



# Fourth Quarter 2021

## Earnings Summary

February 15, 2022

# 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.

# Fourth Quarter 2021 Key Metrics

**5.1M**

Power Optimizers  
Shipped

**197.3K**

Inverters Shipped

**1.9 GW**

Systems Shipped

**\$551.9M**

GAAP Revenues

# 2021 Key Metrics

**18.6M**

Power Optimizers  
Shipped

**789.6K**

Inverters Shipped

**7.2 GW**

Systems Shipped

**\$2.0B**

GAAP Revenues

# Financial Results for Quarter

- Record GAAP revenue of \$551.9 million
- Record revenue from solar segment of \$502.7 million
- Revenues from non- solar segment of \$49.1 million
- GAAP gross margin of 29.1%
- Non-GAAP gross margin of 30.3%
- Gross margin from sales of solar segment 32.8%
- Non-GAAP operating income of \$72.9 million
- Operating profit of solar segment of \$85.3 million
- GAAP net income of \$41 million
- Non-GAAP net income of \$62.8 million
- GAAP net diluted earnings per share of \$0.74
- Non-GAAP net diluted earnings per share of \$1.10
- Cash flow from operation of \$89.6 million
- Total cash and investments, net of debt, \$548.0 million



# Financial Results for 2021

- Record GAAP revenue of \$1.96 billion
- Record revenue from solar segment of \$1.79 billion
- Record revenues from non- solar segment of \$176.2 million
- GAAP gross margin of 32.0%
- Non-GAAP gross margin of 33.5%
- Gross margin from solar segment 36.4%
- Record Non-GAAP operating income of \$321.4 million
- Record Operating profit of solar segment of \$368.7 million
- Record GAAP net income of \$169.2 million
- Record Non-GAAP net income of \$272.9 million
- Record GAAP net diluted earnings per share of \$3.06
- Record Non-GAAP net diluted earnings per share of \$4.81
- Cash flow from operation of \$214.1 million



# Noteworthy

- Record GAAP annual revenues for both solar and non solar businesses, up 35% year over year
- Record annual solar revenue across all regions and practically all countries
- Record quarterly revenue solar growth driven by residential sales in U.S.
- Strong demand for commercial products, driven by ESG program initiatives of corporations and global increase in energy prices
- Ramping production to meet new level of demand placing short term pressure on solar margins
- Energy Bank batteries installed in 11 countries. Production ramp in Q4 slower than planned due to supply chain challenges. Targeting catch up in Q1
- Initiated production in Mexico. Deliveries of single-phase inverters and optimizers to the U.S. market planned for Q1

# GAAP Quarterly Financial Results

USD in millions*	Q4 20	Q3 21	Q4 21
Revenues	358.1	526.4	551.9
Gross margin	30.8%	32.8%	29.1%
Operating expenses	95.9	106.1	119.5
Operating income	14.4	66.4	41.0
Net income	17.7	53.0	41.0
Net diluted earnings per share	0.33	0.96	0.74

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



# GAAP Yearly Financial Results

USD in millions*	2019	2020	2021
Revenues	1,425.7	1,459.3	1,963.9
Gross margin	33.6%	31.6%	32.0%
Operating expenses	289.4	318.8	422.2
Operating income	189.9	142.6	207.2
Net income	146.5	140.3	169.2
Net diluted earnings per share	2.90	2.66	3.06

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

# NON-GAAP Quarterly Financial Results

USD in millions*	Q4 20	Q3 21	Q4 21
Revenues	358.1	526.3	551.8
Gross margin	32.5%	34.0%	30.3%
Operating expenses	72.9	83.8	94.1
Operating income	43.5	95.2	72.9
Net income	55.7	82.1	62.8
Net diluted earnings per share	0.98	1.45	1.10

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

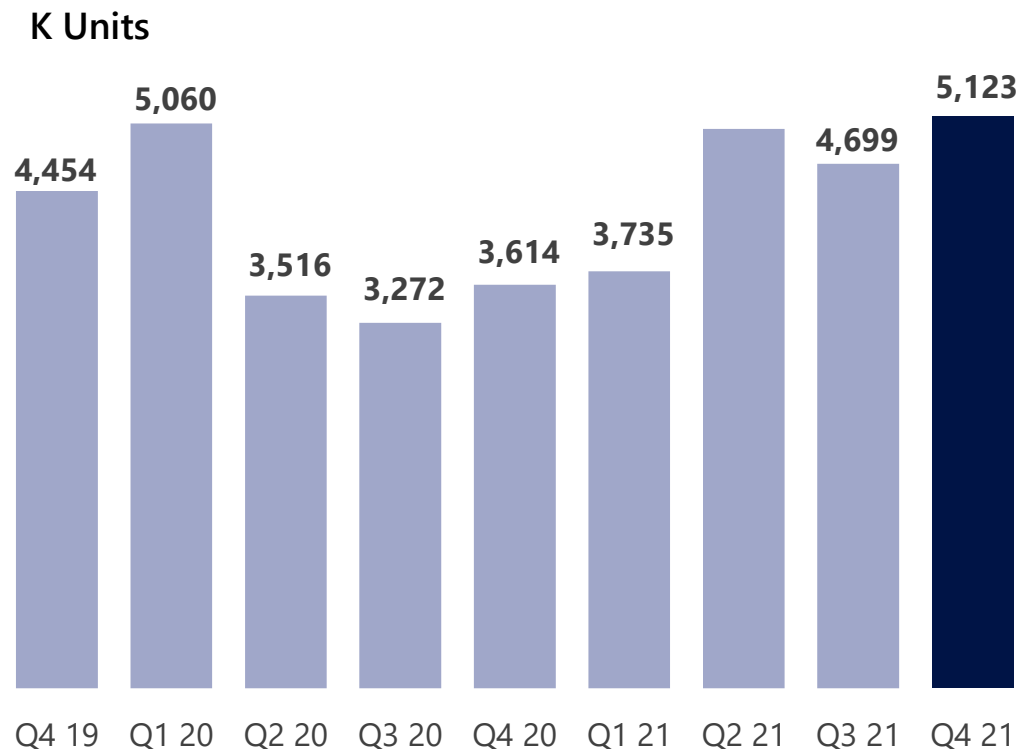
# NON-GAAP Yearly Financial Results

USD in millions*	2019	2020	2021
Revenues	1,425.7	1,459.3	1,963.4
Gross margin	34.9%	33.0%	33.5%
Operating expenses	220.9	263.5	335.6
Operating income	276.8	218.8	321.4
Net income	233.2	224.4	272.9
Net diluted earnings per share	4.44	4.11	4.81

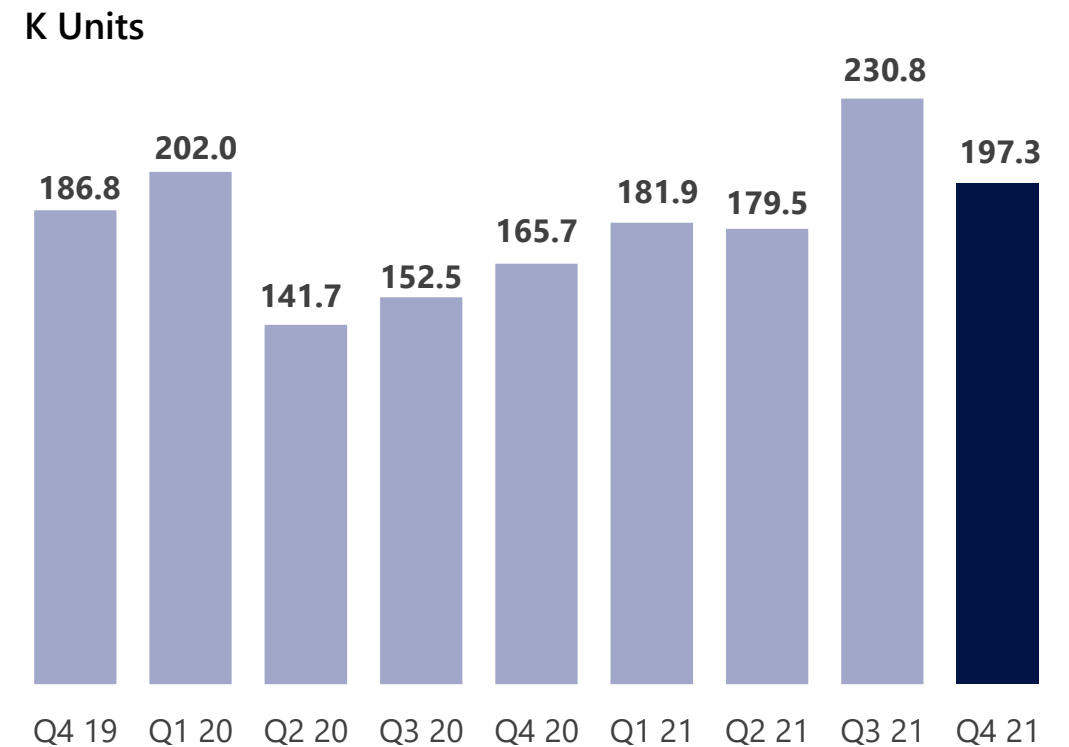
\* With the exception of gross margin and per share data

# Units Shipped

## Power optimizers shipped



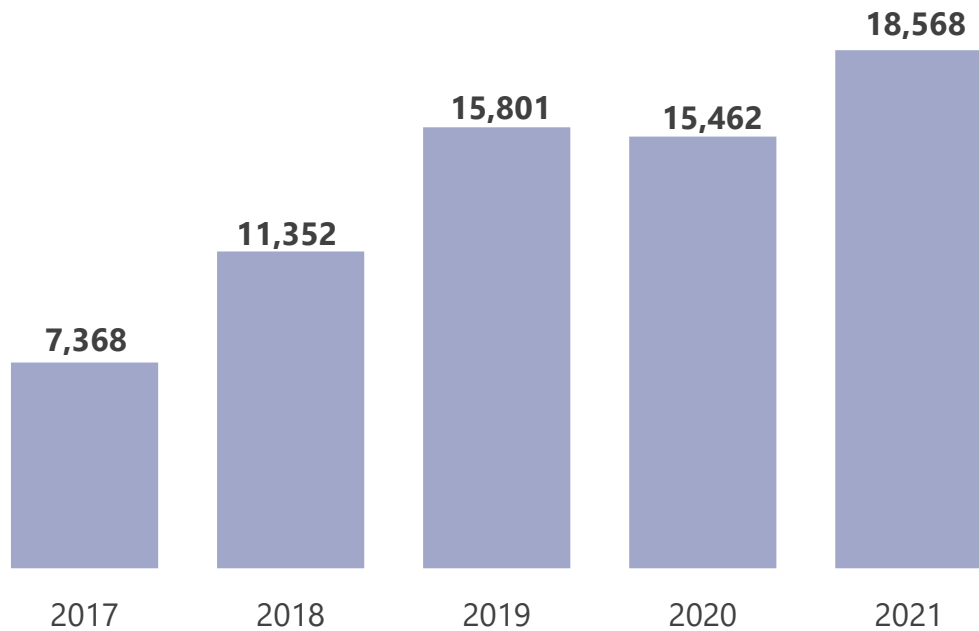
## Inverters shipped



# Units Shipped

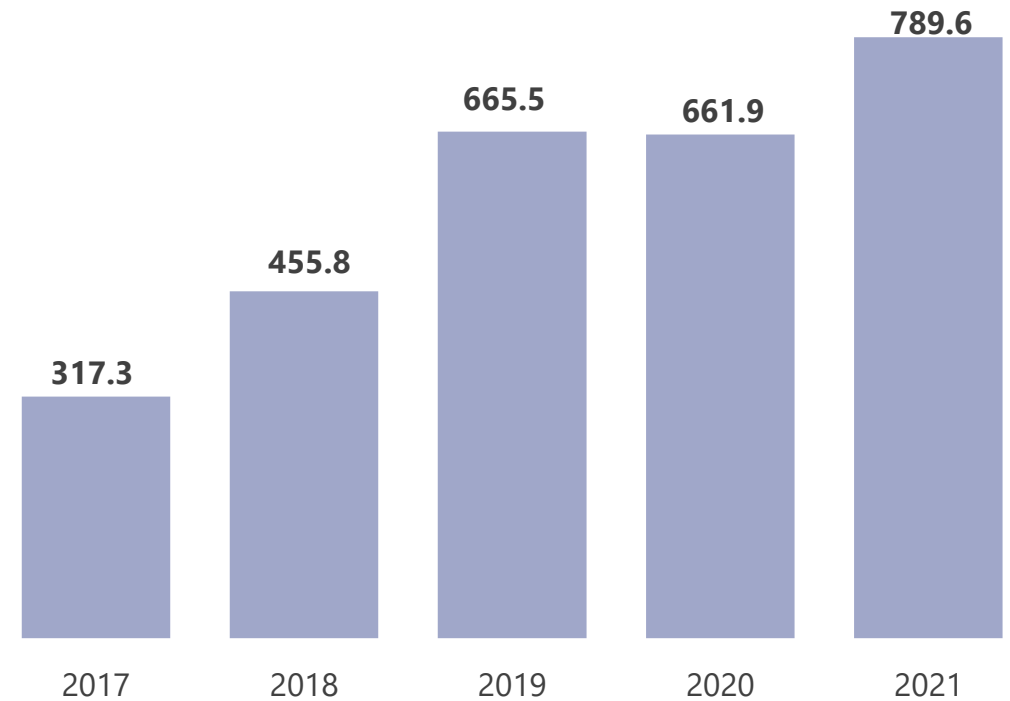
## Power optimizers shipped

K Units



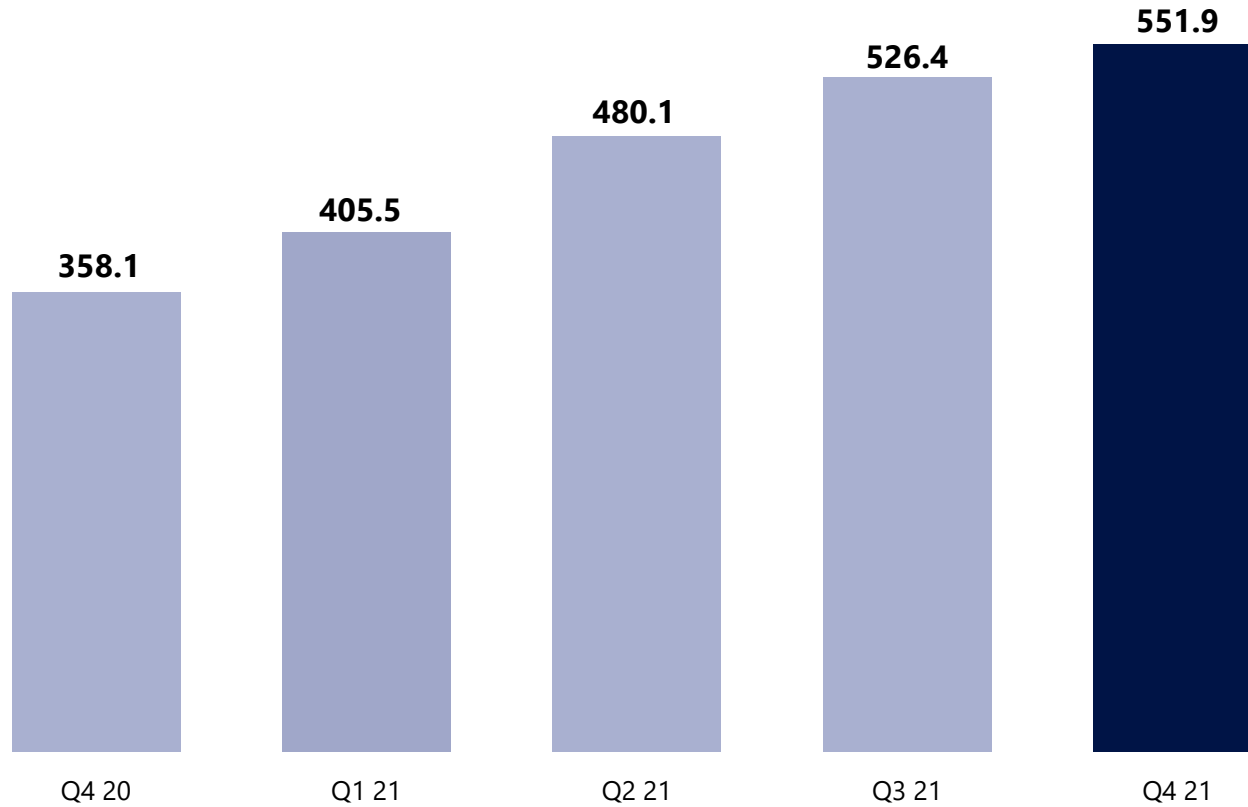
## Inverters shipped

K Units



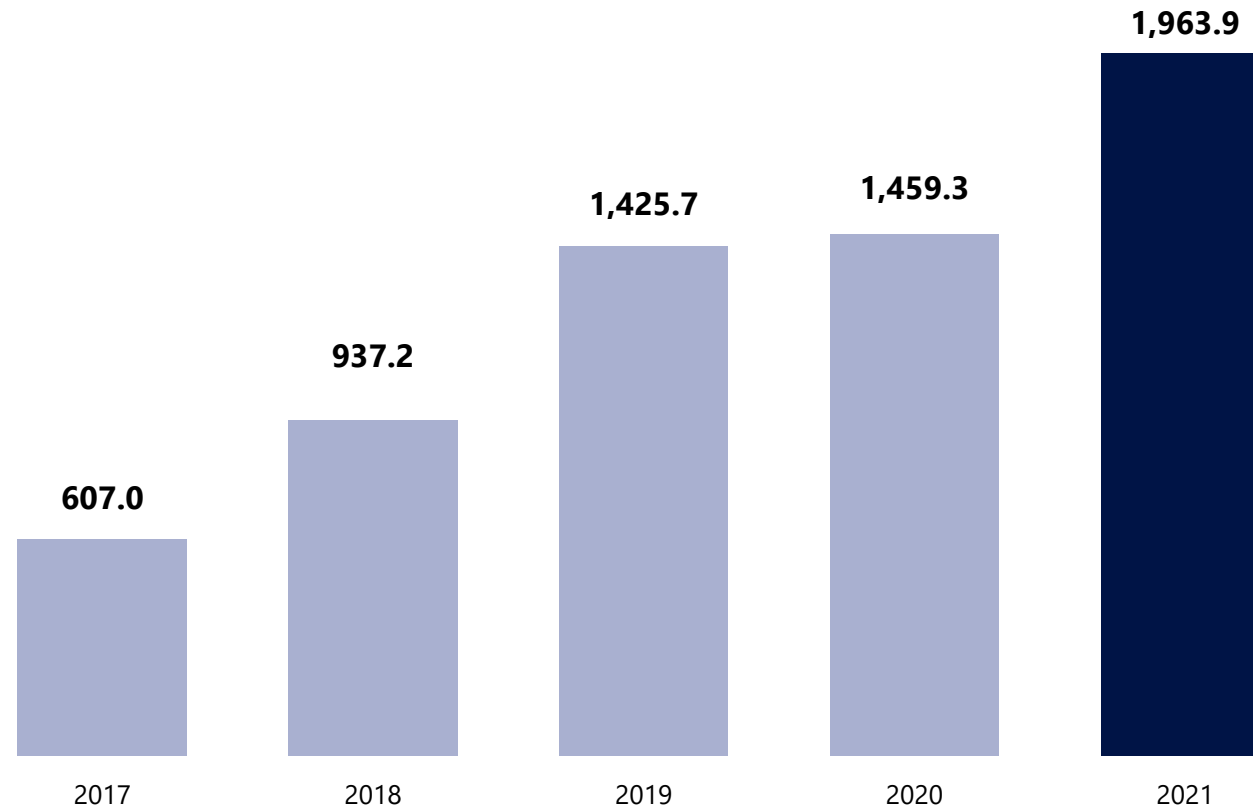
# GAAP Quarterly Revenue

USD Millions



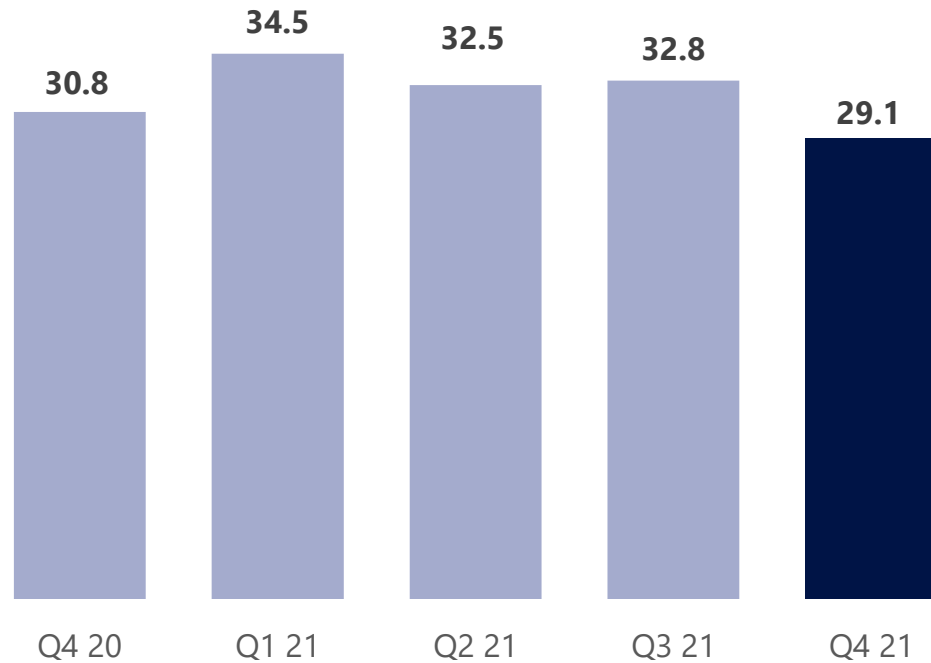
# GAAP Annual Revenue

USD Millions

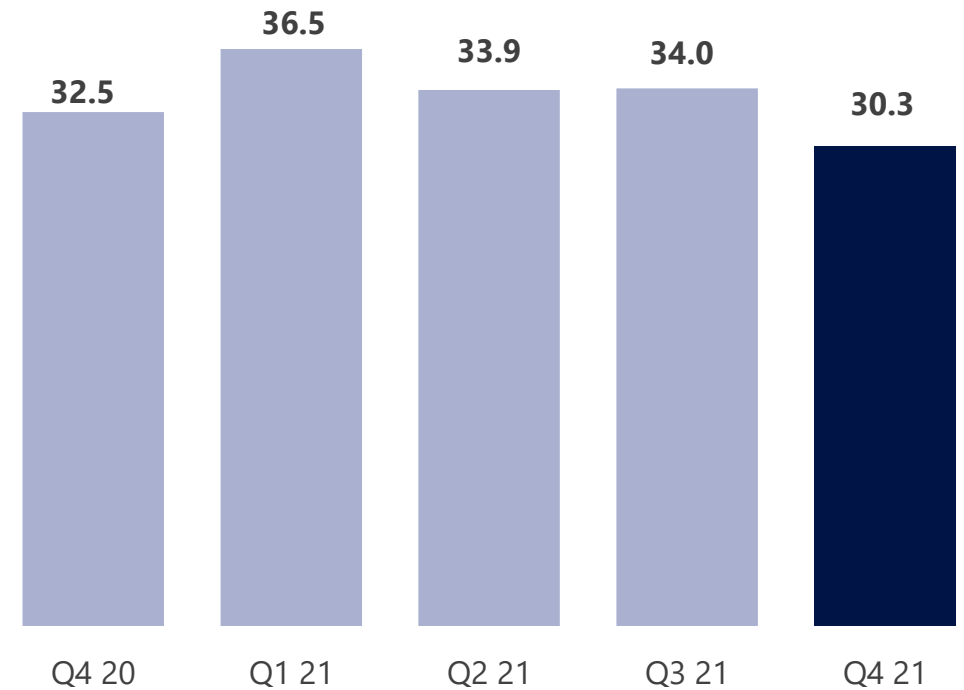


# Gross Margin Trend by Quarters (%)

## GAAP



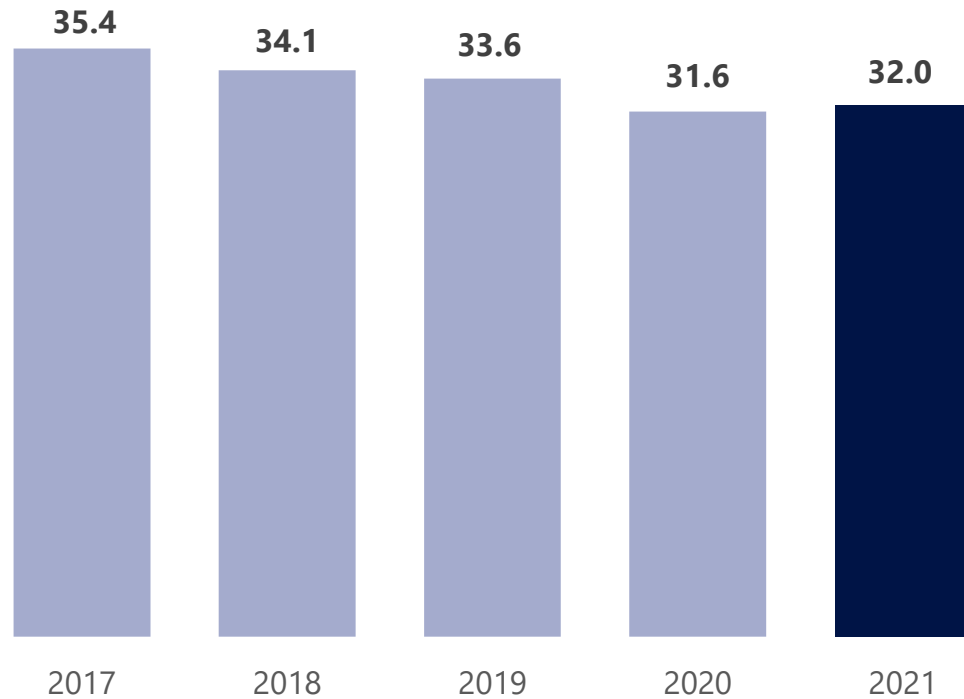
## Non-GAAP



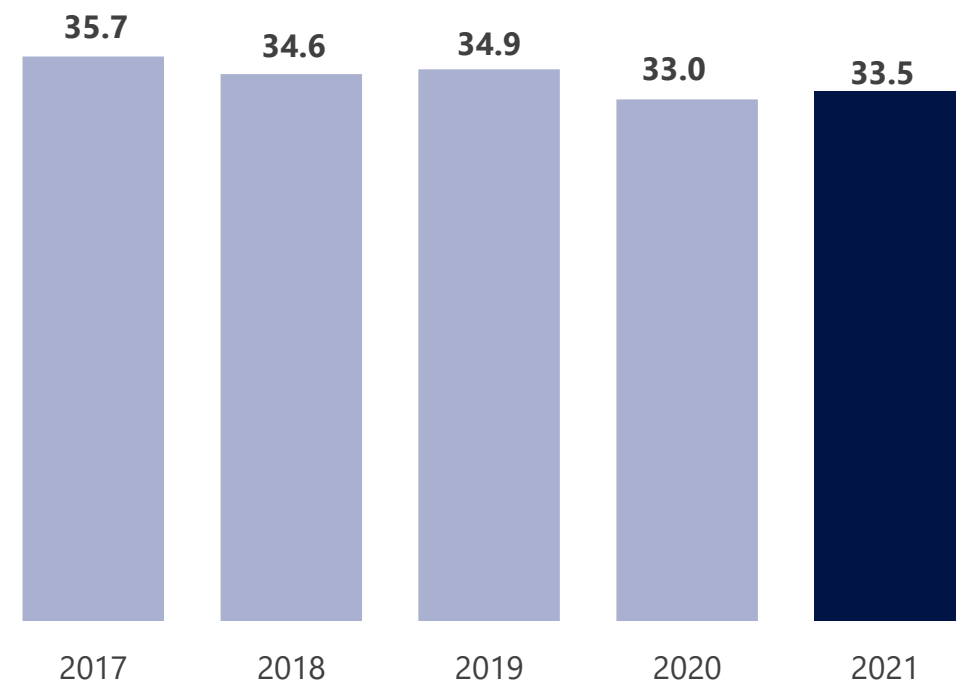


# Gross Margin Annual Trend (%)

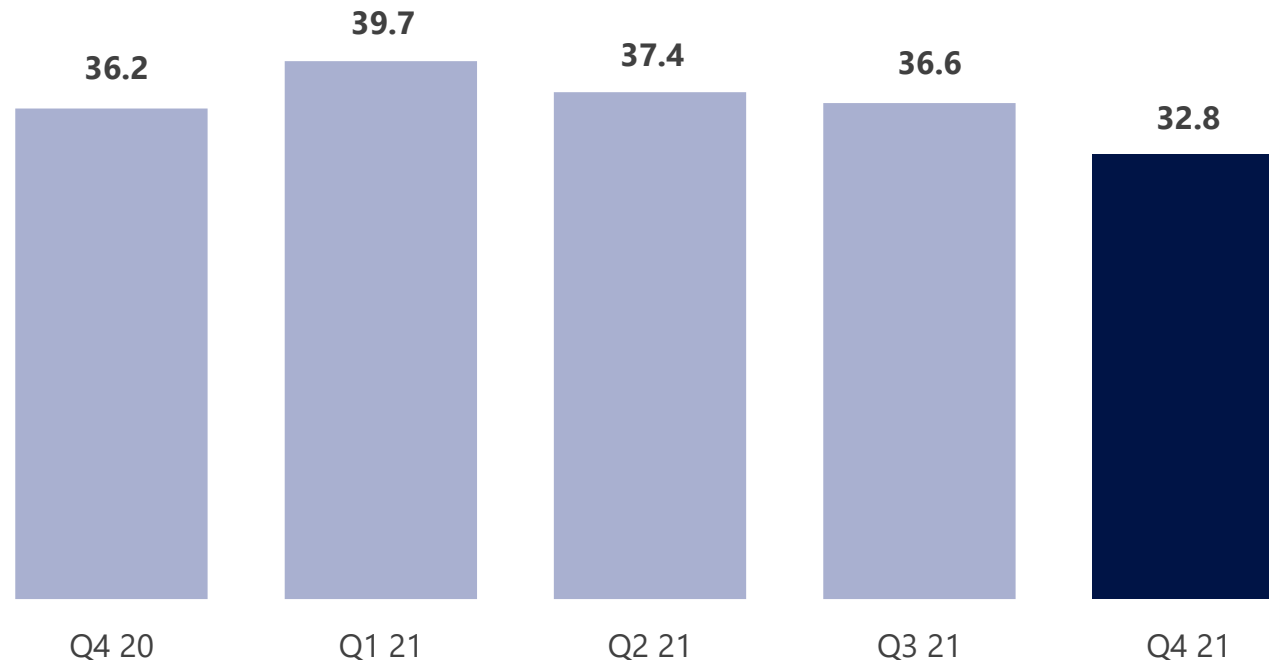
## GAAP



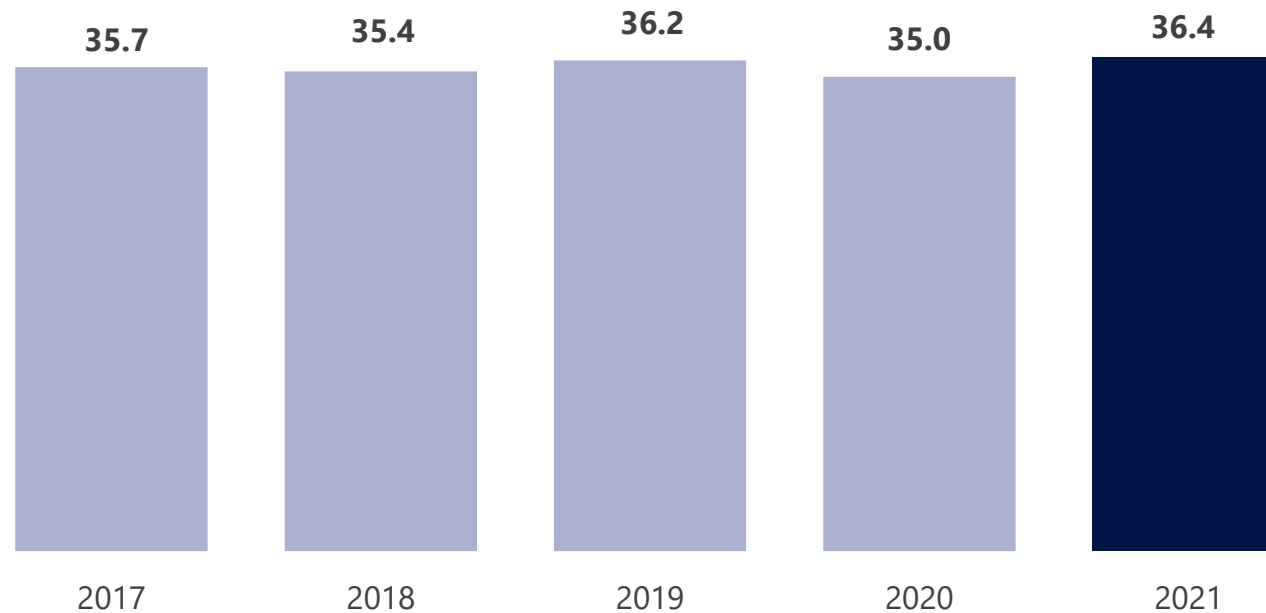
## Non-GAAP



# Solar Segment Gross Margin Trend by Quarters (%)

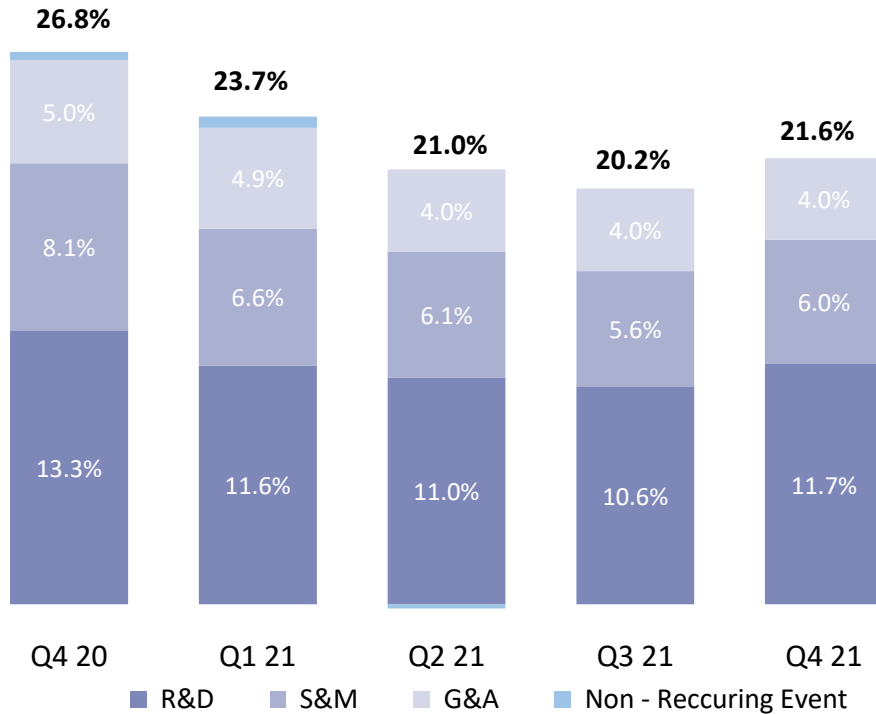


# Solar Segment Gross Margin Trend by Years (%)

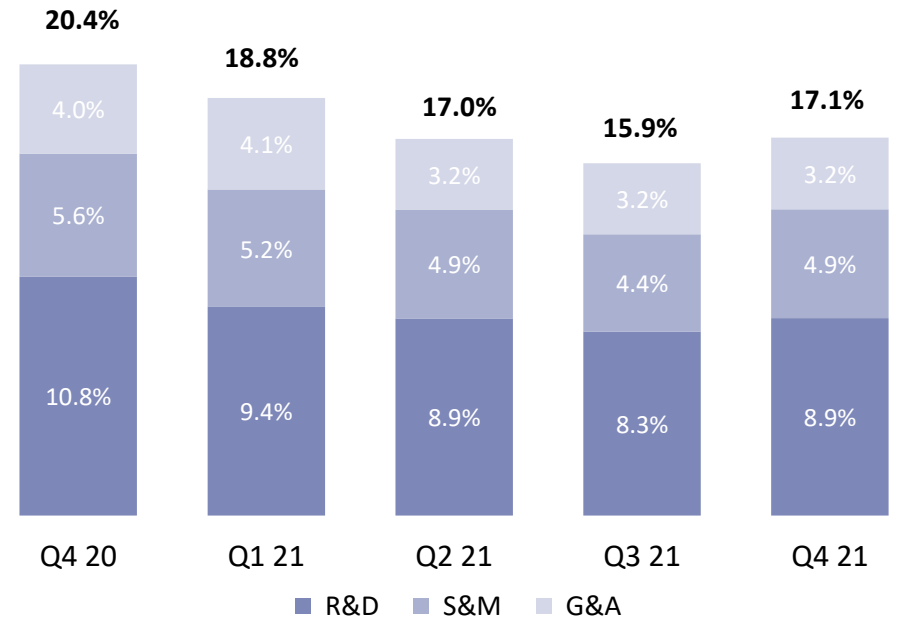


# Quarterly Consolidated Operating Expenses

## GAAP

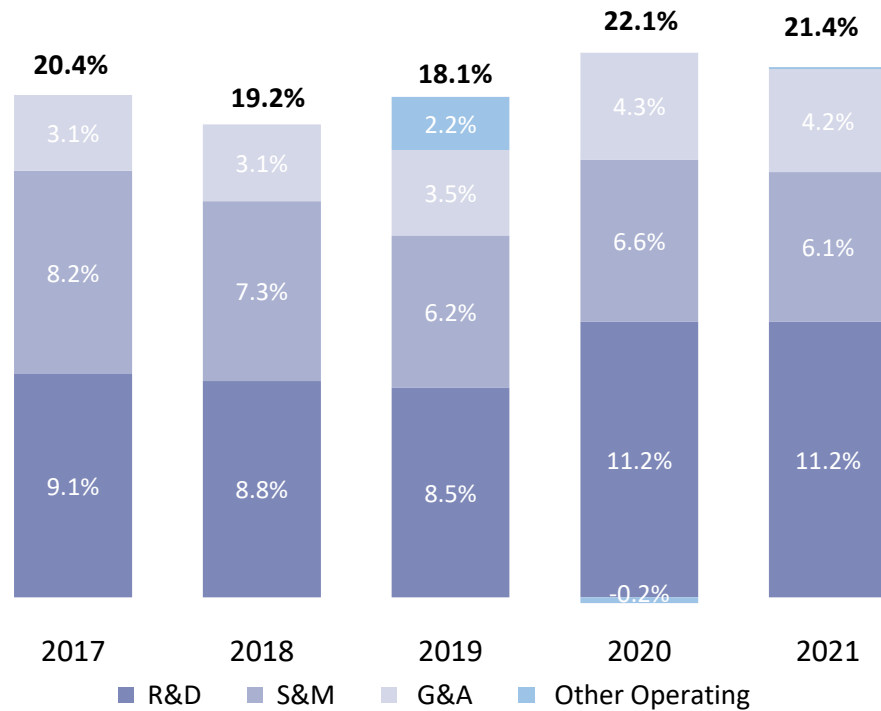


## Non-GAAP

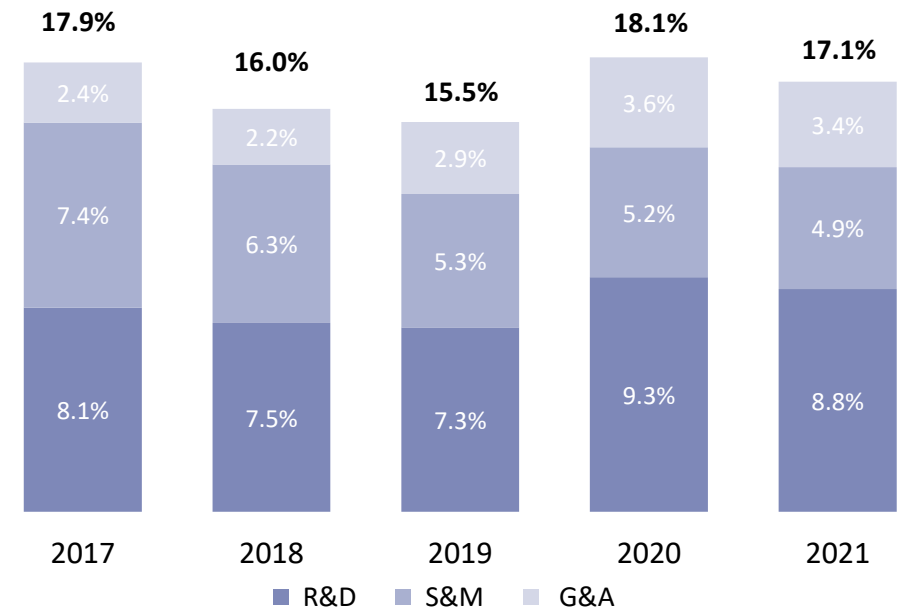


# Annually Consolidated Operating Expenses

## GAAP

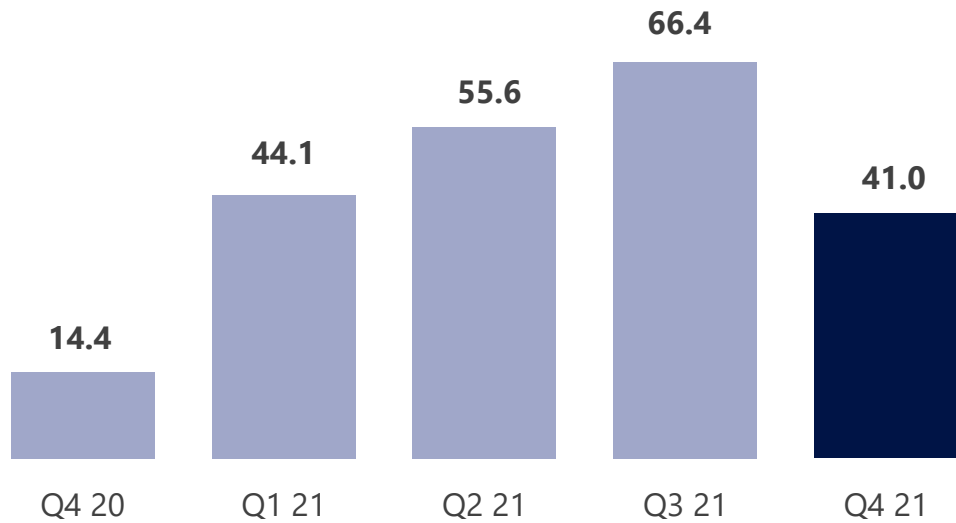


## Non-GAAP

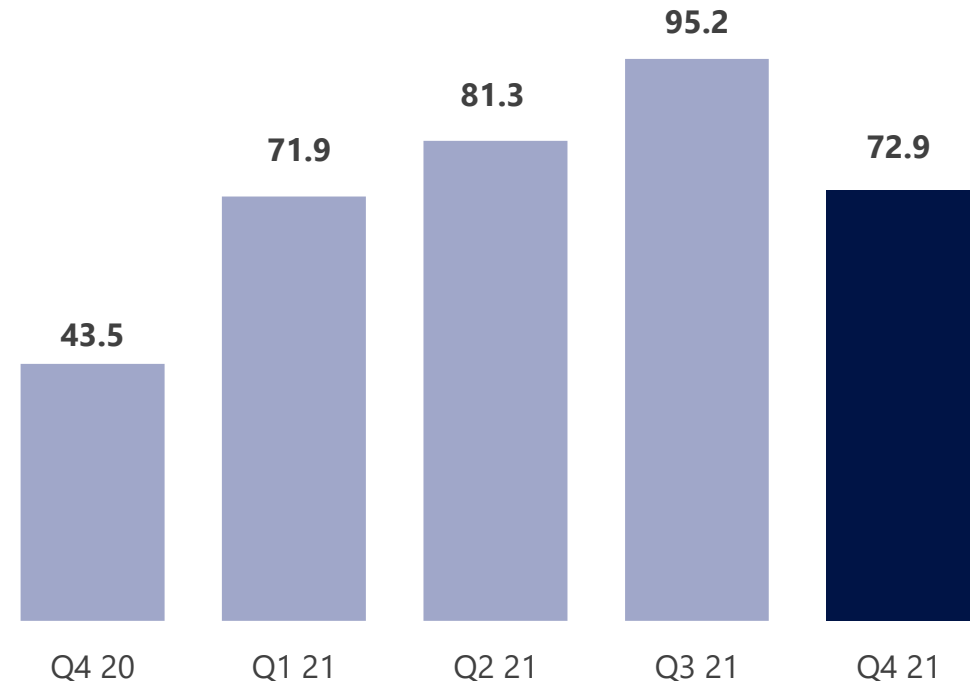


# Quarterly Consolidated Operating Income

## GAAP



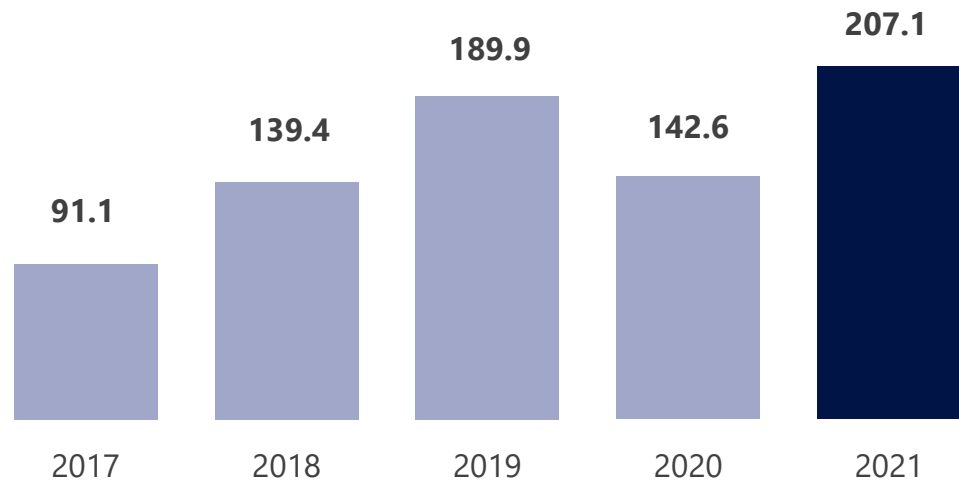
## Non-GAAP



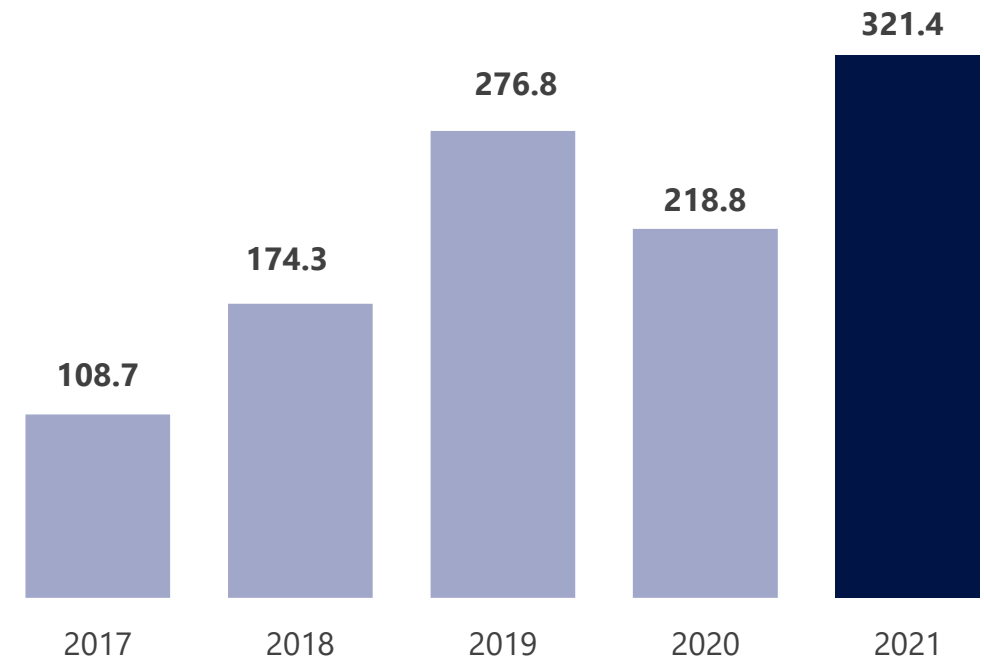
USD Millions

# Annually Consolidated Operating Income

## GAAP



## Non-GAAP

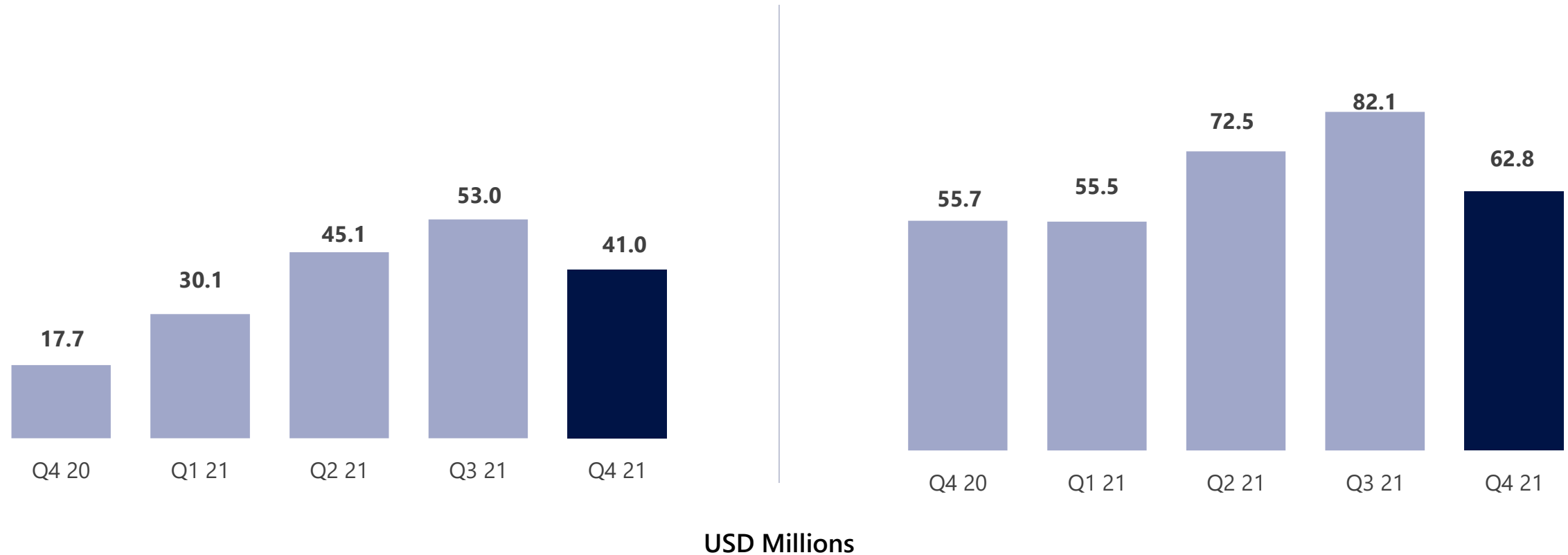


USD Millions

# Quarterly Consolidated Net Income

## GAAP

## Non-GAAP

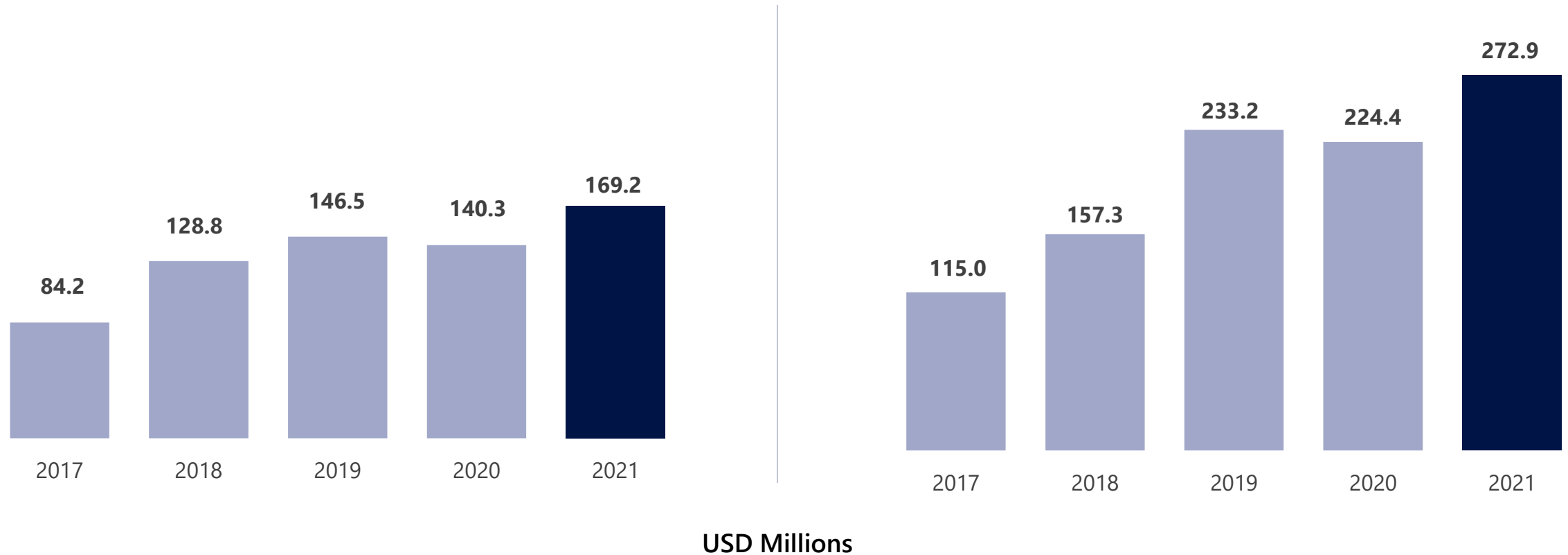




# Annually Consolidated Net Income

## GAAP

## Non-GAAP



# Balance Sheet & Cash flow

USD in millions	Q4 20	Q3 21	Q4 21
Cash and investments	1,181.0	1,158.0	1,181.9
Total Debt*	650.8	633.9	633.9
Cash and Investments Net of Debt	530.2	524.1	548.0
Inventory	331.7	304.7	380.1
Capital Expenditures	35.5	27.7	57.4
Cash Flow From Operations	27.2	61.8	89.6

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

# First Quarter Guidance

- Revenue to be within the range of \$615 million to \$645 million;
- Non-GAAP gross margin expected to be within the range of 28% to 30%;
- Revenue from solar segment to be within the range of \$575 million to \$595 million;
- Gross margin for the of solar segment expected to be within the range of 30% to 32%



# Appendix

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Gross Profit				
	Three months ended			Year ended	
	December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Gross profit (GAAP)</b>	160,491	172,561	110,325	629,318	461,359
Revenues from finance component	(122)	(111)	----	(418)	----
Stock-based compensation	4,374	4,289	3,720	18,744	11,082
Cost of product adjustment	----	----	----	----	313
Amortization and depreciation of acquired assets	2,272	2,341	2,374	9,326	9,484
<b>Gross profit (Non-GAAP)</b>	<b>167,015</b>	<b>179,080</b>	<b>116,419</b>	<b>656,970</b>	<b>482,238</b>

	Reconciliation of GAAP to Non-GAAP Gross Margin				
	Three months ended			Year ended	
	December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Gross margin (GAAP)</b>	29.1%	32.8%	30.8%	32.0%	31.6%
Revenues from finance component	0.0%	0.0%	----	0.0%	----
Stock-based compensation	0.8%	0.8%	1.0%	1.0%	0.8%
Cost of product adjustment	----	----	----	----	----
Amortization and depreciation of acquired assets	0.4%	0.4%	0.7%	0.5%	0.6%
<b>Gross margin (Non-GAAP)</b>	<b>30.3%</b>	<b>34.0%</b>	<b>32.5%</b>	<b>33.5%</b>	<b>33.0%</b>

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Operating expenses				
	Three months ended			Year ended	
	December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Operating expenses (GAAP)</b>	119,453	106,147	95,898	422,179	318,798
Stock-based compensation - R&D	(14,872)	(11,949)	(8,919)	(45,424)	(27,048)
Stock-based compensation - S&M	(5,882)	(5,737)	(8,710)	(22,834)	(19,413)
Stock-based compensation - G&A	(4,076)	(4,210)	(2,967)	(15,592)	(9,766)
Amortization and depreciation of acquired assets - R&D	(301)	(207)	(14)	(529)	(91)
Amortization and depreciation of acquired assets - S&M	(225)	(229)	(230)	(927)	(1,187)
Amortization and depreciation of acquired assets - G&A	(6)	(8)	(8)	(29)	(33)
Assets sale (disposal)	18	37	(649)	117	(1,207)
Other operating income (expenses)	----	----	(1,471)	(1,350)	3,429
<b>Operating expenses (Non-GAAP)</b>	<b>94,109</b>	<b>83,844</b>	<b>72,930</b>	<b>335,611</b>	<b>263,482</b>

	Reconciliation of GAAP to Non-GAAP Operating income				
	Three months ended			Year ended	
	December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Operating income (GAAP)</b>	41,038	66,414	14,427	207,139	142,561
Revenues from finance component	(122)	(111)	----	(418)	----
Cost of product adjustment	----	----	----	----	313
Stock-based compensation	29,204	26,185	24,316	102,594	67,309
Amortization and depreciation of acquired assets	2,804	2,785	2,626	10,811	10,795
Assets (sale) disposal	(18)	(37)	649	(117)	1,207
Other operating (income) expenses	----	----	1,471	1,350	(3,429)
<b>Operating income (Non-GAAP)</b>	<b>72,906</b>	<b>95,236</b>	<b>43,489</b>	<b>321,359</b>	<b>218,756</b>

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Financial expenses (income), net				
	Three months ended			Year ended	
	December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Financial expenses (income), net (GAAP)</b>	6,324	5,751	(10,380)	19,915	(21,105)
Notes due 2025	(727)	(726)	(3,017)	(2,903)	(3,185)
Non cash interest	(1,527)	(1,469)	(1,305)	(5,771)	(4,887)
Unrealized gains/losses	541	----	----	541	----
Currency fluctuation related to lease standard	(2,422)	(574)	(2,172)	(2,007)	(2,274)
Amortization and depreciation of acquired assets	----	----	----	----	(982)
<b>Financial expenses (income), net (Non-GAAP)</b>	<b>2,189</b>	<b>2,982</b>	<b>(16,874)</b>	<b>9,775</b>	<b>(32,433)</b>
	Reconciliation of GAAP to Non-GAAP Tax on income				
	Three months ended			Year ended	
	December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Tax on income (GAAP)</b>	(6,240)	7,615	7,152	18,054	23,334
Transition tax of foreign earnings	9,007	----	----	9,007	----
Deferred taxes	5,181	2,528	(2,522)	11,639	3,434
<b>Tax on income (Non-GAAP)</b>	<b>7,948</b>	<b>10,143</b>	<b>4,630</b>	<b>38,700</b>	<b>26,768</b>

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net income				
	Three months ended			Year ended	
	December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Net income (GAAP)</b>	40,954	53,048	17,655	169,170	140,322
Revenues from finance component	(122)	(111)	----	(418)	----
Cost of product adjustment	----	----	----	----	313
Stock-based compensation	29,204	26,185	24,316	102,594	67,309
Amortization and depreciation of acquired assets	2,804	2,785	2,626	10,811	11,777
Assets (sale) disposal	(18)	(37)	649	(117)	1,207
Other operating (income) expenses	----	----	1,471	1,350	(3,429)
Notes due 2025	727	726	3,017	2,903	3,185
Non cash interest	1,527	1,469	1,305	5,771	4,887
Unrealized gains/losses	(541)	----	----	(541)	----
Currency fluctuation related to lease standard	2,422	574	2,172	2,007	2,274
Transition tax of foreign earnings	(9,007)	----	----	(9,007)	----
Deferred taxes	(5,181)	(2,528)	2,522	(11,639)	(3,434)
<b>Net income (Non-GAAP)</b>	<b>62,769</b>	<b>82,111</b>	<b>55,733</b>	<b>272,884</b>	<b>224,411</b>



# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net basic EPS				
	Three months ended			Year ended	
	December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Net basic earnings per share (GAAP)</b>	0.78	1.01	0.34	3.24	2.79
Revenues from finance component	0.00	0.00	----	(0.01)	----
Cost of product adjustment	----	----	----	----	0
Stock-based compensation	0.55	0.50	0.48	1.97	1.34
Amortization and depreciation of acquired assets	0.05	0.05	0.05	0.21	0.24
Assets (sale) disposal	0.00	0.00	0.01	(0.01)	0.02
Other operating (income) expenses	----	----	0.03	0.03	(0.07)
Notes due 2025	0.02	0.02	0.06	0.05	0.06
Non cash interest	0.03	0.03	0.02	0.11	0.10
Unrealized gains/losses	(0.01)	----	----	(0.01)	----
Currency fluctuation related to lease standard	0.04	0.01	0.05	0.04	0.05
Transition tax of foreign earnings	(0.17)	----	----	(0.17)	----
Deferred taxes	(0.10)	(0.05)	0.05	(0.22)	(0.07)
<b>Net basic earnings per share (Non-GAAP)</b>	<b>1.19</b>	<b>1.57</b>	<b>1.09</b>	<b>5.23</b>	<b>4.47</b>

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net diluted EPS				
	Three months ended			Year ended	
	December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Net diluted earnings per share (GAAP)</b>	0.74	0.96	0.33	3.06	2.66
Revenues from finance component	0.00	0.00	----	(0.01)	----
Cost of product adjustment	----	----	----	----	----
Stock-based compensation	0.50	0.45	0.44	1.77	1.20
Amortization and depreciation of acquired assets	0.05	0.05	0.05	0.19	0.21
Assets (sale) disposal	0.00	0.00	0.01	0.00	0.03
Other operating (income) expenses	----	----	0.03	0.02	(0.07)
Notes due 2025	0.00	0.00	0.02	0.02	0.02
Non cash interest	0.03	0.03	0.02	0.10	0.08
Unrealized gains/losses	(0.01)	----	----	(0.01)	----
Currency fluctuation related to lease standard	0.04	0.01	0.04	0.03	0.05
Transition tax of foreign earnings	(0.16)	----	----	(0.16)	----
Deferred taxes	(0.09)	(0.05)	0.04	(0.20)	(0.07)
<b>Net diluted earnings per share (Non-GAAP)</b>	<b>1.10</b>	<b>1.45</b>	<b>0.98</b>	<b>4.81</b>	<b>4.11</b>

	Reconciliation of GAAP to Non-GAAP Net diluted EPS				
	Three months ended			Nine months ended	
	December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<b>Number of shares used in computing net diluted earnings per share (GAAP)</b>	56,011,040	55,929,000	53,496,384	55,971,030	52,795,475
Stock-based compensation	894,079	653,967	865,179	773,636	1,138,517
Notes due 2025	----	----	2,276,818	----	618,701
<b>Number of shares used in computing net diluted earnings per share (Non-GAAP)</b>	<b>56,905,119</b>	<b>56,582,967</b>	<b>56,638,381</b>	<b>56,744,666</b>	<b>54,552,693</b>

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