



Quarter ended September 30, 2016

Earnings summary

November 9, 2016

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# SAFE HARBOR

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## 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



**1,646K optimizers  
shipped**



**63K inverters  
shipped**



**466 Megawatts  
shipped**



**\$128.5M revenues**

# CALENDAR THIRD QUARTER HIGHLIGHTS

## Financial highlights for quarter

- ☐ Revenue of \$128.5 million, up 11.7% YoY
- ☐ GAAP gross margin of 32.6%
- ☐ GAAP operating income of \$18.2M
- ☐ GAAP net income of \$15.6 million
- ☐ Non-GAAP net income of \$20.9 million
- ☐ Cash flow from operations of \$24.4 million

## Business highlights for quarter

- ☐ 466 Megawatts AC inverters shipped
- ☐ 1.6 million optimizers and 63K inverters shipped



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# NOTEWORTHY

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- ❑ Slowdown in the U.S. residential market and shift from large TPOs to smaller installers continues to impact revenues in short term
- ❑ Gross margins and other financial and operational parameters continue to be strong
- ❑ HD-Wave inverters in mass production and rollout is as planned
- ❑ Commercial business remains strong
- ❑ Competition from Asian manufacturers not yet evident

# FINANCIAL RESULTS

*USD in millions	CQ3'16	CQ2'16	CQ3'15
Revenues	128.5	124.8	115.1
Gross margin	32.6%	31.4%	29.1%
Operating expenses	23.6	21.2	18.7
Operating income	18.2	17.9	14.9
Net income	15.6	17.3	14.4
Net diluted earnings per share	0.35	0.39	0.32

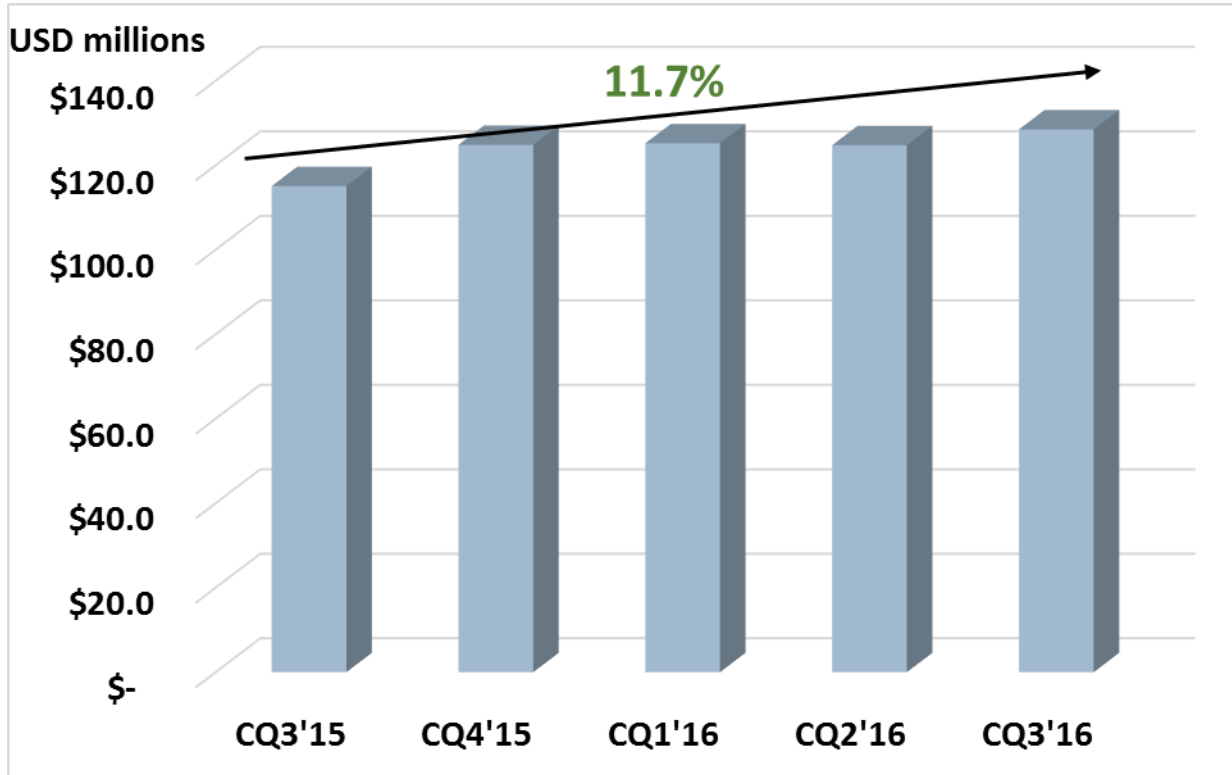
\*with the exception of gross margin and per share data

# NON-GAAP FINANCIAL RESULTS

*USD in millions	CQ3'16	CQ2'16	CQ3'15
Revenues	128.5	124.8	115.1
Gross margin	32.9%	31.6%	29.3%
Operating expenses	20.9	19.1	17.0
Operating income	21.3	20.3	16.7
Net income	20.9	19.9	16.3
Net diluted earnings per share	0.46	0.44	0.36

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

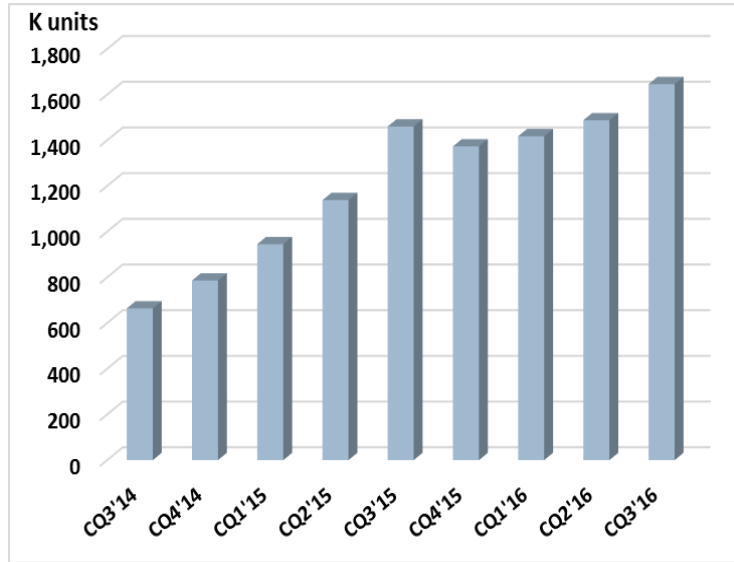
# REVENUE GROWTH



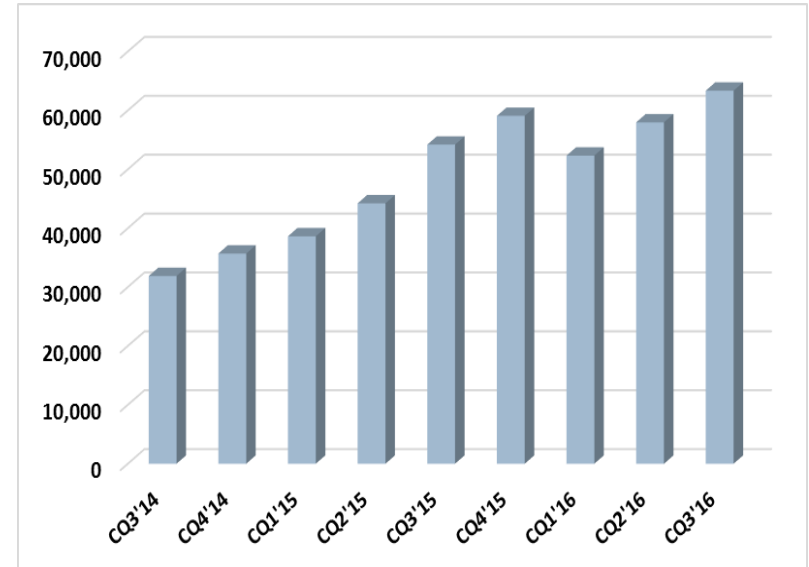


# UNITS SHIPPED

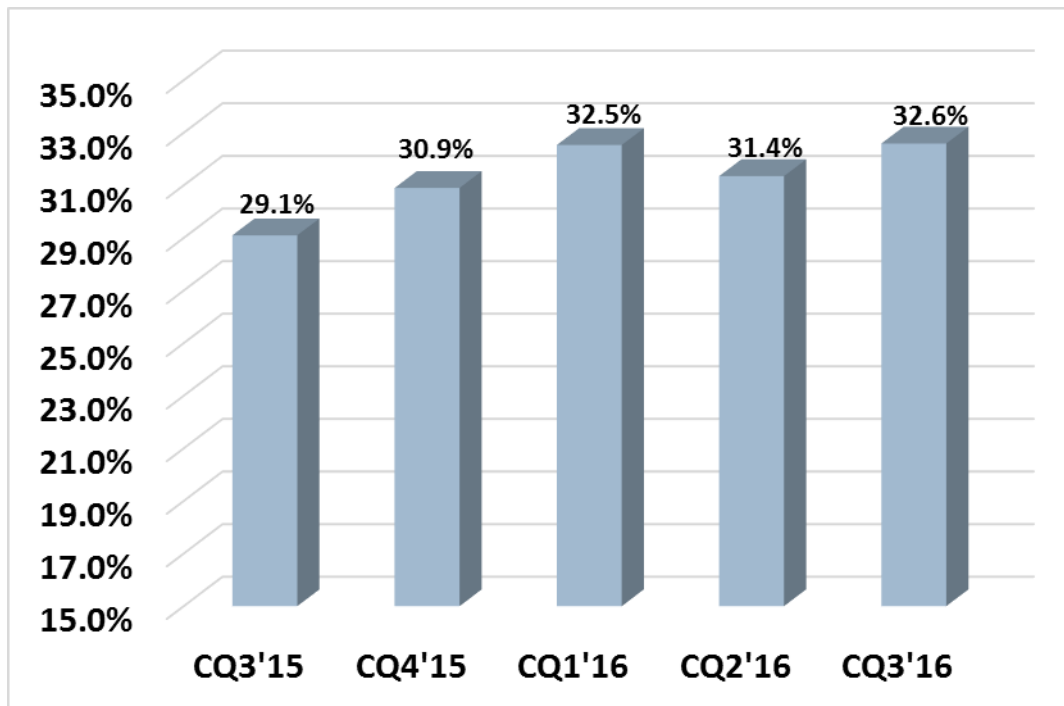
## Optimizers shipped



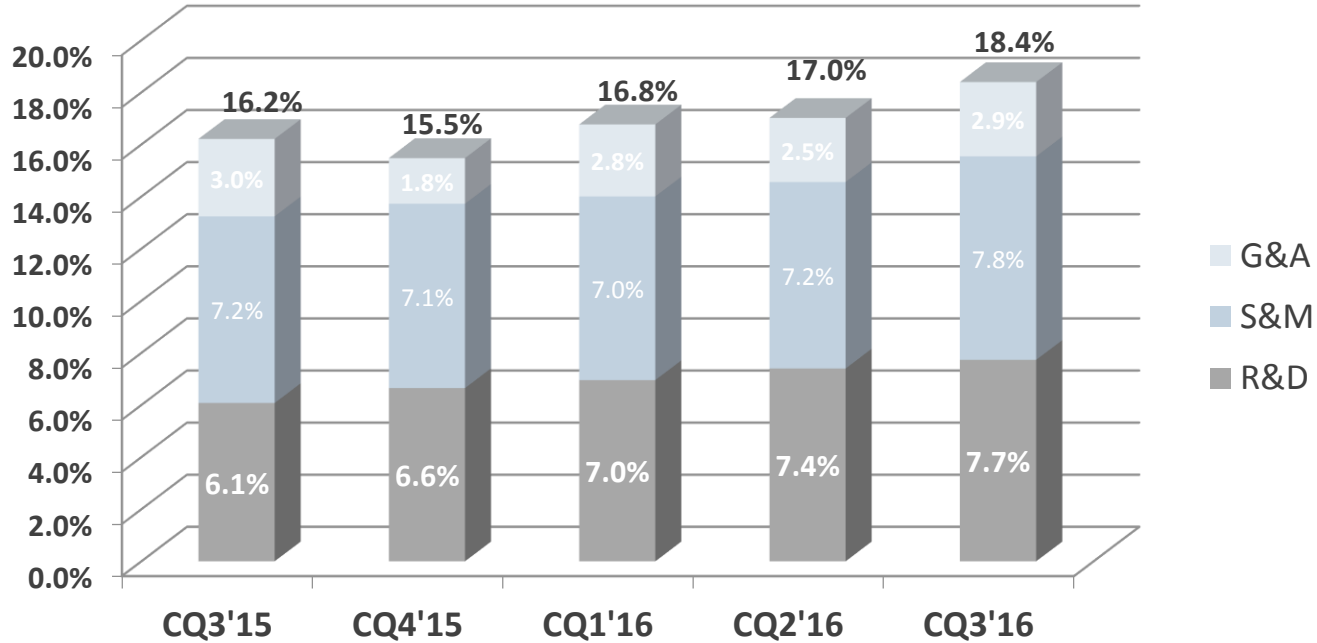
## Inverters shipped



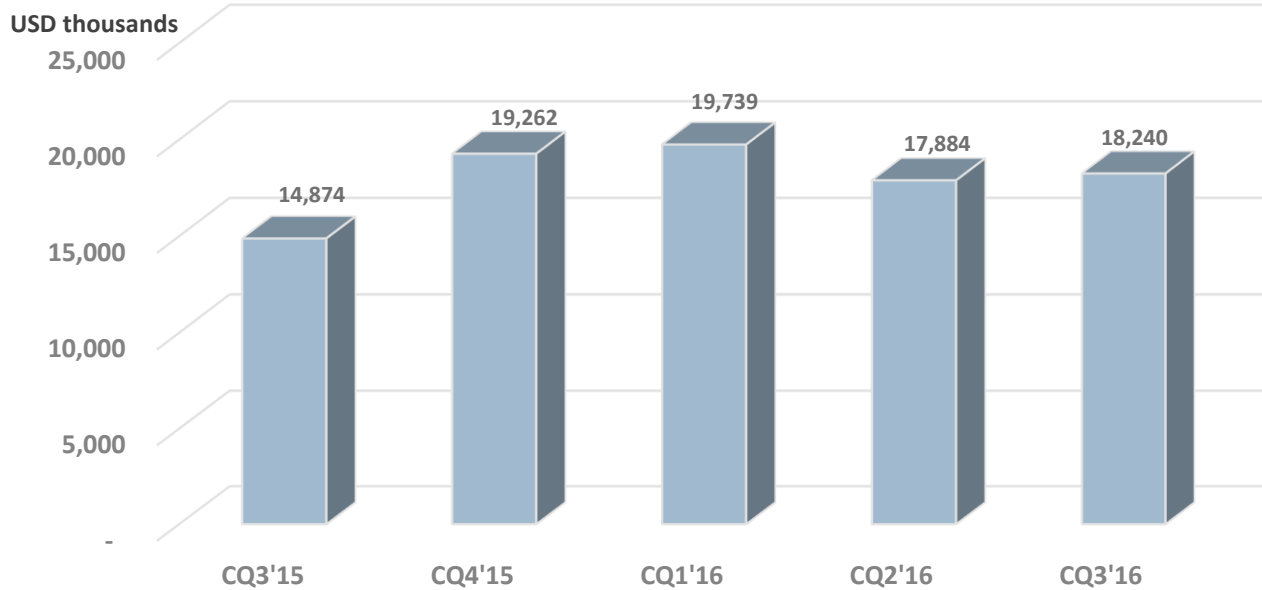
# GROSS MARGIN



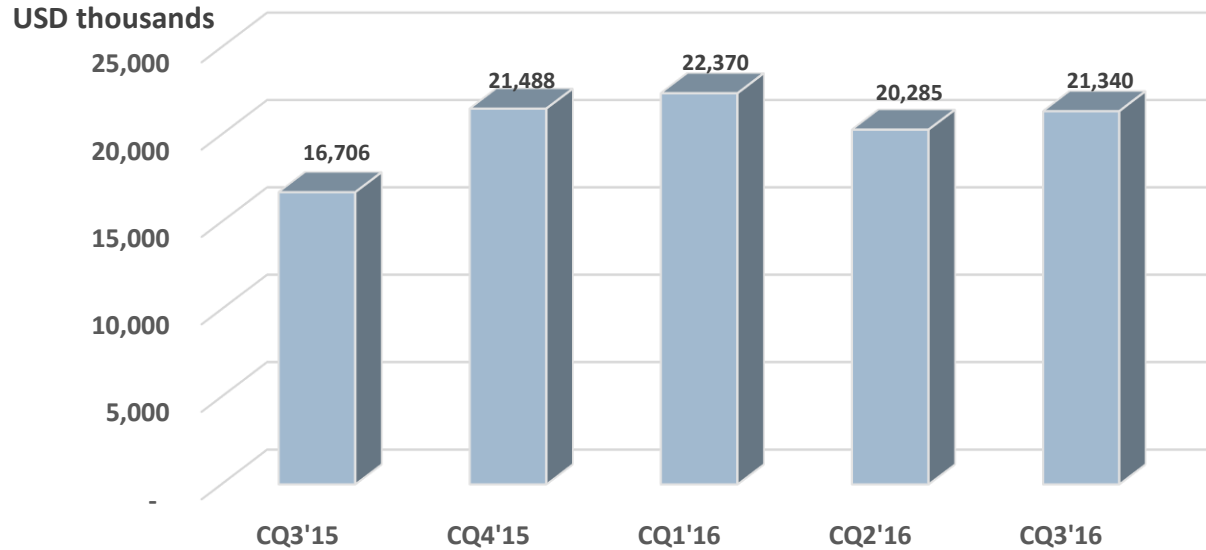
# OPERATING EXPENSES



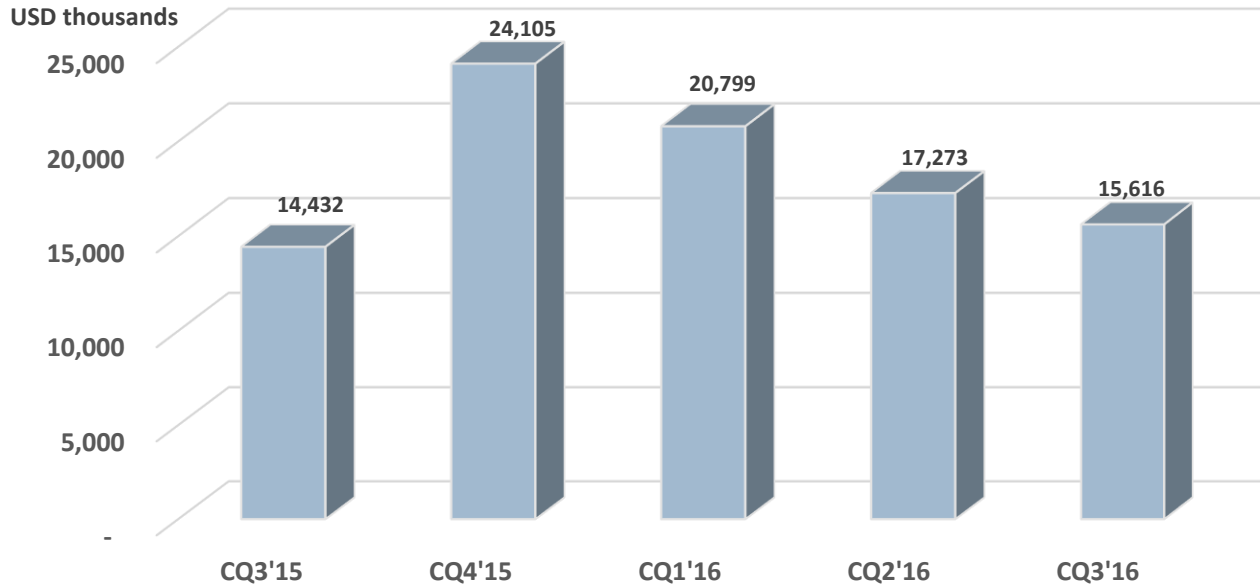
# GAAP OPERATING INCOME



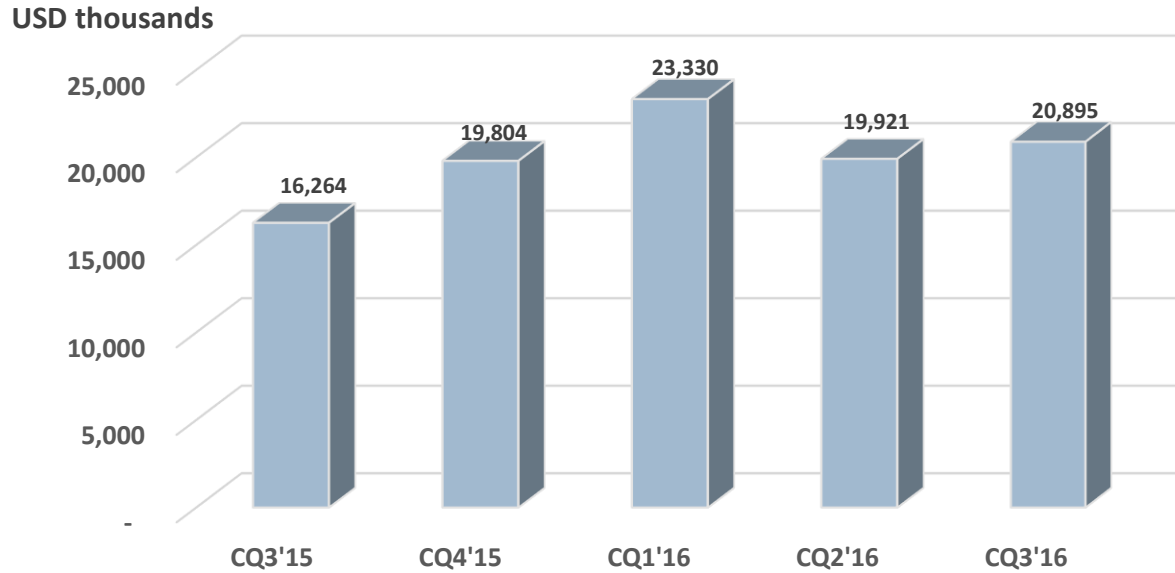
# NON GAAP OPERATING INCOME



# GAAP NET INCOME



# NON GAAP NET INCOME



# BALANCE SHEET & CASH FLOW

USD in millions	CQ3'16	CQ2'16	CQ3'15
Cash and investments	206.7	186.6	150.3
Inventory	68.4	81.6	79.9
Capital Expenditures	3.8	3.1	3.3
Total Debt	-	-	-
Cash Flow From Operations	24.4	17.3	5.9



# —CALENDAR FOURTH QUARTER OUTLOOK—

▢ Revenues expected to be within the range of \$110 million to \$120 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		
	September 30, 2016	June 30, 2016	September 30, 2015
<b>Gross profit (GAAP)</b>	41,875	39,113	33,527
Stock-based compensation	385	310	180
<b>Gross profit (Non-GAAP)</b>	42,260	39,423	33,707

## Reconciliation of GAAP to Non-GAAP Gross Margin

	Three months ended		
	September 30, 2016	June 30, 2016	September 30, 2015
<b>Gross margin (GAAP)</b>	32.6%	31.4%	29.1%
Stock-based compensation	0.3%	0.2%	0.2%
<b>Gross margin (Non-GAAP)</b>	32.9%	31.6%	29.3%

# —RECONCILIATION OF GAAP TO NON-GAAP—

## Reconciliation of GAAP to Non-GAAP Operating expenses

	Three months ended		
	September 30, 2016	June 30, 2016	September 30, 2015
<b>Operating expenses (GAAP)</b>	23,635	21,229	18,653
Stock-based compensation R&D	927	747	395
Stock-based compensation S&M	849	730	616
Stock-based compensation G&A	939	613	641
<b>Operating expenses (Non-GAAP)</b>	<b>20,920</b>	<b>19,138</b>	<b>17,001</b>

## Reconciliation of GAAP to Non-GAAP Operating income

	Three months ended		
	September 30, 2016	June 30, 2016	September 30, 2015
<b>Operating income (GAAP)</b>	18,240	17,884	14,874
Stock-based compensation	3,100	2,401	1,832
<b>Operating income (Non-GAAP)</b>	<b>21,340</b>	<b>20,285</b>	<b>16,706</b>

# —RECONCILIATION OF GAAP TO NON-GAAP—

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

	Three months ended		
	September 30, 2016	June 30, 2016	September 30, 2015
<b>Tax on income (Tax benefit) (GAAP)</b>	3,014	84	370
Tax expenses due to utilization of deferred tax asset	(2,179)	(247)	----
<b>Tax on income (Tax benefit) (Non-GAAP)</b>	835	(163)	370

## Reconciliation of GAAP to Non-GAAP Net income

	Three months ended		
	September 30, 2016	June 30, 2016	September 30, 2015
<b>Net income (GAAP)</b>	15,616	17,273	14,432
Stock-based compensation	3,100	2,401	1,832
Tax expenses due to utilization of deferred tax asset	2,179	247	----
<b>Net income (Non-GAAP)</b>	20,895	19,921	16,264

# —RECONCILIATION OF GAAP TO NON-GAAP—

## Reconciliation of GAAP to Non-GAAP Net basic EPS

	Three months ended		
	September 30, 2016	June 30, 2016	September 30, 2015
<b>Net basic earnings per share (GAAP)</b>	0.38	0.42	0.37
Stock-based compensation	0.08	0.06	0.04
Tax expenses due to utilization of deferred tax asset	0.05	0.01	----
<b>Net basic earnings per share (Non-GAAP)</b>	<b>0.51</b>	<b>0.49</b>	<b>0.41</b>

## Reconciliation of GAAP to Non-GAAP Net diluted EPS

	Three months ended		
	September 30, 2016	June 30, 2016	September 30, 2015
<b>Net diluted earnings per share (GAAP)</b>	0.35	0.39	0.32
Stock-based compensation	0.06	0.04	0.04
Tax expenses due to utilization of deferred tax asset	0.05	0.01	----
<b>Net diluted earnings per share (Non-GAAP)</b>	<b>0.46</b>	<b>0.44</b>	<b>0.36</b>

# —RECONCILIATION OF GAAP TO NON-GAAP—

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

	Three months ended		
	September 30, 2016	June 30, 2016	September 30, 2015
<b>Number of shares used in computing net diluted earnings per share (GAAP)</b>			
Stock-based compensation	43,995,227	44,463,087	44,455,964
<b>Number of shares used in computing net diluted earnings per share (Non-GAAP)</b>	1,742,211	1,216,866	686,470
	45,737,438	45,679,953	45,142,434

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