Q2 2020 Earnings Presentation

AUGUST 5, 2020

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 or made on the conference call 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 and services; (b) the volatility and cyclicality of the industries the company serves, particularly the semiconductor industry; (c) delays in capital spending by end-users in our served markets; (d) the risks and uncertainties related to the acquisition and integration of Artesyn Embedded Power including the optimization and reduction of our global manufacturing sites; (e) the outbreak of COVID-19 and its potential adverse impact on our product manufacturing, supply chain and operations, (f) the accuracy of the company's estimates related to fulfilling solar inverter product warranty and post-warranty obligations; (g) the company's ability to realize its plan to avoid additional costs after the solar inverter wind-down; (h) the accuracy of the company's assumptions on which its financial statement projections are based; (i) the impact of product price changes, which may result 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 in a timely manner the materials necessary to manufacture its products; (m) unanticipated changes to management's estimates, reserves or allowances; (n) changes and adjustments to the tax expense and benefits related to the U.S. tax reform that was enacted in late 2017; and (o) the impact of escalating political, economic and policy tensions and conflicts between China and the United States including, but not limited to, trade wars and export restrictions between the two countries, China's national security law for Hong Kong, and China's expansion of control over the South China Sea, any of which could negatively impact our customers' and our presence, operations, and financial results. 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 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 available to the company on the date of this 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 presentation.

KEY MESSAGES

- Record revenue with earnings above guidance range on solid execution
- Accelerated growth across our markets driven by the 4th Industrial Revolution
- Pure Play Power strategy drives leadership, innovation and synergies
- Artesyn integration and phase-1 synergies achieved well ahead of plan
- On track to meeting or exceed our long-term aspirational goals

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STRONG DEMAND AND SOLID EXECUTION

- **Q2 2020 results surpassed expectations**
  - Q2 revenue of $340 million, at high end of guidance range
  - Q2 non-GAAP[(1)] earnings per share of $1.18, above high end of guidance range
  - Highest operating cash flow in two years
- **Strong demand across our verticals**
  - Grew revenues in 3 out of 4 market verticals even with capacity constraints
  - Semi and hyperscale growth outperformed our markets, confirming share gains
- **Solid execution in a continued challenging environment**
  - Operational excellence and capabilities allowed us to deliver solid growth
  - Artesyn synergies of >$20 million achieved after 3 full quarters vs. plan of 18-24 months
- **Focus on safety and health in the mist of the current global pandemic**
  - All major manufacturing sites returned to near full capacity with safety protocols
  - Supply chain continues to improve but we still see bottlenecks
  - Environment remains dynamic and unpredictable

(1) *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 losses 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.*

SOLID PERFORMANCE ACROSS OUR MARKET VERTICALS

SEMICONDUCTOR EQUIPMENT

$145M, up 9% QoQ

- Outperforming WFE and our peers with 61% YoY growth
- Introduced groundbreaking products at SEMICON West
- RF Match momentum with revenue up almost 2x YoY
- Focus on RPS drives growth
- New design wins in Korea

INDUSTRIAL & MEDICAL

$71M, up 14% QoQ

- Medical had a strong quarter on demand for critical care applications
- Improved ability to deliver products on solid execution
- Initial recovery of large industrial customer
- Macro weakness limiting industrial market

DATA CENTER COMPUTING

$83M, down 3% QoQ

- Grew 89% YoY[1] on share gains in hyperscale
- Hyperscale revenue was up over 5x YoY[1]
- Shipping to a third major hyperscale customer
- Increased interest in our power shelf, as we launch next-gen 48-volt solution

TELECOM & NETWORKING

$40M, up 20% QoQ

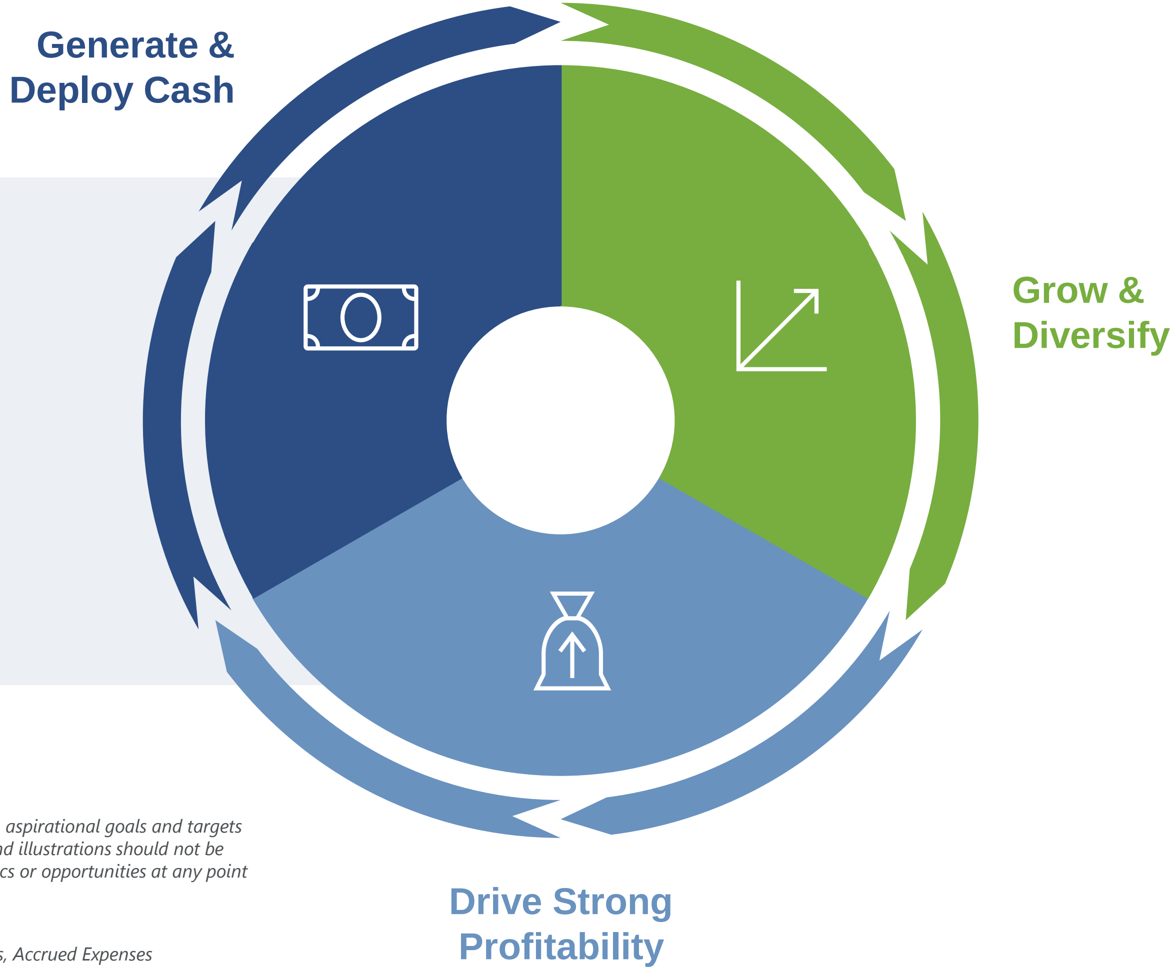
- Markets appear to be reaching a bottom
- Growth driven by shipments of several prior design wins
- Demand for data center networking strengthening
- Focus on 5G infrastructure as a secular tailwind

(1) Revenue comparisons on a pro-forma basis include full historical revenues of the Artesyn acquisition in prior periods

CONFIDENT ON OUR LONG-TERM ASPIRATIONAL GOALS

Aspirational Goals[1] :

- Revenue: **> $1.5B**
- Non-GAAP EPS[2] : **> $6.50**
- ROIC[3] : **> 23%**



(1) *Please note that hypothetical scenarios regarding revenue growth, EBITDA, EPS, (GAAP or non-GAAP), ROIC, cash generation, acquisitions, aspirational goals and targets and similar statements illustrate various possible outcomes of our different strategies if they are successful. These hypothetical scenarios and illustrations should not be treated as forecasts or projections or financial guidance. We cannot assure you that we will be able to accomplish any of these goals, metrics or opportunities at any point in the future (if at all), all of which are subject to significant risks and uncertainties.*

(2) *Refer to the non-GAAP reconciliation for additional detail.*

(3) *ROIC calculated as Non-GAAP Operating Income After Tax divided by Invested Capital, which is defined as Total Assets less Cash, Payables, Accrued Expenses*

Q2 2020 FINANCIAL HIGHLIGHTS

REVENUE
$340 million
Up 7.7% QoQ

NON-GAAP GROSS MARGIN(1)
38.7%
Up 90bps QoQ

OPERATING CASH FLOW
$38.6 million
Highest in last 2 years

NON-GAAP EPS(1)
$1.18
Up 29.7% QoQ

NON-GAAP OP MARGIN(1)
15.8%
Up 170bps QoQ

TOTAL CASH
$383 million
Up $28 million QoQ

(1) *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 losses 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.*

Q2 REVENUE BY MARKETS

(figures in $ thousands)	Q2 2020	Q1 2020	Q2 2019	ACTUAL RESULTS GROWTH RATES Q/Q	ACTUAL RESULTS GROWTH RATES Y/Y	PRO FORMA GROWTH RATES[1] Q/Q	PRO FORMA GROWTH RATES[1] Y/Y
Semiconductor Equipment	$145,424	$133,625	$90,058	8.8%	61.5%	8.8%	58.8%
Industrial & Medical	$70,886	$61,979	$44,752	14.4%	58.4%	14.4%	-23.4%
Data Center Computing	$83,316	$86,183	$0	-3.3%		-3.3%	88.8%
Telecom & Networking	$40,254	$33,669	$0	19.6%		19.6%	-13.7%
Total Revenue	**$339,880**	**$315,456**	**$134,810**	**7.7%**	**152.1%**	**7.7%**	**23.6%**

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(1) *Revenue comparisons on a pro-forma basis include full historical revenues of the Artesyn acquisition in prior periods*

Q2 REVENUE BY MARKETS – ORGANIC[1]

(figures in $ thousands)	Q2 2020	Q1 2020	Q2 2019	Q/Q	Y/Y
Semiconductor Equipment	$144,226	$131,979	$90,058	9.3%	60.1%
Industrial & Medical	$35,864	$29,557	$44,752	21.3%	-19.9%
Total Revenue	**$180,090**	**$161,536**	**$134,810**	**11.5%**	**33.6%**

(1) *Revenue comparisons on an organic basis exclude the revenue contribution of the Artesyn acquisition in all periods*

Q2 2020 INCOME STATEMENT

(figures in $ millions, except percentage & EPS)	Q2 2020	Q1 2020	Q2 2019	Q/Q	Y/Y
Revenue	$339.9	$315.5	$134.8	7.7%	152.1%
GAAP gross margin	38.3%	35.6%	47.6%		
GAAP operating expenses	$94.8	$86.4	$53.1	9.7%	78.5%
GAAP operating margin from continuing ops	10.4%	8.2%	8.2%		
GAAP EPS from continuing ops	$0.76	$0.48	$0.61	58.3%	24.6%
Non-GAAP* gross margin	38.7%	37.8%	47.7%		
Non-GAAP* operating expenses	$77.8	$74.7	$47.0	4.2%	65.5%
Non-GAAP* operating margin	15.8%	14.1%	12.8%		
Non-GAAP* EPS	$1.18	$0.91	$0.45	29.7%	162.2%

* *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 losses 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.*

Q2 2020 BALANCE SHEET & CASH FLOW

- Cash and securities rose to $383.4 million
- Operating cash flow from continuing operations was $38.6 million
- Total debt at $330.5 million
  - Gross debt leverage now at 1.8x[(1)]
- Receivables increased to $235.6 million
  - DSO rose 1 day to 62 days
- Inventory increased to $260.0 million
  - Turns were 3.2 times

(figures in $ millions)	Q2 2020	Q1 2020	Q4 2019
Cash & Investments	$383.4	$355.0	$349.1
Accounts Receivable	$235.6	$214.4	$246.6
Inventory	$260.0	$235.3	$230.0
Total Assets	$1,594.3	$1,522.6	$1,532.4
Total Debt	$330.5	$334.8	$339.0
Liabilities	$875.9	$836.6	$855.1
Shareholders' Equity	$718.4	$686.0	$677.3

(1) Gross debt of 330.5 million divided by L4Q adjusted EBITDA of $187.2 million. Adjusted EBITDA is calculated as non-GAAP operating income plus depreciation.

Q3 2020 GUIDANCE

	Q3 2020
Revenue	$350M +/- $25M
GAAP EPS from continuing operations	$0.88 +/- $0.25
Non-GAAP* EPS	$1.15 +/- $0.25

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* *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 losses 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.*

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**			**Six Months Ended**	
	June 30,		**March 31,**	**June 30,**	
	2020	**2019**	**2020**	**2020**	**2019**
Gross profit from continuing operations, as reported	$ 130,304	$ 64,126	$ 112,231	$ 242,535	$ 129,866
Adjustments to gross profit:					
Stock-based compensation	156	55	222	378	288
Facility expansion, relocation costs and other	970	150	1,543	2,513	320
Acquisition-related costs	215	—	5,141	5,356	—
Non-GAAP gross profit	131,645	64,331	119,137	250,782	130,474
Non-GAAP gross margin	38.7%	47.7%	37.8%	38.3%	47.3%
Operating expenses from continuing operations, as reported	94,828	53,121	86,423	181,251	107,070
Adjustments:					
Amortization of intangible assets	(5,009)	(1,874)	(5,006)	(10,015)	(3,847)
Stock-based compensation	(2,681)	(883)	(2,826)	(5,507)	(3,848)
Acquisition-related costs	(2,978)	(1,531)	(2,405)	(5,383)	(3,042)
Facility expansion, relocation costs and other	(539)	—	(816)	(1,355)	(74)
Restructuring charges	(5,790)	(1,795)	(656)	(6,446)	(3,468)
Non-GAAP operating expenses	77,831	47,038	74,714	152,545	92,791
Non-GAAP operating income	$ 53,814	$ 17,293	$ 44,423	$ 98,237	$ 37,683
Non-GAAP operating margin	15.8%	12.8%	14.1%	15.0%	13.7%

Reconciliation of Non-GAAP measure - income excluding certain items	**Three Months Ended**			**Six Months Ended**	
	June 30,		**March 31,**	**June 30,**	
	2020	**2019**	**2020**	**2020**	**2019**
Income from continuing operations, less noncontrolling interest, net of income taxes	$ 29,295	$ 23,362	$ 18,383	$ 47,678	$ 38,741
Adjustments:					
Amortization of intangible assets	5,009	1,874	5,006	10,015	3,847
Acquisition-related costs	3,193	1,531	7,546	10,739	3,042
Facility expansion, relocation costs and other	1,509	150	2,359	3,868	394
Restructuring charges	5,790	1,795	656	6,446	3,468
Unrealized foreign currency (gain) loss	1,058	—	—	1,058	—
Central inverter services business sale	—	(14,804)	—	—	(14,804)
Tax effect of Non-GAAP adjustments	(2,595)	2,536	(1,370)	(3,965)	1,685
Non-GAAP income, net of income taxes, excluding stock-based compensation	43,259	16,444	32,580	75,839	36,373
Stock-based compensation, net of taxes	2,170	722	2,363	4,533	3,185
Non-GAAP income, net of income taxes	$ 45,429	$ 17,166	$ 34,943	$ 80,372	$ 39,558

Reconciliation of Non-GAAP measure - per share earnings excluding certain items	**Three Months Ended**			**Six Months Ended**	
	June 30,		**March 31,**	**June 30,**	
	2020	**2019**	**2020**	**2020**	**2019**
Diluted earnings per share from continuing operations, as reported	$ 0.76	$ 0.61	$ 0.48	$ 1.24	$ 1.01
Add back (subtract):					
Per share impact of Non-GAAP adjustments, net of tax	0.42	(0.16)	0.43	0.85	0.02
Non-GAAP per share earnings	$ 1.18	$ 0.45	$ 0.91	$ 2.09	$ 1.03

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RECONCILIATION OF Q3 2020 GUIDANCE

	Low End		High End
Revenue	**$325M**	**-**	**$375M**
Reconciliation of non-GAAP* earnings per share			
GAAP earnings per share	**$0.63**	**-**	**$1.13**
Stock-based compensation	$0.09	-	$0.09
Amortization of intangible assets	$0.13	-	$0.13
Restructuring and other	$0.09	-	$0.09
Tax effects of excluded items	-$0.04	-	-$0.04
Non-GAAP* earnings per share	**$0.90**	**-**	**$1.40**

* *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 losses 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.*