



Fiscal Second Quarter 2016

Earnings summary

February 3, 2016

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 on Form 10K.

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 OPERATING METRICS



**1,373K optimizers
shipped**



**59K inverters
shipped**



**416 Megawatts
shipped**



\$124.8M revenues

— FISCAL SECOND QUARTER HIGHLIGHTS —

Financial highlights for quarter

- Record revenue of \$124.8 million, up 8.5% QoQ; 70.3% YoY
- GAAP gross margin of 30.9%
- GAAP net income of \$24.1 million
- Non-GAAP net income of \$19.8 million
- Continued to generate cash flow from operations

Business highlights for quarter

- Calendar year ASP erosion within plan
- 416 Megawatts AC inverters shipped
- 1,373K optimizers and 59K inverters shipped



NOTEWORTHY

- First shipments of StorEdge solution (storage interface products)
- Acceleration of commercial business supported by 27 and 33 KW inverters
- Continued strong sales in the U.S. and Europe; U.K business expected to decline
- Installation of first HD-Wave products
- Continued expansion of profitability while growth of R&D and business - related expenses continue

FINANCIAL RESULTS

*USD in millions	FYQ2 '16	FYQ1 '16	FYQ2 '15
Revenues	124.8	115.1	73.3
Gross margin	30.9%	29.1%	21.5%
Operating expenses	19.3	18.7	11.5
Operating income	19.3	14.9	4.2
Net income	24.1	14.4	3.4
Net diluted earnings per share	0.55	0.32	0.00

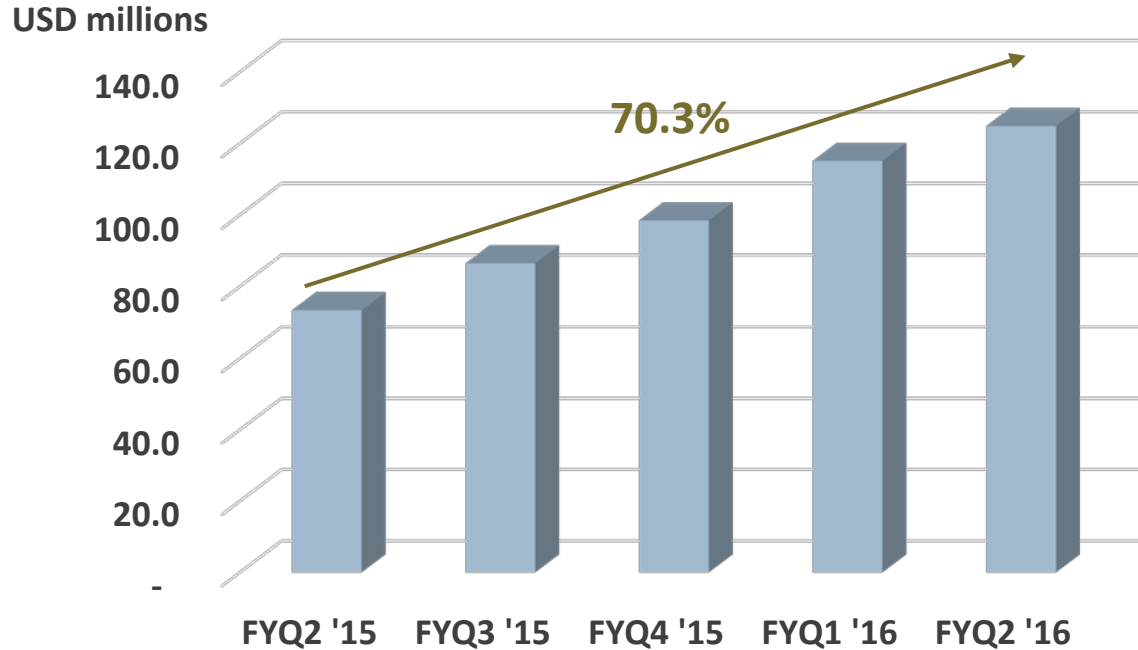
*with the exception of gross margin and per share data

NON-GAAP FINANCIAL RESULTS

*USD in millions	FYQ2 '16	FYQ1 '16	FYQ2 '15
Revenues	124.8	115.1	73.3
Gross margin	31.1%	29.3%	21.6%
Operating expenses	17.3	17.0	11.2
Operating income	21.5	16.7	4.7
Net income	19.8	16.3	4.1
Net diluted earnings per share	0.44	0.36	0.12

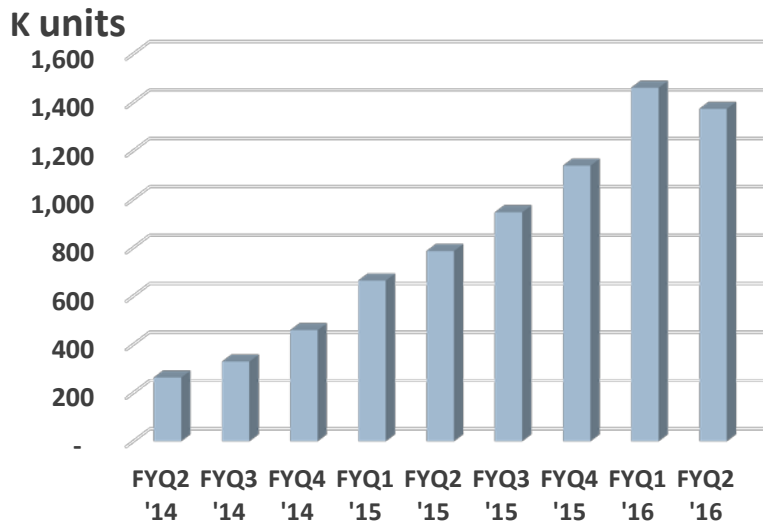
*with the exception of gross margin and per share data

REVENUE GROWTH

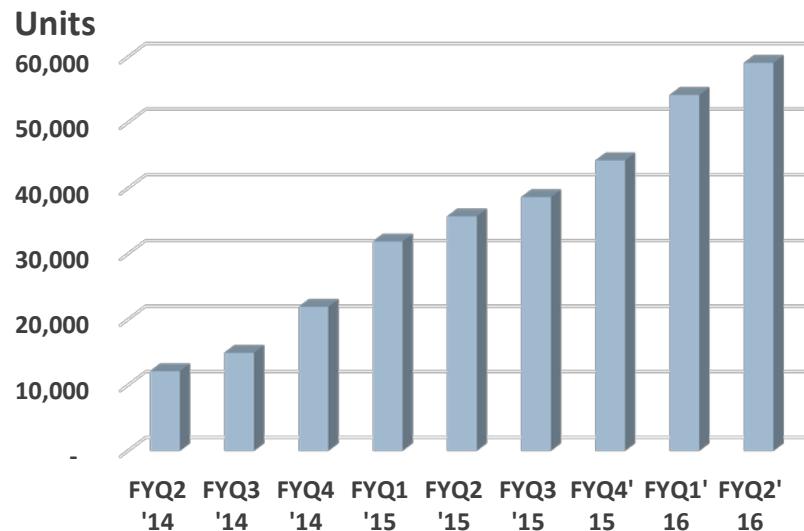


UNITS SHIPPED

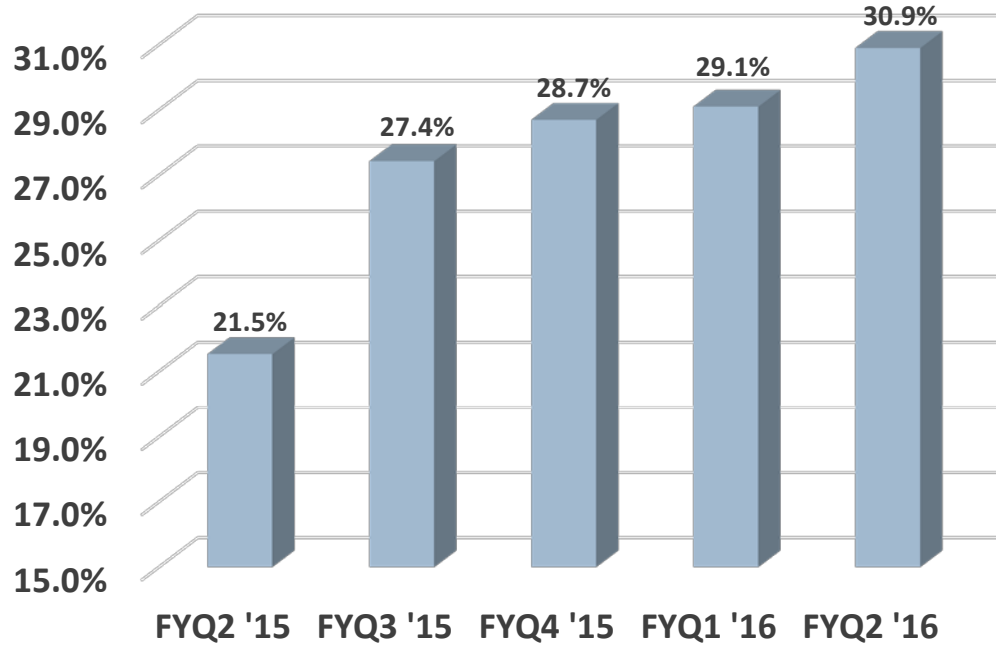
Optimizers shipped



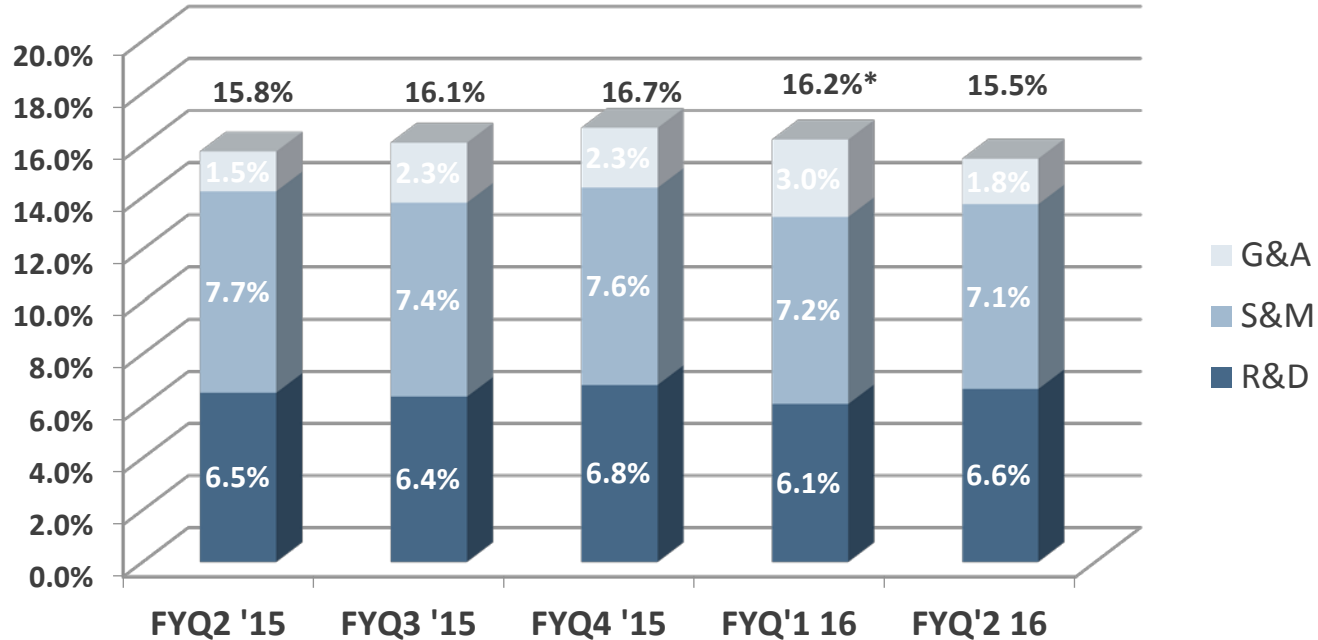
Inverters shipped



GROSS MARGIN

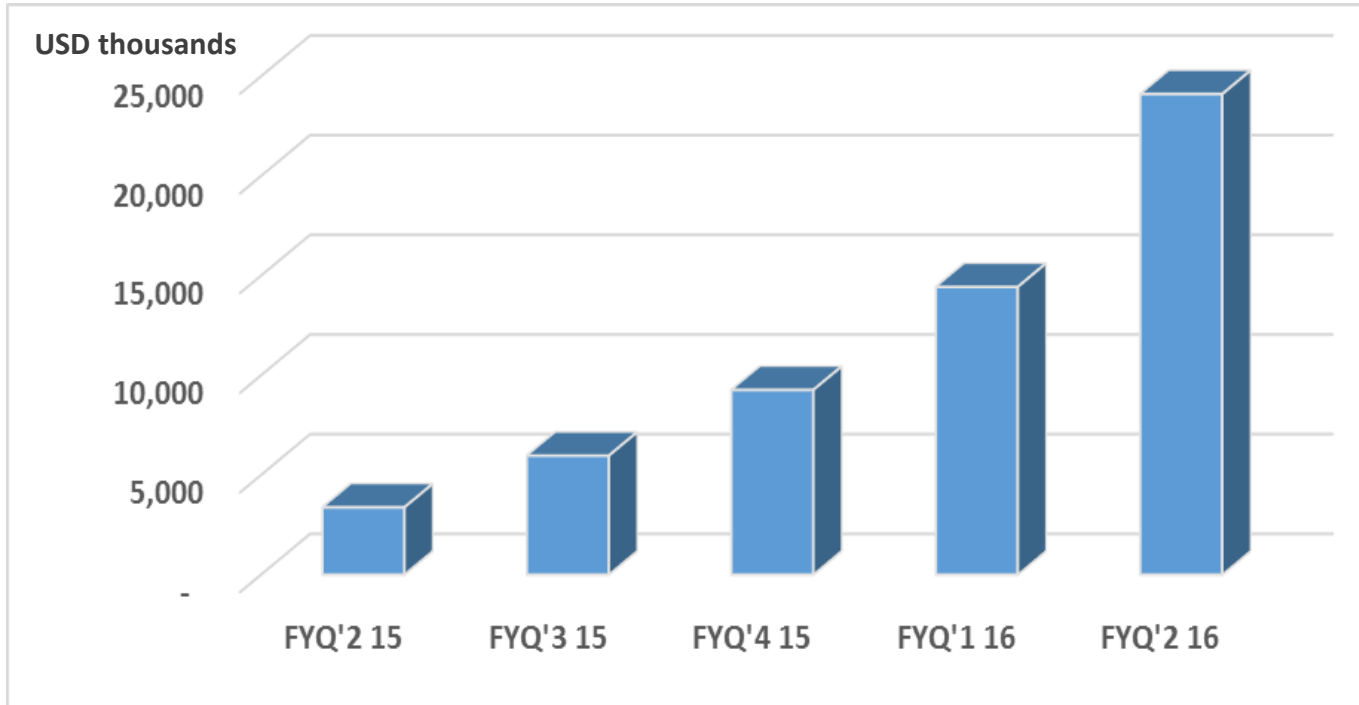


OPERATING EXPENSES



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

GAAP NET INCOME



BALANCE SHEET & CASH FLOW

USD in millions	FYQ2 '16	FYQ1 '16	FYQ2 '15
Cash and investments	162.0	150.3	27.2
Inventory	87.4	79.9	47.6
Capital Expenditures	2.3	3.3	2.1
Total Debt	-	-	4.7
Cash Flow From Operations	13.1	5.9	9.7

— FISCAL THIRD QUARTER OUTLOOK —

- ▣ Revenues expected to be within the range of \$121 million to \$125 million
- ▣ Gross margin expected to be within the range of 29% to 31%



Appendix

—RECONCILIATION OF GAAP TO NON-GAAP—

Reconciliation of Non-GAAP Financial Measures

Reconciliation of GAAP to Non-GAAP Gross Profit

	Three months ended			Six months ended	
	Dec 31, 2015	Sep 30, 2015	Dec 31, 2014 (1)	Dec 31, 2015	Dec 31, 2014 (1)
	Gross profit (GAAP)	38,582	33,527	15,781	72,109
Stock-based compensation	209	180	74	389	112
Gross profit (Non-GAAP)	<u>38,791</u>	<u>33,707</u>	<u>15,855</u>	<u>72,498</u>	<u>29,923</u>

Reconciliation of GAAP to Non-GAAP Gross Margin

	Three months ended			Six months ended	
	Dec 31, 2015	Sep 30, 2015	Dec 31, 2014 (1)	Dec 31, 2015	Dec 31, 2014 (1)
	Gross margin (GAAP)	30.9%	29.1%	21.5%	30.1%
Stock-based compensation	0.2%	0.2%	0.1%	0.1%	0.0%
Gross margin (Non-GAAP)	<u>31.1%</u>	<u>29.3%</u>	<u>21.6%</u>	<u>30.2%</u>	<u>21.3%</u>

Reconciliation of GAAP to Non-GAAP Operating expenses

	Three months ended			Six months ended	
	Dec 31, 2015	Sep 30, 2015	Dec 31, 2014 (1)	Dec 31, 2015	Dec 31, 2014 (1)
	Operating expenses (GAAP)	19,320	18,653	11,547	37,973
Stock-based compensation R&D	518	395	155	913	266
Stock-based compensation S&M	749	616	153	1,365	254
Stock-based compensation G&A	750	641	77	1,391	148
Operating expenses (Non-GAAP)	<u>17,303</u>	<u>17,001</u>	<u>11,162</u>	<u>34,304</u>	<u>22,558</u>

—RECONCILIATION OF GAAP TO NON-GAAP—

Reconciliation of GAAP to Non-GAAP Operating income

	Three months ended			Six months ended	
	Dec 31, 2015	Sep 30, 2015	Dec 31, 2014 (1)	Dec 31, 2015	Dec 31, 2014 (1)
	Operating income (GAAP)	19,262	14,874	4,234	34,136
Stock-based compensation	2,226	1,832	459	4,058	780
Operating income (Non-GAAP)	21,488	16,706	4,693	38,194	7,365

Reconciliation of GAAP to Non-GAAP Finance expenses

	Three months ended			Six months ended	
	Dec 31, 2015	Sep 30, 2015	Dec 31, 2014 (1)	Dec 31, 2015	Dec 31, 2014 (1)
	Finance expenses (Income) (GAAP)	959	72	458	1,031
Warrants remeasurement	----	----	280	----	265
Finance expenses (Non-GAAP)	959	72	178	1,031	(323)

Reconciliation of GAAP to Non-GAAP Tax on income (Tax benefit)

	Three months ended			Six months ended	
	Dec 31, 2015	Sep 30, 2015	Dec 31, 2014 (1)	Dec 31, 2015	Dec 31, 2014 (1)
	Tax on income (Tax benefit) (GAAP)	(5,802)	370	401	(5,432)
Tax benefit due to deferred tax asset	6,527	----	----	6,527	----
Tax on income (Tax benefit) (Non-GAAP)	725	370	401	1,095	748

—RECONCILIATION OF GAAP TO NON-GAAP—

	Reconciliation of GAAP to Non-GAAP Net income				
	Three months ended			Six months ended	
	Dec 31, 2015	Sep 30, 2015	Dec 31, 2014 (1)	Dec 31, 2015	Dec 31, 2014 (1)
Net income (GAAP)	24,105	14,432	3,375	38,537	5,895
Stock-based compensation	2,226	1,832	459	4,058	780
Warrants remeasurement	----	----	280	----	265
Tax benefit due to deferred tax asset	(6,527)	----	----	(6,527)	----
Net income (Non-GAAP)	<u>19,804</u>	<u>16,264</u>	<u>4,114</u>	<u>36,068</u>	<u>6,940</u>

	Reconciliation of GAAP to Non-GAAP Net basic EPS				
	Three months ended			Six months ended	
	Dec 31, 2015	Sep 30, 2015	Dec 31, 2014 (1)	Dec 31, 2015	Dec 31, 2014 (1)
Net basic earnings per share (GAAP)	0.61	0.37	----	0.98	----
Stock-based compensation	0.06	0.04	0.01	0.10	0.02
Warrants remeasurement	----	----	0.01	----	0.01
Additional shares giving effect to IPO and conversion of preferred stock at the beginning of the periods	----	----	0.11	----	0.20
Tax benefit due to deferred tax asset	(0.17)	----	----	(0.16)	----
Net basic earnings per share (Non-GAAP)	<u>0.50</u>	<u>0.41</u>	<u>0.13</u>	<u>0.92</u>	<u>0.23</u>

—RECONCILIATION OF GAAP TO NON-GAAP—

Reconciliation of GAAP to Non-GAAP Net basic EPS

	Reconciliation of GAAP to Non-GAAP Net basic EPS				
	Three months ended			Six months ended	
	Dec 31, 2015	Sep 30, 2015	Dec 31, 2014 (1)	Dec 31, 2015	Dec 31, 2014 (1)
Number of shares used in computing net basic earnings per share (GAAP)	39,511,967	39,301,620	2,815,694	39,406,797	2,814,188
Additional shares giving effect to IPO and conversion of preferred stock at the beginning of the periods	----	----	28,202,001	----	26,888,953
Number of shares used in computing net basic earnings per share (Non-GAAP)	<u>39,511,967</u>	<u>39,301,620</u>	<u>31,017,695</u>	<u>39,406,797</u>	<u>29,703,141</u>

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

	Reconciliation of GAAP to Non-GAAP No. of shares used in net basic EPS				
	Three months ended			Six months ended	
	Dec 31, 2015	Sep 30, 2015	Dec 31, 2014 (1)	Dec 31, 2015	Dec 31, 2014 (1)
Net diluted earnings per share (GAAP)	0.55	0.32	----	0.87	----
Stock-based compensation	0.03	0.04	----	0.07	0.01
Warrants remeasurement	----	----	0.01	----	----
Additional shares giving effect to IPO and conversion of preferred stock at the beginning of the periods	----	----	0.11	----	0.20
Tax benefit due to deferred tax asset	(0.14)	----	----	(0.14)	----
Net diluted earnings per share (Non-GAAP)	<u>0.44</u>	<u>0.36</u>	<u>0.12</u>	<u>0.80</u>	<u>0.21</u>

—RECONCILIATION OF GAAP TO NON-GAAP—

	Reconciliation of GAAP to Non-GAAP Net diluted EPS				
	Three months ended			Six months ended	
	Dec 31, 2015	Sep 30, 2015	Dec 31, 2014 (1)	Dec 31, 2015	Dec 31, 2014 (1)
Number of shares used in computing net diluted earnings per share (GAAP)	44,007,348	44,455,964	2,815,694	44,231,660	2,814,188
Stock-based compensation	1,341,335	686,470	3,173,096	1,013,903	2,620,910
Warrants remeasurement	----	0	6,739	0	10,109
Additional shares giving effect to IPO and conversion of preferred stock at the beginning of the periods	----	----	28,202,001	----	26,888,953
Number of shares used in computing net diluted earnings per share (Non-GAAP)	<u>45,348,683</u>	<u>45,142,434</u>	<u>34,197,530</u>	<u>45,245,563</u>	<u>32,334,160</u>

(1) Assumes shares of common stock outstanding after accounting for the automatic conversion of the shares of preferred stock then outstanding into common stock at the beginning of fiscal year 2015.

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