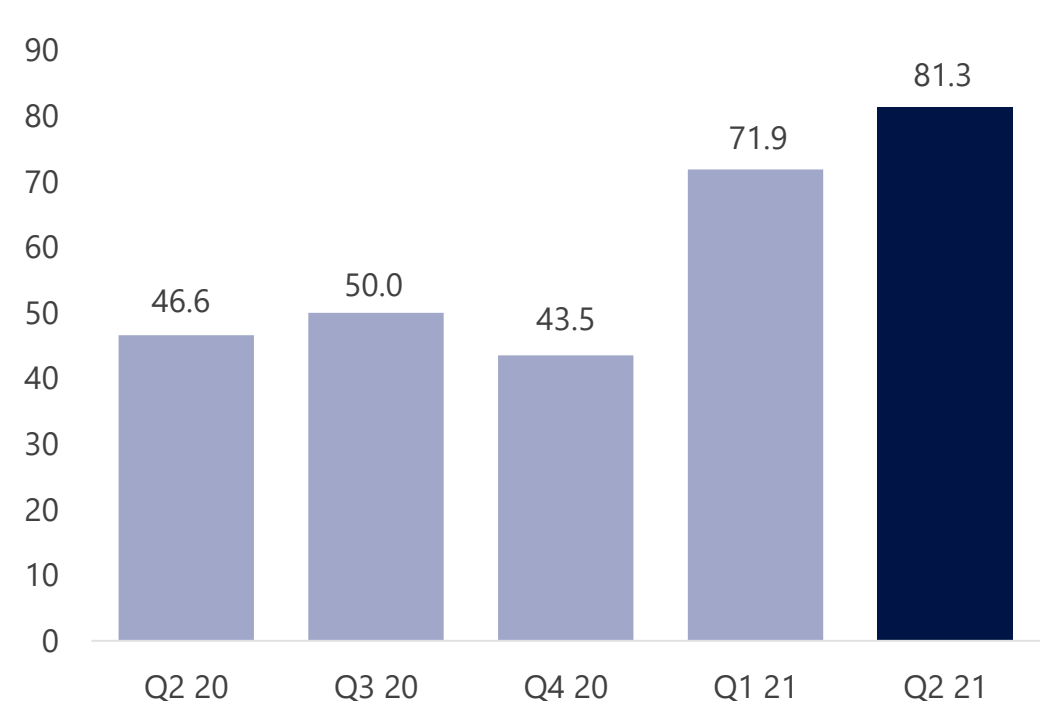


# Consolidated Operating Income

## GAAP



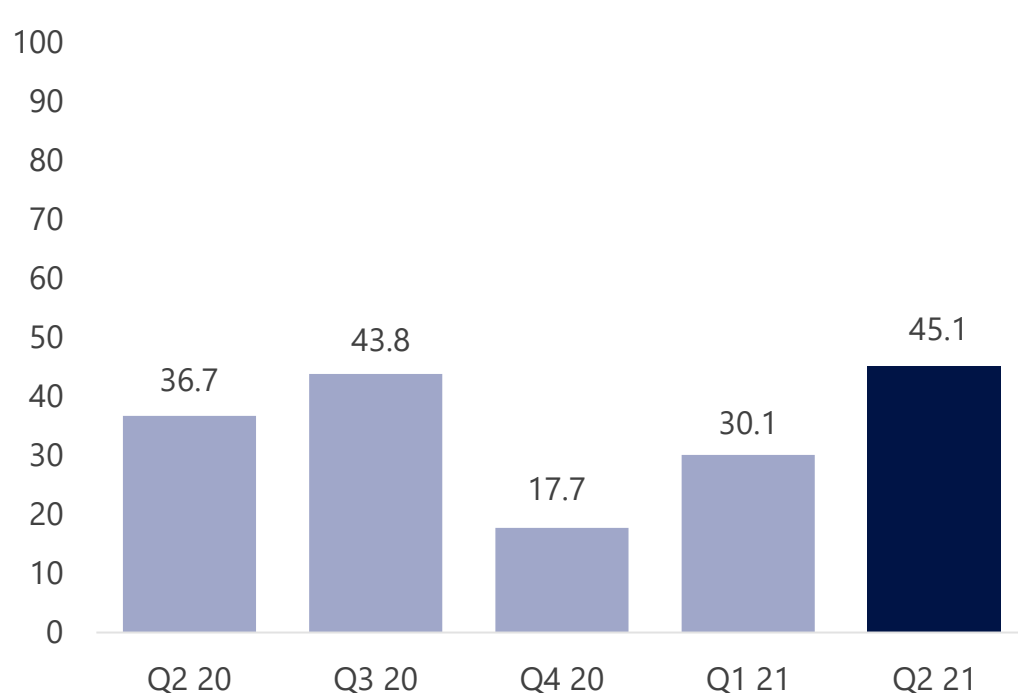
## Non-GAAP



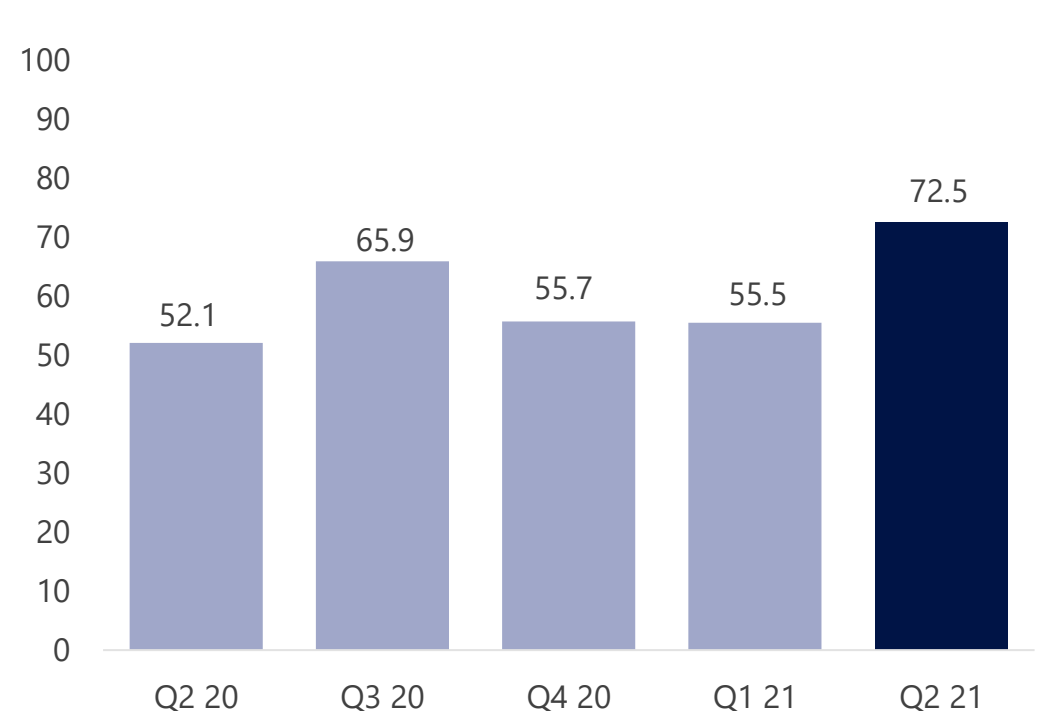
USD Millions

# Consolidated Net Income

## GAAP



## Non-GAAP



USD Millions

# Balance Sheet & Cash flow

| USD in millions                  | Q2 20 | Q1 21   | Q2 21   |
|----------------------------------|-------|---------|---------|
| Cash and investments             | 592.7 | 1,165.2 | 1,143.2 |
| Total Debt*                      | 15.3  | 650.0   | 633.9   |
| Cash and Investments Net of Debt | 577.4 | 515.2   | 509.3   |
| Inventory                        | 264.5 | 340.0   | 321.9   |
| Capital Expenditures             | 26.4  | 24.0    | 40.7    |
| Cash Flow From Operations        | 59.3  | 24.1    | 38.7    |

\* The majority of the debt balances relates to convertible senior notes issued during Q3 20

# Third Quarter Guidance

- Revenue to be within the range of \$520 million to \$540 million;
- Non-GAAP gross margin expected to be within the range of 32% to 34%;
- Revenue from solar segment to be within the range of \$460 million to \$480 million;
- Gross margin from sale of solar segment expected to be within the range of 35% to 37%





# Appendix

# Reconciliation of GAAP to Non-GAAP

|  | Reconciliation of GAAP to Non-GAAP Gross Profit |                |                |                  |                |
|--|---|----------------|----------------|------------------|----------------|
|  | Three months ended                              |                |                | Six months ended |                |
|  | June 30, 2021                                   | March 31, 2021 | June 30, 2020  | June 30, 2021    | June 30, 2020  |
| <b>Gross profit (GAAP)</b>                       | 156,192   | 140,074        | 102,963        | 296,266          | 242,971        |
| Revenues from finance component                  | (99)  | (86)           | ---            | (185)            | ---            |
| Stock-based compensation                         | 4,291   | 5,790          | 2,359          | 10,081           | 4,632          |
| Cost of product adjustment                       | ---   | ---            | ---            | ---              | 313            |
| Amortization and depreciation of acquired assets | 2,401   | 2,312          | 2,325          | 4,713            | 4,681          |
| <b>Gross profit (Non-GAAP)</b>                   | <b>162,785</b>                                  | <b>148,090</b> | <b>107,647</b> | <b>310,875</b>   | <b>252,597</b> |

|  | Reconciliation of GAAP to Non-GAAP Gross Margin |                |               |                  |               |
|--|---|----------------|---------------|------------------|---------------|
|  | Three months ended                              |                |               | Six months ended |               |
|  | June 30, 2021                                   | March 31, 2021 | June 30, 2020 | June 30, 2021    | June 30, 2020 |
| <b>Gross margin (GAAP)</b>                       | 32.5%   | 34.5%          | 31.0%         | 33.5%            | 31.8%         |
| Revenues from finance component                  | 0.0%  | 0.0%           | ---           | 0.0%             | ---           |
| Stock-based compensation                         | 0.9%  | 1.4%           | 0.7%          | 1.1%             | 0.6%          |
| Cost of product adjustment                       | ---   | ---            | ---           | ---              | 0.0%          |
| Amortization and depreciation of acquired assets | 0.5%  | 0.6%           | 0.7%          | 0.5%             | 0.6%          |
| <b>Gross margin (Non-GAAP)</b>                   | <b>33.9%</b>                                    | <b>36.5%</b>   | <b>32.4%</b>  | <b>35.1%</b>     | <b>33.1%</b>  |

# Reconciliation of GAAP to Non-GAAP

|  | Reconciliation of GAAP to Non-GAAP Operating expenses |                |               |                  |                |
|--|---|----------------|---------------|------------------|----------------|
|  | Three months ended                                    |                |               | Six months ended |                |
|  | June 30, 2021   | March 31, 2021 | June 30, 2020 | June 30, 2021    | June 30, 2020  |
| <b>Operating expenses (GAAP)</b>                       | 100,633   | 95,946         | 72,998        | 196,579          | 145,231        |
| Stock-based compensation - R&D                         | (9,805)   | (8,798)        | (5,847)       | (18,603)         | (11,225)       |
| Stock-based compensation - S&M                         | (5,780)   | (5,435)        | (3,445)       | (11,215)         | (6,637)        |
| Stock-based compensation - G&A                         | (4,176)   | (3,130)        | (2,310)       | (7,306)          | (4,240)        |
| Amortization and depreciation of acquired assets - R&D | (9)   | (12)           | (25)          | (21)             | (51)           |
| Amortization and depreciation of acquired assets - S&M | (236)   | (237)          | (292)         | (473)            | (588)          |
| Amortization and depreciation of acquired assets - G&A | (7)   | (8)            | (9)           | (15)             | (17)           |
| Assets sale (disposal)                                 | ---   | 62             | ---           | 62               | ---            |
| Other operating income (expenses)                      | 859   | (2,209)        | ---           | (1,350)          | 4,900          |
| <b>Operating expenses (Non-GAAP)</b>                   | <b>81,479</b>   | <b>76,179</b>  | <b>61,070</b> | <b>157,658</b>   | <b>127,373</b> |

|  | Reconciliation of GAAP to Non-GAAP Operating income |                |               |                  |                |
|--|---|----------------|---------------|------------------|----------------|
|  | Three months ended                                  |                |               | Six months ended |                |
|  | June 30, 2021                                       | March 31, 2021 | June 30, 2020 | June 30, 2021    | June 30, 2020  |
| <b>Operating income (GAAP)</b>                   | 55,559  | 44,128         | 29,965        | 99,687           | 97,740         |
| Revenues from finance component                  | (99)  | (86)           | ---           | (185)            | ---            |
| Cost of product adjustment                       | ---   | ---            | ---           | ---              | 313            |
| Stock-based compensation                         | 24,052  | 23,153         | 13,961        | 47,205           | 26,734         |
| Amortization and depreciation of acquired assets | 2,653   | 2,569          | 2,651         | 5,222            | 5,337          |
| Assets (sale) disposal                           | ---   | (62)           | ---           | (62)             | ---            |
| Other operating (income) expenses                | (859)   | 2,209          | ---           | 1,350            | (4,900)        |
| <b>Operating income (Non-GAAP)</b>               | <b>81,306</b>                                       | <b>71,911</b>  | <b>46,577</b> | <b>153,217</b>   | <b>125,224</b> |

# Reconciliation of GAAP to Non-GAAP

|  | Reconciliation of GAAP to Non-GAAP Financial expenses (income), net |                |                 |                  |               |
|--|---|----------------|-----------------|------------------|---------------|
|  | Three months ended  |                |                 | Six months ended |               |
|  | June 30, 2021   | March 31, 2021 | June 30, 2020   | June 30, 2021    | June 30, 2020 |
| <b>Financial expenses (income), net (GAAP)</b>     | 1,743   | 6,097          | (11,565)        | 7,840            | 5,040         |
| Notes due 2025                                     | (726)   | (724)          | ---             | (1,450)          | ---           |
| Non cash interest                                  | (1,439)   | (1,336)        | (1,200)         | (2,775)          | (2,328)       |
| Currency fluctuation related to lease standard     | (1,300)   | 2,289          | (892)           | 989              | 141           |
| Amortization and depreciation of acquired assets   | ---   | ---            | ---             | ---              | (982)         |
| <b>Financial expenses (income), net (Non-GAAP)</b> | <b>(1,722)</b>  | <b>6,326</b>   | <b>(13,657)</b> | <b>4,604</b>     | <b>1,871</b>  |
|  |   |                |                 |                  |               |
|  | Reconciliation of GAAP to Non-GAAP Tax on income                    |                |                 |                  |               |
|  | Three months ended  |                |                 | Six months ended |               |
|  | June 30, 2021   | March 31, 2021 | June 30, 2020   | June 30, 2021    | June 30, 2020 |
| <b>Tax on income (GAAP)</b>                        | 8,724   | 7,955          | 4,862           | 16,679           | 13,784        |
| Deferred taxes                                     | 1,789   | 2,141          | 3,236           | 3,930            | 6,772         |
| <b>Tax on income (Non-GAAP)</b>                    | <b>10,513</b>   | <b>10,096</b>  | <b>8,098</b>    | <b>20,609</b>    | <b>20,556</b> |

# Reconciliation of GAAP to Non-GAAP

|  | Reconciliation of GAAP to Non-GAAP Net income |                |               |                  |                |
|--|---|----------------|---------------|------------------|----------------|
|  | Three months ended                            |                |               | Six months ended |                |
|  | June 30, 2021                                 | March 31, 2021 | June 30, 2020 | June 30, 2021    | June 30, 2020  |
| <b>Net income (GAAP)</b>                         | 45,092  | 30,076         | 36,668        | 75,168           | 78,916         |
| Revenues from finance component                  | (99)  | (86)           | ----          | (185)            | ----           |
| Cost of product adjustment                       | ----  | ----           | ----          | ----             | 313            |
| Stock-based compensation                         | 24,052  | 23,153         | 13,961        | 47,205           | 26,734         |
| Amortization and depreciation of acquired assets | 2,653   | 2,569          | 2,651         | 5,222            | 6,319          |
| Assets (sale) disposal                           | ----  | (62)           | ----          | (62)             | ----           |
| Other operating (income) expenses                | (859)   | 2,209          | ----          | 1,350            | (4,900)        |
| Notes due 2025                                   | 726   | 724            | ----          | 1,450            | ----           |
| Non cash interest                                | 1,439   | 1,336          | 1,200         | 2,775            | 2,328          |
| Currency fluctuation related to lease standard   | 1,300   | (2,289)        | 892           | (989)            | (141)          |
| Deferred taxes                                   | (1,789)                                       | (2,141)        | (3,236)       | (3,930)          | (6,772)        |
| <b>Net income (Non-GAAP)</b>                     | <u>72,515</u>                                 | <u>55,489</u>  | <u>52,136</u> | <u>128,004</u>   | <u>102,797</u> |

# Reconciliation of GAAP to Non-GAAP

|  | Reconciliation of GAAP to Non-GAAP Net basic EPS |                |               |                  |               |
|--|--|----------------|---------------|------------------|---------------|
|  | Three months ended                               |                |               | Six months ended |               |
|  | June 30, 2021                                    | March 31, 2021 | June 30, 2020 | June 30, 2021    | June 30, 2020 |
| <b>Net basic earnings per share (GAAP)</b>       | 0.87   | 0.58           | 0.74          | 1.45             | 1.59          |
| Revenues from finance component                  | (0.01)   | 0.00           | ----          | (0.01)           | ----          |
| Cost of product adjustment                       | ----   | ----           | ----          | ----             | 0.01          |
| Stock-based compensation                         | 0.47   | 0.45           | 0.28          | 0.91             | 0.54          |
| Amortization and depreciation of acquired assets | 0.05   | 0.05           | 0.05          | 0.10             | 0.13          |
| Assets (sale) disposal                           | ----   | 0.00           | ----          | ----             | ----          |
| Other operating (income) expenses                | (0.02)   | 0.04           | ----          | 0.03             | (0.10)        |
| Notes due 2025                                   | 0.01   | 0.01           | ----          | 0.03             | ----          |
| Non cash interest                                | 0.03   | 0.03           | 0.02          | 0.05             | 0.05          |
| Currency fluctuation related to lease standard   | 0.03   | (0.05)         | 0.02          | (0.02)           | 0.00          |
| Deferred taxes                                   | (0.04)   | (0.04)         | (0.06)        | (0.07)           | (0.14)        |
| <b>Net basic earnings per share (Non-GAAP)</b>   | <u>1.39</u>                                      | <u>1.07</u>    | <u>1.05</u>   | <u>2.47</u>      | <u>2.08</u>   |

# Reconciliation of GAAP to Non-GAAP

|  | Reconciliation of GAAP to Non-GAAP Net diluted EPS |                |               |                  |               |
|--|--|----------------|---------------|------------------|---------------|
|  | Three months ended                                 |                |               | Six months ended |               |
|  | June 30, 2021                                      | March 31, 2021 | June 30, 2020 | June 30, 2021    | June 30, 2020 |
| <b>Net diluted earnings per share (GAAP)</b>     | 0.82   | 0.55           | 0.70          | 1.36             | 1.51          |
| Revenues from finance component                  | (0.01)   | 0.00           | ---           | 0.00             | ---           |
| Cost of product adjustment                       | ---  | ---            | ---           | ---              | 0.00          |
| Stock-based compensation                         | 0.42   | 0.40           | 0.24          | 0.81             | 0.47          |
| Amortization and depreciation of acquired assets | 0.04   | 0.04           | 0.05          | 0.09             | 0.11          |
| Assets (sale) disposal                           | ---  | 0.00           | ---           | ---              | ---           |
| Other operating (income) expenses                | (0.01)   | 0.04           | ---           | 0.03             | (0.09)        |
| Notes due 2025                                   | 0.00   | 0.00           | ---           | 0.00             | ---           |
| Non cash interest                                | 0.03   | 0.03           | 0.02          | 0.05             | 0.05          |
| Currency fluctuation related to lease standard   | 0.02   | (0.04)         | 0.02          | (0.01)           | 0.00          |
| Deferred taxes                                   | (0.03)   | (0.04)         | (0.06)        | (0.07)           | (0.13)        |
| <b>Net diluted earnings per share (Non-GAAP)</b> | <u>1.28</u>  | <u>0.98</u>    | <u>0.97</u>   | <u>2.26</u>      | <u>1.92</u>   |

|   | Reconciliation of GAAP to Non-GAAP No. of shares used in Net diluted EPS |                   |                   |                   |                   |
|---|--|-------------------|-------------------|-------------------|-------------------|
|   | Three months ended   |                   |                   | Six months ended  |                   |
|   | June 30, 2021  | March 31, 2021    | June 30, 2020     | June 30, 2021     | June 30, 2020     |
| <b>Number of shares used in computing net diluted earnings per share (GAAP)</b>     | 52,076,208   | 55,997,136        | 52,536,437        | 51,903,123        | 52,357,838        |
| Stock-based compensation  | 2,357,845  | 766,187           | 1,154,279         | 2,558,676         | 1,277,006         |
| Notes due 2025  | 2,276,818  | ---               | ---               | 2,276,818         | ---               |
| <b>Number of shares used in computing net diluted earnings per share (Non-GAAP)</b> | <u>56,710,871</u>  | <u>56,763,323</u> | <u>53,690,716</u> | <u>56,738,617</u> | <u>53,634,844</u> |

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