



Second Quarter 2019  
Earnings Summary

August 6, 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



**3.7M**

Power Optimizers Shipped



**160K**

Inverters Shipped



**1.3 GW**

Systems Shipped



**\$325.0M**

Revenues

# Financial Results for Quarter

- Record revenue of \$325.0 million, up 19.5% QoQ and 43.1% YoY
- Record revenue from solar products \$306.7 million
- GAAP gross margin of 34.1%
- Non-GAAP gross margin 35.7%
- Non-GAAP gross margin for the solar business 36.9%
- Record GAAP operating income of \$45.4 million
- Record Non-GAAP operating income of \$61.0 million
- GAAP net income of \$33.1 million
- Record Non-GAAP net income of \$49.3 million
- Net diluted GAAP earnings per share \$0.66
- Record net diluted Non-GAAP earnings per share \$0.94
- Cash flow from operation of \$50.8 million
- Total cash and investments, net of debt \$351.6 million,  
4 post all acquisition payments



# Noteworthy

- Record revenue, record Non-GAAP net income and record Non-GAAP net diluted EPS
- Geographic diversification of revenues continues; expecting strong demand for remainder of the year, led by the U.S.
- Non-GAAP gross margins of solar business strong at 37%
- Solar product manufacturing capacity increased by ~25% since last quarter
- 3-phase residential on-grid storage inverter to be used with third party low voltage batteries expected for mass production in Q4 2019
- Vietnam ramp up on schedule; two automated optimizer lines and one inverter line installed; ramp up as expected with first mass production shipments in Q3 2019
- Plans for Kokam's new mass production factory concluded; execution of building and ordering of equipment expected for Q4 2019
- More than one million PV systems were monitored at the end of Q1, additional 115K systems added in Q2

# GAAP Financial Results

*USD in millions	Q2 18	Q1 19	Q2 19
Revenues	227.1	271.9	325.0
Gross margin	36.1%	31.7%	34.1%
Operating expenses	41.3	58.1	65.3
Operating income	40.7	28.0	45.4
Net income	34.6	19.0	33.1
Net diluted earnings per share**	0.72	0.39	0.66

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

\*\* Share count in 2019 increased as a result of share issuance in connection with SMRE acquisition

# NON-GAAP Financial Results

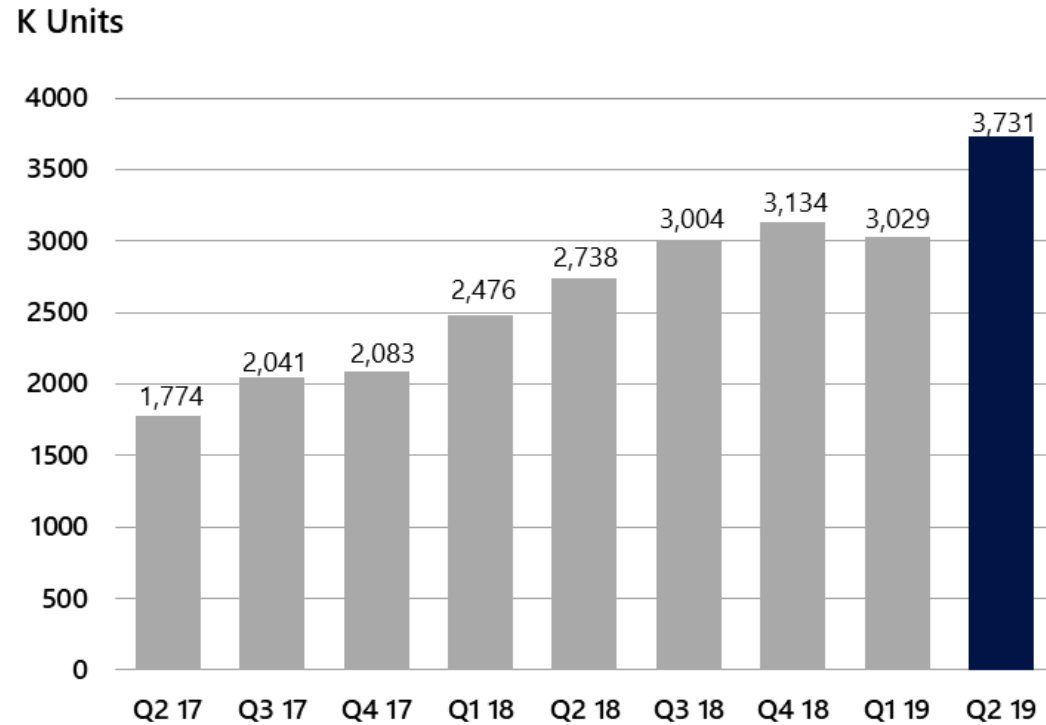
*USD in millions	Q2 18	Q1 19	Q2 19
Revenues	227.1	271.9	325.0
Gross margin	36.5%	32.8%	35.7%
Operating expenses	35.1	48.0	54.9
Operating income	47.8	41.2	61.0
Net income	40.6	32.9	49.3
Net diluted earnings per share**	0.82	0.64	0.94

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

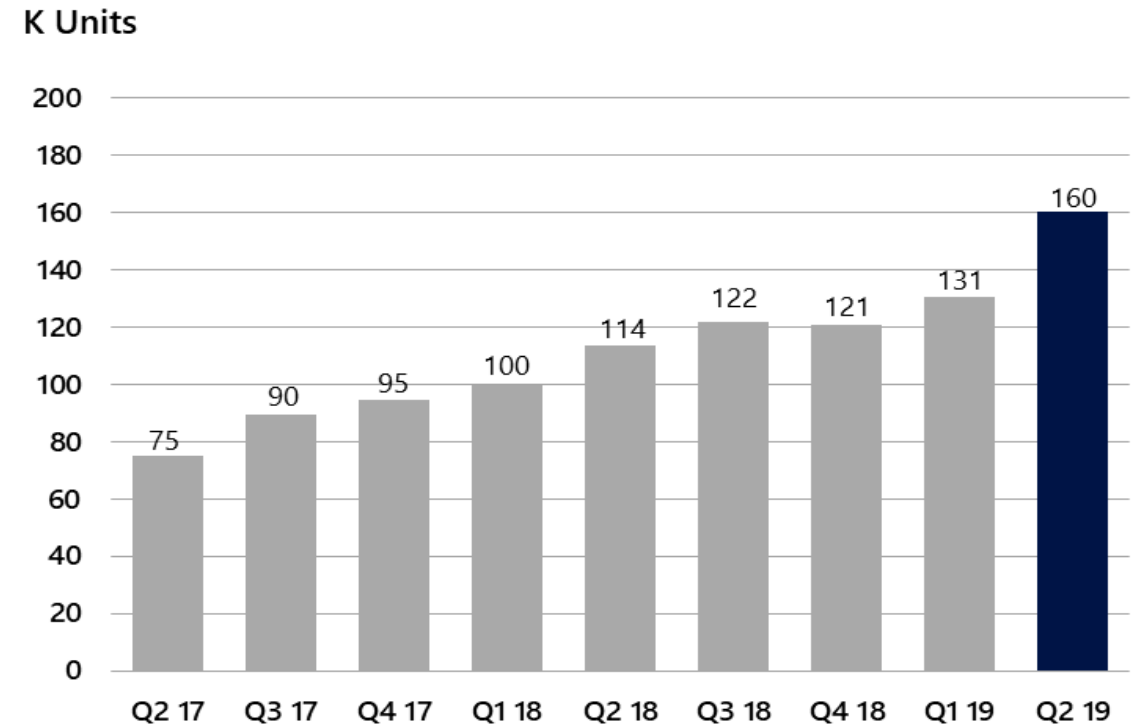
\*\* Share count in 2019 increased as a result of share issuance in connection with SMRE acquisition

# Units Shipped

## Power optimizers shipped

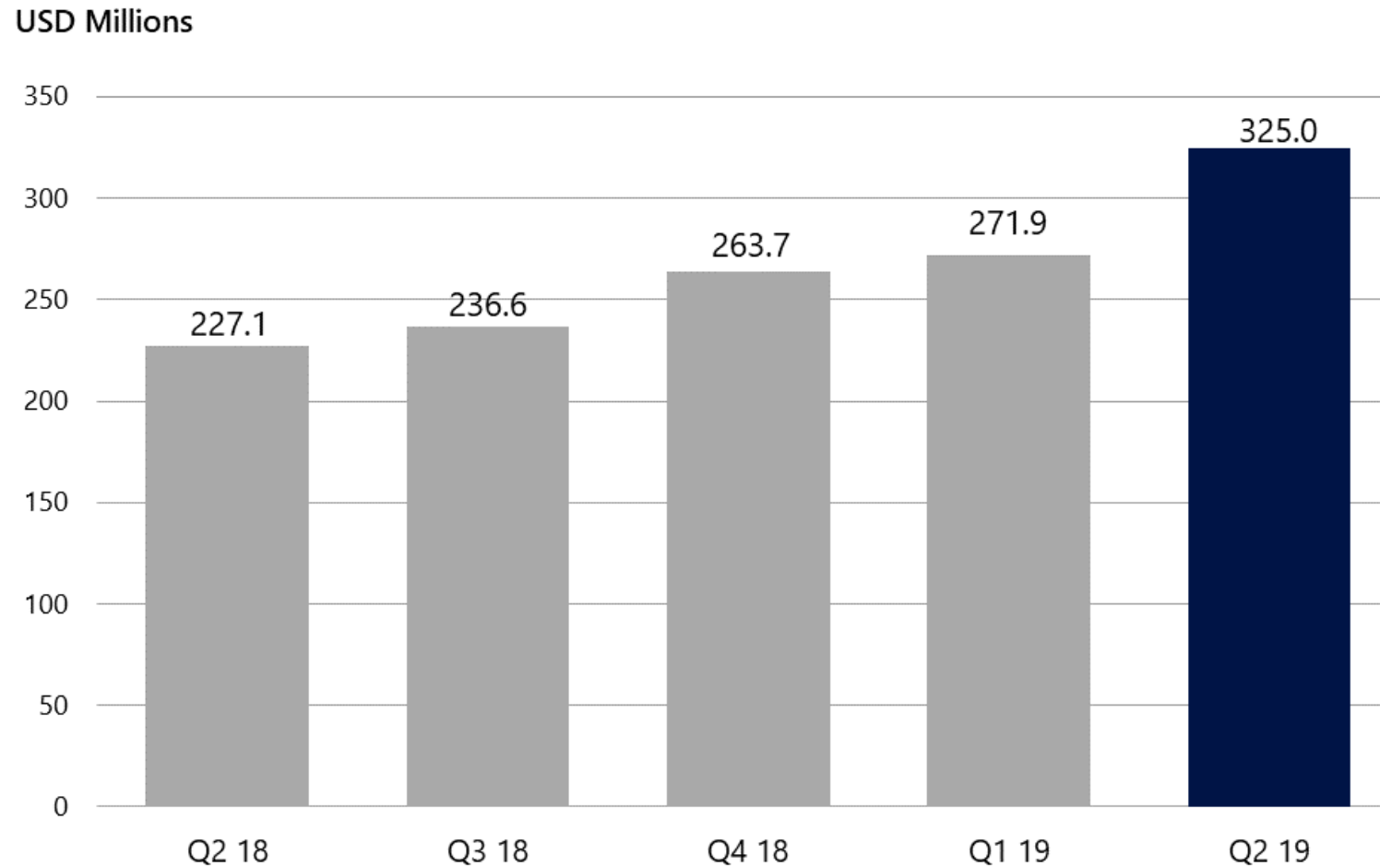


## Inverters shipped

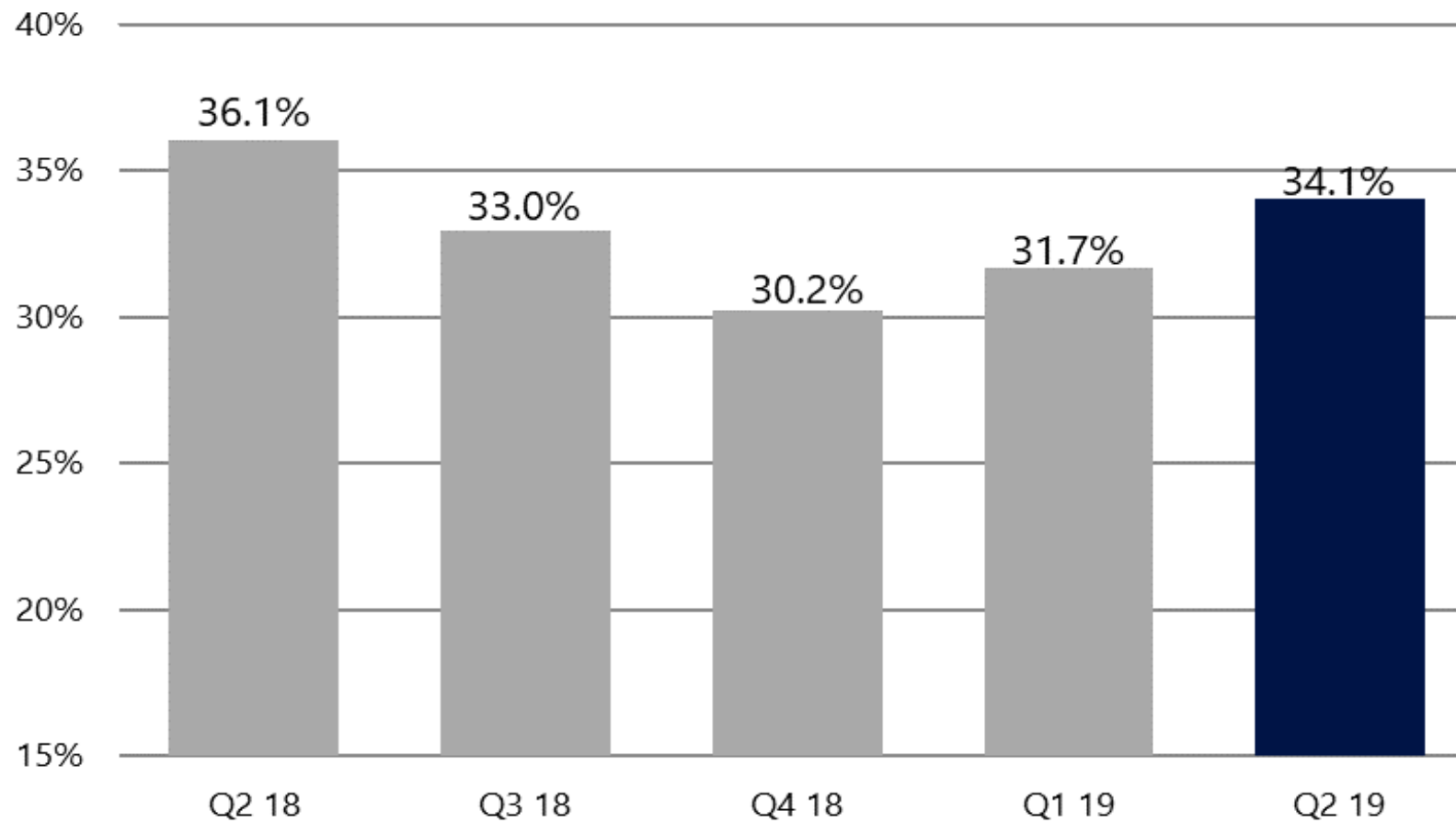




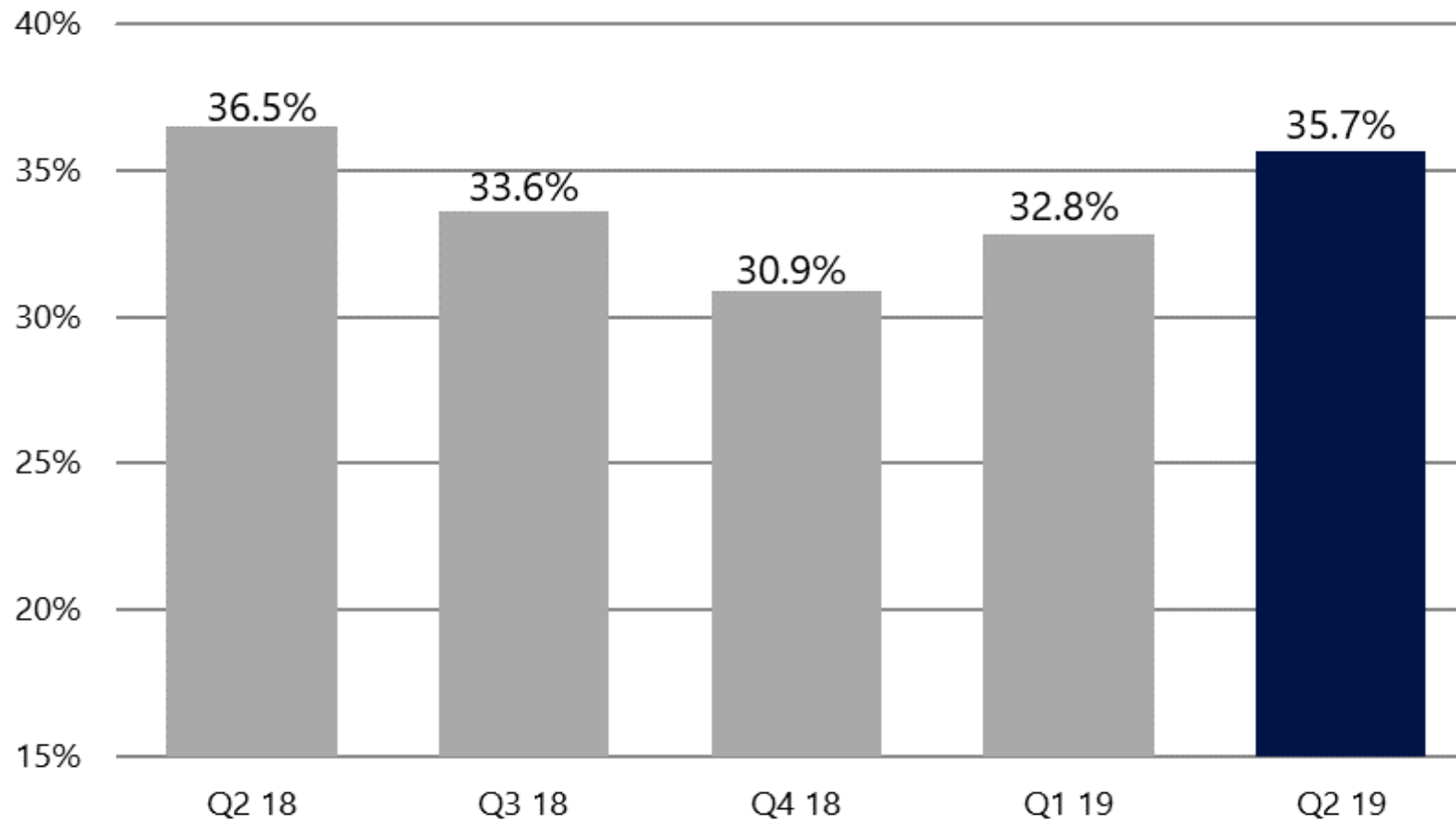
# Quarterly Revenues



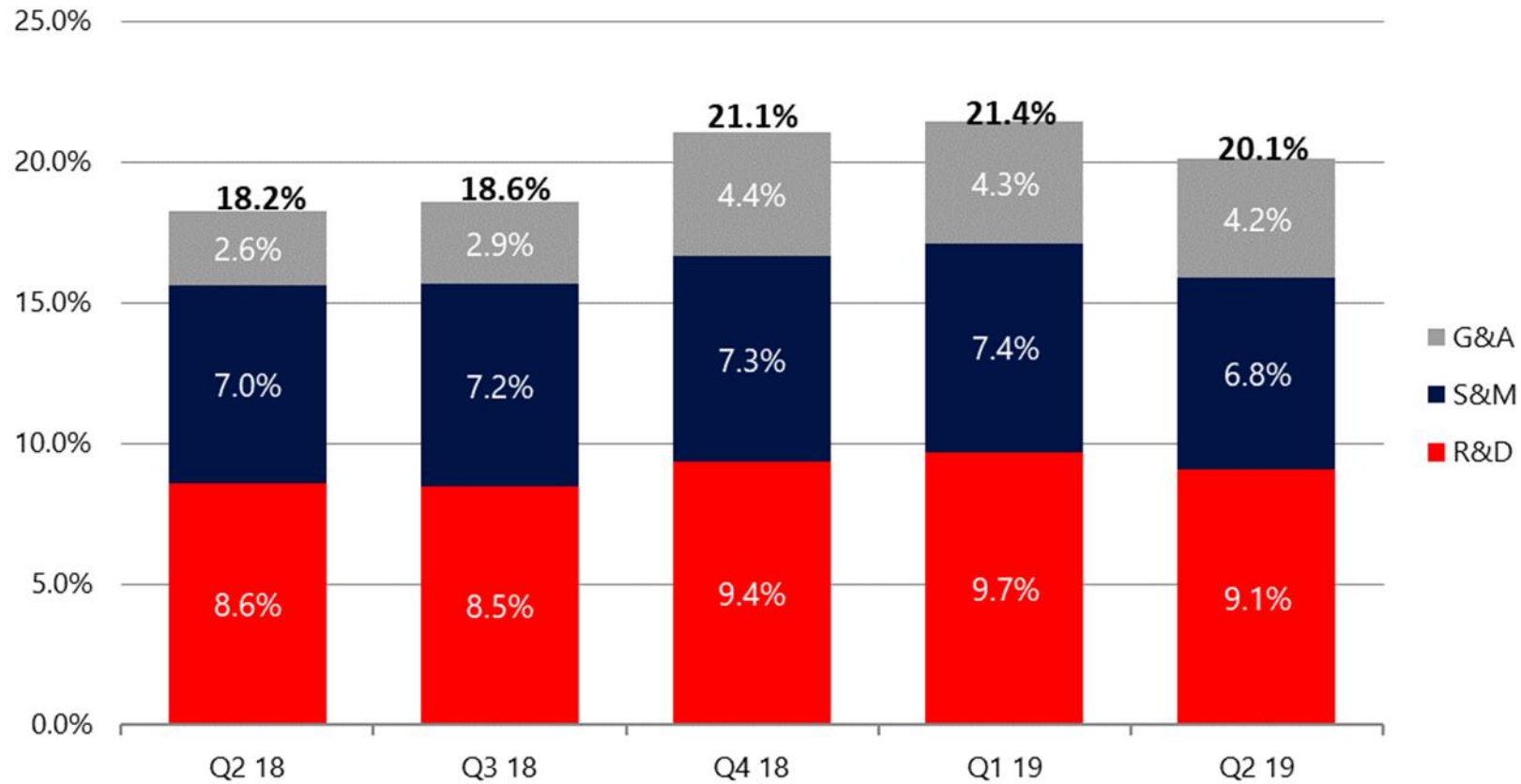
# GAAP Gross Margins Trend by Quarters (%)



# Non-GAAP Gross Margins Trend by Quarters (%)

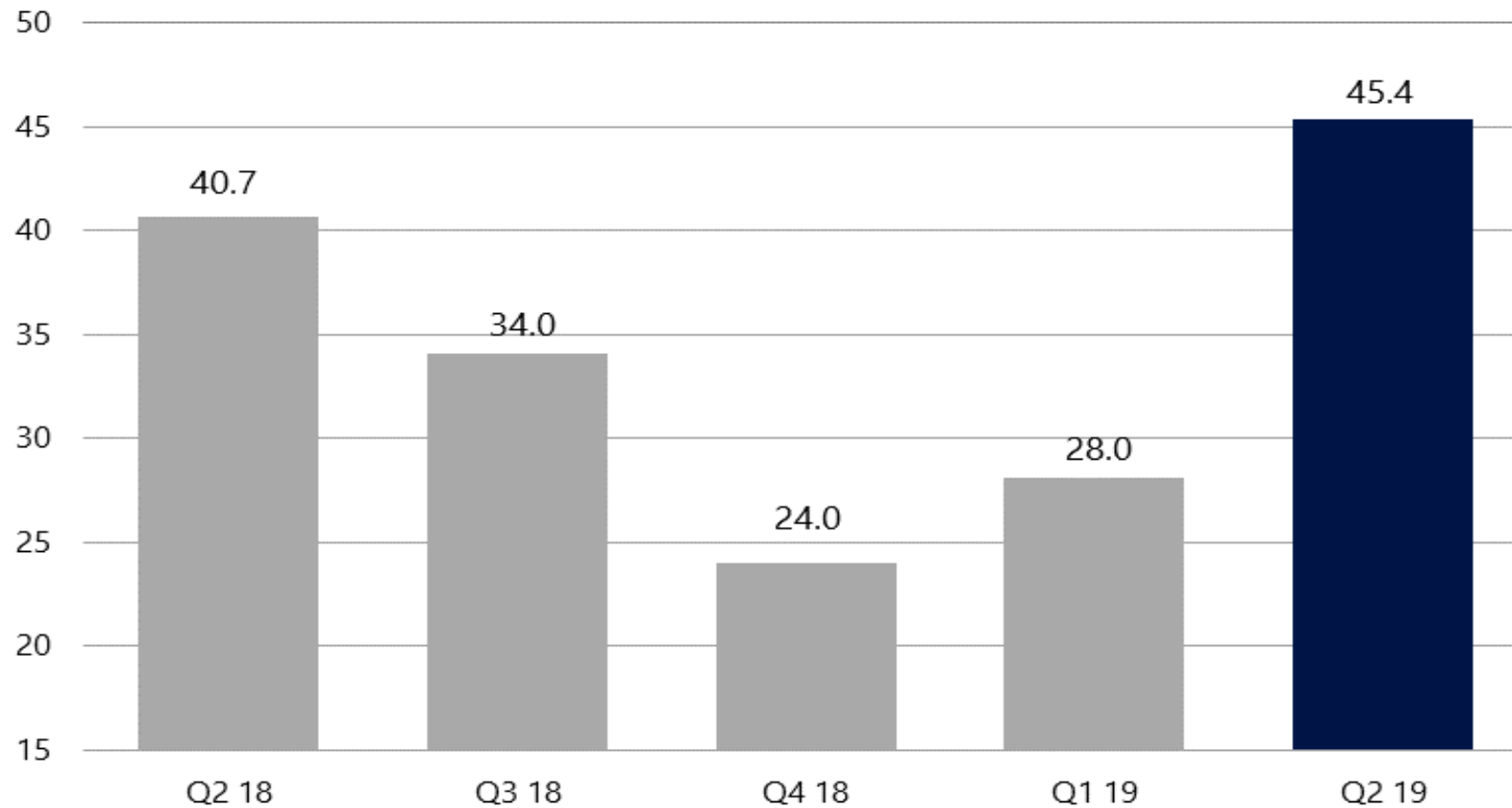


# Operating Expenses



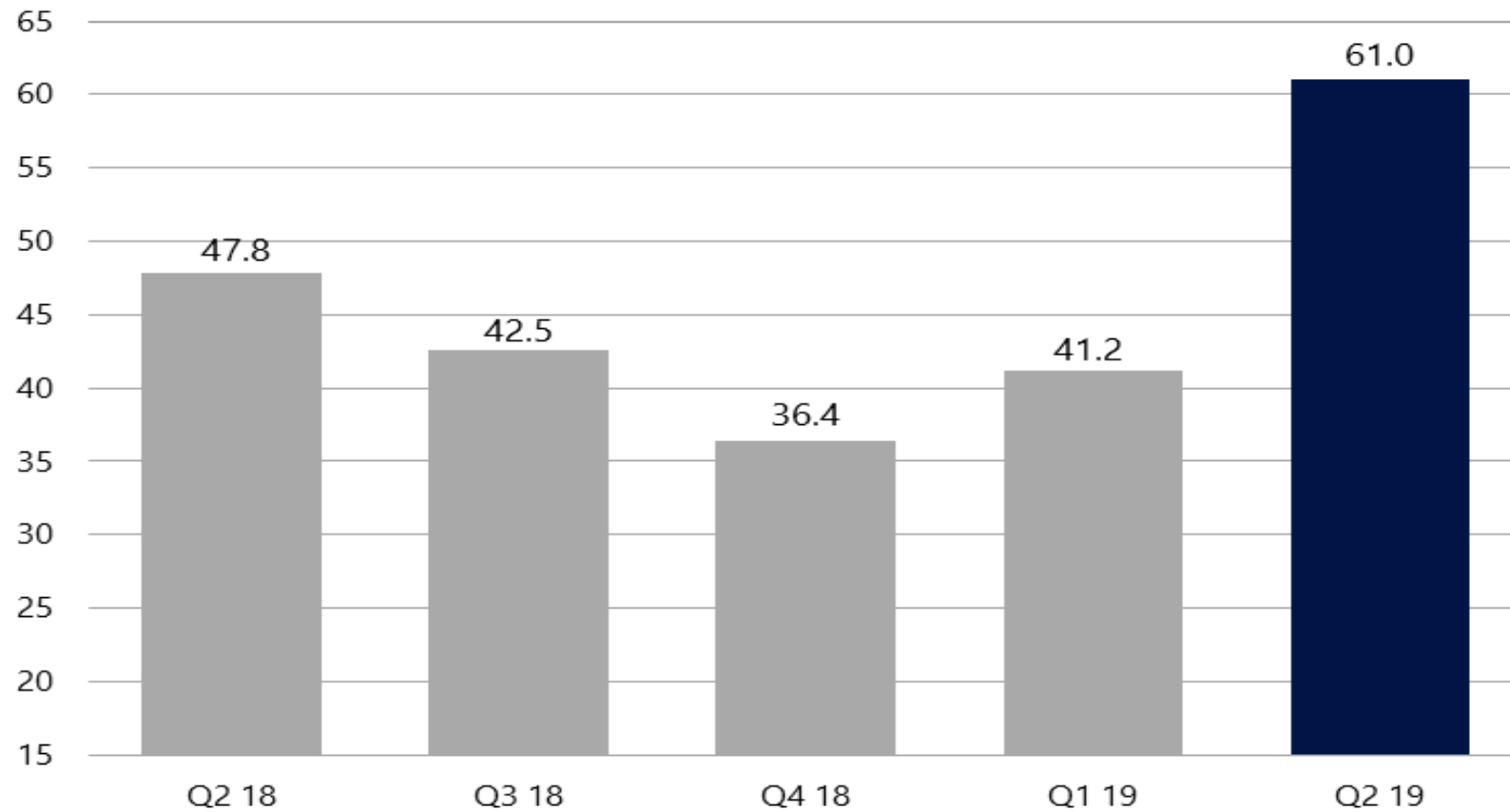
# Consolidated GAAP Operating Income

USD Millions



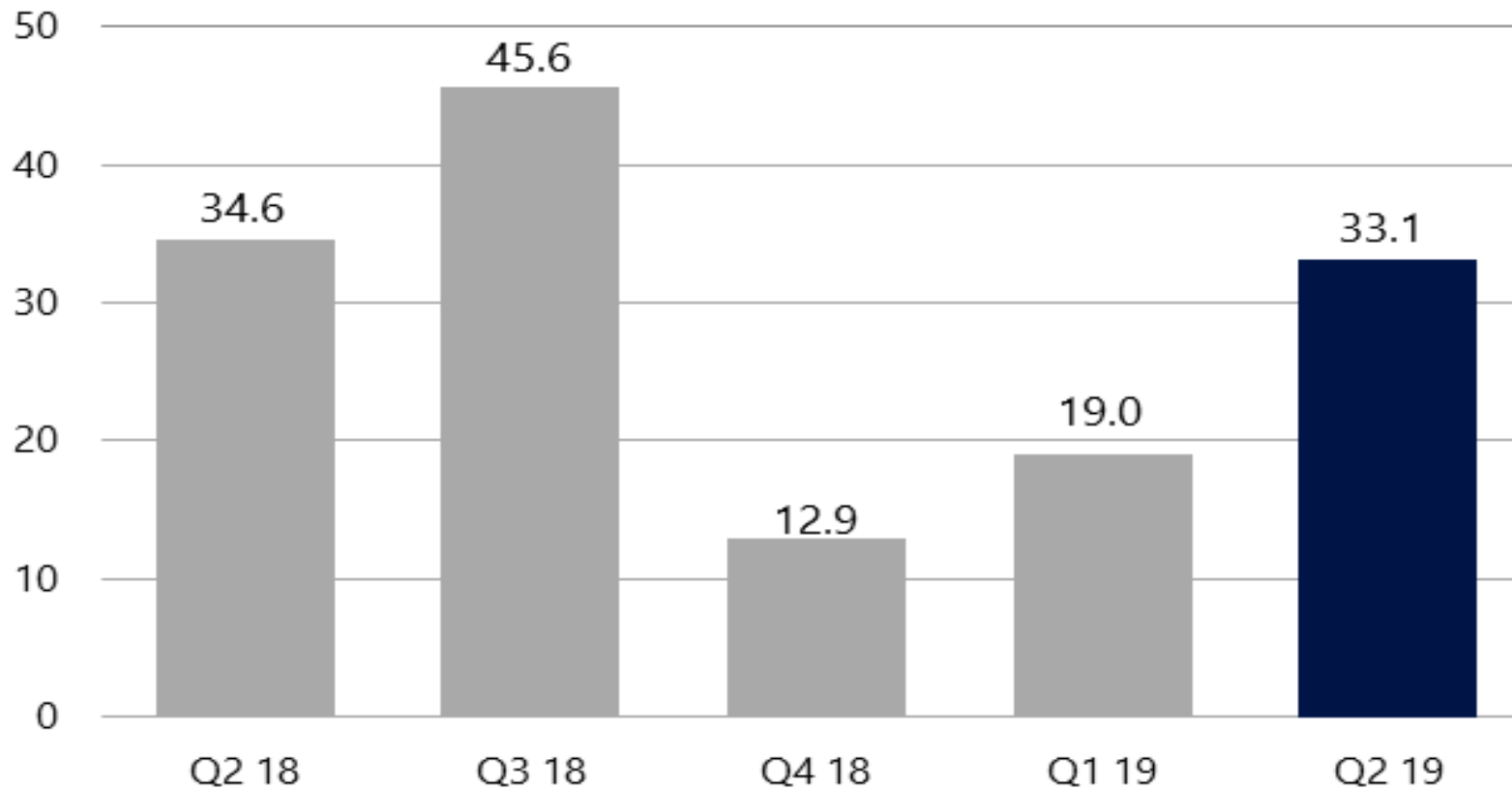
# Consolidated NON-GAAP Operating Income

USD Millions



# Consolidated GAAP Net Income

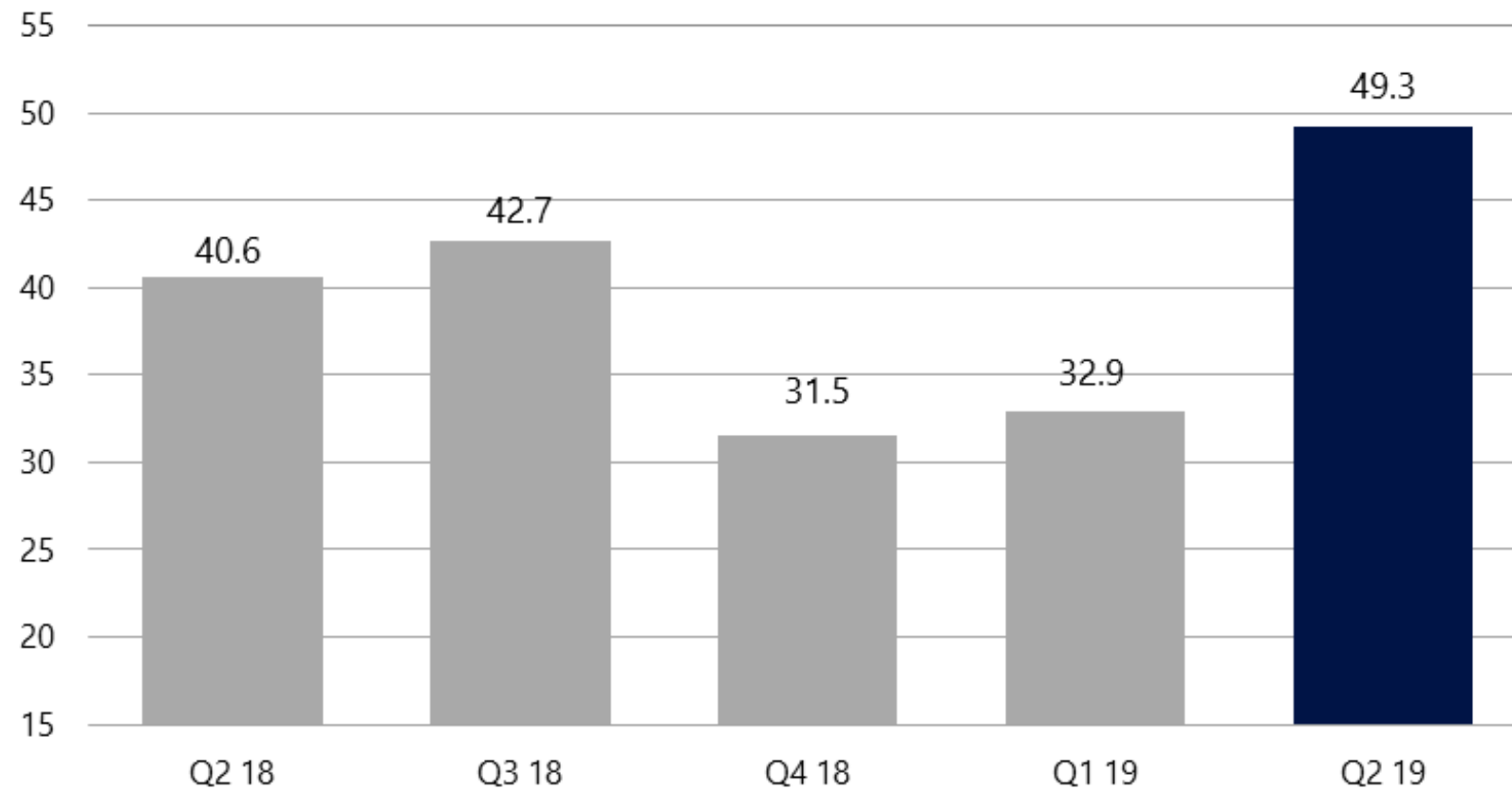
USD Millions



\* Q3-18 includes a tax benefit of \$10.3M.  
Q4-18 includes provisional tax expense of \$8.2M.

# Consolidated NON-GAAP Net Income

USD Millions





# Balance Sheet & Cash flow

USD in millions	Q2 18	Q1 19	Q2 19
Cash and investments*	437.6	398.7	373.6
Inventory	102.0	150.8	148.9
Capital Expenditures	10.1	10.6	11.7
Total Debt**	-	24.3	22.0
Cash Flow From Operations	43.9	56.5	50.8

\* A total amount of \$213.8M, net, was paid for acquisitions between Jul-18 to Jun-19

\*\* Debt balances relate to pre acquisition loans in Kokam and SMRE

# Third Quarter Guidance

- ▀ Revenues to be within the range of \$395 million to \$410 million;
- ▀ Gross margins expected to be within the range of 32% to 34%
- ▀ Revenues from solar products to be within the range of \$375 million to \$390 million;
- ▀ Gross margins from sale of solar products expected to be within the range of 33% to 35%



# Appendix

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Gross Profit				
	Three months ended			Six months ended	
	June 30, 2019	March 31, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>Gross profit (GAAP)</b>	110,670	86,110	81,946	196,780	161,543
Stock-based compensation	1,651	1,354	968	3,005	1,892
Cost of product adjustment	319	682	----	1,001	----
Intangible assets amortization and tangible assets depreciation	3,307	1,077	----	4,384	----
<b>Gross profit (Non-GAAP)</b>	<b>115,947</b>	<b>89,223</b>	<b>82,914</b>	<b>205,170</b>	<b>163,435</b>

	Reconciliation of GAAP to Non-GAAP Gross Margin				
	Three months ended			Six months ended	
	June 30, 2019	March 31, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>Gross margin (GAAP)</b>	34.1%	31.7%	36.1%	33.0%	37.0%
Stock-based compensation	0.5%	0.5%	0.4%	0.5%	0.4%
Cost of product adjustment	0.1%	0.2%	----	0.2%	----
Intangible assets amortization	1.0%	0.4%	----	0.7%	----
<b>Gross margin (Non-GAAP)</b>	<b>35.7%</b>	<b>32.8%</b>	<b>36.5%</b>	<b>34.4%</b>	<b>37.4%</b>

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Operating expenses				
	Three months ended			Six months ended	
	June 30, 2019	March 31, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>Operating expenses (GAAP)</b>	65,317	58,062	41,281	123,379	80,114
Stock-based compensation R&D	(4,176)	(3,490)	(2,605)	(7,666)	(4,987)
Stock-based compensation S&M	(2,722)	(2,404)	(2,094)	(5,126)	(4,298)
Stock-based compensation G&A	(2,823)	(2,456)	(1,461)	(5,279)	(2,800)
Amortization and depreciation of acquired assets - R&D	(9)	(36)	----	(45)	----
Amortization and depreciation of acquired assets - S&M	51	(858)	----	(807)	----
Amortization and depreciation of acquired assets - G&A	(26)	----	----	(26)	----
Assets disposal	(552)	----	----	(552)	----
Acquisition related expenses	(151)	(798)	----	(949)	----
<b>Operating expenses (Non-GAAP)</b>	<b>54,909</b>	<b>48,020</b>	<b>35,121</b>	<b>102,929</b>	<b>68,029</b>

	Reconciliation of GAAP to Non-GAAP Operating income				
	Three months ended			Six months ended	
	June 30, 2019	March 31, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>Operating income (GAAP)</b>	45,353	28,048	40,665	73,401	81,429
Cost of product adjustment	319	682	----	1,001	----
Stock-based compensation	11,372	9,704	7,128	21,076	13,977
Amortization and depreciation of acquired assets	3,291	1,971	----	5,262	----
Acquisition related expenses	151	798	----	949	----
Assets disposal	552	----	----	552	----
<b>Operating income (Non-GAAP)</b>	<b>61,038</b>	<b>41,203</b>	<b>47,793</b>	<b>102,241</b>	<b>95,406</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, 2019	March 31, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>Financial expenses (income), net (GAAP)</b>	(773)	6,151	2,480	5,378	1,896
Non cash interest	(850)	(785)	(568)	(1,635)	(1,080)
Currency fluctuation due to new lease standard adoption	(577)	(948)	----	(1,525)	----
<b>Financial expenses (income), net (Non-GAAP)</b>	<b>(2,200)</b>	<b>4,418</b>	<b>1,912</b>	<b>2,218</b>	<b>816</b>
	Reconciliation of GAAP to Non-GAAP Tax on income				
	Three months ended			Six months ended	
	June 30, 2019	March 31, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>Tax on income (GAAP)</b>	13,213	3,922	3,617	17,135	9,279
Deferred tax realized (asset)	987	973	1,697	1,960	3,018
Transition tax of foreign earnings	----	----	----	----	(820)
<b>Tax on income (Non-GAAP)</b>	<b>14,200</b>	<b>4,895</b>	<b>5,314</b>	<b>19,095</b>	<b>11,477</b>

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net income				
	Three months ended			Six months ended	
	June 30, 2019	March 31, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>Net income attributable to Solaredge Technologies Inc. (GAAP)</b>	33,128	19,016	34,568	52,144	70,254
Cost of product adjustment	319	682	----	1,001	----
Stock-based compensation	11,372	9,704	7,128	21,076	13,977
Amortization and depreciation of acquired assets	3,291	1,971	----	5,262	----
Acquisition related expenses	151	798	----	949	----
Assets disposal	552	----	----	552	----
Non cash interest	850	785	568	1,635	1,080
Currency fluctuation due to new lease standard adoption	577	948	----	1,525	----
Deferred tax realized (asset)	(987)	(973)	(1,697)	(1,960)	(3,018)
Transition tax of foreign earnings	----	----	----	----	820
<b>Net income attributable to Solaredge Technologies Inc. (Non-GAAP)</b>	<b>49,253</b>	<b>32,931</b>	<b>40,567</b>	<b>82,184</b>	<b>83,113</b>

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net basic EPS				
	Three months ended			Six months ended	
	June 30, 2019	March 31, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>Net basic earnings per share (GAAP)</b>	0.69	0.40	0.76	1.10	1.57
Cost of product adjustment	0.01	0.02	----	0.02	----
Stock-based compensation	0.24	0.21	0.16	0.45	0.31
Amortization and depreciation of acquired assets	0.07	0.04	----	0.11	----
Acquisition related expenses	----	0.01	----	0.02	----
Assets disposal	0.01	----	----	0.01	----
Non cash interest	0.02	0.02	0.01	0.03	0.03
Currency fluctuation due to new lease standard adoption	0.01	0.02	----	0.04	----
Deferred tax realized (asset)	(0.02)	(0.02)	(0.03)	(0.04)	(0.07)
Transition tax of foreign earnings	----	----	----	----	0.02
<b>Net basic earnings per share (Non-GAAP)</b>	<b>1.03</b>	<b>0.70</b>	<b>0.90</b>	<b>1.74</b>	<b>1.86</b>



# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net diluted EPS				
	Three months ended			Six months ended	
	June 30, 2019	March 31, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>Net diluted earnings per share (GAAP)</b>	0.66	0.39	0.72	1.05	1.46
Cost of product adjustment	----	0.01	----	0.02	----
Stock-based compensation	0.19	0.17	0.12	0.35	0.24
Amortization and depreciation of acquired assets	0.07	0.04	----	0.11	----
Acquisition related expenses	----	0.01	----	0.01	----
Assets disposal	0.01	----	----	0.01	----
Non cash interest	0.02	0.02	0.01	0.04	0.03
Currency fluctuation due to new lease standard adoption	0.01	0.02	----	0.03	----
Deferred tax realized (asset)	(0.02)	(0.02)	(0.03)	(0.04)	(0.06)
Transition tax of foreign earnings	----	----	----	----	0.01
<b>Net diluted earnings per share (Non-GAAP)</b>	<b>0.94</b>	<b>0.64</b>	<b>0.82</b>	<b>1.58</b>	<b>1.68</b>

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP No. of shares used in Net diluted EPS				
	Three months ended			Six months ended	
	June 30, 2019	March 31, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>Number of shares used in computing net diluted earnings per share (GAAP)</b>					
Stock-based compensation	49,940,034	49,026,327	48,291,280	49,358,280	47,984,817
	2,130,135	2,760,121	1,341,286	2,448,673	1,438,347
<b>Number of shares used in computing net diluted earnings per share (Non-GAAP)</b>	52,070,169	51,786,448	49,632,566	51,806,953	49,423,164

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