



Calendar Fourth Quarter 2016

Earnings summary

February 14, 2017 

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



**1,259K optimizers
shipped**



**57K inverters
shipped**



**413 Megawatts
shipped**



\$111.5M revenues

FOURTH QUARTER HIGHLIGHTS

Financial highlights for quarter

- ☐ Revenue of \$111.5 million
- ☐ GAAP gross margin of 35.0%
- ☐ GAAP operating income of \$15.1 million
- ☐ GAAP net income of \$9.8 million
- ☐ Non-GAAP net income of \$14.7 million
- ☐ Continue to generate cash flow from operations

Business highlights for quarter

- ☐ 413 Megawatts AC inverters shipped
- ☐ 1.3 million optimizers and 57K inverters shipped



NOTEWORTHY

- First quarter of declined revenues since CQ4/13, in line with slow down of U.S residential market and seasonality
- Continued cost reduction yield strong operational measures and higher than planned, 35% gross margin
- Annual ASP erosion excluding product mix effect, less than 10%
- No evident change in competitive landscape
- HD-Wave rollout in Europe continues; U.S. rollout began
- Sales in Europe were stronger despite seasonality, indicating positive signs for growth
- Unrealized loss from Euro/Dollar exchange rate negatively impacted bottom line profitability while operating profits decreased slightly

FINANCIAL RESULTS

*USD in millions	CQ4'16	CQ3'16	CQ4'15
Revenues	111.5	128.5	124.8
Gross margin	35.0%	32.6%	30.9%
Operating expenses	23.9	23.6	19.3
Operating income	15.1	18.2	19.3
Net income	9.8	15.6	24.1
Net diluted earnings per share	0.22	0.35	0.55

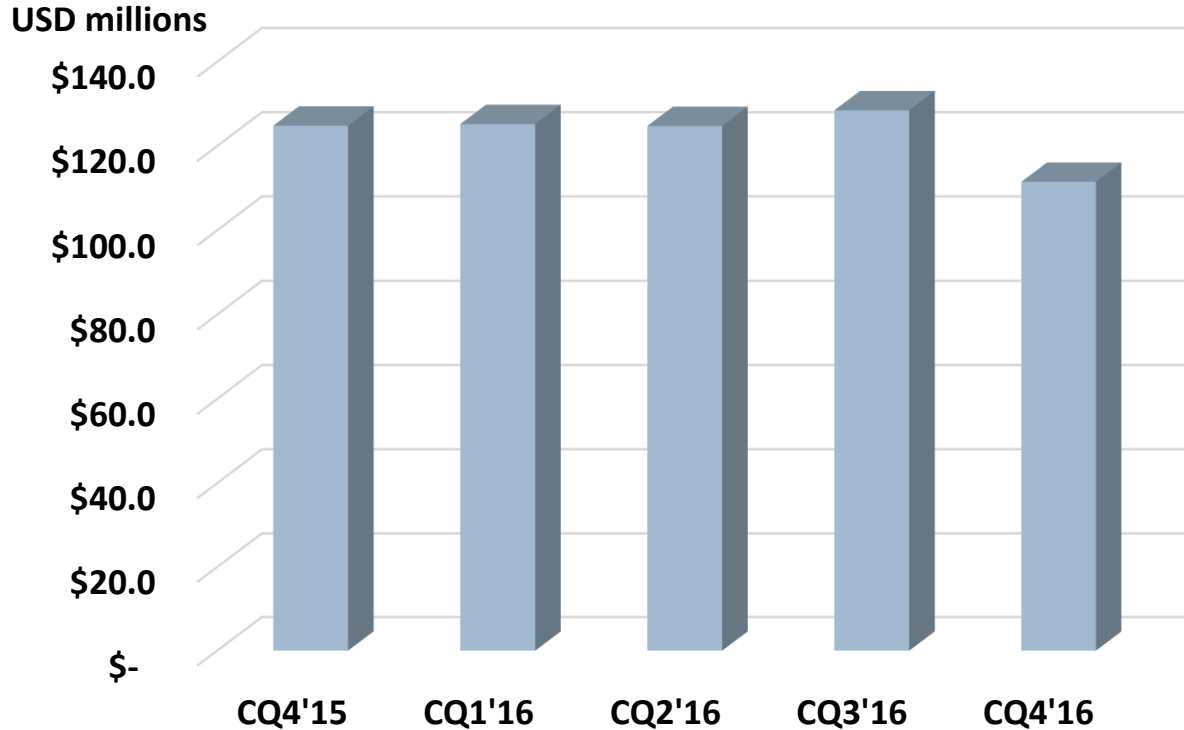
*with the exception of gross margin and per share data

NON-GAAP FINANCIAL RESULTS

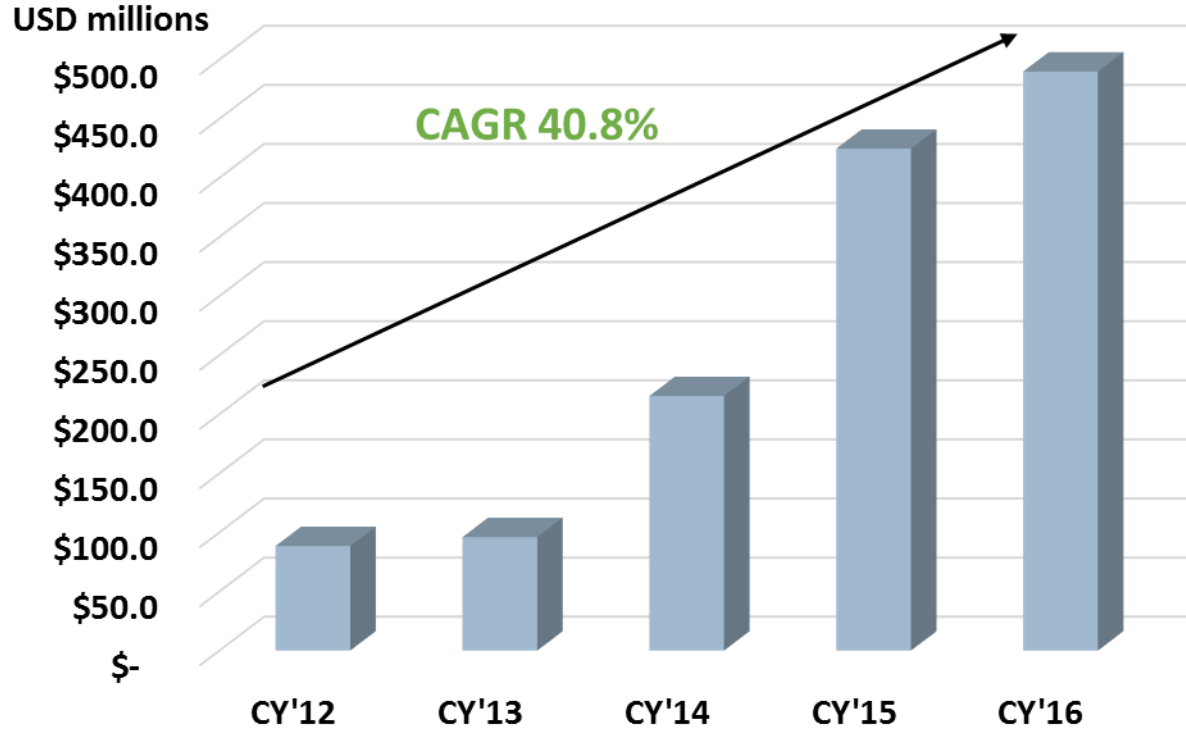
*USD in millions	CQ4'16	CQ3'16	CQ4'15
Revenues	111.5	128.5	124.8
Gross margin	35.4%	32.9%	31.1%
Operating expenses	20.9	20.9	17.3
Operating income	18.6	21.3	21.5
Net income	14.7	20.9	19.8
Net diluted earnings per share	0.32	0.46	0.44

*with the exception of gross margin and per share data

QUARTERLY REVENUES

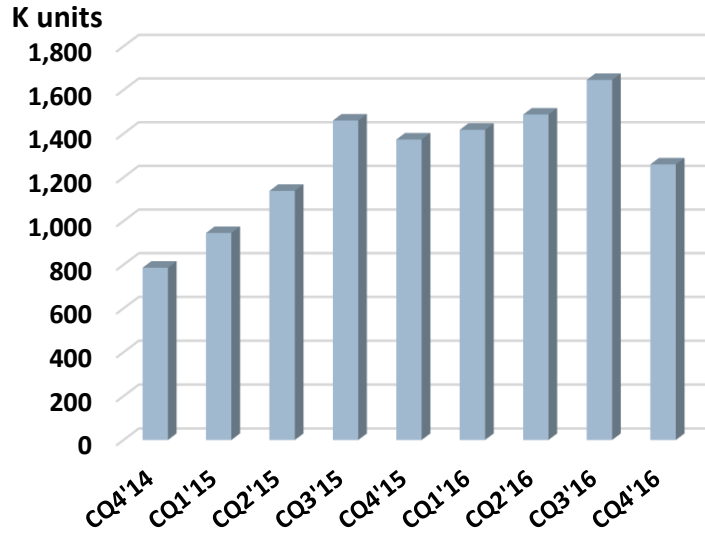


ANNUAL REVENUES

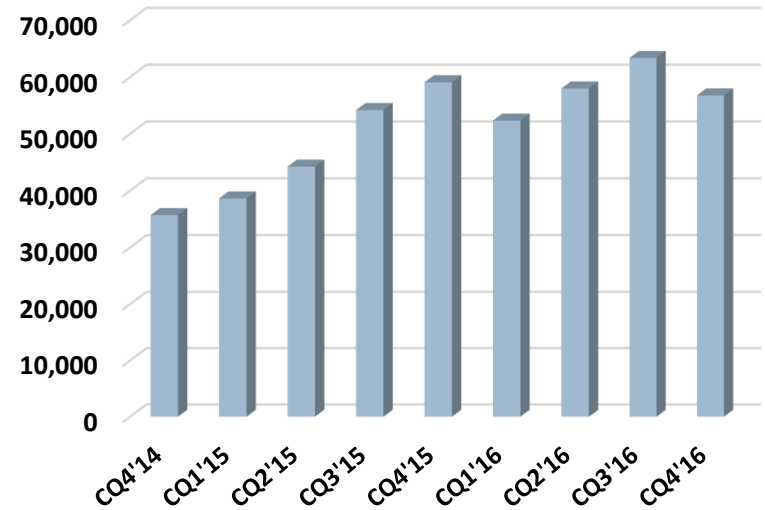


UNITS SHIPPED

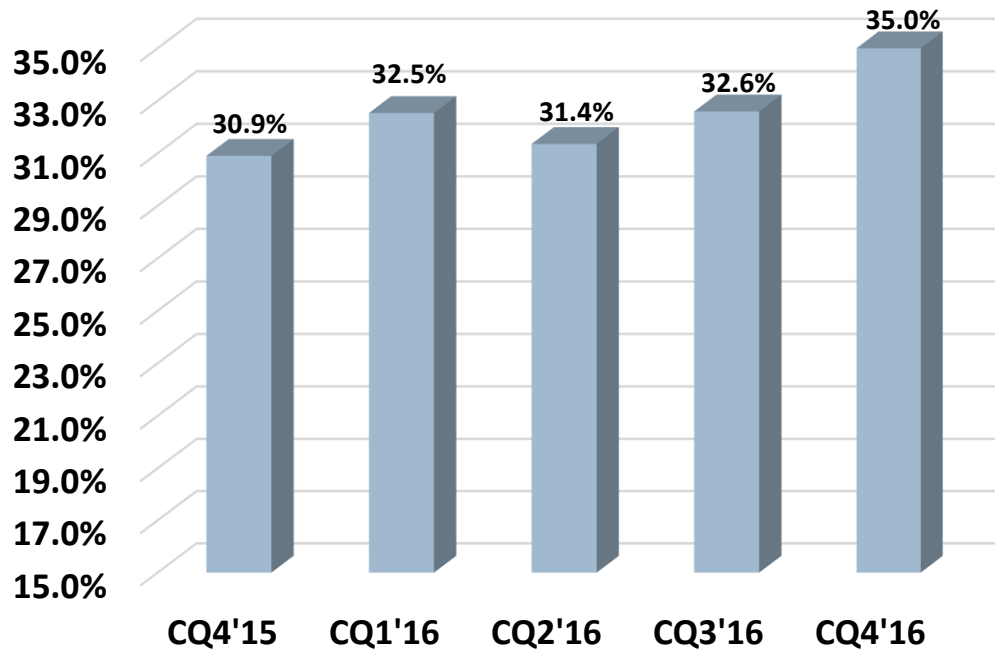
Optimizers shipped



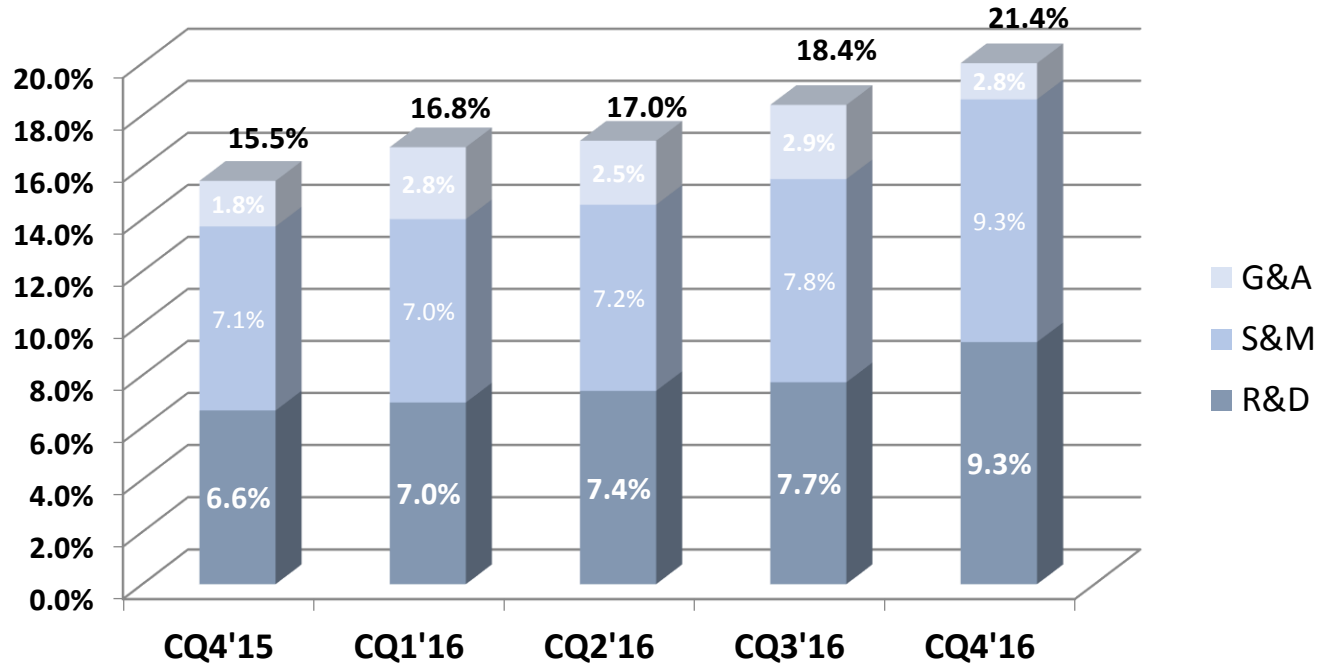
Inverters shipped



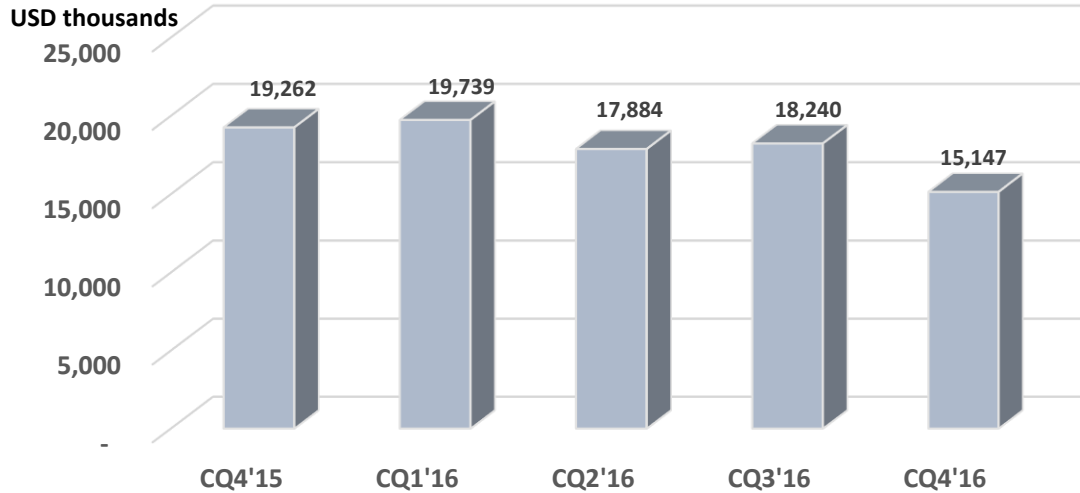
GROSS MARGIN



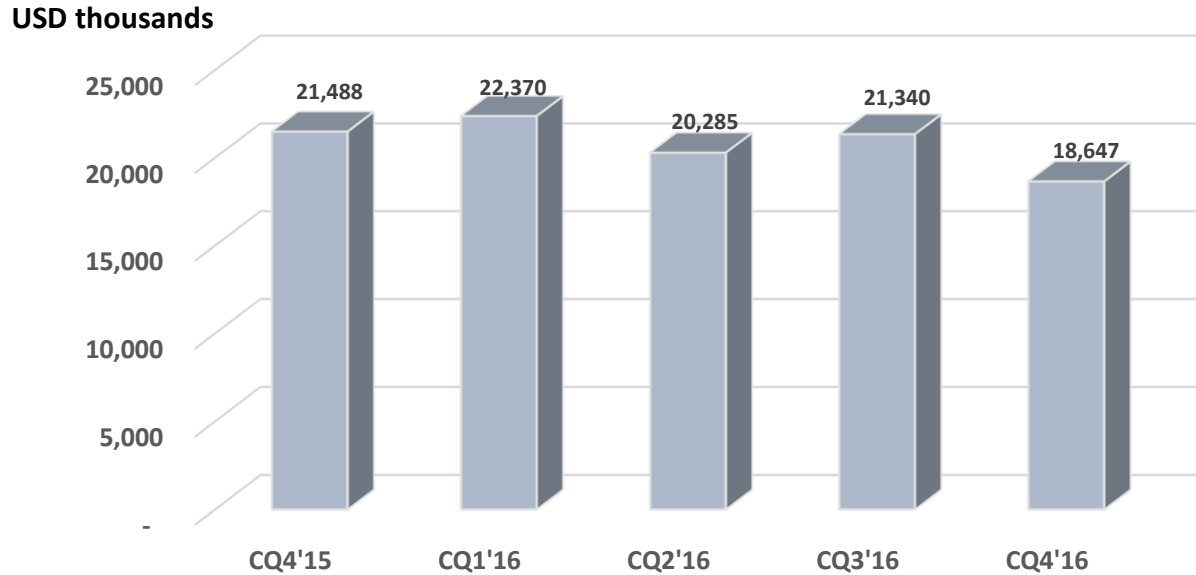
OPERATING EXPENSES



GAAP OPERATING INCOME



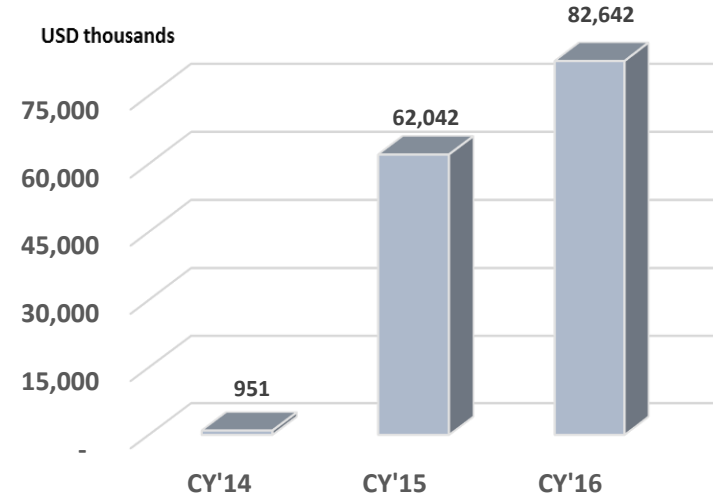
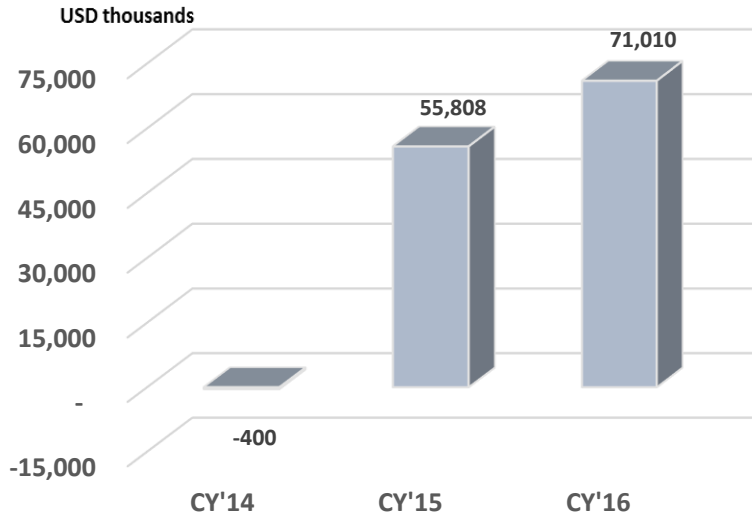
NON GAAP OPERATING INCOME



ANNUAL OPERATING INCOME

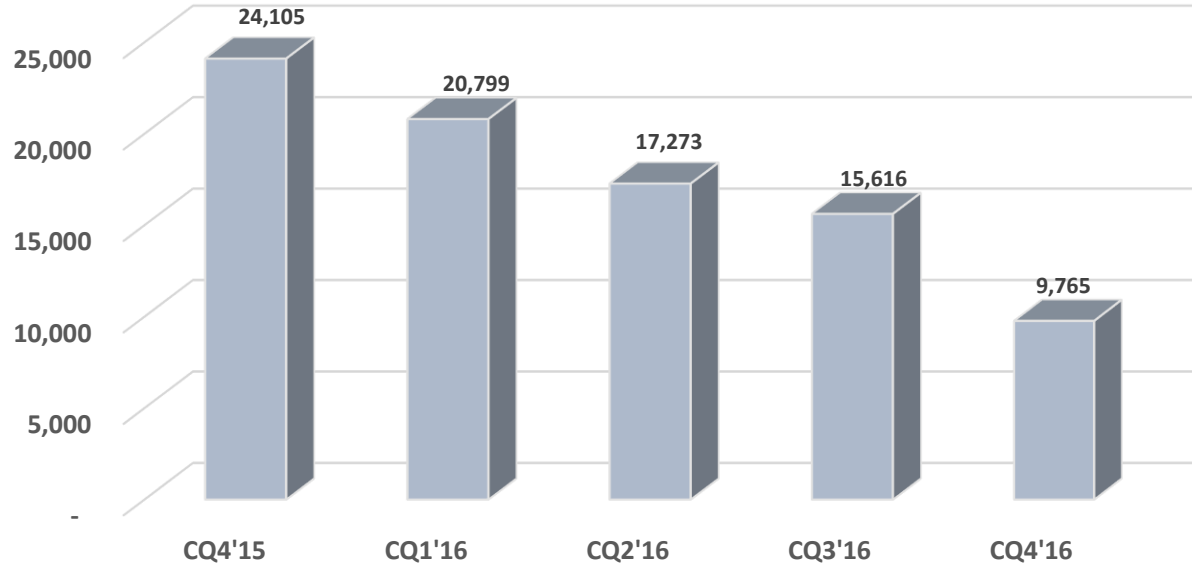
GAAP

NON - GAAP

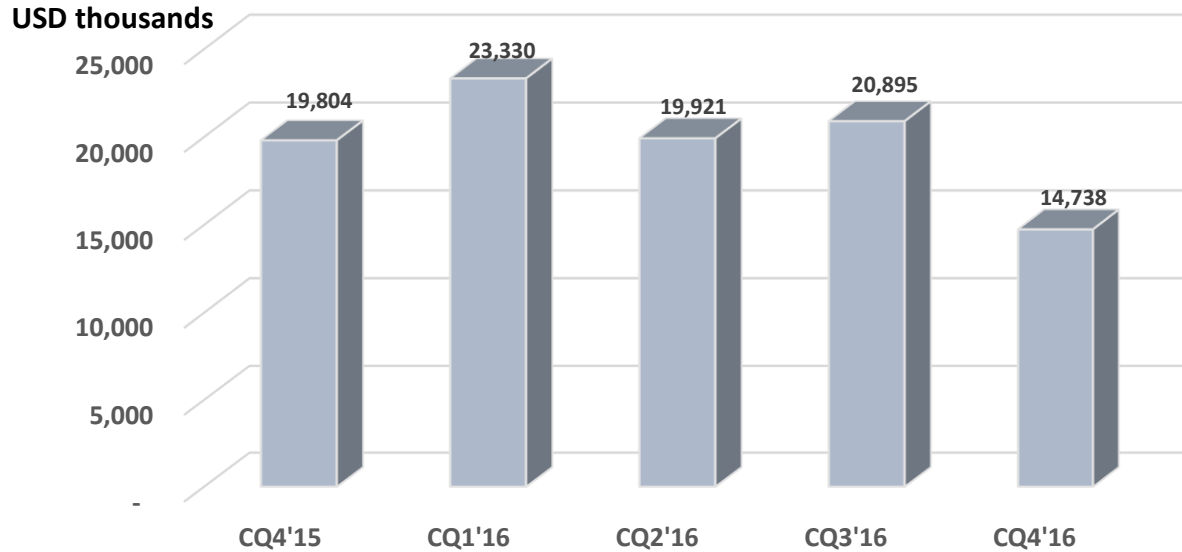


GAAP NET INCOME

USD thousands



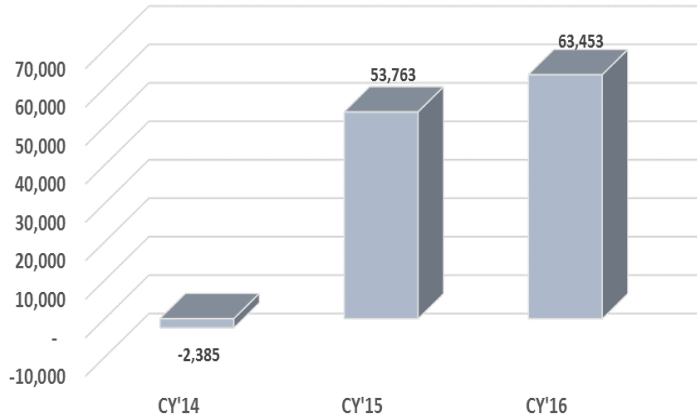
NON GAAP NET INCOME



ANNUAL NET INCOME

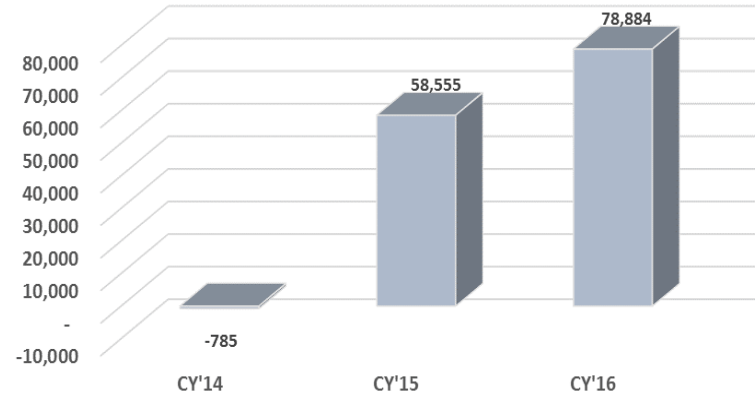
GAAP

USD thousands



NON- GAAP

USD thousands



BALANCE SHEET & CASH FLOW

USD in millions	CQ4'16	CQ3'16	CQ4'15
Cash and investments	224.3	206.7	162.0
Inventory	67.4	68.4	87.4
Capital Expenditures	7.2	3.8	2.3
Total Debt	-	-	-
Cash Flow From Operations	24.7	24.4	13.1

— CALENDAR FIRST QUARTER OUTLOOK —

- ▢ Revenues expected to be within the range of \$110 million to \$120 million
- ▢ Gross margin expected to be within the range of 31% to 33%



Appendix

—RECONCILIATION OF GAAP TO NON-GAAP—

Reconciliation of GAAP to Non-GAAP Gross Profit

	Three months ended			6 months ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	Gross profit (GAAP)	39,025	41,875	38,582	80,900
Stock-based compensation	486	385	209	871	389
Gross profit (Non-GAAP)	39,511	42,260	38,791	81,771	72,498

Reconciliation of GAAP to Non-GAAP Gross Margin

	Three months ended			6 months ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	Gross margin (GAAP)	35.0%	32.6%	30.9%	33.7%
Stock-based compensation	0.4%	0.3%	0.2%	0.4%	0.1%
Gross margin (Non-GAAP)	35.4%	32.9%	31.1%	34.1%	30.2%

—RECONCILIATION OF GAAP TO NON-GAAP—

Reconciliation of GAAP to Non-GAAP Operating expenses

	Three months ended			6 months ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Operating expenses (GAAP)	23,878	23,635	19,320	47,513	37,973
Stock-based compensation R&D	1,134	927	518	2,061	913
Stock-based compensation S&M	1,003	849	749	1,852	1,365
Stock-based compensation G&A	877	939	750	1,816	1,391
Operating expenses (Non-GAAP)	20,864	20,920	17,303	41,784	34,304

Reconciliation of GAAP to Non-GAAP Operating income

	Three months ended			6 months ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Operating income (GAAP)	15,147	18,240	19,262	33,387	34,136
Stock-based compensation	3,500	3,100	2,226	6,600	4,058
Operating income (Non-GAAP)	18,647	21,340	21,488	39,987	38,194

—RECONCILIATION OF GAAP TO NON-GAAP—

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

	Three months ended			6 months ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Tax on income (Tax benefit) (GAAP)	2,203	3,014	(5,802)	5,217	(5,432)
Deferred tax asset (realized)	(1,473)	(2,179)	6,527	(3,652)	6,527
Tax on income (Tax benefit) (Non-GAAP)	730	835	725	1,565	1,095

Reconciliation of GAAP to Non-GAAP Net income

	Three months ended			6 months ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Net income (GAAP)	9,765	15,616	24,105	25,381	38,537
Stock-based compensation	3,500	3,100	2,226	6,600	4,058
Deferred tax realized (asset)	1,473	2,179	(6,527)	3,652	(6,527)
Net income (Non-GAAP)	14,738	20,895	19,804	35,633	36,068

—RECONCILIATION OF GAAP TO NON-GAAP—

	Reconciliation of GAAP to Non-GAAP Net basic EPS				
	Three months ended			6 months ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Net basic earnings per share (GAAP)	0.24	0.38	0.61	0.62	0.98
Stock-based compensation	0.08	0.08	0.06	0.16	0.10
Deferred tax realized (asset)	0.04	0.05	(0.17)	0.09	(0.16)
Net basic earnings per share (Non-GAAP)	<u>0.36</u>	<u>0.51</u>	<u>0.50</u>	<u>0.87</u>	<u>0.92</u>
	Reconciliation of GAAP to Non-GAAP Net diluted EPS				
	Three months ended			6 months ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Net diluted earnings per share (GAAP)	0.22	0.35	0.55	0.58	0.87
Stock-based compensation	0.07	0.06	0.03	0.12	0.07
Deferred tax realized (asset)	0.03	0.05	(0.14)	0.08	(0.14)
Net diluted earnings per share (Non-GAAP)	<u>0.32</u>	<u>0.46</u>	<u>0.44</u>	<u>0.78</u>	<u>0.80</u>
	Reconciliation of GAAP to Non-GAAP No. of shares used in Net diluted EPS				
	Three months ended			6 months ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Number of shares used in computing net diluted earnings per share (GAAP)	43,683,458	43,995,227	44,007,348	43,839,342	44,231,660
Stock-based compensation	2,399,308	1,742,211	1,341,335	2,070,759	1,013,903
Number of shares used in computing net diluted earnings per share (Non-GAAP)	<u>46,082,766</u>	<u>45,737,438</u>	<u>45,348,683</u>	<u>45,910,101</u>	<u>45,245,563</u>

solar**edge**

NASDAQ | SEDG