



Advanced Energy

November 3, 2015

Q3 2015
Earnings Call

Safe Harbor

The company's guidance with respect to anticipated financial results for the fourth quarter and year ending December 31, 2015, estimates of future costs related to the inverter business, estimates regarding the timing of completion of the wind-down of the inverter business, expectations regarding future market trends and the company's future performance within specific markets and other statements that are not historical information are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. 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. Such risks and uncertainties include, but are not limited to: (a) the effects of global macroeconomic conditions upon demand for our products; (b) the volatility and cyclical nature of the industries the company serves, particularly the semiconductor industry; (c) the delays of renewable energy projects; (d) expected decreases in customer orders and sales and potential disruptions in operations, supplier relationships and employee relations given the decision to wind down the Solar Inverter business; (e) the company's ability to identify and execute upon a sale of the assets or license of intellectual property (if any) of the inverter business; (f) unanticipated developments that may prevent or delay wind down or sale activities; (g) the company's ability to realize on its plan to avoid costs as it winds down the Solar Inverter business; (h) the accuracy of the company's estimates and assumptions on which its financial statement projections are based, including estimates and assumptions related to the wind down of the Solar Inverter business; (i) the impact of price changes resulting from a variety of factors; (j) the timing of orders received from customers; (k) the company's ability to realize benefits from cost improvement efforts including avoided costs, restructuring plans and inorganic growth; (l) the company's ability to obtain materials and manufacture products; and (m) unanticipated changes to management's estimates, reserves or allowances. These and other risks are described in Advanced Energy's Form 10-K, Forms 10-Q and other reports and statements filed with the Securities and Exchange Commission (the "SEC"). These reports and statements are available on the SEC's website at www.sec.gov. Copies may also be obtained from Advanced Energy's investor relations page at <http://ir.advanced-energy.com> or by contacting Advanced Energy's investor relations at 970-407-6555. Forward-looking statements are made and based on information in the press release. Aspirational goals and targets discussed on the conference call or in the presentation materials should not be interpreted in any respect as guidance. The company assumes no obligation to update the information in this press release.



Advanced Energy

Yuval Wasserman
President and CEO

Q3 2015 Highlights

- Revenues of \$130.8M
 - Near-record semi volumes increased core Precision Power revenues 3% q/q
 - Service revenues reached record highs
 - Industrial revenues flat q/q
 - Inverter wind down on track
- Non-GAAP* EPS \$0.51
 - Exceeded expectations
 - Driven by healthy revenues and operating margins for core Precision Power business
- Cash of nearly \$200M

**Non-GAAP EPS excludes restructuring charges, stock based compensation, intangible amortization, acquisition-related costs, and other non-recurring items.*

Semiconductor Design Wins

- Key Drivers

- Increased power presence and content for current and next-gen technologies
- Growing number of deposition/etch process steps and power content in chamber
- Complex architectures and new chemistries require multiple power combinations

- Wins

- Etch and surface treatment applications for 3D NAND memory and sub-20nm processes with RF platform
- Advanced 3D packaging using RF & DC products in U.S. and Asia
- RF and Remote Plasma Source technologies for Plasma Enhanced Atomic Layer Deposition and thin films removal and surface modification using radicals processing

Industrial Design Wins

- Solvix hard coating geographical expansion outside of EMEA
 - Machine tools hard coating wins in North America
 - Automotive and home appliance coating wins in Korea
- Wins in new bi-polar DC technology for large area sputtering for architectural glass and defense applications
- Wins in Power Control Modules
 - Increased number of targets and win rate
 - Expanded into North America with furnace and industrial heating applications
- High voltage wins in defense, aerospace, life science, analytical equipment

Semiconductor Applications

- Q3 results near record levels
 - Industry technology trends driving increased requirements for etch and deposition
 - Accelerated orders from US and Korean OEMs for PECVD, etch and Plasma Source abatement
- Q4 Pullback in semiconductor capex anticipated
 - Driven by overcapacity in memory and delay in transition to 3D NAND and 14nm and 16nm Finfet
- Strong and growing presence in applications enabling advanced patterning, 3D devices, 3D packaging for logic and 3D NAND memory
- Expansion into new industries and applications and R&D investments

Industrial Precision Power Applications

- Q3 results flat q/q
 - Increases in process power for flat panel display
 - Decreases in architectural glass
 - General industrial flat
- First revenue from large industrial automation partners; expected to ramp in Q4
- Architectural glass – growth acceleration strategy
 - Upgrade older coating lines with new bi-polar DC technology to extend life of existing lines and improve cost of ownership
 - Increases SAM; potential for sizable contribution over time
 - Similar opportunities in other applications i.e. data storage
- Q4 increases across various applications

Service (Precision Power)

- Q3 results highest level since Q3 2008
 - High value repair solutions
 - Global share gains
 - Substantially higher quality service, reducing total cost of ownership for customers
 - Significantly enhanced sales efforts and customer engagement in Asia and North America
- Except for seasonal holidays, expect gradual growth driven by volume, share gains, upgrades and retrofits

Inverters

- Began wind down last quarter
- Largely on track
- Expect to largely complete by year-end

Capital Deployment Strategy

- Aimed at effectively utilize cash and return value to shareholders
- Future free cash flow allocation
 - 70% organic and inorganic growth investments
 - Organic investments to grow market leadership in semiconductors, expand into industrial markets, increase geographic presence
 - Acquisitions to increase TAM, focusing on industrial applications
 - 30% share repurchases
 - Share repurchases to meaningfully reduce share count over time
 - Create a more flexible capital structure that may include debt instruments to fund key investments

Efficient and Powerful Business Model

- Generate strong profits and cash and offset some of market lumpiness
- Near-term decline in revenues as we await next-gen semi investment and continue inverter wind-down
- Grow and diversify industrial applications, utilize global distribution channels to increase share and opportunities
- Ongoing success winning new designs across applications
- High quality customer service to increase WW presence
- Execute on long-term strategy to drive profitable growth, strong cash flow and EPS



Advanced Energy

Tom Liguori
Executive Vice President & CFO

Q3 Financial Highlights

- Total Revenues \$130.8M in line with expectations
- Non-GAAP* EPS \$0.51 exceeded expectations
- Non-GAAP* operating income ex-Inverters \$32.4M; 30% Op Margin
- Inverter wind down on schedule and budget
- Cash grew to \$199.0M
- Capital deployment strategy in place to increase shareholder value

**Non-GAAP EPS excludes restructuring charges, stock based compensation, intangible amortization, acquisition-related costs, and other non-recurring items.*

Sales by Market

<i>(in thousands)</i>	Q3 2015		Q2 2015		Q3 2014	
	Actual	% of Sales	Actual	% of Sales	Actual	% of Sales
Semi	\$ 72,859	55.7%	\$ 70,166	51.3%	\$ 57,934	40.4%
Industrial	21,378	16.4%	21,257	15.5%	20,490	14.3%
Service	13,614	10.3%	13,187	9.6%	12,768	8.9%
Business Excluding Inverters	\$ 107,851		\$ 104,610		\$ 91,192	
Inverters	\$ 22,949	17.5%	\$ 32,181	23.5%	\$ 51,955	36.3%
Total AE	\$ 130,800		\$136,791		\$143,147	

Q3 Non-GAAP Reconciliation

	Total AE	Inverters	Excluding Inverters
Revenues	\$ 130,800	\$ 22,949	\$ 107,851
Operating (loss) income as reported	\$ 9,660	\$ (20,940)	\$ 30,600
Adjustments			---
Restructuring charges	13,930	13,930	---
Acquisition-related costs	---	---	---
Stock-based compensation	803	66	737
Non-recurring tax item	---	---	---
Non-recurring inventory impairment	3,375	3,375	---
Non-recurring accounts receivable impairment	(4,068)	(4,068)	---
Amortization of intangible assets	1,267	169	1,098
Non-GAAP Operating income (loss)	\$ 24,967	\$ (7,468)	\$ 32,435

Inverter Wind Down Progress

- Adhering to strict schedule, cost, cash flow budget
 - Plan to cease production by year end
 - Last customer shipment scheduled for December
 - Auctions scheduled to sell substantially all remaining fixed assets by year-end
 - Anticipate collecting remaining receivables and exiting facilities in Q1 2016
- Q3 Cash outflow for inverter business \$11.7M
- Expected 2H 2015 cash outflow for wind down at the low end of the \$20-\$30M range provided in June 29th press release

Restructuring Charges

- Inverter wind-down charges of \$13.2M
 - Restructuring charges of \$13.9M for severance and contract settlement costs
 - Inventory write-down of \$3.4M included in cost of sales
 - Recovery of previously impaired accounts receivable of \$4.1M in SG&A
- On track to reduce by half \$8M-\$10M of shared corporate overhead costs by mid-2016
 - During Q3 implemented actions that will save \$1.3M annually
 - Identified an additional \$2M of savings to be in place by early 2016

Tax Charges

- Reversal of Q2 \$48M tax expense begun
 - Q3 Benefit of \$7.6M
 - Q4 Benefit of \$40M or higher expected
 - 2015 Taxes expected to be near zero
- 2016 Tax rate excluding inverters expected to be approximately 15% assuming existing tax regulations

Balance Sheet

	Q3'15	Q2'15	Q3'14
<i>(\$ in Millions)</i>			
Cash & Investments	\$199.0	\$183.2	\$105.8
Accounts Receivable	\$90.1	\$91.4	\$112.8
Inventory	\$71.7	\$78.1	\$118.9
Total Assets	\$513.7	\$512.1	\$697.4
Liabilities	\$238.3	\$251.6	\$231.3
Shareholders Equity	\$275.4	\$260.5	\$466.1

Capital Deployment Strategy

- Deploy strong cash flows to increase shareholder value
- Commitment to:
 - Investing in organic and inorganic growth
 - Repurchasing shares to meaningfully reduce share count
- Board authorization to repurchase \$150M over next 30 months
- Plan to implement initial phase of repurchase in Q4

Q4 2015 Guidance*

Non-GAAP**

	Total Company	Inverters	Business Ex-Inverters
Revenues	\$88M - \$102M	\$8M - \$12M	\$80M - \$90M
Non-GAAP**			
Operating income	\$10M - \$12M	(\$6M) - (\$8M)	\$16M - \$20M
Non-GAAP**			
Operating income as % of revenue			20% to 22%

Non-GAAP** EPS \$0.20 - \$0.30

* Estimates as of Q315 earnings conference call. The company assumes no obligation to update guidance.

** Non-GAAP guidance assumes stock based compensation of \$0.8M, amortization of intangibles of \$1.1M and \$15M to \$20M of restructuring charges.

THANK YOU

