

Q4 2021 Earnings Presentation

FEBRUARY 9, 2022

SAFE HARBOR

The company's guidance with respect to anticipated financial results for future periods, potential future growth and profitability, future business mix, expectations regarding future market trends, future performance within specific markets and other statements herein that are not historical information are forward-looking statements and are subject to the Safe Harbor provision of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. These risks are described in Advanced Energy's Form 10-K, Form 10-Q and other reports and statements filed with the Securities and Exchange Commission (SEC). These reports and statements are available on the SEC's website at www.sec.gov. Copies may also be obtained from our Investors page at ir.advancedenergy.com. Forward-looking statements are based on information available to the company on the date of this presentation. Aspirational goals and targets discussed in the presentation materials should not be interpreted as guidance. The company assumes no obligation to update the information in this presentation.

Q4 2021 AND FULL YEAR 2021 SUMMARY



10 kW Ascent[®] SMS AP power supply for semiconductor PVD and solar cell manufacturing

- **Q4 2021 results surpassed high end of guidance ranges**
 - Revenue of \$397 million was a quarterly record; non-GAAP⁽¹⁾ earnings were \$1.36 per share
 - Q4 performance highlights our ability to quickly turn incremental parts into revenue upside
 - 2021 revenue was a record \$1.46 billion, with record Semi, Industrial & Medical and Service revenues
- **Supply chain environment remains dynamic**
 - Supply of critical ICs on mature nodes is most constrained
 - Expect improvement in 2H 2022 as new capacity comes online, and requalification efforts take effect
- **Strong demand to drive revenue upside and unlock pent up earnings potential**
 - Demand remains exceptionally strong, highlighted by record backlog of \$928 million, up 20% Q/Q
 - Continue to believe we can deliver >\$6.00 per share annualized earnings as supply normalizes
- **Remain focused on accelerating execution of long-term growth strategies**
 - Launched seven new products during Q4 2021
 - Reorganized teams to increase speed, improve new product output and accelerate design wins
 - Strengthened our operations and supply chain organization

STRONG RESULTS ON IMPROVED COMPONENT AVAILABILITY



SEMICONDUCTOR EQUIPMENT

\$179M, up 3.4% Q/Q

- Achieved record semi revenue for 2021 and grew 76% over 2 years
- Launched 3 new products with advanced control capabilities
- Won multiple design slots with our high voltage, critical sensing and embedded power products



INDUSTRIAL & MEDICAL

\$99M, up 22% Q/Q

- Reached record I&M revenues for both Q4 and full year 2021
- Launched 3 new Industrial and Medical products
- Secured design wins in medical, T&M, horticulture and solar cell manufacturing



DATA CENTER COMPUTING

\$80M, up 29% Q/Q

- Delivered revenue above expectation on improved parts availability
- Continued supply constraints to pace growth in this market
- Launched next-gen 48V power shelf with 97% efficiency and industry-leading density



TELECOM & NETWORKING

\$39M, up 31% Q/Q

- Accelerated 5G infrastructure investment
- Limited by supply of critical ICs in near-term
- Continued to win high value designs as we execute our profitable growth strategy

Q4 2021 FINANCIAL HIGHLIGHTS



REVENUE
\$397 million
Up 15% Q/Q



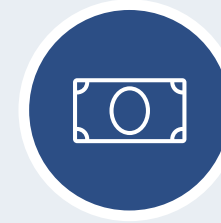
NON-GAAP EPS*
\$1.36
Up 53% Q/Q



NON-GAAP GROSS MARGIN*
35.5%
Down 60 bps Q/Q



NON-GAAP OP MARGIN*
13.8%
Up 190 bps Q/Q



OPERATING CASH FLOW
\$34.5 million
8.7% of sales



CASH & INVESTMENTS
\$547 million
Net Cash of \$154 million

Q4 AND 2021 REVENUE BY MARKET

(figures in \$ millions)	Q4 2021	Q3 2021	Q4 2020	Q/Q	Y/Y	2021	2020	Y/Y
Semiconductor Equipment	\$179.3	\$173.4	\$165.8	3.4%	8.2%	\$710.2	\$611.9	16.1%
Industrial & Medical	\$98.8	\$80.8	\$93.8	22.2%	5.3%	\$341.2	\$313.6	8.8%
Data Center Computing	\$80.1	\$62.2	\$65.3	28.7%	22.6%	\$270.9	\$322.5	-16.0%
Telecom & Networking	\$38.7	\$29.6	\$46.1	30.8%	-16.0%	\$133.7	\$167.8	-20.3%
Total Revenue	\$396.9	\$346.1	\$371.0	14.7%	7.0%	\$1,456.0	\$1,415.8	2.8%

Q4 AND 2021 INCOME STATEMENTS

(figures in \$ millions, except percentage & EPS)	Q4 2021	Q3 2021	Q4 2020	Q/Q	Y/Y	2021	2020	Y/Y
Revenue	\$396.9	\$346.1	\$371.0	14.7%	7.0%	\$1,456.0	\$1,415.8	2.8%
GAAP gross margin	35.2%	34.7%	39.2%			36.6%	38.3%	
GAAP operating expenses	\$97.5	\$95.8	\$89.8	1.8%	8.7%	\$380.6	\$365.8	4.0%
GAAP operating margin from continuing ops	10.6%	7.0%	15.0%			10.4%	12.4%	
GAAP EPS from continuing ops	\$1.05	\$0.55	\$1.09	90.9%	-3.7%	\$3.51	\$3.51	0.0%
Non-GAAP* gross margin	35.5%	36.1%	39.5%			37.3%	39.0%	
Non-GAAP* operating expenses	\$86.1	\$83.6	\$76.9	3.0%	11.9%	\$331.8	\$308.4	7.6%
Non-GAAP* operating margin	13.8%	11.9%	18.7%			14.5%	17.2%	
Non-GAAP* EPS	\$1.36	\$0.89	\$1.49	52.8%	-8.7%	\$4.78	\$5.23	-8.6%

Q4 2021 BALANCE SHEET & CASH FLOW

- Cash and investments decreased 1% to \$547 million
 - Net cash up slightly to \$154 million
- Receivables increased to \$237 million
 - DSO improved to 54 days
- Inventory decreased slightly to \$338 million
 - Turns were 3.1 times
- Operating cash flow from continuing operations was \$34.5 million
- Repurchased \$21.5 million of stock
 - Average price of \$85.12 per share

(figures in \$ millions)	Q4 2021	Q3 2021	Q4 2020
Cash & Investments	\$546.7	\$550.8	\$483.0
Accounts Receivable	\$237.2	\$220.1	\$235.2
Inventory	\$338.4	\$341.5	\$221.3
Total Assets	\$1,817.3	\$1,832.1	\$1,647.7
Total Debt	\$392.7	\$397.6	\$322.0
Liabilities	\$945.8	\$990.3	\$832.3
Shareholders' Equity	\$871.5	\$841.8	\$815.3

Q1 2022 GUIDANCE

	Q1 2022
Revenue	\$360M +/- \$20M
GAAP EPS from continuing operations	\$0.61 +/- \$0.25
Non-GAAP* EPS	\$0.94 +/- \$0.25

NON-GAAP MEASURES

Advanced Energy's non-GAAP measures exclude the impact of non-cash related charges such as stock-based compensation, amortization of intangible assets, and unrealized foreign exchange gain or loss on long-term facility lease and pension obligations, as well as discontinued operations and non-recurring items such as acquisition-related costs and restructuring expenses. The non-GAAP measures included in this release are not in accordance with, or an alternative for, similar measures calculated under generally accepted accounting principles and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Advanced Energy believes that these non-GAAP measures provide useful information to management and investors to evaluate business performance without the impacts of certain non-cash charges and other cash charges which are not part of the company's usual operations. The company uses these non-GAAP measures to assess performance against business objectives, make business decisions, develop budgets, forecast future periods, assess trends and evaluate financial impacts of various scenarios. In addition, management's incentive plans include these non-GAAP measures as criteria for achievements. Additionally, the company believes that these non-GAAP measures, in combination with its financial results calculated in accordance with GAAP, provide investors with additional perspective. While some of the excluded items may be incurred and reflected in the company's GAAP financial results in the foreseeable future, the company believes that the items excluded from certain non-GAAP measures do not accurately reflect the underlying performance of its continuing operations for the period in which they are incurred. The use of non-GAAP measures has limitations in that such measures do not reflect all of the amounts associated with the company's results of operations as determined in accordance with GAAP, and these measures should only be used to evaluate the company's results of operations in conjunction with the corresponding GAAP measures. Please refer to the Form 8 K regarding this release furnished today to the Securities and Exchange Commission.

NON-GAAP* RECONCILIATION

Reconciliation of Non-GAAP measure - operating expenses and operating income, excluding certain items

	Three Months Ended			Year Ended	
	December 31,		September 30,	December 31,	
	2021	2020	2021	2021	2020
Gross profit from continuing operations, as reported	\$ 139,747	\$ 145,549	\$ 120,039	\$ 532,322	\$ 541,869
Adjustments to gross profit:					
Stock-based compensation	(19)	122	218	764	567
Facility expansion, relocation costs and other	997	741	1,357	6,189	4,349
Acquisition-related costs	234	25	3,259	3,585	5,381
Non-GAAP gross profit	140,959	146,437	124,873	542,860	552,166
Non-GAAP gross margin	35.5%	39.5%	36.1%	37.3%	39.0%
Operating expenses from continuing operations, as reported	97,537	89,764	95,830	380,641	365,846
Adjustments:					
Amortization of intangible assets	(5,556)	(5,065)	(5,607)	(22,060)	(20,129)
Stock-based compensation	(2,939)	(2,483)	(3,456)	(14,975)	(11,705)
Acquisition-related costs	(679)	387	(1,768)	(6,803)	(10,209)
Facility expansion, relocation costs and other	(17)	(443)	(98)	(229)	(2,213)
Restructuring charges	(2,231)	(5,226)	(1,272)	(4,752)	(13,166)
Non-GAAP operating expenses	86,115	76,934	83,629	331,822	308,424
Non-GAAP operating income	\$ 54,844	\$ 69,503	\$ 41,244	\$ 211,038	\$ 243,742
Non-GAAP operating margin	13.8%	18.7%	11.9%	14.5%	17.2%

Reconciliation of Non-GAAP measure - income excluding certain items

	Three Months Ended			Year Ended	
	December 31,		September 30,	December 31,	
	2021	2020	2021	2021	2020
Income from continuing operations, less non-controlling interest, net of income taxes	\$ 39,753	\$ 41,841	\$ 21,041	\$ 134,663	\$ 135,096
Adjustments:					
Amortization of intangible assets	5,556	5,065	5,607	22,060	20,129
Acquisition-related costs	913	(362)	5,027	10,388	15,590
Facility expansion, relocation costs, and other	1,014	1,184	1,455	6,418	6,562
Restructuring charges	2,231	5,226	1,272	4,752	13,166
Unrealized foreign currency (gain) loss	(134)	3,786	(2,092)	(3,543)	8,384
Acquisition-related costs and other included in other income (expense), net	(3,093)	90	(79)	(2,186)	716
Tax effect of non-GAAP adjustments	3,017	(1,532)	(1,036)	(1,346)	(7,611)
Non-GAAP income, net of income taxes, excluding stock-based compensation	49,257	55,298	31,195	171,206	192,032
Stock-based compensation, net of taxes	2,233	1,993	2,811	12,042	9,418
Non-GAAP income, net of income taxes	\$ 51,490	\$ 57,291	\$ 34,006	\$ 183,248	\$ 201,450

Reconciliation of non-GAAP measure - per share earnings excluding certain items

	Three Months Ended			Year Ended	
	December 31,		September 30,	December 31,	
	2021	2020	2021	2021	2020
Diluted earnings per share from continuing operations, as reported	\$ 1.05	\$ 1.09	\$ 0.55	\$ 3.51	\$ 3.51
Add back (subtract):					
Per share impact of non-GAAP adjustments, net of tax	0.31	0.40	0.34	1.27	1.72
Non-GAAP per share earnings	\$ 1.36	\$ 1.49	\$ 0.89	\$ 4.78	\$ 5.23

Quarterly results may not sum to year to date due to rounding

RECONCILIATION OF GUIDANCE

Reconciliation of Q1 2022 Guidance

	<u>Low End</u>	<u>High End</u>
Revenue	\$340 million	\$380 million

Reconciliation of non-GAAP earnings per share

GAAP earnings per share	\$ 0.36	\$ 0.86
Stock-based compensation	0.11	0.11
Amortization of intangible assets	0.15	0.15
Restructuring and other	0.13	0.13
Tax effects of excluded items	(0.06)	(0.06)
Non-GAAP earnings per share *	<u>\$ 0.69</u>	<u>\$ 1.19</u>