



# Third Quarter 2021

## Earnings Summary

November 2, 2021

# 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.

# Third Quarter Key Metrics

**4.7M**

Power Optimizers  
Shipped

**230.8K**

Inverters Shipped

**1.9 GW**

Systems Shipped

**\$526.4M**

GAAP Revenues

# Financial Results for Quarter

- Record GAAP revenue of \$526.4 million
- Record revenue from solar segment of \$476.8 million
- Record revenues from non- solar segment of \$49.5 million
- GAAP gross margin of 32.8%
- Non-GAAP gross margin of 34.0%
- Gross margin from sales of solar segment 36.6%
- Non-GAAP operating income of \$95.2 million
- Record operating profit of solar segment of \$104.9 million
- GAAP net income of \$53.0 million
- Record Non-GAAP net income of \$82.1 million
- Record GAAP net diluted earnings per share of \$0.96
- Record Non-GAAP net diluted earnings per share of \$1.45
- Cash flow from operation of \$61.8 million
- Total cash and investments, net of debt, \$524.1 million



# Noteworthy

- Record revenues overall in both solar and non solar segments
- Record revenues in Europe driven by record revenues in Germany and Italy
- Overcame operational challenges from 12 week covid-related shutdown of Vietnam factory
- Battery installations began in the United States and Europe, first deliveries in Australia
- JET certified and began installations in Japan of our HD Wave inverter enabling direct consumption from solar in case of power outage as is mandated by local regulation
- Shipped first 200,000 new generation four optimizers
- Revenues of emobility negatively impacted by production instabilities in the automotive industry
- Record revenues of non-solar storage business

# GAAP Quarterly Financial Results

*USD in millions	Q3 20	Q2 21	Q3 21
Revenues	338.1	480.1	526.4
Gross margin	32.0%	32.5%	32.8%
Operating expenses	77.7	100.6	106.1
Operating income	30.4	55.6	66.4
Net income	43.8	45.1	53.0
Net diluted earnings per share	0.83	0.82	0.96

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



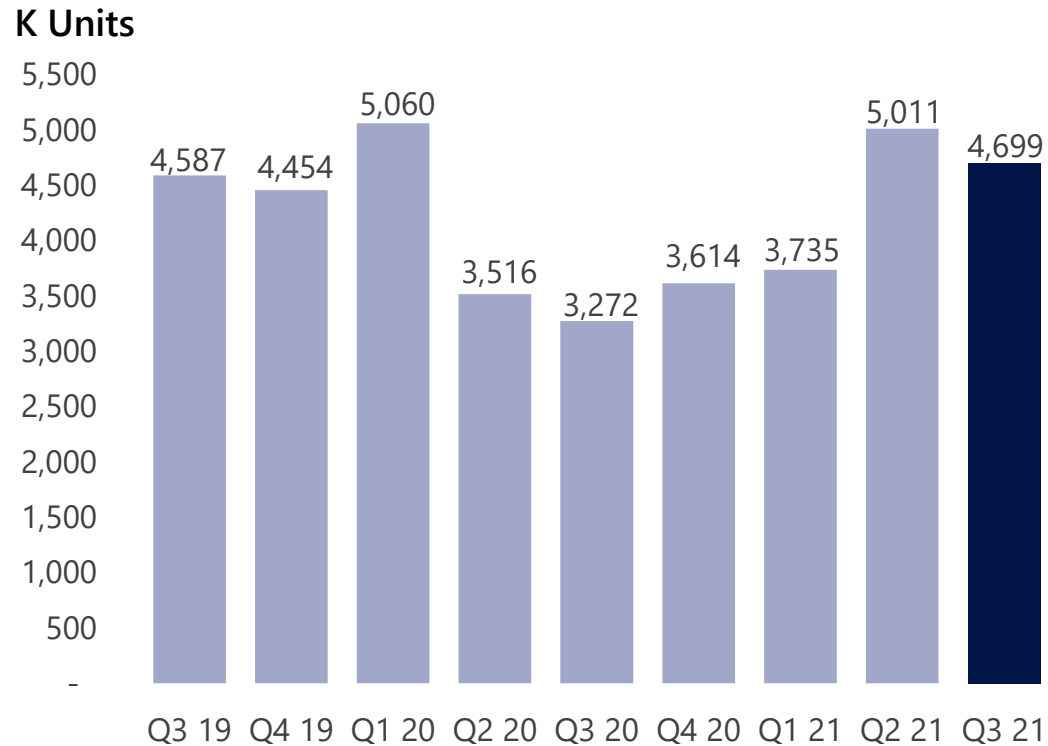
# NON-GAAP Quarterly Financial Results

*USD in millions	Q3 20	Q2 21	Q3 21
Revenues	338.1	480.0	526.3
Gross margin	33.5%	33.9%	34.0%
Operating expenses	63.2	81.5	83.8
Operating income	50.0	81.3	95.2
Net income	65.9	72.5	82.1
Net diluted earnings per share	1.21	1.28	1.45

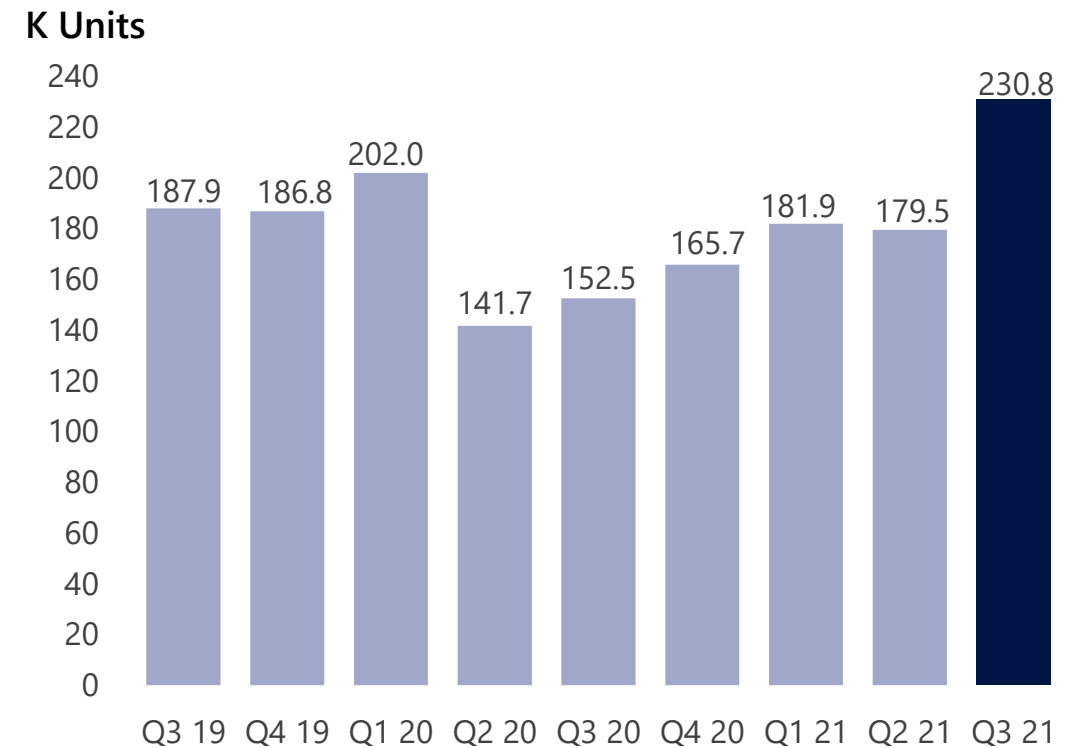
\* With the exception of gross margin and per share data

# Units Shipped

## Power optimizers shipped

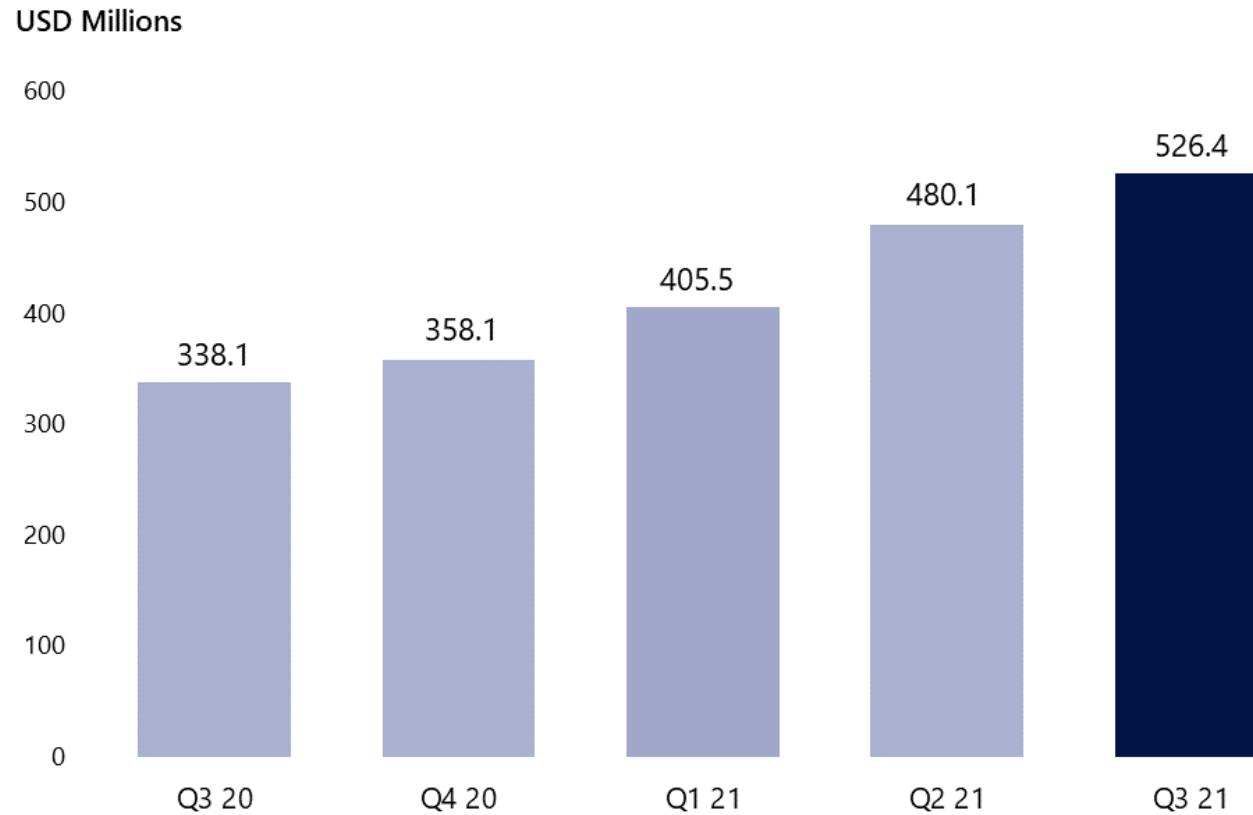


## Inverters shipped



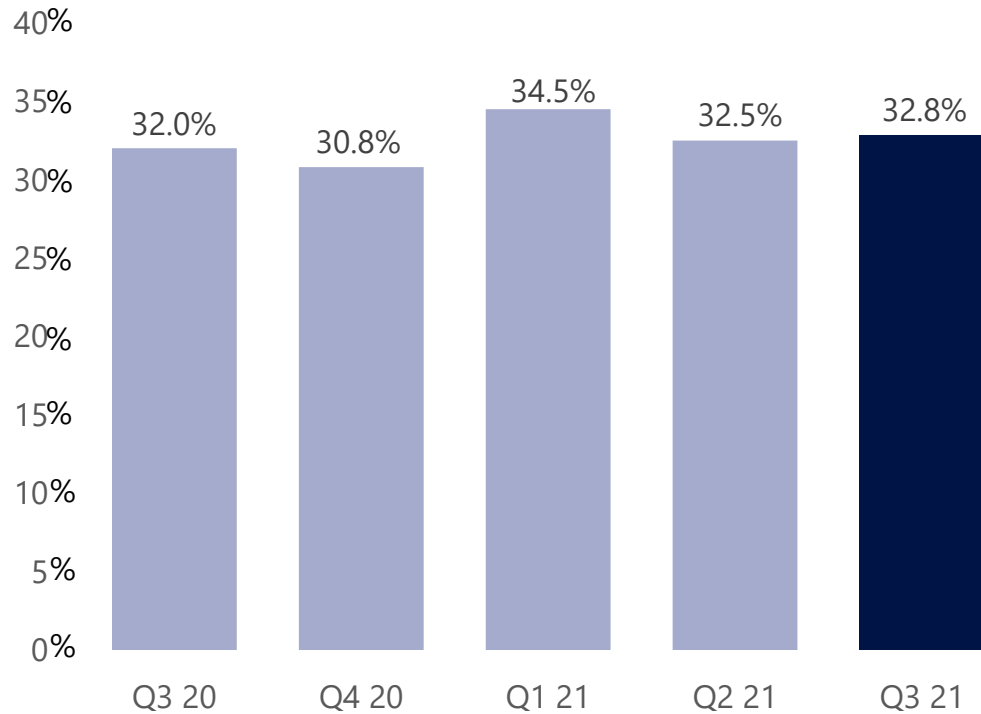


# GAAP Quarterly Revenue

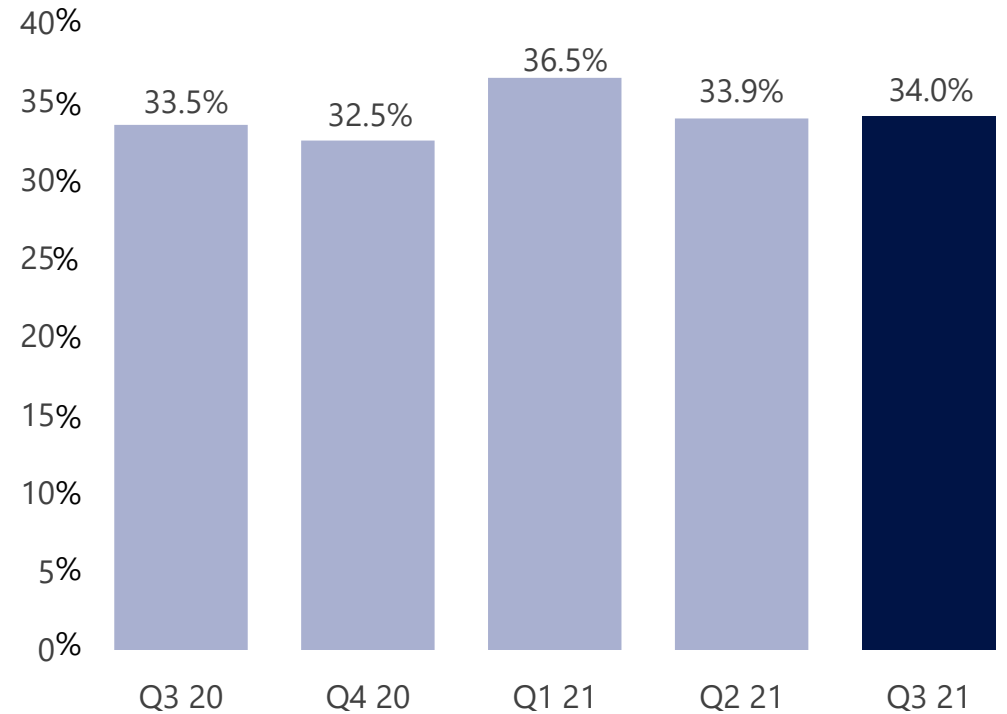


# Gross Margin Trend by Quarters (%)

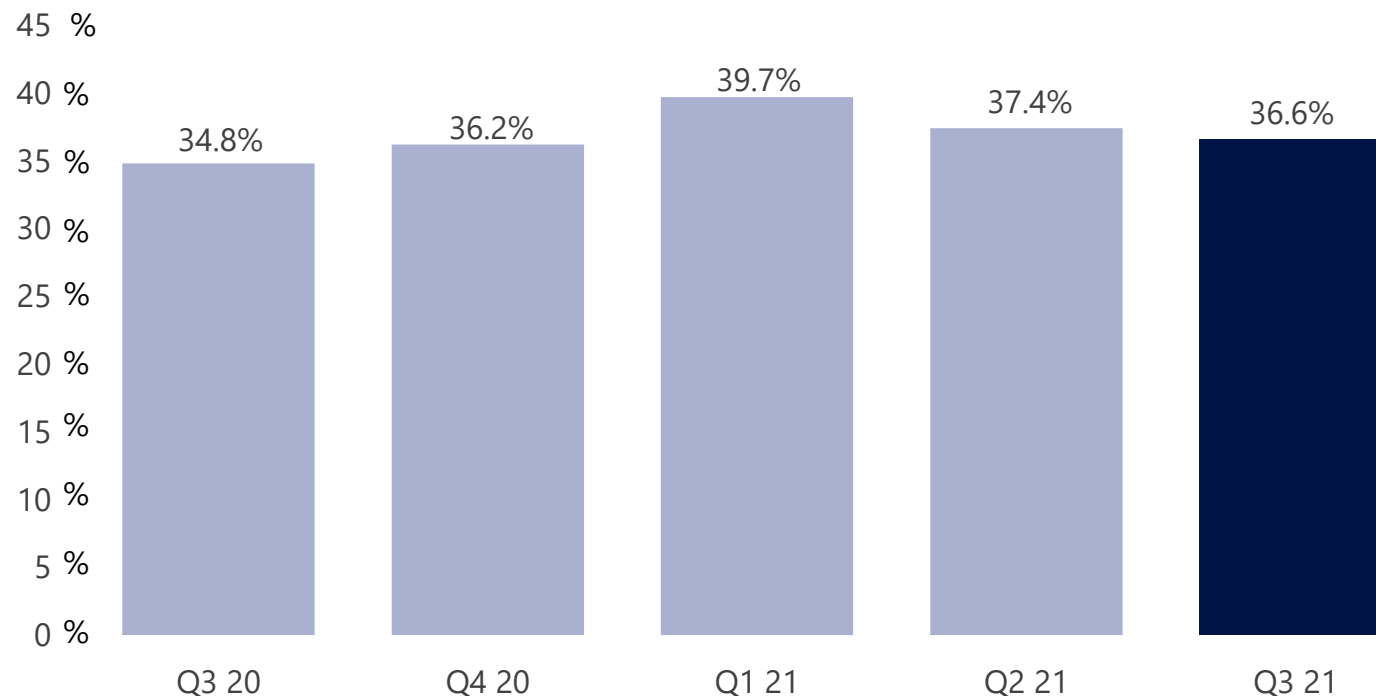
## GAAP



## Non-GAAP

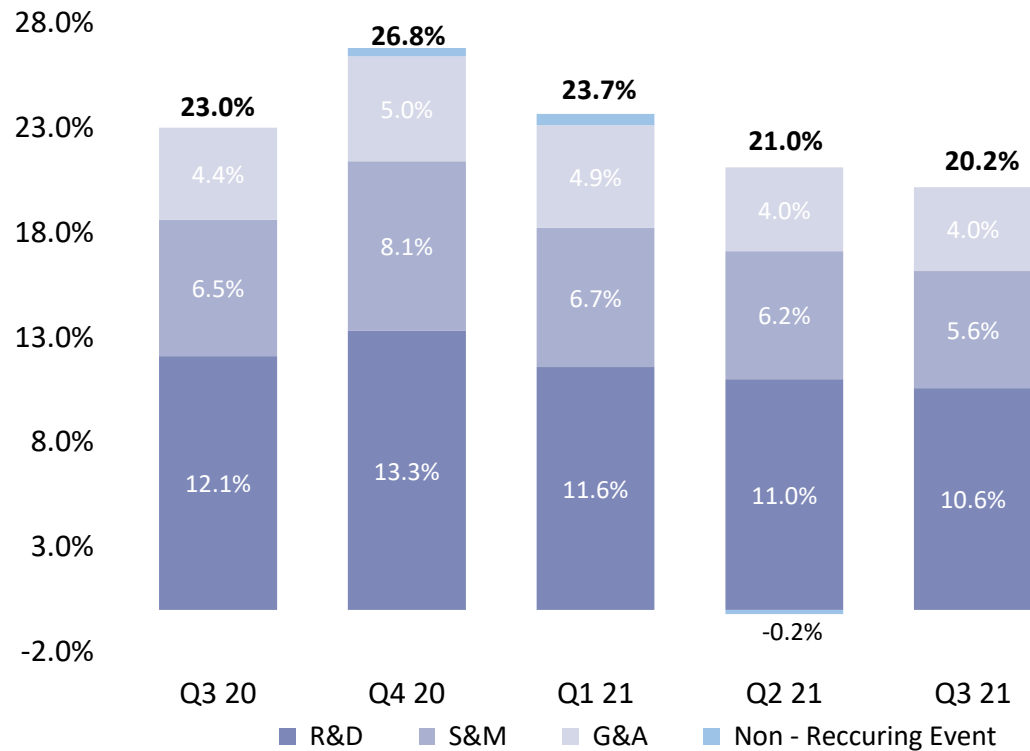


# Solar Segment Gross Margin Trend by Quarters (%)

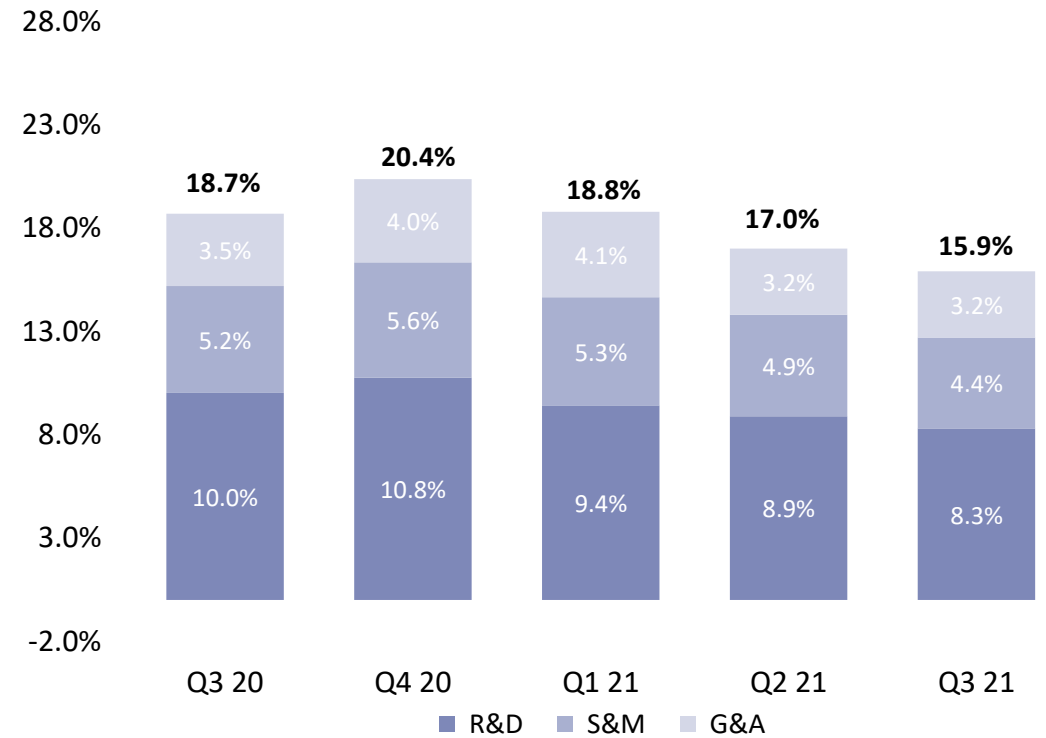


# Consolidated Operating Expenses

## GAAP

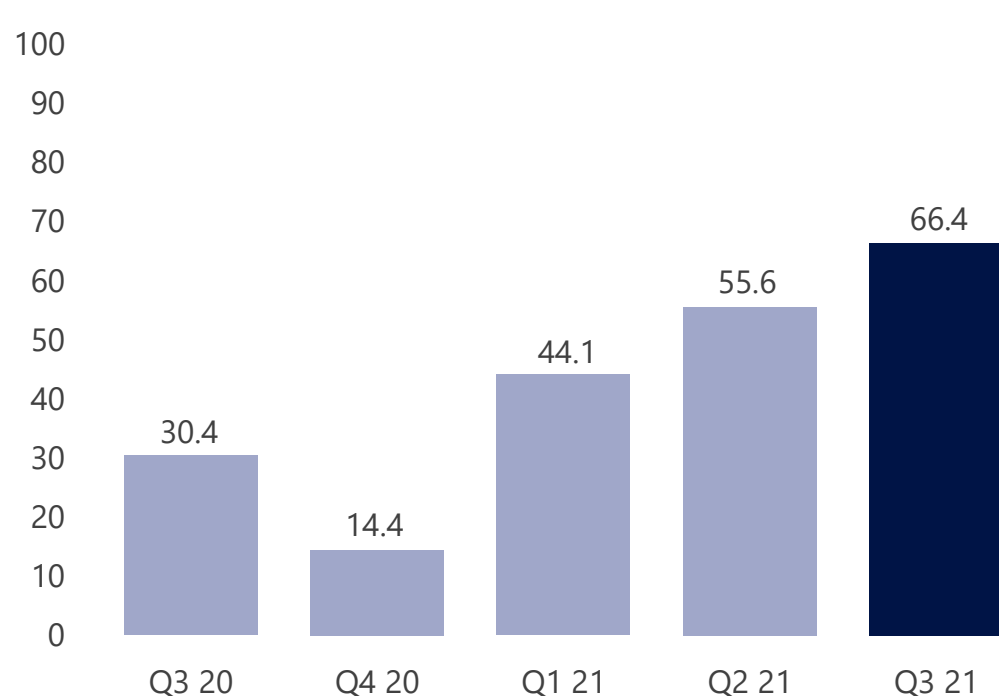


## Non-GAAP

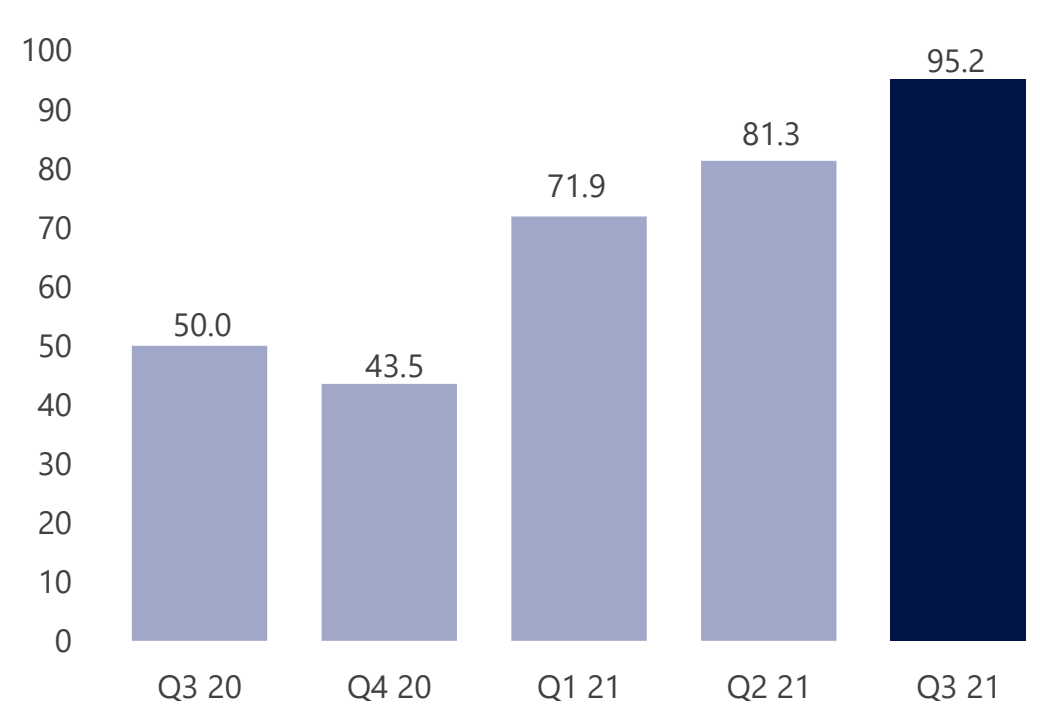


# Consolidated Operating Income

## GAAP



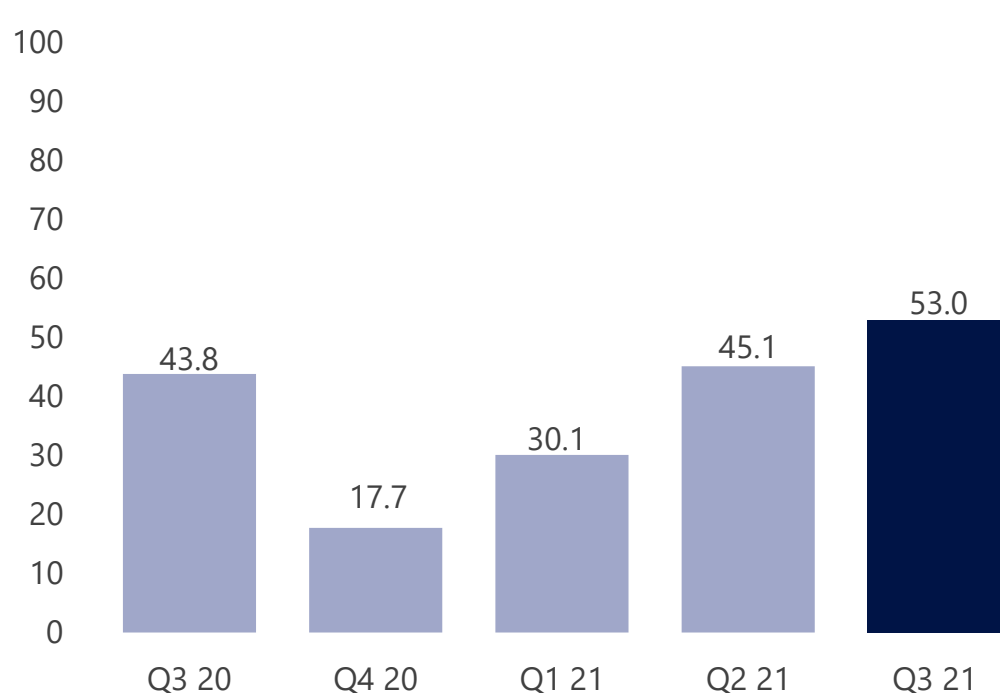
## Non-GAAP



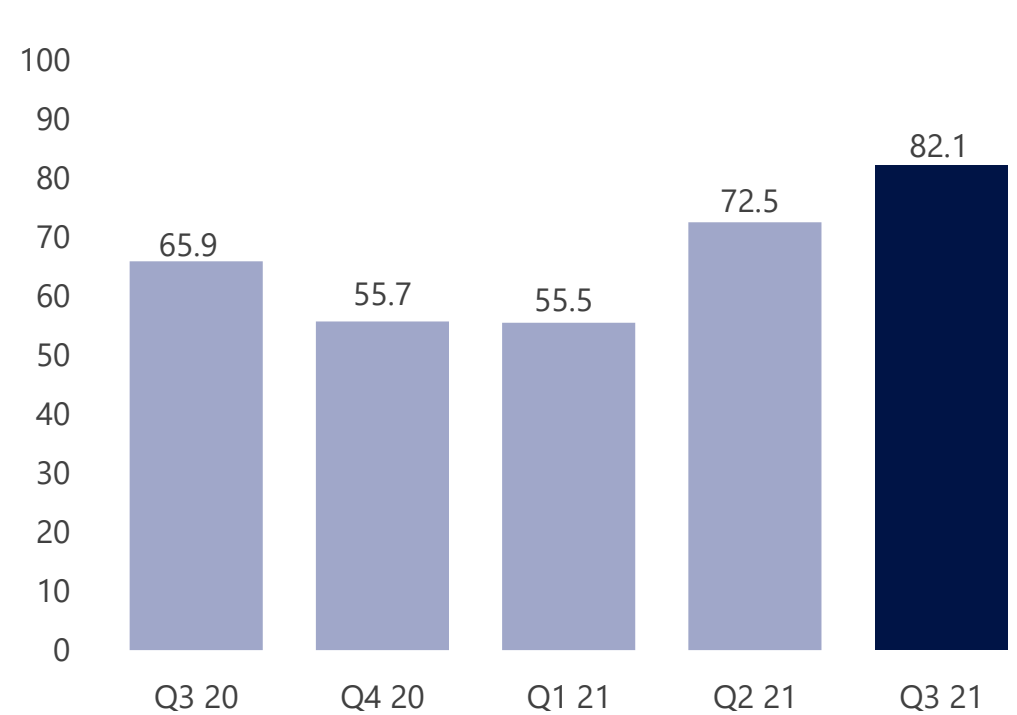
USD Millions

# Consolidated Net Income

## GAAP



## Non-GAAP



USD Millions

# Balance Sheet & Cash flow

USD in millions	Q3 20	Q2 21	Q3 21
Cash and investments	1,201.9	1,143.2	1,158.0
Total Debt*	648.1	633.9	633.9
Cash and Investments Net of Debt	553.8	509.3	524.1
Inventory	297.0	321.9	304.7
Capital Expenditures	36.4	39.9	27.7
Cash Flow From Operations	28.4	38.7	61.8

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



# Fourth Quarter Guidance

- Revenue to be within the range of \$530 million to \$560 million;
- Non-GAAP gross margin expected to be within the range of 30% to 32%;
- Revenue from solar segment to be within the range of \$490 million to \$515 million;
- Gross margin from sale of solar segment expected to be within the range of 31% to 34%



# Appendix

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Gross Profit				
	Three months ended			Nine months ended	
	September 30, 2021	June 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Gross profit (GAAP)</b>	172,561	156,192	108,063	468,827	351,034
Revenues from finance component	(111)	(99)	----	(296)	----
Stock-based compensation	4,289	4,291	2,730	14,370	7,362
Cost of product adjustment	----	----	----	----	313
Amortization and depreciation of acquired assets	2,341	2,401	2,429	7,054	7,110
<b>Gross profit (Non-GAAP)</b>	<b>179,080</b>	<b>162,785</b>	<b>113,222</b>	<b>489,955</b>	<b>365,819</b>

	Reconciliation of GAAP to Non-GAAP Gross Margin				
	Three months ended			Nine months ended	
	September 30, 2021	June 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Gross margin (GAAP)</b>	32.8%	32.5%	32.0%	33.2%	31.9%
Revenues from finance component	0.0%	0.0%	----	0.0%	----
Stock-based compensation	0.8%	0.9%	0.8%	1.0%	0.7%
Cost of product adjustment	----	----	----	----	0.0%
Amortization and depreciation of acquired assets	0.4%	0.5%	0.7%	0.5%	0.6%
<b>Gross margin (Non-GAAP)</b>	<b>34.0%</b>	<b>33.9%</b>	<b>33.5%</b>	<b>34.7%</b>	<b>33.2%</b>

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Operating expenses				
	Three months ended			Nine months ended	
	September 30, 2021	June 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Operating expenses (GAAP)</b>	106,147	100,633	77,669	302,726	222,900
Stock-based compensation - R&D	(11,949)	(9,805)	(6,904)	(30,552)	(18,129)
Stock-based compensation - S&M	(5,737)	(5,780)	(4,066)	(16,952)	(10,703)
Stock-based compensation - G&A	(4,210)	(4,176)	(2,559)	(11,516)	(6,799)
Amortization and depreciation of acquired assets - R&D	(207)	(9)	(26)	(228)	(77)
Amortization and depreciation of acquired assets - S&M	(229)	(236)	(370)	(702)	(957)
Amortization and depreciation of acquired assets - G&A	(8)	(7)	(8)	(23)	(25)
Assets sale (disposal)	37	---	(558)	99	(558)
Other operating income (expenses)	---	859	---	(1,350)	4,900
<b>Operating expenses (Non-GAAP)</b>	<b>83,844</b>	<b>81,479</b>	<b>63,178</b>	<b>241,502</b>	<b>190,552</b>

	Reconciliation of GAAP to Non-GAAP Operating income				
	Three months ended			Nine months ended	
	September 30, 2021	June 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Operating income (GAAP)</b>	66,414	55,559	30,394	166,101	128,134
Revenues from finance component	(111)	(99)	---	(296)	---
Cost of product adjustment	---	---	---	---	313
Stock-based compensation	26,185	24,052	16,259	73,390	42,993
Amortization and depreciation of acquired assets	2,785	2,653	2,833	8,007	8,169
Assets (sale) disposal	(37)	---	558	(99)	558
Other operating (income) expenses	---	(859)	---	1,350	(4,900)
<b>Operating income (Non-GAAP)</b>	<b>95,236</b>	<b>81,306</b>	<b>50,044</b>	<b>248,453</b>	<b>175,267</b>

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Financial expenses (income), net				
	Three months ended			Nine months ended	
	September 30, 2021	June 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Financial expenses (income), net (GAAP)</b>	5,751	1,743	(15,765)	13,591	(10,725)
Notes due 2025	(726)	(726)	(168)	(2,176)	(168)
Non cash interest	(1,469)	(1,439)	(1,254)	(4,244)	(3,582)
Currency fluctuation related to lease standard	(574)	(1,300)	(243)	415	(102)
Amortization and depreciation of acquired assets	----	----	----	----	(982)
<b>Financial expenses (income), net (Non-GAAP)</b>	<b>2,982</b>	<b>(1,722)</b>	<b>(17,430)</b>	<b>7,586</b>	<b>(15,559)</b>
	Reconciliation of GAAP to Non-GAAP Tax on income				
	Three months ended			Nine months ended	
	September 30, 2021	June 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Tax on income (GAAP)</b>	7,615	8,724	2,408	24,294	16,192
Deferred taxes	2,528	1,789	(816)	6,458	5,956
<b>Tax on income (Non-GAAP)</b>	<b>10,143</b>	<b>10,513</b>	<b>1,592</b>	<b>30,752</b>	<b>22,148</b>

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net income				
	Three months ended			Nine months ended	
	September 30, 2021	June 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Net income (GAAP)</b>	53,048	45,092	43,751	128,216	122,667
Revenues from finance component	(111)	(99)	----	(296)	----
Cost of product adjustment	----	----	----	----	313
Stock-based compensation	26,185	24,052	16,259	73,390	42,993
Amortization and depreciation of acquired assets	2,785	2,653	2,833	8,007	9,151
Assets (sale) disposal	(37)	----	558	(99)	558
Other operating (income) expenses	----	(859)	----	1,350	(4,900)
Notes due 2025	726	726	168	2,176	168
Non cash interest	1,469	1,439	1,254	4,244	3,582
Currency fluctuation related to lease standard	574	1,300	243	(415)	102
Deferred taxes	(2,528)	(1,789)	816	(6,458)	(5,956)
<b>Net income (Non-GAAP)</b>	<b>82,111</b>	<b>72,515</b>	<b>65,882</b>	<b>210,115</b>	<b>168,678</b>

# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net basic EPS				
	Three months ended			Nine months ended	
	September 30, 2021	June 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Net basic earnings per share (GAAP)</b>	1.01	0.87	0.87	2.46	2.46
Revenues from finance component	0.00	(0.01)	----	0.00	----
Cost of product adjustment	----	----	----	----	0.01
Stock-based compensation	0.50	0.47	0.32	1.41	0.86
Amortization and depreciation of acquired assets	0.05	0.05	0.05	0.15	0.18
Assets (sale) disposal	0.00	----	0.01	0.00	0.01
Other operating (income) expenses	----	(0.02)	----	0.03	(0.10)
Notes due 2025	0.02	0.01	0.00	0.04	0.00
Non cash interest	0.03	0.03	0.03	0.08	0.08
Currency fluctuation related to lease standard	0.01	0.03	0.00	(0.01)	0.00
Deferred taxes	(0.05)	(0.04)	0.02	(0.12)	(0.12)
<b>Net basic earnings per share (Non-GAAP)</b>	<b>1.57</b>	<b>1.39</b>	<b>1.30</b>	<b>4.04</b>	<b>3.38</b>



# Reconciliation of GAAP to Non-GAAP

	Reconciliation of GAAP to Non-GAAP Net diluted EPS				
	Three months ended			Nine months ended	
	September 30, 2021	June 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Net diluted earnings per share (GAAP)</b>	0.96	0.82	0.83	2.32	2.33
Revenues from finance component	0.00	(0.01)	----	(0.01)	----
Cost of product adjustment	----	----	----	----	0.01
Stock-based compensation	0.45	0.42	0.28	1.27	0.74
Amortization and depreciation of acquired assets	0.05	0.04	0.05	0.14	0.17
Assets (sale) disposal	0.00	----	0.01	0.00	0.01
Other operating (income) expenses	----	(0.01)	----	0.02	(0.09)
Notes due 2025	0.00	0.00	0.00	0.01	0.00
Non cash interest	0.03	0.03	0.02	0.08	0.07
Currency fluctuation related to lease standard	0.01	0.02	0.00	(0.01)	0.00
Deferred taxes	(0.05)	(0.03)	0.02	(0.11)	(0.11)
<b>Net diluted earnings per share (Non-GAAP)</b>	<u>1.45</u>	<u>1.28</u>	<u>1.21</u>	<u>3.71</u>	<u>3.13</u>

	Reconciliation of GAAP to Non-GAAP No. of shares used in Net diluted EPS				
	Three months ended			Nine months ended	
	September 30, 2021	June 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Number of shares used in computing net diluted earnings per share (GAAP)</b>	55,929,000	55,930,562	53,144,188	55,955,441	52,623,675
Stock-based compensation	653,967	780,309	1,134,877	733,488	1,229,630
<b>Number of shares used in computing net diluted earnings per share (Non-GAAP)</b>	<u>56,582,967</u>	<u>56,710,871</u>	<u>54,279,065</u>	<u>56,688,929</u>	<u>53,853,305</u>

NASDAQ | SEDG