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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Advanced Energy Industries Q1 2018 Earnings Conference Call. (Operator Instructions) I would now like to introduce your host for this conference call, Ms. Rhonda Bennetto, Investor Relations. You may begin, ma'am.

Rhonda Bennetto

Thank you, operator. Good morning, everybody. Welcome to Advanced Energy's First Quarter 2018 Earnings Conference Call. With me on today's call are: Yuval Wasserman, President and CEO; and Tom McGimpsey, Executive Vice President, Interim CFO and General Counsel. By now, you should have received a copy of the earnings release that was issued yesterday afternoon. For a copy of this release, please visit our website at advanced-energy.com.

Before we begin, let me remind you that today's call contains forward-looking statements, including Advanced Energy's current view of its industry, performance, products, applications and business outlook. These statements are subject to risks and uncertainties that could cause actual results to differ materially and are not guarantees of future performance. Information concerning these risks and uncertainties is contained in Advanced Energy's most recent Form 10-K, Form 10-Q and 8-K filings with the SEC. All forward-looking statements are based on management's estimates, projections and assumptions as of April 30, 2018, and Advanced Energy assumes no obligation to update them.

Guidance will not be updated after today's call until our next scheduled quarterly financial release. Aspirational goals and targets discussed on this conference call or in the presentation material should not be interpreted in any respect as guidance. Today's call also includes non-GAAP adjusted financial measures. Reconciliations to GAAP measures are contained in yesterday's earnings press release and in our reconciliation slides, which are available on the Investor Relations page of our website at advanced-energy.com. We will be referring to earnings slides posted on the Investor Relations section of our website.

And finally, Advanced Energy will be presenting at the J.P. Morgan Global Conference in Boston on May 15 as well as the Cowen TMT Conference in New York on May 30th, and finally at the Stifel Cross Sector Conference on June 12th. We look forward to seeing many of you at these key events.

And with that, I'd like to turn the call over to Yuval Wasserman. Yuval?

Yuval Wasserman - *Advanced Energy Industries, Inc. - President, CEO & Director*

Thank you, Rhonda. Good morning, everyone, and thank you for joining us for our first quarter earnings conference call.

The momentum of 2017 carried well into the first quarter, giving us a very solid start to the year. Continued demand for AE's high-performance power solutions in advanced semiconductor applications again grew to record levels. Our expanding industrial business also surged ahead in the first quarter resulting in total revenue growth of 31% and non-GAAP EPS growth of 29% year-over-year. These results demonstrate the solid execution of our growth strategy and our investment and focus on meeting market technology needs through innovation.

In addition to our strong financial performance, we accomplished several key initiatives in the quarter. We completed the acquisition of Trek, adding complementary high-voltage and electrostatic technology products to our Specialty Power products portfolio. This is the second acquisition we have completed during the last 9 months in addition to Excelsys, which we closed in July last year. As part of our general and organic strategy, the Trek position is in line with our roll-up plan in high-voltage technology space joining high-tech power and UltraVolt acquisitions and increasing our SAM in applications such as life science, ion implantation, metrology and analytical equipment.

Following a rigorous and disciplined approach, we are pleased with the 6 acquisitions we made during the last few years, as all of them have exhibited significant growth and profitability.

In addition and in line with our capital deployment strategy, which is ongoing, year-to-date, we have deployed nearly $28.5 million in share repurchases.

Lastly, and most importantly, we deepened our senior leadership team by hiring Paul Oldham as our new CFO. Paul will play an instrumental role in accelerating AE's growth strategy, and we are excited to have him join us beginning tomorrow.

In semiconductors, a booming memory chip market continues to propel the overall wafer fab equipment market forward. And AE is playing a critical role by delivering highly engineered precision power solutions for these new processing tools. Semi revenue has increased 10% sequentially and 30% year-over-year and again reached record levels this quarter. Demand was heavily driven by etch and 3D NAND supported by a strong DRAM investment, which drove the need for front-end processing tool.

Next-generation logic devices also contributed as chip makers migrate towards sub-10 nanometers nodes that required advanced dual and quad patterning. Atop this was a contribution of some of our newer, high-voltage applications for ion implant, metrology and inspection.

And finally, we saw strength at key OEMs from leading edge capacity as well as 200-millimeter. Our ongoing investment and advancements in product research and development reflect our innovative leadership in critical power delivery and control applications, which continue to align with next-generation device manufacturing technology. Our design wins this quarter came primarily from advanced NAND and DRAM applications. With wins in advanced edge applications, our technology leadership outpaced the competition, particularly in our dual frequency matching products. This quarter, we successfully displaced multiple competitors due to our design philosophy, easy integration and best-in-class performance. These products enable demanding plasma processes that require high-speed and advanced dynamic control capability.

Also, this quarter, our newly acquired products from Trek increase our presence in the high-voltage market for semi applications, including increased content in metrology and ion implantation for advanced logic and DRAM applications.

As device structures become more and more complex in nature, AE's position as an enabler of our customers' success is clearly becoming even more essential.

Our recently introduced eV Source technology, solid-state match and our new remote plasma source are enabling new capabilities for our customers in pursuing future technology nodes.

Looking ahead, we expect to see growth continuing in 3D NAND and DRAM, as the proliferation of cloud edge high-performance computing, AI and the IoT drive increased content in consumer devices and enterprise infrastructure. We anticipate second quarter revenues to remain at or near the first quarter's record level.

Our industrial business had an outstanding quarter growing 46% year-over-year and 15% sequentially, clearly demonstrating the very rapid adoption of our advanced technology for the industrial markets. For example, in 2015, we talked about the Ascent DMS advanced bipolar pulsed power technology as a key element of our growth strategy within our thin film industrial markets. Today, our DMS bipolar pulsed DC business has quadrupled year-over-year and contributed to almost half of our successful design wins in high power AC solutions this quarter. This technology is rapidly being adopted throughout many of our thin film industrial markets such as consumer electronics, advanced displays, solar PV cell manufacturing and large area glass markets, both domestically and globally.

Our leading-edge technology enables us to gain design wins, while upholding our market-leading margins.

Revenue from our Specialty Power products improved significantly this quarter due to the expansion of our portfolio of high- and low-voltage power delivery in control solutions into a variety of new and adjacent markets. Our high-voltage power solutions provide stable output with low noise and low ripple in a small form factor, all of which are critical to applications in the materials, lasers, robotics, medical and life science markets.

The expansion of our low-voltage customized power solutions is allowing us to grow our presence in some highly regulated market such as medical instrumentation and defense. And we continue to benefit from the modular high-power density and fan-less solution that have become the standard for many of the markets we serve.

Overall, improvements in the global economy together with our geographic expansion and increased channel partnership should continue to contribute to the global rise in demand we are seeing for our products. Our strategy to diversify, accelerate innovation and add differentiating technologies and products should enable us to penetrate new verticals and expand our presence.

During the last 3 years, our industrial products revenue grew by 17% CAGR. AE's industrial design wins are fueling our growth in many diverse verticals. This quarter, we saw very strong performance across a variety of industrial applications. In thin films, we secure design wins and gain share in advanced glass coating applications in Europe and the U.S. We also saw increased activity in consumer electronic coating, as our product support existing customers' ramps and broaden our presence to new users. In flat panel display, we expanded our presence in China with capacity increases as the ramp of mobile OLED continues. And finally, our traction in solar PV cell applications for upgrades and new purchases continued.

In Specialty Power, we gained share and displaced competitors by winning critical designs as well as with our high-voltage products. We secured wins in high voltage for an electrostatic precipitator application in the laser marking of flat panel display project for traceability.

In thermal, we expanded our Power Control Module market presence by winning additional glass line projects in Europe and Asia. We also further penetrated the material processing market with a furnace heating project for steel, which requires accurate, noncontact temperature measurement.

We won these designs due to the modularity and configurability of our product. In low voltage, we secured several designs in the medical laser equipment market due to the small footprint and isolated outputs of our products and because our solutions enable our customers to meet stringent regulatory and compliance standards.

We plan to add complementary applications, technology and product lines to our industrial business to expand our reach into new and adjacent verticals.

In the second quarter, we expect ongoing strength across thin film and Specialty Power applications, especially consumer electronic products coatings, mobile OLED and high-voltage products. Following a few quarters of accelerated growth in our industrial business, we aspire to increase our CAGR growth target from GDP plus to mid-teens.

The investment we have made in our service business over the last several years were designed to provide a competitive turnaround time and increase our responsiveness as we evolve and grow our service business beyond break fix.

In response to an increase in activity by our customers and OEMs all across Asia, we recently opened our new Singapore repair center. This center gives us greater regional flexibility, improves responsiveness, increases our competitive stance and reduces costs. In particular, we are seeing strong momentum in the non-break fix portion of the business that includes retrofits. While our service revenue increased 19% year-over-year, we saw a sequential pause this quarter due to the timing of some of our refurbishment upgrade and retrofit project wins.

We continue to see momentum in the market adoption of these non-break fix service products and expect to see increased implementation in Q2. Our service strategy continues to prove out and market conditions remains very favorable, as we identify and pursue new opportunities to customize the value we deliver to each of our customers throughout the entire life cycle of the products.

For the second quarter, we see service revenue growing in high single digits. We aspire to continue and grow our service business at a double-digit CAGR driven by our growing installed base, gaining repair share, selling value-add service products and replacing our competitors' legacy products in the field.

Heading into the second quarter, we remain at historically high levels of semiconductor revenues and expect to see meaningful sequential growth in our industrial business, as we increase our offering and gain share in the markets we serve. The technical synergies we are driving across our different power product lines, the integration of multiple products into enabling solutions and our commitment to continuous innovation is providing the opportunity to diversify and enter new and adjacent markets.

Our Q1 performance combined with our Q2 guidance increases our confidence in our progress toward our 3-year aspirational goals of greater than $1 billion in revenue, between $5.50 and $6.50 in non-GAAP EPS and over $550 million in cumulative cash generation.

With impressive financial performance and a strong balance sheet, we plan to further execute on our capital deployment program, returning value to shareholders. We are encouraged by the number of actionable acquisition targets we have in our pipeline and aspire to close additional deals during 2018.

I'd like to thank our customers, partners, shareholders and our valued employees for their support. Thank you for joining us, and we look forward to seeing many of you in the upcoming quarter.

With that, let me turn the call over to Tom McGimpsey. Tom?

Thomas O. McGimpsey - *Advanced Energy Industries, Inc. - Executive VP, General Counsel & Corporate Secretary*

Thank you, Yuval. The first quarter was a strong start to 2018 for Advanced Energy. We executed on our strategy to grow both organically and inorganically and reached record highs on the top and bottom line.

Total revenue increased 9% sequentially and 31% year-over-year to $195.6 million. Non-GAAP EPS rose to $1.34 from $1.31 last quarter and $1.04 in the prior year.

Turning to sales by market. Semiconductor revenue, again, reached a new record of $136 million, up 10.1% from the last quarter and 30% from last year. We continue to see strong demand for our Precision Power Products from ongoing industry momentum and the close correlation of our sales with OEM shipments.

Industrial revenue grew to $35.2 million, up 15% from the fourth quarter and 45.6% from last year. We have increased our industrial revenue both organically and inorganically into new verticals with our highly engineered products. We increased the adoption rate of our advanced technologies and continued to expand our geographic footprint.

Service revenue for the quarter came in at $24.4 million, a decrease of 2.5% from a record fourth quarter, but up 18.9% from last year. The sequential decline was due to the timing of installation and delivery and mix of service projects received during the quarter.

Gross margin for the first quarter was 53%. This compares to 54% in the prior quarter and 52.8% a year ago. As a reminder, in the prior quarter, we were benefited by lower warranty costs, which were unique to the period. GAAP operating expenses for the first quarter increased in support of our strategy to grow and diversify. In addition to the acquisition of Trek, we also invested globally to expand and upgrade our facilities to meet future demand as we continue to penetrate new verticals. Additionally, we decided to expand our performance-based bonus program deeper into the organization. Other factors related to operating expenses include costs associated with the recruitment of our new CFO, higher tax and accounting fees related to U.S. tax reform and seasonally higher stock-based compensation expense. Some of these items are onetime in nature. We expect the successful integration of Excelsys and Trek and other synergies realized from global investments will have a positive impact on our margins going forward.

Non-GAAP operating expenses in the first quarter were $41 million, or 21% of revenue. This compares to $37.1 million or 20.7% of revenue in the prior quarter and $31.2 million or 20.9% of revenue a year ago, all in line with our business model.

As mentioned in our last earnings call, we continue to evaluate our tax estimates during the 12-month measurement period and accordingly recognized an additional $1.9 million related to U.S. tax reform. As a result, the tax rate for the first quarter was higher at 17.4%. We continue to expect our tax rate for 2018 to be in the mid-teens.

GAAP earnings per share for the first quarter were $1.16 compared to a loss of $0.73 since last quarter and a positive $0.88 last year. Non-GAAP operating margin of 32% drove non-GAAP EPS of $1.34 compared to $1.31 in the fourth quarter and $1.04 a year ago.

Turning to the balance sheet. In the first quarter, we generated $34.9 million of cash from continuing operations, which included an investment of $23 million in net working capital to support operations and ended the quarter with $417.1 million in cash and marketable securities. This quarter, we acquired Trek, strengthening and accelerating our growth in high-voltage applications and repurchased 12.8 million of our stock as part of our capital allocation strategy. We continue to buy back our shares and have deployed a total of $28.5 million for the repurchase of shares year-to-date. As Yuval mentioned, we are making solid progress toward our aspirational goals. Our growth strategy is working. And with our healthy balance sheet, we will continue to execute on our strategic plan creating value for shareholders.

I would also like to welcome Paul Oldham to our team. It's been my pleasure to act as interim CFO, and I look forward to working with Paul to ensure a smooth transition.

With that, let me turn it over to the operator for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Tom Diffely with D.A. Davidson.

Thomas Robert Diffely - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

I want to dig in a little on the design when you talked about on the NAND and the DRAM side. And really just curious if at this point, the growth you're seeing in that space is coming from unit growth or content increasing -- increases for the power supplies on the systems?

Yuval Wasserman - *Advanced Energy Industries, Inc. - President, CEO & Director*

I think it's a combination of all the above, Tom. Our design wins normally will go to high-volume manufacturing within 18 to 24 months from now. So a lot of the design win activities is for next-generation devices. As we talk about the adoption of technology by the market after we qualify our product at our customers, they go and qualify their products with the end-use customers. So there is a process of adoption and evaluation. So some of these design wins will be in high-volume manufacturing in the future. But again, it's driven by next-generation technology, next-generation devices, both in memory and logic.

Thomas Robert Diffely - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

So when you look at the changing contents, the increasing capital intensity of power supplies and matching units on these systems over time, have we -- do you feel like you've saturated the market? Or is there still plenty of content growth to go with the next-generation edge tool versus the last-generation edge tool?

Yuval Wasserman - *Advanced Energy Industries, Inc. - President, CEO & Director*

I think there is more room to grow in content both in terms of the number of power supplies for chamber, but also the complexity of the power supplies and the adjacent accessories like RF matching networks. These power supplies and matching networks becomes more complex in terms of their capability to drive high-speed controls and adaptive control as the complexity of device drives very, very complex process schemes and these processes require a different level of performance from the power distribution network.

Thomas Robert Diffely - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Okay. So in a market where the number of edge systems perhaps stays stable over time, you think you could still grow in that space?

Yuval Wasserman - *Advanced Energy Industries, Inc. - President, CEO & Director*

We believe so.

Thomas Robert Diffely - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Okay. And then just a quick follow-up on the service. The service business, is this normal seasonality? Or is it more of a project-based dip that you saw in the quarter?

Yuval Wasserman - *Advanced Energy Industries, Inc. - President, CEO & Director*

We don't believe it's seasonality because we know specifically what drove the dynamic in the quarter. We have won a few upgrade and retrofit business deals. We have booked those deals, but the customers requested the implementation of those upgrades and retrofits in Q2. So what happened is, the revenue that we basically booked in Q1 will be delivered in Q2. And we're not concerned about that. We have strong backlog, and we expect our service of business to continue to grow as we expand our offerings, we gain share in our repair centers around the world and displace orphan competitors' products in the field.

Operator

Our next question comes from Edwin Mok with Needham & Company.

Yeuk-Fai Mok - *Needham & Company, LLC, Research Division - Former MD & Senior Analyst*

So first, just housekeeping. How much did Trek add to this quarter and to your guidance? And all -- is all those sales going to industrial? Or part of it into semi?

Thomas O. McGimpsey - *Advanced Energy Industries, Inc. - Executive VP, General Counsel & Corporate Secretary*

Edwin, it's Tom McGimpsey. I think you can look at Trek adding greater than $20 million on an annual run rate. So in Q1, we did have about $4 million that was added in revenue. And we did actually beat -- we were above guidance without Trek. As you recall, our midpoint was 188 and we actually finished at 191-plus without Trek. So hopefully, that's helpful.

Yeuk-Fai Mok - *Needham & Company, LLC, Research Division - Former MD & Senior Analyst*

Great. And then, let's focus on semi. I think you voiced that the second quarter you expect demand to relatively stable. And I think, Tom, you said that your business generally track customers' shipment now. Based on that, how do you guys think about the second half of the year? It sounds like some of the concern in the second half might -- we may have some, call, software shipment at your customer OEM side?

Yuval Wasserman - *Advanced Energy Industries, Inc. - President, CEO & Director*

So Edwin, it's a great question. So as we look at our -- the market right now from our vantage point, it's kind of in flex, it's kind of dynamic. We have recent news about some delays in the Intel high-volume manufacturing, TSMC, time of investment and Samsung is still quiet about what their plans are. We, right now from our vantage point, assume that the second half will be flattish to the first half. That's our current assumption. But I think the most important thing, and we believe that the underlying demand for the market is continuing to be strong. We believe that the growth in the market will continue within -- into 2019. And that's our working assumption. We -- as we said in the past, we may see quarter-by-quarter bumps or flatness before resurgence of growth. But the underlying demand is still there, driven by the adoption of edge computing, AI, IoT, and we see that demand continuing into the future. So if the market takes a breather for adoption and installation of capacity, that's fine. We're in a very strong position. We continue to grow both organically and inorganically. Some of the acquired entities we have added to our portfolio participate also in semi. For example, a portion of the Trek business serves the high-voltage semi market with new applications we never had before. So we're encouraged about the future.

Yeuk-Fai Mok - *Needham & Company, LLC, Research Division - Former MD & Senior Analyst*

Okay, great. That's great color there. Moving on the industrial, it looks like you guys are continuing growing quite well there. I remember last year, part of the growth came from this kind of consumer electronic win that you guys -- wins that you guys have talked about, right? And I think historically, we talk -- also talk about that being a little more lumpy, right? Are we seeing more broadening now? And that gives you the confidence now that you can raise your target to kind of grow in the mid-teens rather than GDP plus?

Yuval Wasserman - *Advanced Energy Industries, Inc. - President, CEO & Director*

So Edwin, were you asking about consumer electronic products? I'm sorry, I didn't understand -- I didn't hear the whole question.

Yeuk-Fai Mok - *Needham & Company, LLC, Research Division - Former MD & Senior Analyst*

Yes. Sorry, I guess, two-part questions. First is, consumer electronic kind of win that you guys have when considering electronic coatings, right? Is that still going to be kind of lumpy, strong in 2Q and then maybe kind of pull back? And then, the second thing regarding comp, just starting broadening of the product offering, how concentrated your cell is now in the -- I guess, in this group versus it was partially a year before that?

Yuval Wasserman - *Advanced Energy Industries, Inc. - President, CEO & Director*

Sure. Very, very good question. So Edwin, in general, our industrial business comprising of multiple slivers that are niche market that all of them are lumpy. The good news is that when you combine all of them together, we continue to see growth. Now more specifically about the consumer electronic products, coating applications, we're very excited about that. Granted, it is a lumpy like any other capital investment required for adding capacity to the market. This business is driven not only by capacity, but also next-generation highly engineered materials that are being used for various consumer electronic products. So we see investment in capital equipment driven by capacity, but also driven by new materials that are implemented to these devices. More so, we're excited about the fact that we are expanding our presence to new customers we haven't served before in that specific application space. So the growth is capacity, new engineered materials and broadening our footprint both geographically but with new customers that serve different consumer electronic products. I hope that helps.

Yeuk-Fai Mok - *Needham & Company, LLC, Research Division - Former MD & Senior Analyst*

Okay, great. One last question. Tom, you mentioned that there is some increase in costs or OpEx in your model. So as a result, I think the Q2 guidance at least in the midpoint of the range is down around 100 basis points from what you guys last quarter. But you also mentioned that there is some costs that you expect to improve as you integrate some of these acquisitions. How do you think about long-term margin model? Is this 31% to 33% now the new range? Or how do you think about that?

Thomas O. McGimpsey - *Advanced Energy Industries, Inc. - Executive VP, General Counsel & Corporate Secretary*

Yes it is, Edwin. And we do continue to expect 52% to 54% range for gross margins. And as you outlined for non -- basically operating margins, non-GAAP 31% to 33%, we've invested in the business. We've invested in R&D. We've invested in our employees through certainly our performance-based plan. And so I think we're pretty excited about it. And so you can see us as a percent of revenue or non-GAAP operating expenses being around the low-teens around -- I'm sorry, low-20s, around 21%, very consistent with our better business model.

Operator

The next question comes from Pavel Molchanov with Raymond James.

Pavel S. Molchanov - *Raymond James & Associates, Inc., Research Division - Energy Analyst*

In the slides, you, I think for the second quarter in a row, identified solar cell capacity build out as one of the industrial drivers. And given that we're now about 4 months into this Section 201 Tariff and more announcements about fab newbuild in the U.S. announced by a number of OEMs, I'm curious kind of to what extent that is you're seeing that as a source of order uplift?

Yuval Wasserman - *Advanced Energy Industries, Inc. - President, CEO & Director*

Pavel, we're very excited about our presence in the manufacturing of solar cells. We have enjoyed significant growth and revenue coming from capacity adds and new technology adds in China. We see additional opportunity coming from the rest of the world based on the changes in the regulations as you basically alluded to. And we continue to see the PV solar manufacturing market as a market that will allow us to continue to have sustainable business and potential growth, very, very constructive on PV solar.

Pavel S. Molchanov - *Raymond James & Associates, Inc., Research Division - Energy Analyst*

Okay. And as return of capital, I think it was maybe 2 years ago or 3 years ago you outlined kind of 30% buybacks, 70% M&A allocation for using your free cash flow. And given the time that's passed, I'm curious is that still in your eyes the -- kind of the right split, because it certainly seems like buyback has been more noticeable in your capital allocation of late. So is it still 30-70 that you're sticking with?

Yuval Wasserman - *Advanced Energy Industries, Inc. - President, CEO & Director*

Pavel, in general, yes. Obviously, we continued every quarter. We evaluate our strategy. And we said historically that long term we see it's a 70-30 percent split. However, we're being very cognizant of the changes in the market. We can apply opportunistic decisions when we need to. And we do have a very active pipeline of acquisitions. So all of the above influences what we are doing. But just a reminder, Pavel, since the inception of our plan, we have spent $108.5 million in shares repurchase. Year-to-date, we spent $28.5 million in shares repurchase, including to 2 acquisitions, rather smaller ones, but 2 acquisitions during the last 9 months, and we expect to see more acquisitions happen this year. So obviously, we have the guideline that helps us make our strategic decisions. But we have to be cognizant of the dynamic in the market, and we make decisions as the market dynamic changes.

Operator

Our next question comes from Amanda Scarnati with Citi.

Amanda Marie Scarnati - *Citigroup Inc, Research Division - Semiconductor Consumable Analyst*

Just a quick question on your content in DRAM versus NAND. Some of your customers have been talking about, there's been this shift from NAND to DRAM in shipment towards the end of the quarter. And how does that impact your growth going forward if DRAM is significantly stronger?

Yuval Wasserman - *Advanced Energy Industries, Inc. - President, CEO & Director*

Thanks for the question, Amanda. Obviously, there is a difference in content of the actual wafer fab equipment between logic and memory and between 3D NAND and DRAM. And our customers' presence in those applications or devices is different and our presence within our customers' equipment is different. So it is complex puzzle of looking at all the drivers in the content. However, the one thing that is interesting for us is the migration to DRAM increases the FEP content of the wafer fab equipment, the front-end processing equipment. For example, you'll see a higher content driven by ion implantation, you see higher content in RTP, in some cases higher content in metrology. Luckily, these are markets that we have really strong presence through our high-voltage power supplies. We are a critical supplier for both ion implantation and metrology and inspection tools. But also, DRAM drives growth in a process called RTP, rapid thermal processing, where we have a really extremely high market share when it comes to temperature measurement and control. So the migration to DRAM in addition to our historical content in deposition, etch, et cetera, has an increasing strength and growth in our high-voltage business and our Sekidenko pyrometry business.

Amanda Marie Scarnati - *Citigroup Inc, Research Division - Semiconductor Consumable Analyst*

All right. And then, can you just remind us what your market share is in conductor versus dielectric etch? And if you're starting to see any more competition on the conductor etch side and its fragment that you mentioned for 18 to 24 months out?

Yuval Wasserman - *Advanced Energy Industries, Inc. - President, CEO & Director*

We don't disclose our market share by application. And when it comes to market share, well, the one thing we all need to remember that with the complex environment we play in, we have different shares and different content and different end-use customer -- I mean OEM customer. And they have different content and different presence in their end-use customers. At the bottom line, we're not concerned about small short-term changes based on revenue distribution. The bottom line is Advanced Energy is undisputed leader in power supplies and power conversion solutions for the semiconductor industry by far leading with -- leading technology, leading product, leading presence and that explains why we have leading financial performance. We are an enabler and continue to be so across multiple applications, world regions and customers. So we -- the change in mix driven by devices change or customer change or end-user change may be looked as a change in share. We are excited about our position. We are excited about being the leader. And based on what coming down the pipeline in terms of next-generation technology, we are excited about the opportunity to even increase our share.

Operator

Our next question comes from Patrick Ho with Stifel.

Brian Edward Chin - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

This is Brian Chin on for Patrick. I guess, my first question is, just looking at your revenue guidance for the second quarter, typically, you've given $10 million range in the past. This time, it's $15 million. Maybe not anything to read into there, but just curious if there's anything behind the wire than typical guidance range. Is it a reflection of perhaps timing of shipments into either the semi or industrial markets?

Yuval Wasserman - *Advanced Energy Industries, Inc. - President, CEO & Director*

It's a reflection of benchmarking. We constantly look at the guidance provided by our peer group players. And we have noticed that peer group players offer plus/minus 7%, and we adopted that as a best practice.

Brian Edward Chin - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

Got it. Okay. And there is the EPS range still kind of a tight $0.10...

Yuval Wasserman - *Advanced Energy Industries, Inc. - President, CEO & Director*

Yes, we remain -- yes, yes.

Brian Edward Chin - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

Okay. Fair enough. Also, looking at your filing that you just put out in conjunction with the results, your top customer was up pretty significantly Q-on-Q, a couple multiples above your growth rate in semis. Just curious if you'd attribute that outgrowth to being driven perhaps by share gains in semi process power, perhaps penetration of some of your high-voltage products that you referenced? Or if it's more just indicative of perhaps the customers' baseline shipment strength?

Yuval Wasserman - *Advanced Energy Industries, Inc. - President, CEO & Director*

Okay. It's a great question. So the growth we've seen with our biggest customer and since this is public information, we're not afraid of sharing that. We have grown 28% year-over-year and 18% quarter-by-quarter. Now it's a combination of multiple things: number one, product mix; number two, increase in high-voltage content; and also the addition of Trek. Trek has brought us an incremental revenue that goes into semi. About 60% of Trek revenue is coming from semi applications. So all of the above, organic growth, inorganic growth, product mix and obviously we have a higher content with our largest customer simply because of the fact that they have very broad base of equipment content, different than others.

Brian Edward Chin - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

Okay. Very helpful. I guess one last question. Just going back to some of the discussion on the industrial segment, clearly a lot of strength there. Again, you built backlog overall in the business in Q1. Just kind of curious, I did notice a bit of maybe a revenue bias or shift towards Europe in particular, maybe you can flesh that out a little bit and just kind of dissect a little bit what's going on there? And also, whether -- I think you mentioned late last year a little bit of digestion in some of the glass coating lines that added capacity in China, and just whether your -- that digestion is -- you've moved past that in that market too?

Yuval Wasserman - *Advanced Energy Industries, Inc. - President, CEO & Director*

So in general, if you look at the thin film industrial business, it is a lumpy business. And we see a lot of changes in ebbs and flows between various regions and the market. If you look at the general dynamic of this market, periodically we saw investment in greenfield glass coating lines that served us with basically installation of new factories. In some other periods, we saw upgrades of retrofits driving more of the business. Also, it's very regional. And there are players both in Asia and in Europe when it comes to the glass coating, and for that matter even flat panel display business. And we see periodical shift between Europe and Asia when it comes to the adoption of these capital equipment pieces in the world. So you should expect to see lumpiness when it comes to what we called a large area deposition market. And it could be either glass coating or the flat panel display large TV-type implementation or investments. The things that we're encouraged about is that the adoption of the handheld devices OLED, flat panel displays is exciting for us because it's continuing regardless of the dynamic of the flat-panel TVs, for example. So we see continuing investment in this area driven by volume and adoption of OLED to handheld devices and that added to some of our growth recently. In general, as we said earlier, it will be lumpy, and it will be both seasonal and regional. The good news is we are a strong player in these markets, specially in the deposition side and continue to serve the market both in Europe and in Asia, including Korea, China.

Operator

(Operator Instructions) And I'm not showing any further questions at this time. I'd like to turn the call back over to management for closing remarks.

Yuval Wasserman - *Advanced Energy Industries, Inc. - President, CEO & Director*

Thanks, everybody, for joining us. We had a strong quarter. We have a fantastic performance against our aspirational goals. We feel very comfortable and confident with our program in progress. As I mentioned earlier, since inception, we have deployed $108.5 million in share repurchase, returning value to our shareholders. And we continue to increase the cadence of acquisitions, and looking forward to seeing many of you during the next quarter. Thank you so much.

Operator

Ladies and gentlemen, this does conclude today's presentation. You may now disconnect, and have a wonderful day.
