



Fourth Quarter 2018

Earnings Summary

February 20, 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



**3.1M**

Power Optimizers Shipped

**121K**

Inverters Shipped

**1.1 GW**

Systems Shipped

**\$263.7M**

Revenues

# Financial Results for Quarter

- Record revenue of \$263.7 million, up 39.3% YoY
- Record revenue from solar products \$243.4 million
- GAAP operating income of \$24.4 million
- GAAP net income of \$12.9 million
- Non-GAAP net income of \$31.5 million
- Net diluted Non GAAP earnings per share \$0.63
- Cash flow from operation of \$46.9 million

## Business highlights for quarter

- 1.1 Gigawatts AC inverters shipped
- 3.1M power optimizers and 121K inverters shipped



# 2018 Highlights

- Record revenue of \$937.2 million, up 54.4% YoY
- Revenue from solar products \$914.3 million up 50.6% YoY
- Record GAAP gross income of \$319.2 million
- GAAP gross margin of 34.1%
- Record GAAP operating income of \$139.9 million
- Record GAAP net income of \$128.0 million
- Record Non-GAAP net income of \$157.3 million
- Record cash flow from operation of \$189.1 million

## Business highlights for year

- 3.9 Gigawatts AC inverters shipped
- 11.4M power optimizers and 456K inverters shipped



# Noteworthy

- Record revenues and strong cash generation from operations
- Continued strong business in U.S. and rest of world
- First quarter reporting Kokam results
- Kokam revenues negatively impact gross margin due to orders taken prior to acquisition
- Started to invest in non solar businesses with aim toward increased revenues and profitability
- Working on adding a second manufacturing site in Asia to address US tariffs
- Post quarter acquisition of majority holdings in S.M.R.E., an Italian provider of innovative integrated powertrain technology and electronics for e-mobility market

# GAAP Financial Results

*USD in millions	Q4 18	Q3 18	Q4 17
Revenues	263.7	236.6	189.3
Gross margin	30.2%	33.0%	37.5%
Operating expenses	55.3	43.9	36.4
Operating income	24.4	34.0	34.6
Net income	12.9	45.6	19.5
Net diluted earnings per share	0.27	0.95	0.42

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

# NON-GAAP Financial Results

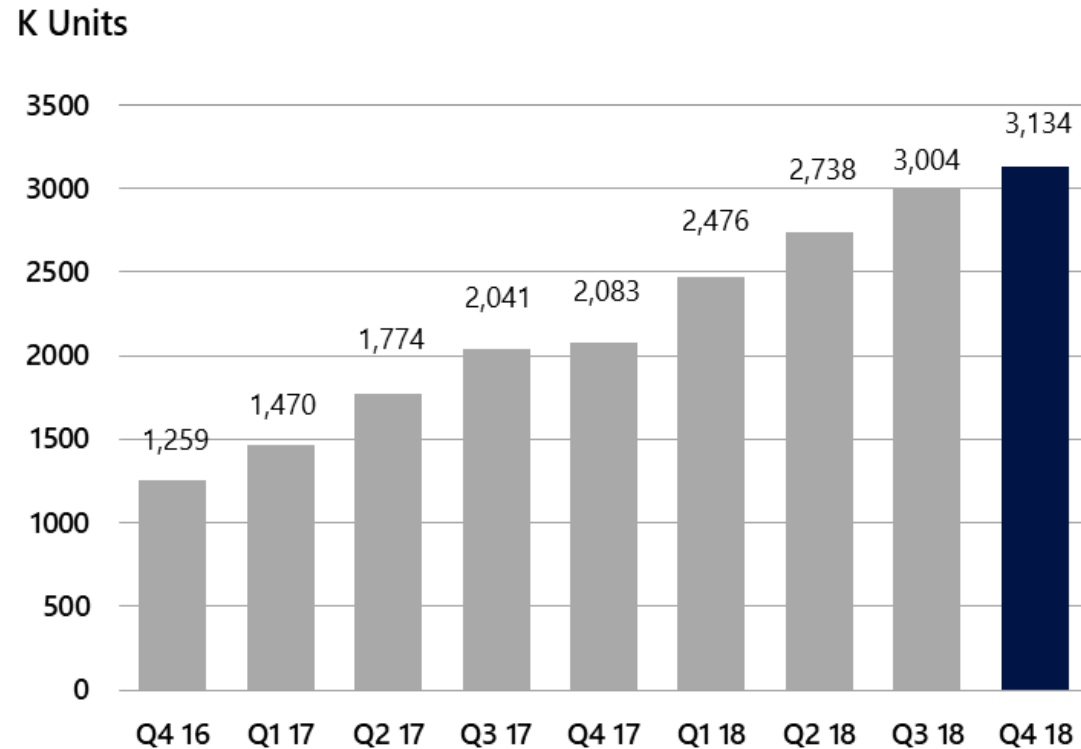
*USD in millions	Q4 18	Q3 18	Q4 17
Revenues	263.7	236.6	189.3
Gross margin	30.9%	33.6%	37.9%
Operating expenses	45.1	37.0	31.7
Operating income	36.4	42.5	40.0
Net income	31.5	42.7	41.2
Net diluted earnings per share	0.63	0.86	0.85

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

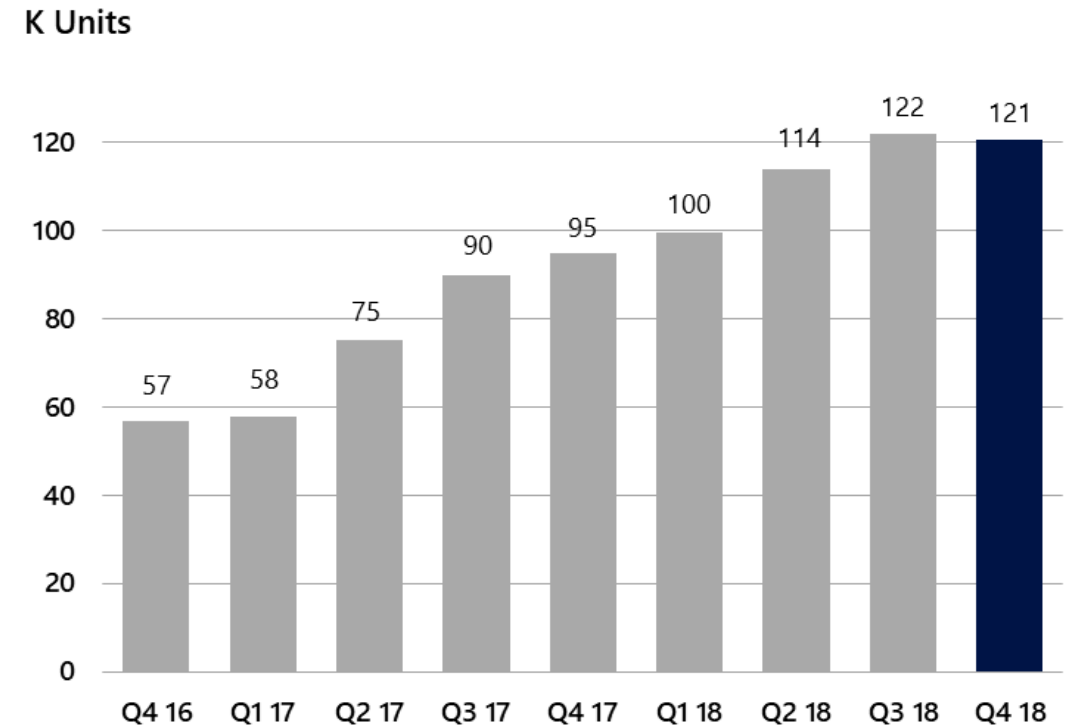


# Units Shipped

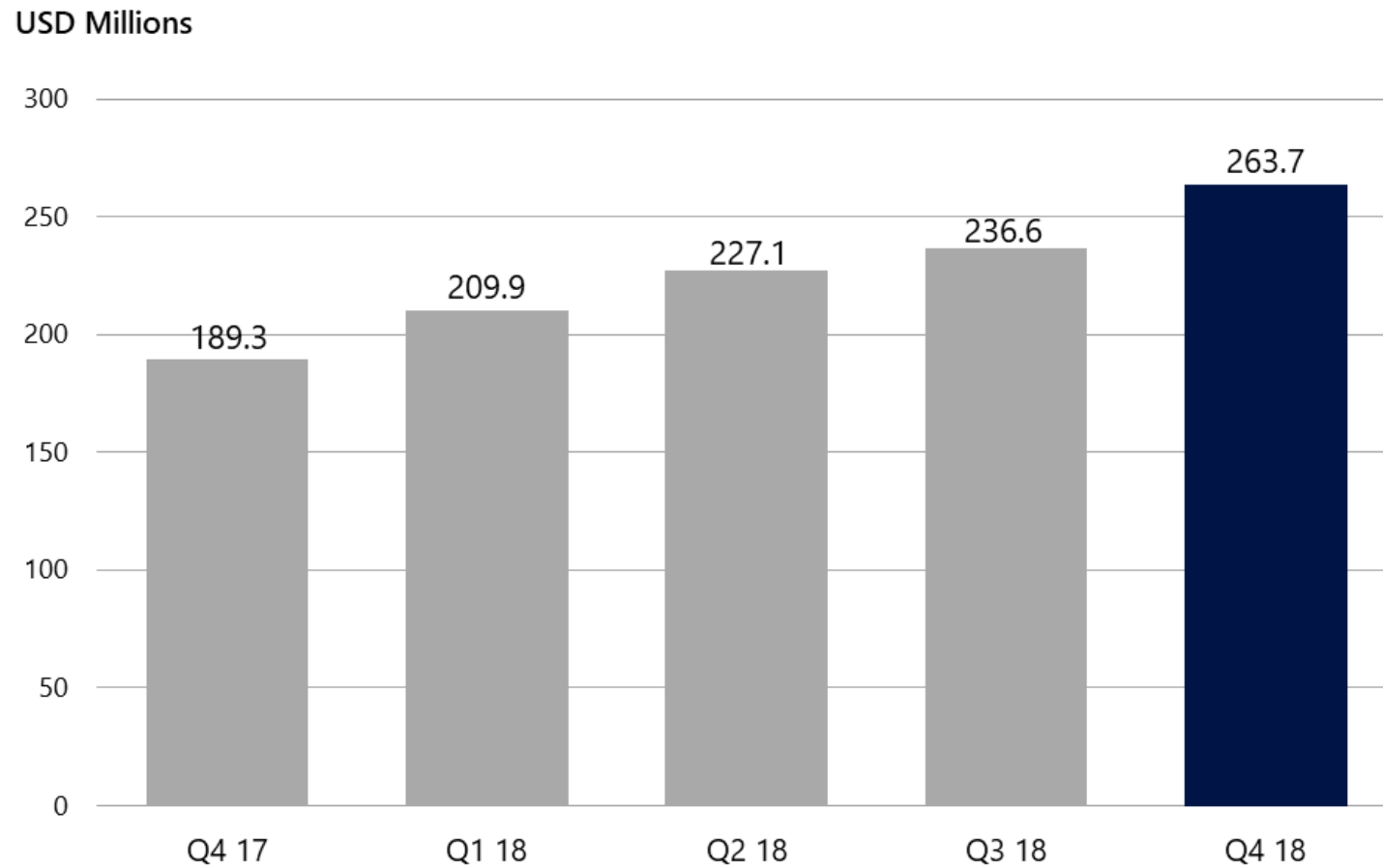
## Power optimizers shipped



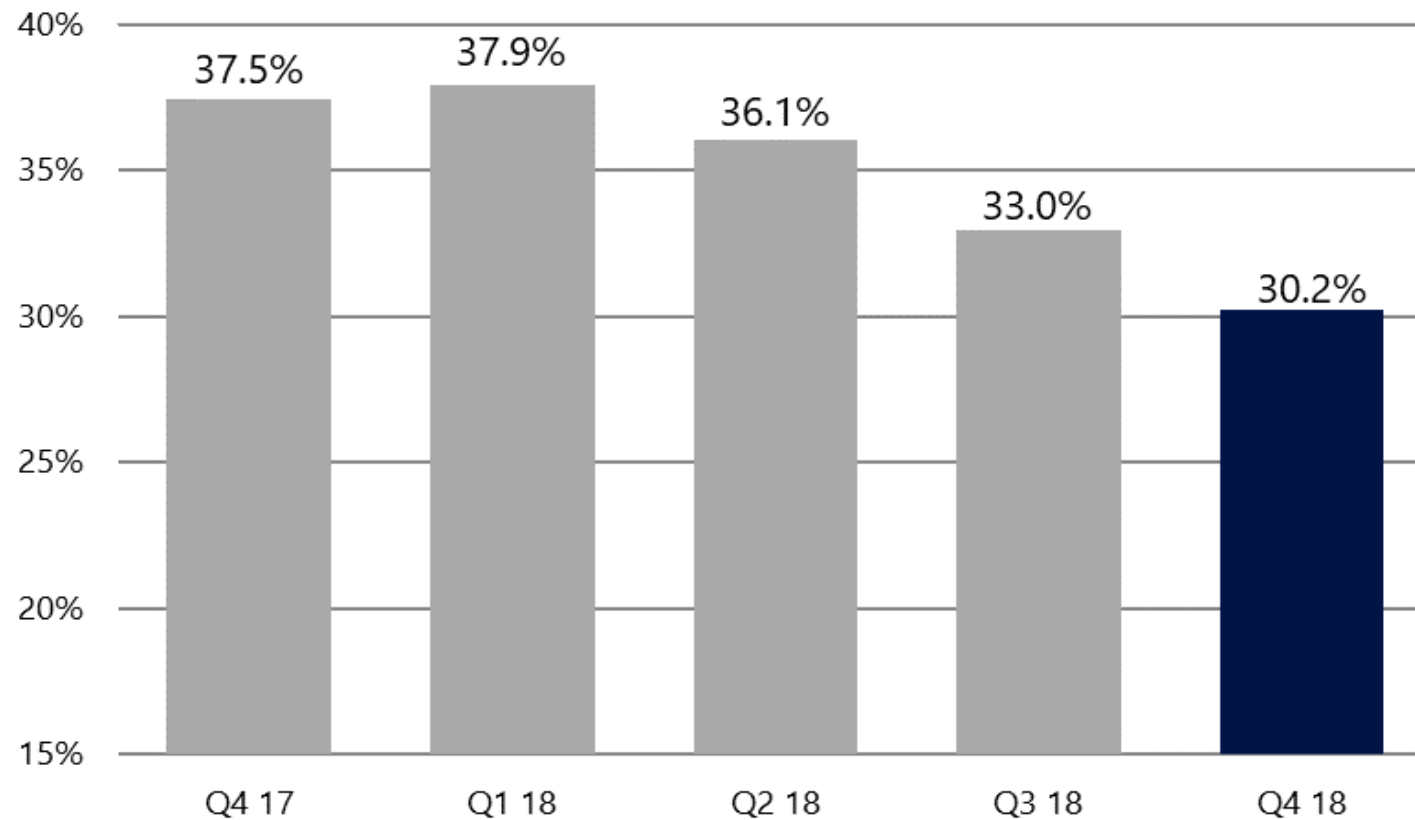
## Inverters shipped



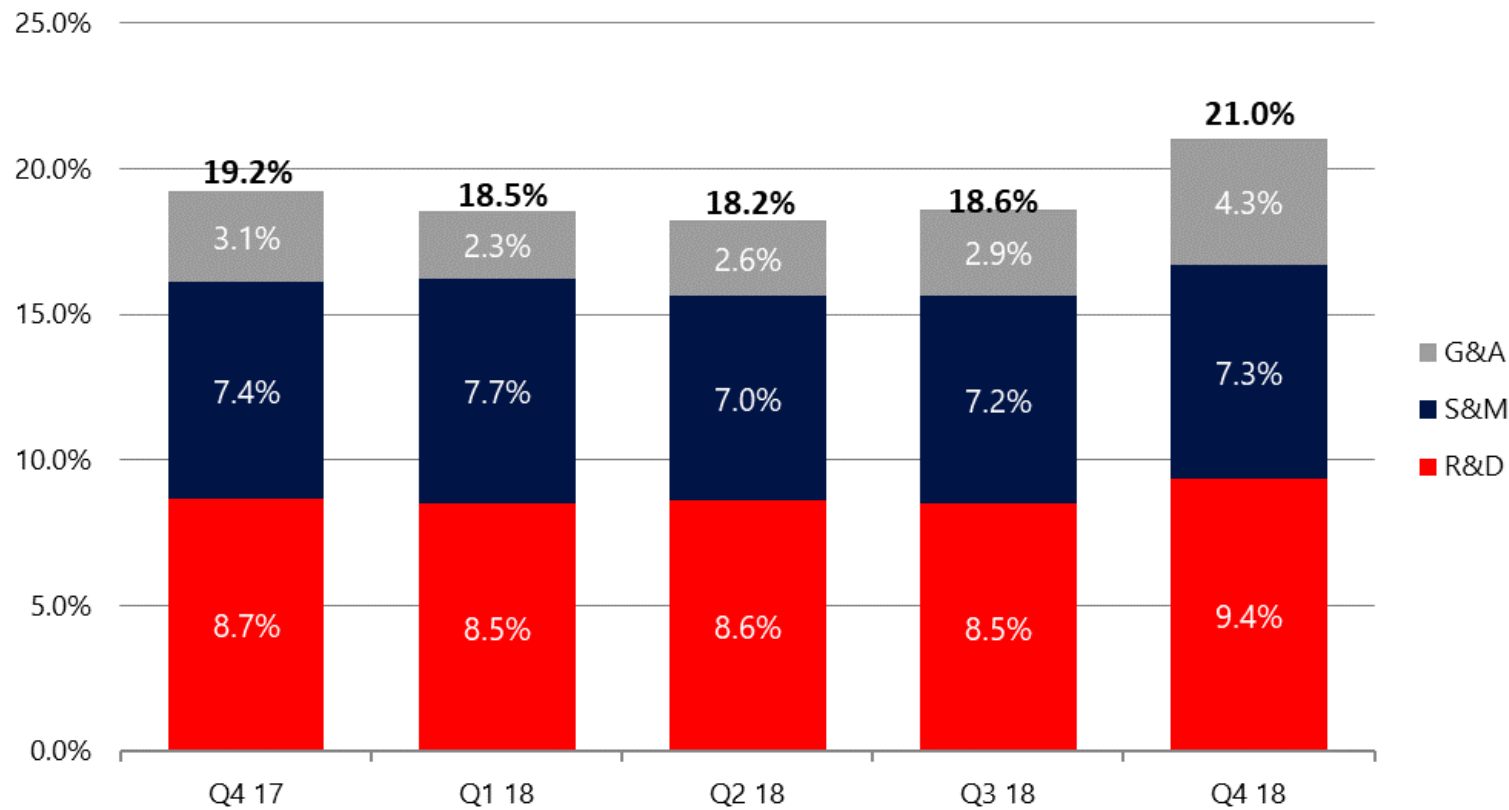
# Quarterly Revenues



# GAAP Gross Margins Trend by Quarters (%)

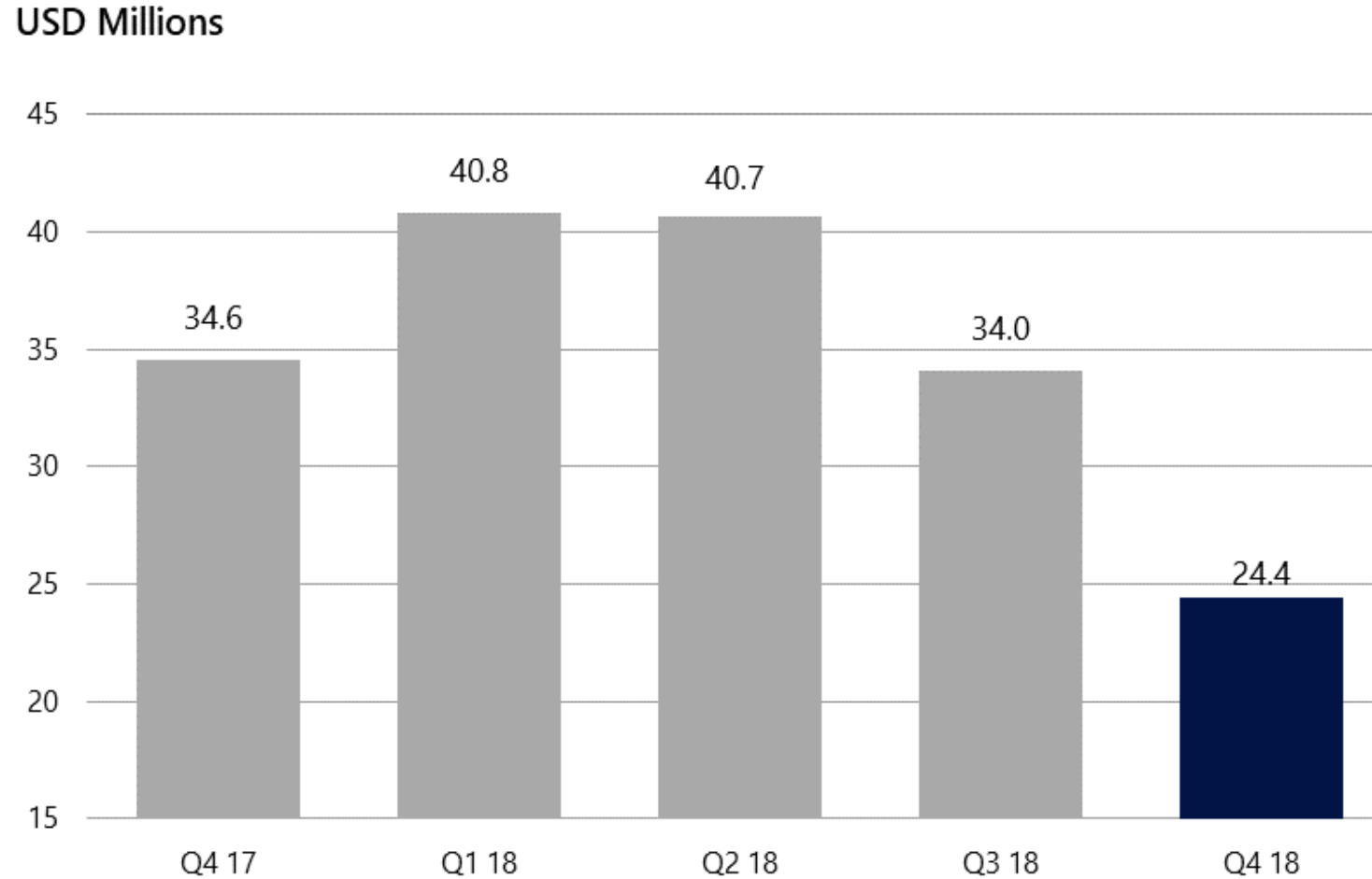


# Operating Expenses\*

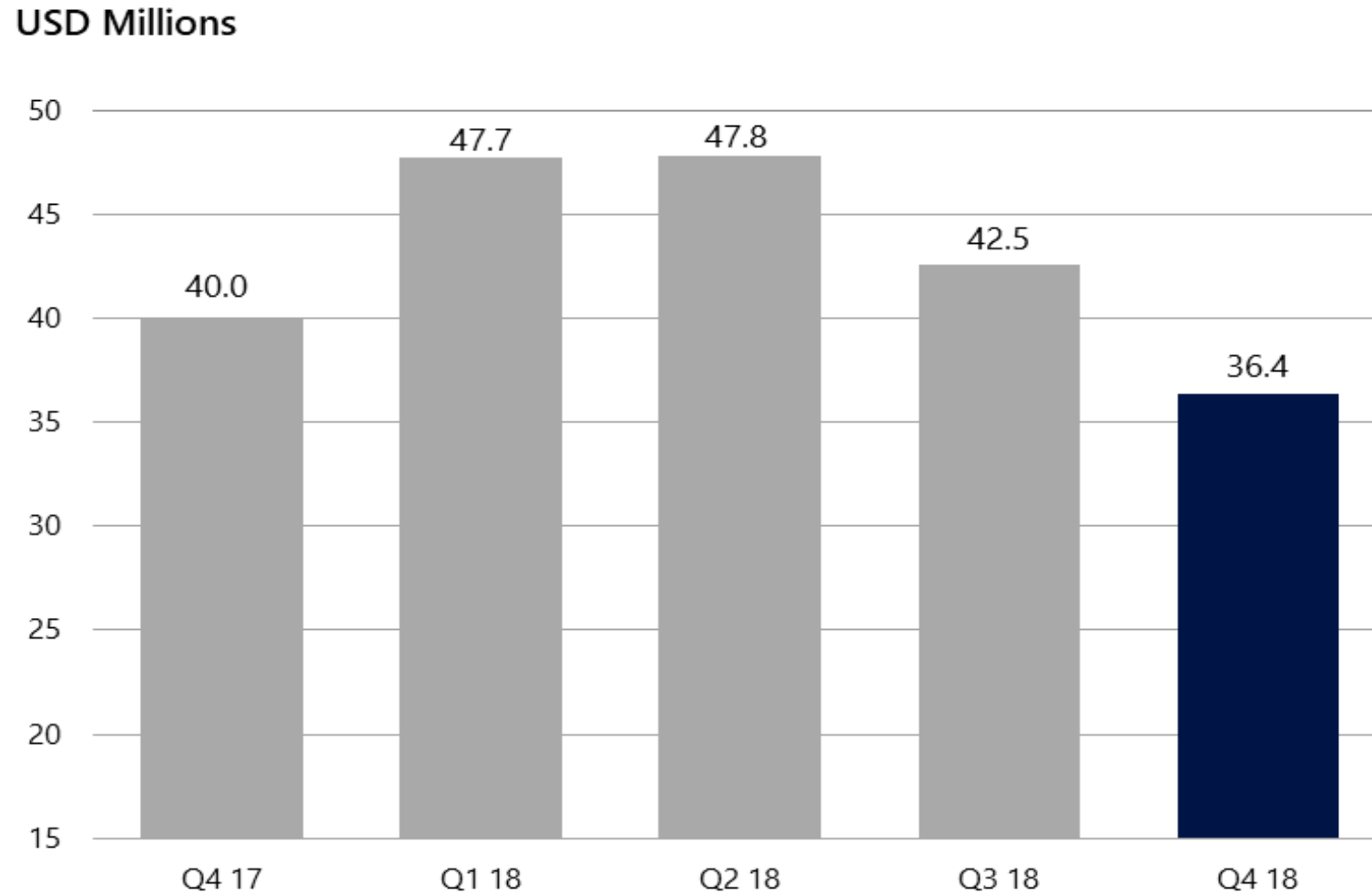


\* Include Kokam expenses first consolidated in Q4 18

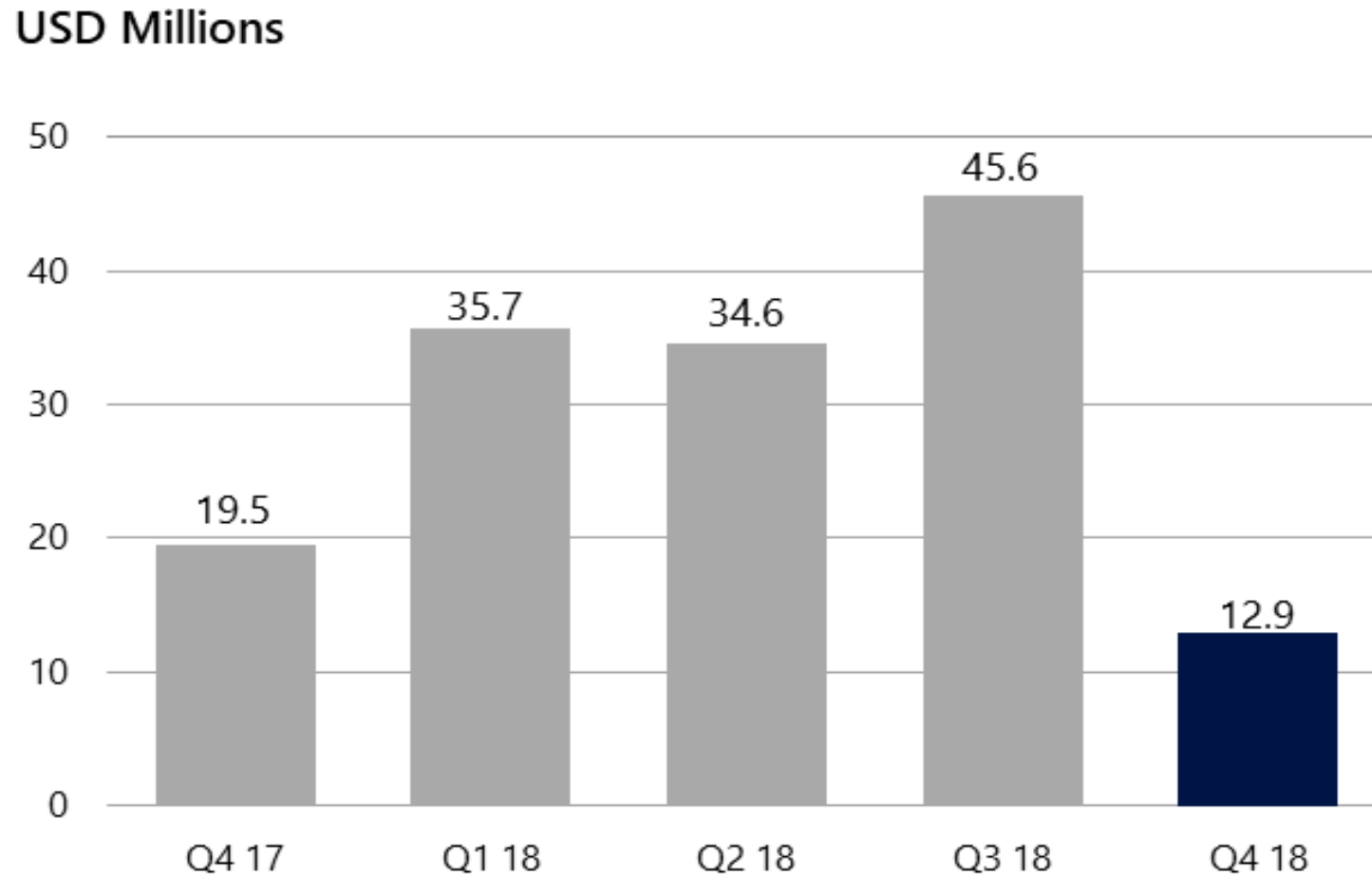
# Consolidated GAAP Operating Income



# Consolidated NON-GAAP Operating Income



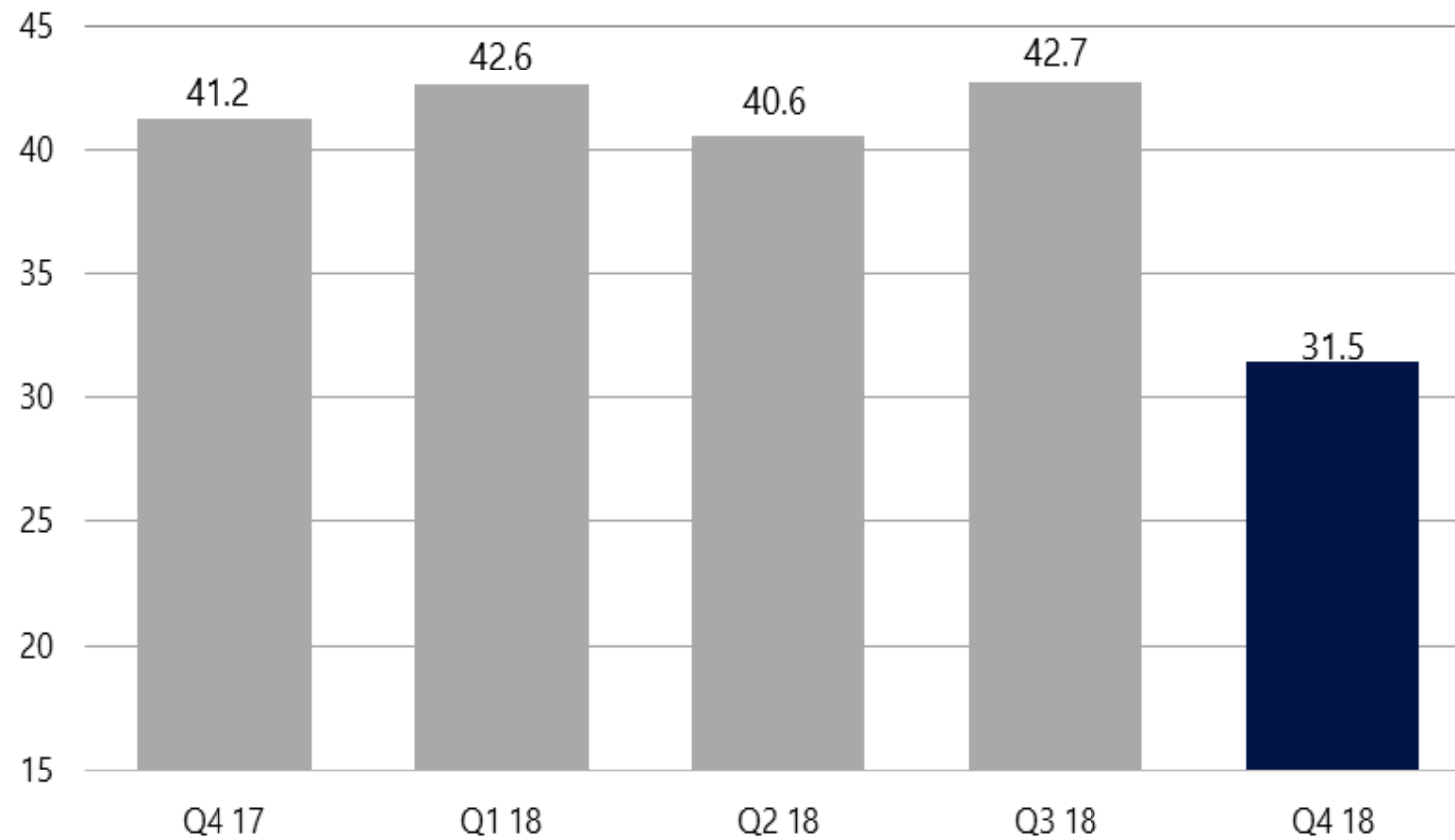
# Consolidated GAAP Net Income



\* Q4-17, Q1-18, and Q3-18 includes transition tax of \$18.7M, \$0.8M and a tax benefit of \$10.3M respectively. Q4-18 include provisional tax expense of \$8.2M

# Consolidated NON-GAAP Net Income

USD Millions





# Balance Sheet & Cash flow

USD in millions	Q4 17	Q3 18	Q4 18
Cash and investments	345.1	453.2	392.2
Inventory	83.0	107.2	141.5
Capital Expenditures	8.8	8.7	8.6
Total Debt	-	-	20.2
Cash Flow From Operations	45.8	34.3	46.9

\*Debt balances relate to pre acquisition loans in Kokam

# First Quarter Guidance

- Revenues to be within the range of \$260 million to \$270 million;
- Gross margins expected to be within the range of 30% to 32%
- Revenues from solar products to be within the range of \$245 million to \$255 million;
- Gross margins from sale of solar products expected to be within the range of 32% to 34%



# Appendix

# Reconciliation of GAAP to Non-GAAP

## Reconciliation of GAAP to Non-GAAP Gross Profit

	Three months ended			12 months ended	
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Gross profit (GAAP)</b>	79,711	77,982	70,970	319,236	214,766
Stock-based compensation	1,323	1,127	703	4,342	2,251
Cost of product adjustment	398	208	----	606	----
Intangible assets amortization	----	193	----	193	----
<b>Gross profit (Non-GAAP)</b>	<b>81,432</b>	<b>79,510</b>	<b>71,673</b>	<b>324,377</b>	<b>217,017</b>

## Reconciliation of GAAP to Non-GAAP Gross Margin

	Three months ended			12 months ended	
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Gross margin (GAAP)</b>	30.2%	33.0%	37.5%	34.1%	35.4%
Stock-based compensation	0.5%	0.4%	0.4%	0.4%	0.3%
Cost of product adjustment	0.2%	0.1%	0.0%	0.1%	0.0%
Intangible assets amortization	0.0%	0.1%	0.0%	0.0%	0.0%
<b>Gross margin (Non-GAAP)</b>	<b>30.9%</b>	<b>33.6%</b>	<b>37.9%</b>	<b>34.6%</b>	<b>35.7%</b>

# Reconciliation of GAAP to Non-GAAP

## Reconciliation of GAAP to Non-GAAP Operating expenses

	Three months ended			12 months ended	
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Operating expenses (GAAP)</b>	55,322	43,945	36,399	179,381	123,680
Stock-based compensation R&D	(3,230)	(2,988)	(1,795)	(11,205)	(5,703)
Stock-based compensation S&M	(2,564)	(2,250)	(1,714)	(9,112)	(5,387)
Stock-based compensation G&A	(1,574)	(1,585)	(1,170)	(5,959)	(4,224)
Intangible assets amortization - R&D	(652)	(110)	----	(762)	----
Intangible assets amortization - S&M	(101)	(29)	----	(130)	----
Acquisition related expenses	(2,140)	----	----	(2,140)	----
<b>Operating expenses (Non-GAAP)</b>	<b>45,061</b>	<b>36,983</b>	<b>31,720</b>	<b>150,073</b>	<b>108,366</b>

## Reconciliation of GAAP to Non-GAAP Operating income

	Three months ended			12 months ended	
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Operating income (GAAP)</b>	24,389	34,037	34,571	139,855	91,086
Cost of product adjustment	398	208	----	606	----
Stock-based compensation	8,691	7,950	5,382	30,618	17,565
Intangible assets amortization	753	332	----	1,085	----
Acquisition related expenses	2,140	----	----	2,140	----
<b>Operating income (Non-GAAP)</b>	<b>36,371</b>	<b>42,527</b>	<b>39,953</b>	<b>174,304</b>	<b>108,651</b>

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Financial expenses (income), net				
	Three months ended			12 months ended	
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Financial expenses (income), net (GAAP)</b>	(288)	689	(1,487)	2,297	(9,158)
Non cash interest	(769)	(640)	----	(2,489)	----
Intangible assets amortization	528	----	----	528	----
<b>Financial expenses (income), net (Non-GAAP)</b>	<b>(529)</b>	<b>49</b>	<b>(1,487)</b>	<b>336</b>	<b>(9,158)</b>
	Reconciliation of GAAP to Non-GAAP Other expenses				
	Three months ended			12 months ended	
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Other expenses (GAAP)</b>	435	----	----	435	----
Fixed assets disposal	(435)	----	----	(435)	----
<b>Other expenses (income) (Non-GAAP)</b>	<b>----</b>	<b>----</b>	<b>----</b>	<b>----</b>	<b>----</b>
	Reconciliation of GAAP to Non-GAAP Tax on income (Tax benefit)				
	Three months ended			12 months ended	
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Tax on income (Tax benefit) (GAAP)</b>	12,093	(12,295)	16,556	9,077	16,072
Deferred tax asset	2,304	1,771	2,392	7,093	5,456
Transition tax of foreign earnings	(8,189)	10,305	(18,735)	1,296	(18,735)
<b>Tax on income (Tax benefit) (Non-GAAP)</b>	<b>6,208</b>	<b>(219)</b>	<b>213</b>	<b>17,466</b>	<b>2,793</b>

# Reconciliation of GAAP to Non-GAAP

## Reconciliation of GAAP to Non-GAAP Net income attributable to Solaredge Technologies Inc.

	Three months ended			12 months ended	
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Net income attributable to Solaredge Technologies Inc. (GAAP)</b>	12,936	45,643	19,502	128,833	84,172
Cost of product adjustment	398	208	----	606	----
Stock-based compensation	8,691	7,950	5,382	30,618	17,565
Intangible assets amortization	225	332	----	557	----
Acquisition related expenses	2,140	----	----	2,140	----
Non cash interest	769	640	----	2,489	----
Fixed Assets disposal	435	----	----	435	----
Deferred tax asset	(2,304)	(1,771)	(2,392)	(7,093)	(5,456)
Transition tax of foreign earnings	8,189	(10,305)	18,735	(1,296)	18,735
<b>Net income attributable to Solaredge Technologies Inc. (Non-GAAP)</b>	<b>31,479</b>	<b>42,697</b>	<b>41,227</b>	<b>157,289</b>	<b>115,016</b>

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net basic EPS				
	Three months ended			12 months ended	
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Net basic earnings per share (GAAP)</b>	0.28	1.00	0.45	2.85	1.99
Cost of product adjustment	0.01	0.01	----	0.01	----
Stock-based compensation	0.19	0.17	0.12	0.68	0.42
Intangible assets amortization	0.01	0.01	----	0.01	----
Acquisition related expenses	0.04	----	----	0.05	----
Non cash interest	0.02	0.02	----	0.05	----
Fixed Assets disposal	0.01	----	----	0.01	----
Deferred tax asset	(0.05)	(0.039)	(0.05)	(0.15)	(0.13)
Transition tax of foreign earnings	0.18	(0.226)	0.43	(0.03)	0.44
<b>Net basic earnings per share (Non-GAAP)</b>	<b>0.69</b>	<b>0.94</b>	<b>0.95</b>	<b>3.48</b>	<b>2.72</b>

	Reconciliation of GAAP to Non-GAAP Net diluted EPS				
	Three months ended			12 months ended	
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Net diluted earnings per share (GAAP)</b>	0.27	0.95	0.42	2.69	1.85
Cost of product adjustment	0.01	----	----	0.01	----
Stock-based compensation	0.16	0.13	0.10	0.53	0.30
Intangible assets amortization	0.01	0.01	----	0.01	----
Acquisition related expenses	0.04	----	----	0.04	----
Non cash interest	0.01	0.01	----	0.05	----
Fixed Assets disposal	0.01	----	----	0.01	----
Deferred tax asset	(0.04)	(0.03)	(0.05)	(0.14)	(0.12)
Transition tax of foreign earnings	0.16	(0.21)	0.38	(0.03)	0.40
<b>Net diluted earnings per share (Non-GAAP)</b>	<b>0.63</b>	<b>0.86</b>	<b>0.85</b>	<b>3.17</b>	<b>2.43</b>

	Reconciliation of GAAP to Non-GAAP No. of shares used in Net diluted EPS				
	Three months ended			12 months ended	
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Number of shares used in computing net diluted earnings per share (GAAP)</b>	47,637,478	48,281,240	46,876,328	47,980,002	45,425,307
Stock-based compensation	2,204,179	1,463,633	1,375,527	1,636,127	1,907,423
<b>Number of shares used in computing net diluted earnings per share (Non-GAAP)</b>	<b>49,841,657</b>	<b>49,744,873</b>	<b>48,251,855</b>	<b>49,616,129</b>	<b>47,332,730</b>



NASDAQ | SEDG