



Fiscal Fourth Quarter 2016

Earnings summary

August 9, 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



**1,487K optimizers
shipped**



**58K inverters
shipped**



**427 Megawatts
shipped**



\$124.8M revenues

— FISCAL FOURTH QUARTER HIGHLIGHTS —

Financial highlights for quarter

- ☐ Revenue of \$124.8 million, up 26.8% YoY
- ☐ GAAP gross margin of 31.4%
- ☐ GAAP net income of \$17.3 million
- ☐ Non-GAAP net income of \$19.9 million
- ☐ Continue to increase generation of cash flow from operations

Business highlights for quarter

- ☐ Calendar year ASP erosion within plan
- ☐ 427 Megawatts AC inverters shipped
- ☐ 1.5 million optimizers and 58K inverters shipped



FISCAL YEAR 2016 HIGHLIGHTS

Financial highlights for FY 2016

- ☐ Revenue of \$489.8 million, up 51% YoY
- ☐ GAAP gross margin of 31.0%, 5.8% higher than FY '15
- ☐ GAAP net income of \$76.6 million, up 263% YoY
- ☐ Non-GAAP net income of \$79.3 million, up 270% YoY
- ☐ Annual cash flow from operations \$52.4M

Business highlights for FY 2016

- ☐ 1,615 Megawatts AC inverters shipped
- ☐ 5.7 million optimizers and 224K inverters shipped
- ☐ Significant increase in U.S. and European market share



NOTEWORTHY

- ❑ Slowdown in U.S. residential market impacted quarterly revenues
- ❑ Growth in sales in all other regions
- ❑ ASP per watt erosion within plan despite price pressure
- ❑ HD-Wave technology inverter shipments ramping up as planned
- ❑ Introduction and first shipments of home energy management portfolio of products
- ❑ Continued profitability and increased cash flow from operation
- ❑ Cost reduction exceeding plan

FINANCIAL RESULTS

*USD in millions	FYQ4 '16	FYQ3 '16	FYQ4 '15
Revenues	124.8	125.2	98.4
Gross margin	31.4%	32.5%	28.7%
Operating expenses	21.2	21.0	16.4
Operating income	17.9	19.7	11.9
Net income	17.3	20.8	9.3
Net diluted earnings per share	0.39	0.47	0.21

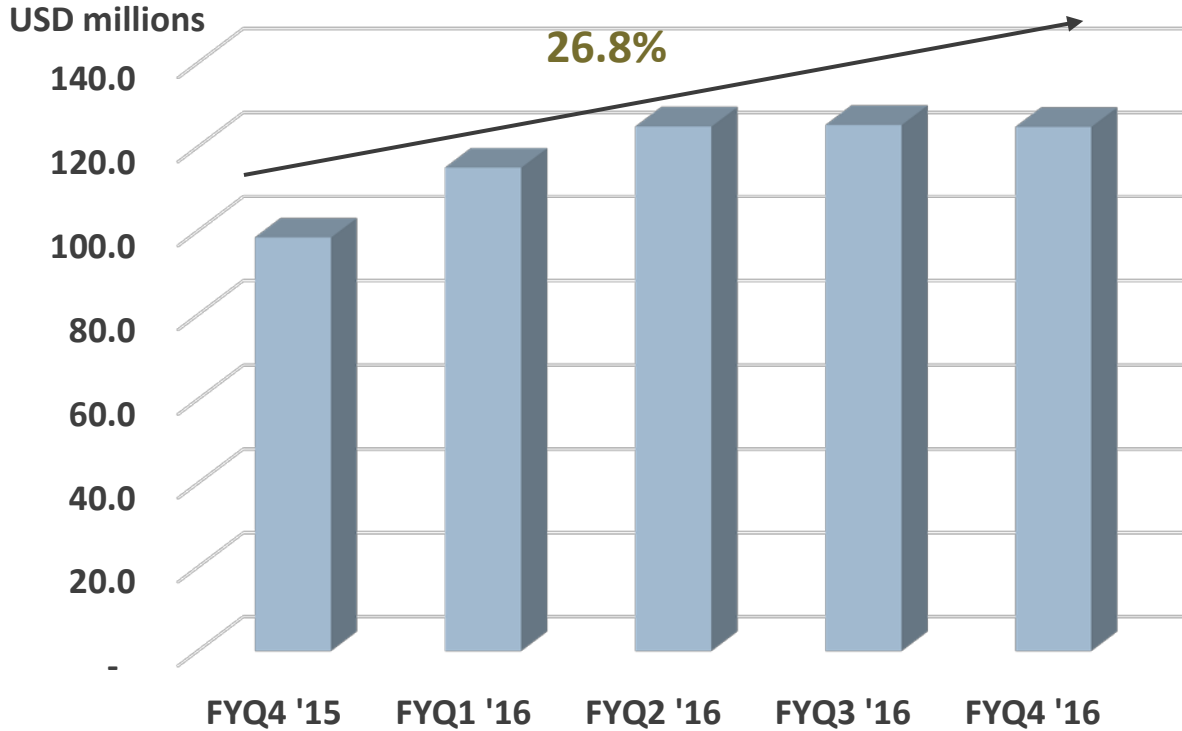
*with the exception of gross margin and per share data

NON-GAAP FINANCIAL RESULTS

*USD in millions	FYQ4 '16	FYQ3 '16	FYQ4 '15
Revenues	124.8	125.2	98.4
Gross margin	31.6%	32.7%	28.9%
Operating expenses	19.1	18.6	15.4
Operating income	20.3	22.4	13.1
Net income	19.9	23.3	13.8
Net diluted earnings per share	0.44	0.51	0.31

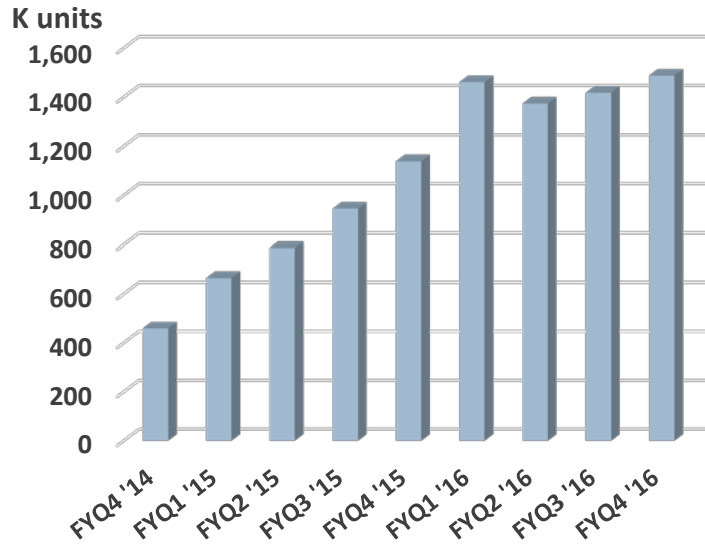
*with the exception of gross margin and per share data

REVENUE GROWTH

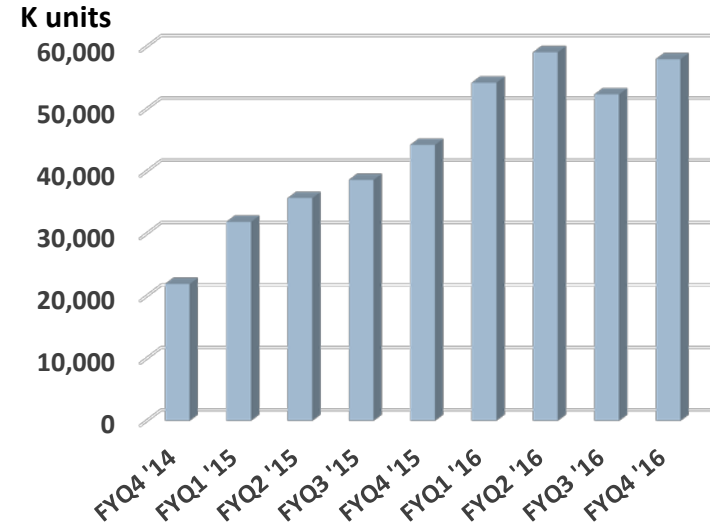


UNITS SHIPPED

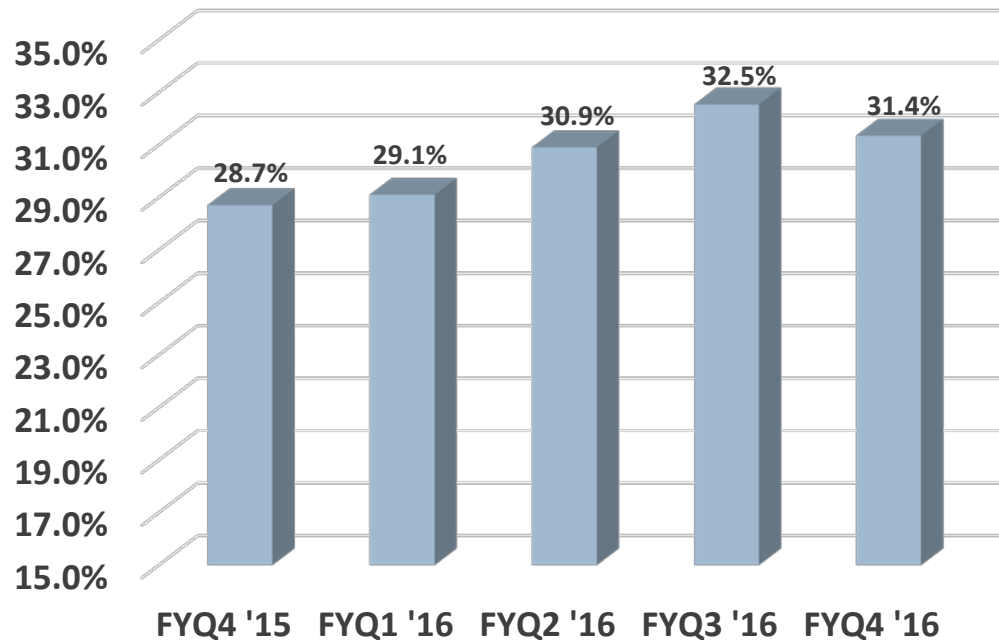
Optimizers shipped



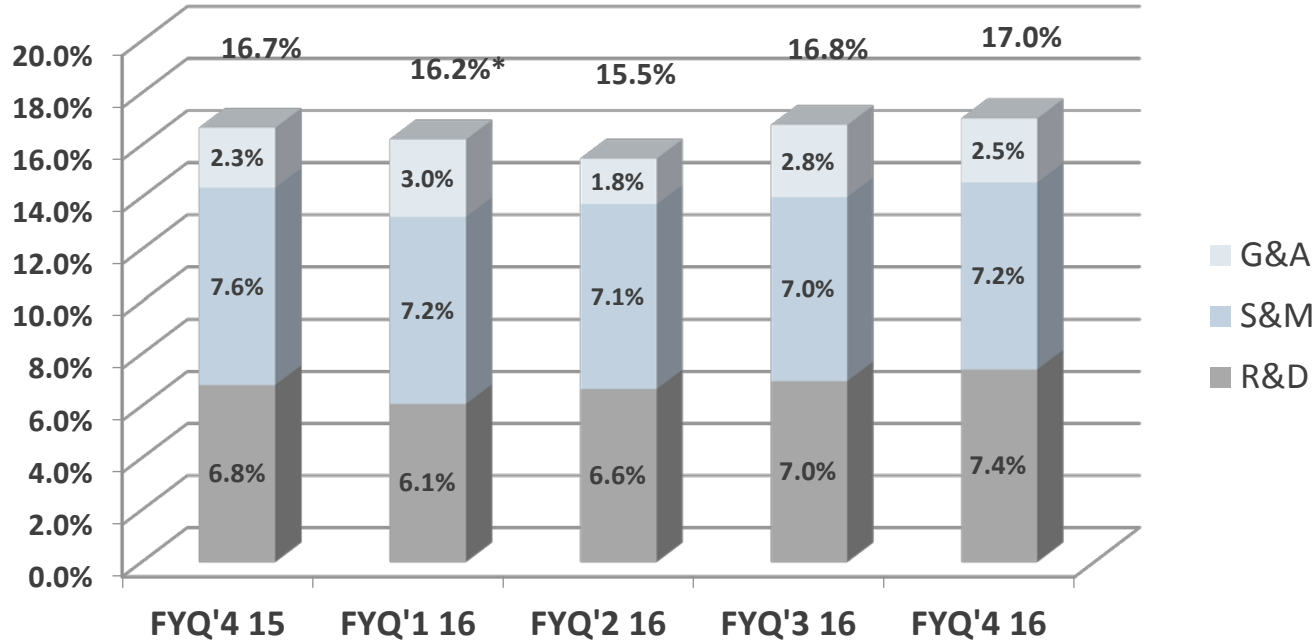
Inverters shipped



GROSS MARGIN

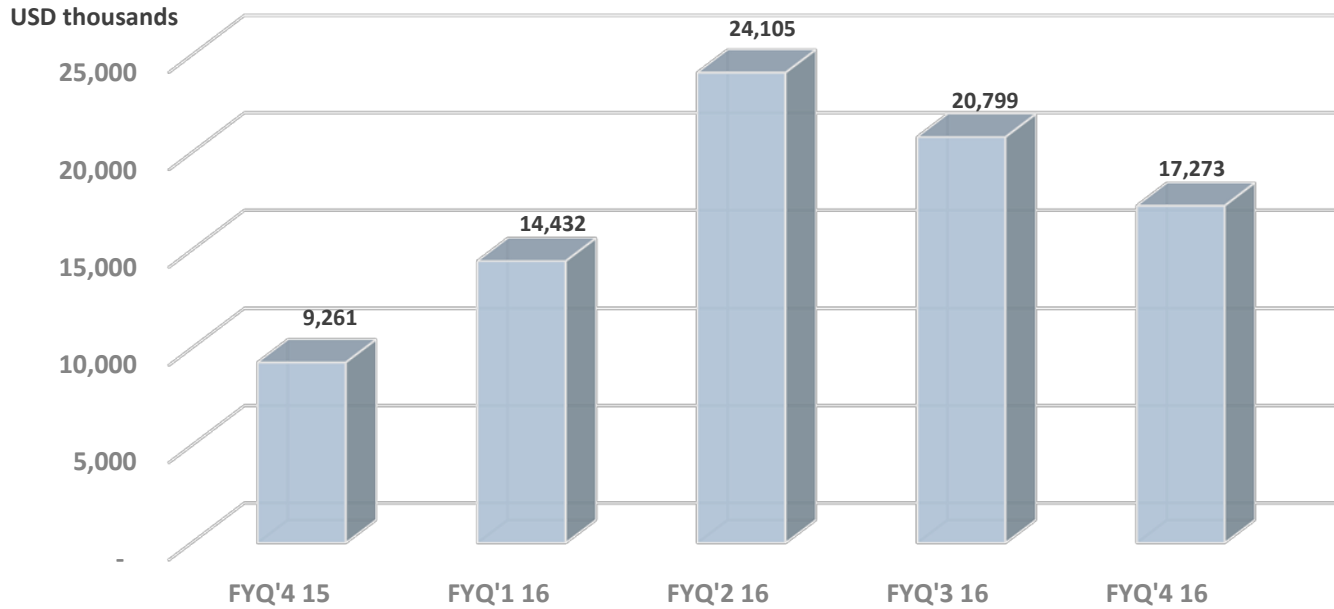


OPERATING EXPENSES



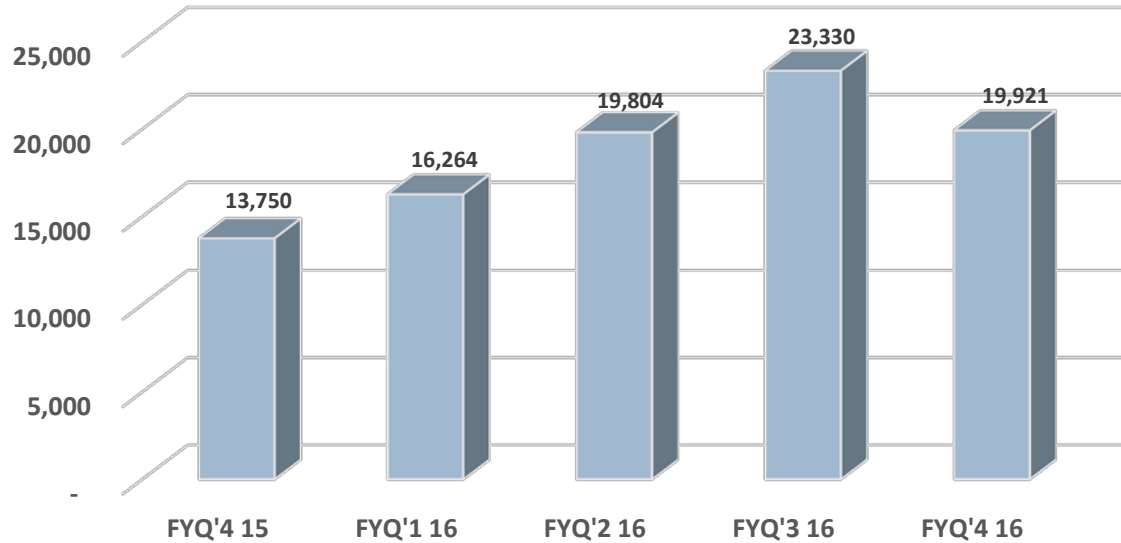
* G&A expenses include \$600K, or 0.5% of revenues, of accrual for doubtful account

GAAP NET INCOME



NON GAAP NET INCOME

USD thousands



BALANCE SHEET & CASH FLOW

USD in millions	FYQ4 '16	FYQ3 '16	FYQ4 '15
Cash and investments	186.6	172.2	148.4
Inventory	81.6	85.5	74.0
Capital Expenditures	3.1	5.9	3.5
Total Debt	-	-	-
Cash Flow From Operations	17.3	15.3	15.7

FISCAL FIRST QUARTER OUTLOOK

▣ Revenues expected to be within the range of \$130 million to \$139 million

▣ Gross margin 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			12 months ended	
	June 30, 2016	Mar 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015 ⁽¹⁾
Gross profit (GAAP)	39,113	40,734	28,271	151,956	81,783
Stock-based compensation	310	246	188	945	442
Gross profit (Non-GAAP)	<u>39,423</u>	<u>40,980</u>	<u>28,459</u>	<u>152,901</u>	<u>82,225</u>

	Reconciliation of GAAP to Non-GAAP Gross Margin				
	Three months ended			12 months ended	
	June 30, 2016	Mar 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015(1)
Gross margin (GAAP)	31.4%	32.5%	28.7%	31.0%	25.2%
Stock-based compensation	0.2%	0.2%	0.2%	0.2%	0.1%
Gross margin (Non-GAAP)	<u>31.6%</u>	<u>32.7%</u>	<u>28.9%</u>	<u>31.2%</u>	<u>25.3%</u>

—RECONCILIATION OF GAAP TO NON-GAAP—

	Reconciliation of GAAP to Non-GAAP Operating expenses				
	Three months ended			12 months ended	
	June 30, 2016	Mar 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015(1)
Operating expenses (GAAP)	21,229	20,995	16,398	80,197	53,526
Stock-based compensation R&D	747	724	184	2,384	634
Stock-based compensation S&M	730	842	263	2,937	809
Stock-based compensation G&A	613	819	569	2,823	1,071
Operating expenses (Non-GAAP)	19,138	18,610	15,382	72,052	51,012
	Reconciliation of GAAP to Non-GAAP Operating income				
	Three months ended			12 months ended	
	June 30, 2016	Mar 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015(1)
Operating income (GAAP)	17,884	19,739	11,873	71,759	28,257
Stock-based compensation	2,401	2,631	1,204	9,090	2,956
Operating income (Non-GAAP)	20,285	22,370	13,077	80,849	31,213

—RECONCILIATION OF GAAP TO NON-GAAP—

Reconciliation of GAAP to Non-GAAP Finance expenses

	Three months ended			12 months ended	
	June 30, 2016	Mar 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015(1)
Finance expenses (Income) (GAAP)	527	(2,029)	1,699	(471)	5,077
Warrants remeasurement	----	----	3,285	----	5,350
Finance expenses (Income) (Non-GAAP)	<u>527</u>	<u>(2,029)</u>	<u>(1,586)</u>	<u>(471)</u>	<u>(273)</u>

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

	Three months ended			12 months ended	
	June 30, 2016	Mar 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015(1)
Tax on income (Tax benefit) (GAAP)	84	969	809	(4,379)	1,955
Tax benefit due to deferred tax asset	(247)	100	----	6,380	----
Tax on income (Tax benefit) (Non-GAAP)	<u>(163)</u>	<u>1,069</u>	<u>809</u>	<u>2,001</u>	<u>1,955</u>

Reconciliation of GAAP to Non-GAAP Net income

	Three months ended			12 months ended	
	June 30, 2016	Mar 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015(1)
Net income (GAAP)	17,273	20,799	9,261	76,609	21,121
Stock-based compensation	2,401	2,631	1,204	9,090	2,956
Warrants remeasurement	----	----	3,285	----	5,350
Tax benefit due to deferred tax asset	247	(100)	----	(6,380)	----
Net income (Non-GAAP)	<u>19,921</u>	<u>23,330</u>	<u>13,750</u>	<u>79,319</u>	<u>29,427</u>

—RECONCILIATION OF GAAP TO NON-GAAP—

	Reconciliation of GAAP to Non-GAAP Net basic EPS				
	Three months ended			12 months ended	
	June 30, 2016	Mar 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015(1)
Net basic earnings per share (GAAP)	0.42	0.52	0.24	1.92	0.30
Stock-based compensation	0.06	0.06	0.03	0.22	0.09
Warrants remeasurement	----	----	0.08	----	0.15
Additional shares giving effect to IPO and conversion of preferred stock at the beginning	----	----	----	----	0.31
Tax benefit due to deferred tax asset	0.01	----	----	(0.16)	----
Net basic earnings per share (Non-GAAP)	0.49	0.58	0.35	1.98	0.85

	Reconciliation of GAAP to Non-GAAP No. of shares used in net basic EPS				
	Three months ended			12 months ended	
	June 30, 2016	Mar 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015(1)
Number of shares used in computing net basic earnings per share (GAAP)	40,776,059	40,362,093	39,160,372	39,987,935	11,902,911
Additional shares giving effect to IPO and conversion of preferred stock at the beginning	----	----	----	----	22,518,959
Number of shares used in computing net basic earnings per share (Non-GAAP)	40,776,059	40,362,093	39,160,372	39,987,935	34,421,870

— RECONCILIATION OF GAAP TO NON-GAAP —

Reconciliation of GAAP to Non-GAAP Net diluted EPS

	Three months ended			12 months ended	
	June 30, 2016	Mar 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015(1)
	Net diluted earnings per share (GAAP)	0.39	0.47	0.21	1.73
Stock-based compensation	0.04	0.04	0.02	0.16	0.07
Warrants remeasurement	----	----	0.08	----	0.14
Additional shares giving effect to IPO and conversion of preferred stock at the beginning of the periods	----	----	----	----	0.29
Tax benefit due to deferred tax asset	0.01	----	----	(0.15)	----
Net diluted earnings per share (Non-GAAP)	<u>0.44</u>	<u>0.51</u>	<u>0.31</u>	<u>1.74</u>	<u>0.77</u>

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

	Three months ended			12 months ended	
	June 30, 2016	Mar 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015(1)
	Number of shares used in computing net diluted earnings per share (GAAP)	44,463,087	44,577,901	44,473,080	44,376,075
Stock-based compensation	1,216,866	1,071,876	319,840	1,079,137	582,962
Warrants remeasurement	----	----	126,634	----	59,288
Additional shares giving effect to IPO and conversion of preferred stock at the beginning of the periods	----	----	----	----	22,518,959
Number of shares used in computing net diluted earnings per share (Non-GAAP)	<u>45,679,953</u>	<u>45,649,777</u>	<u>44,919,554</u>	<u>45,455,212</u>	<u>38,430,656</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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