

The background features a collage of images: a person in a surgical mask and cap, a microchip, and two telecommunications towers. The design is accented with blue, green, and orange geometric shapes.

Q1 2023 Earnings Presentation

MAY 3, 2023

SAFE HARBOR

The company's guidance and other statements herein or made on the earnings conference call contain, in addition to historical information, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements in this presentation that are not historical information are forward-looking statements. 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 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), which can be obtained from the SEC's website at www.sec.gov or from Advanced Energy's Investors page at ir.advancedenergy.com. Forward-looking statements are made and based on information available to Advanced Energy's management team as of May 3, 2023. Aspirational goals and medium-term targets should not be interpreted in any respect as guidance. The company assumes no obligation to update the information in this presentation.



Q1 2023 SUMMARY

- **Q1 2023 results exceeded guidance**
 - Revenue of \$425 million and non-GAAP⁽¹⁾ EPS of \$1.24 exceeded the midpoints of guidance
 - Grew revenue 7% Y/Y on record Industrial & Medical partially offsetting the semiconductor market correction
 - Results validate the benefits of our diversification strategy as we performed above expectations
- **Executing to our 2023 full year outlook**
 - Expect our semi business to trough in Q2 2023 and perform better than the market on pockets of strength
 - Continue to project non-semi aggregate revenue to be relatively stable Y/Y
 - Gross margin to gradually improve in 2023, enabling more meaningful leverage in our model in 2024
- **Taking actions to improve our operational efficiency and optimize our footprint**
 - Announced plans to close an additional factory in China and expand our factory in Mexicali
 - Control discretionary spending while maintaining R&D investment
- **We believe 2023 will be a pivotal year for AE's growth and sustainable share gain**
 - Believe technology leadership plus superior operational performance is driving strong customer engagement
 - Launch several new products to meet customers' increased focus on new product development
 - Expect innovative new technologies and products to drive record design wins this year
 - Well-positioned to perform better than our markets and deliver long-term profitable growth

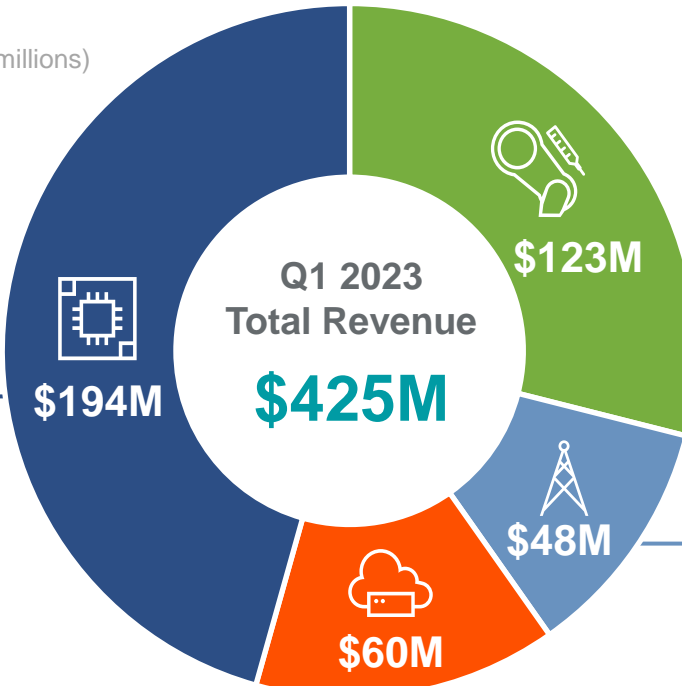
STRENGTH IN NON-SEMI OFFSETS SEMI MARKET CYCLE

(\$ in millions)

SEMICONDUCTOR EQUIPMENT

Down 4% Y/Y, Down 16% Q/Q

- Q1 performed slightly better than guidance
- Service reached record levels
- Robust demand for high voltage and ramping design wins in etch/dep
- Shipped Beta units of two new plasma power platforms, enabling next-gen plasma systems



INDUSTRIAL & MEDICAL

Up 48% Y/Y & 3% Q/Q

- Grew 31% Y/Y & 8% Q/Q organically
- Achieved record revenue despite constraints of select components
- Strong demand in thin film
- Won designs across a wide range of Industrial and Medical applications
- Benefited from cross-selling between SL and AE product portfolio

DATA CENTER COMPUTING

Down 22% Y/Y & 37% Q/Q

- DCC revenue declined mainly due to component shortage as backlog increased
- Saw reduced demand from some hyperscale customers
- T&N had one of its strongest quarters as we secured more parts

TELECOM & NETWORKING

Up 36% Y/Y & 8% Q/Q

Q1 2023 FINANCIAL HIGHLIGHTS



REVENUE
\$425 million
Up 7% Y/Y



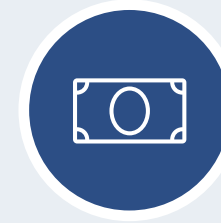
NON-GAAP EPS⁽¹⁾
\$1.24
Flat Y/Y



NON-GAAP GROSS MARGIN⁽¹⁾
36.8%
Up 20 bps Y/Y



NON-GAAP OP MARGIN⁽¹⁾
13.4%
Down 110 bps Y/Y



OPERATING CASH FLOW⁽²⁾
\$32 million
Up 222% Y/Y



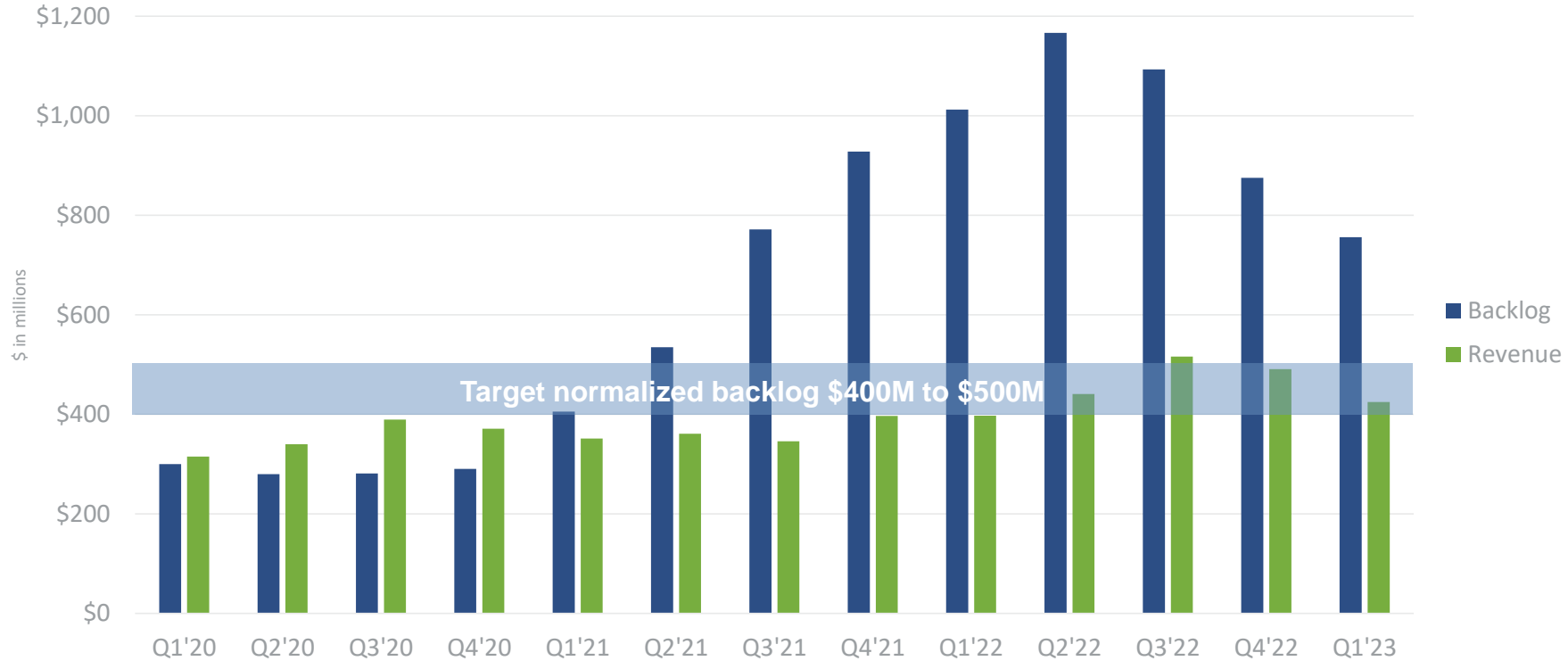
CASH & INVESTMENTS⁽³⁾
\$462 million
Net Cash of \$93 million

(1) Detailed explanations of non-GAAP financials and reconciliations of GAAP to non-GAAP financials can be found at the end of this presentation

(2) Cash flow from operating activities from continuing operations

(3) Cash & Investments includes total cash and cash equivalents of \$461.7 million and marketable securities of \$0.2 million; Net cash = Cash & Investments less Current portion of long-term debt and Long-term debt

QUARTERLY REVENUE AND BACKLOG TRENDS



- Total backlog at the end of Q1 2023 was \$756 million, down 25% Y/Y and down 14% Q/Q
- Mainly driven by customers reducing orders for out quarter deliveries as we improved our lead times
- More than 70% of the backlog is shippable over the next two quarters
- Continue to target a normalized backlog level of \$400-\$500 million

REVENUE BY MARKET

(\$ in millions)	Q1 2023	Q4 2022	Q1 2022	Q/Q	Y/Y	ORGANIC ⁽¹⁾
						Y/Y
Semiconductor Equipment	\$194.2	\$232.5	\$203.0	-16.5%	-4.3%	-4.4%
Industrial & Medical	\$123.0	\$119.3	\$82.9	3.1%	48.4%	30.5%
Data Center Computing	\$59.7	\$94.5	\$76.3	-36.9%	-21.8%	-21.8%
Telecom & Networking	\$48.2	\$44.4	\$35.4	8.4%	36.2%	36.2%
Total Revenue	\$425.0	\$490.7	\$397.5	-13.4%	6.9%	3.1%

INCOME STATEMENT (GAAP/NON-GAAP)

(\$ in millions, except per share data)	Q1 2023	Q4 2022	Q1 2022	Q/Q	Y/Y
Revenue	\$425.0	\$490.7	\$397.5	-13.4%	6.9%
GAAP gross margin	36.5%	36.2%	36.3%		
GAAP operating expenses	\$115.1	\$119.7	\$99.7	-3.9%	15.5%
GAAP operating margin from continuing ops	9.4%	11.8%	11.2%		
GAAP EPS from continuing ops	\$0.84	\$1.20	\$0.98	-30.0%	-14.3%
Non-GAAP ⁽¹⁾ gross margin	36.8%	36.6%	36.6%		
Non-GAAP ⁽¹⁾ operating expenses	\$99.7	\$100.9	\$87.6	-1.3%	13.8%
Non-GAAP ⁽¹⁾ operating margin	13.4%	16.0%	14.5%		
Non-GAAP ⁽¹⁾ EPS	\$1.24	\$1.70	\$1.24	-27.1%	0.0%

(1) Detailed explanations of non-GAAP financials and reconciliations of GAAP to non-GAAP financials can be found at the end of this presentation

BALANCE SHEET & CASH FLOW

- Cash and investments⁽¹⁾ was flat Q/Q at \$462 million
 - Net cash up 7% Q/Q to \$93 million
- Receivables decreased Q/Q to \$292 million
 - DSO increased Q/Q to 62 days
- Inventory increased Q/Q to \$402 million
 - Turns decreased Q/Q to 2.7 times
- Operating cash flow from continuing operations was \$31.9 million
- CAPEX was \$16.2 million, or 3.8% of revenue

(\$ in millions)	Q1 2023	Q4 2022	Q1 2022
Cash & Investments	\$461.8	\$460.9	\$523.5
Accounts Receivable	\$291.6	\$300.7	\$248.7
Inventories	\$401.5	\$376.0	\$360.8
Total Assets	\$2,008.7	\$1,992.2	\$1,832.4
Accounts Payable	\$185.8	\$170.5	\$183.1
Total Debt	\$368.4	\$373.3	\$387.9
Total Liabilities	\$912.8	\$925.9	\$931.0
Shareholders' Equity	\$1,095.9	\$1,066.3	\$900.7

Q2 2023 GUIDANCE

(\$ in millions, except per share data)	Q2 2023 Guidance
Revenue	\$410 +/- \$20
GAAP EPS from continuing operations	\$0.62 +/- \$0.25
Non-GAAP ⁽¹⁾ EPS	\$1.00 +/- \$0.25

QUARTERLY NON-GAAP FINANCIALS⁽¹⁾

Quarterly Trend

(figures in \$ millions, except percentages and EPS)

All figures from Continuing Operations

	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1
Backlog	300.1	280.1	281.5	290.7	405.7	534.7	771.4	927.8	1,012.4	1,166.5	1,093.0	875.3	755.9
Revenue	315.5	339.9	389.5	371.0	351.6	361.3	346.1	396.9	397.5	440.9	516.3	490.7	425.0
Gross Profit	119.1	131.6	154.9	146.4	139.7	137.3	124.9	141.0	145.3	163.8	193.4	179.4	156.5
Gross Margin	37.8%	38.7%	39.8%	39.5%	39.7%	38.0%	36.1%	35.5%	36.6%	37.1%	37.5%	36.6%	36.8%
Total OPEX	74.7	77.8	78.9	76.9	79.5	82.6	83.6	86.1	87.6	94.2	99.8	100.9	99.7
OPEX %	23.7%	22.9%	20.3%	20.7%	22.6%	22.9%	24.2%	21.7%	22.0%	21.4%	19.3%	20.6%	23.5%
Operating Income	44.4	53.8	76.0	69.5	60.2	54.7	41.2	54.8	57.8	69.6	93.6	78.5	56.8
Operating Income %	14.1%	15.8%	19.5%	18.7%	17.1%	15.1%	11.9%	13.8%	14.5%	15.8%	18.1%	16.0%	13.4%
Depreciation	6.6	6.6	7.2	7.3	7.3	7.5	7.9	8.1	8.4	8.5	8.5	8.8	9.5
EBITDA	51.0	60.4	83.2	76.8	67.6	62.2	49.1	63.0	66.1	78.1	102.1	87.3	66.3
EBITDA %	16.2%	17.8%	21.4%	20.7%	19.2%	17.2%	14.2%	15.9%	16.6%	17.7%	19.8%	17.8%	15.6%
Other Income/(Expense)	(3.5)	(0.5)	(2.4)	(2.3)	(2.6)	(1.9)	(1.7)	(2.5)	(2.1)	(2.2)	(1.9)	(1.1)	0.5
Income Before Taxes	40.9	53.3	73.6	67.2	57.6	52.8	39.6	52.3	55.6	67.4	91.7	77.4	57.3
Tax Provision/(Benefit)	6.0	7.9	9.8	9.8	7.9	4.7	5.6	0.9	8.9	13.1	12.1	13.2	10.4
Tax Rate	14.6%	14.8%	13.3%	14.7%	13.7%	8.9%	14.0%	1.6%	16.0%	19.4%	13.2%	17.0%	18.1%
Non-GAAP Net Income	34.9	45.4	63.8	57.3	49.7	48.1	34.0	51.5	46.7	54.3	79.6	64.2	47.0
Net Income %	11.1%	13.4%	16.4%	15.4%	14.1%	13.3%	9.8%	13.0%	11.8%	12.3%	15.4%	13.1%	11.1%
Non-GAAP EPS	0.91	1.18	1.66	1.49	1.29	1.25	0.89	1.36	1.24	1.44	2.12	1.70	\$1.24
Average Shares Outstanding	38.6	38.5	38.5	38.5	38.6	38.6	38.4	37.9	37.8	37.7	37.6	37.7	37.8

NON-GAAP MEASURES

Advanced Energy's non-GAAP measures exclude the impact of non-cash related charges such as stock-based compensation and amortization of intangible assets, as well as discontinued operations, and non-recurring items such as acquisition-related costs and restructuring expenses. The non-GAAP measures included in this presentation 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. We believe that these non-GAAP measures provide useful information to management and investors to evaluate business performance without the impacts of certain non-cash charges, non-economic foreign currency remeasurements, and other cash charges which are not part of our usual operations. We use 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, we believe that these non-GAAP measures, in combination with its financial results calculated in accordance with GAAP, provide investors with additional perspective. To gain a complete picture of all effects on our financial results from any and all events, management does (and investors should) rely upon the GAAP measures as well, as the items excluded from non-GAAP measures may contribute to not accurately reflecting the underlying performance of the company's continuing operations for the period in which they are incurred. Furthermore, the use of non-GAAP measures has limitations in that such measures do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP, and these measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures.

NON-GAAP RECONCILIATION

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

	Three Months Ended		
	March 31,		December 31,
	2023	2022	2022
Gross profit from continuing operations, as reported	\$ 155,111	\$ 144,316	\$ 177,814
Adjustments to gross profit:			
Stock-based compensation	383	231	391
Facility expansion, relocation costs and other	957	1,284	1,162
Acquisition-related costs	53	(502)	73
Non-GAAP gross profit	156,504	145,329	179,440
Non-GAAP gross margin	36.8%	36.6%	36.6%
Operating expenses from continuing operations, as reported	115,073	99,659	119,713
Adjustments:			
Amortization of intangible assets	(7,062)	(5,509)	(7,033)
Stock-based compensation	(6,418)	(3,697)	(4,450)
Acquisition-related costs	(878)	(1,668)	(1,660)
Restructuring	(1,043)	(1,218)	(5,636)
Non-GAAP operating expenses	99,672	87,567	100,934
Non-GAAP operating income	\$ 56,832	\$ 57,762	\$ 78,506
Non-GAAP operating margin	13.4%	14.5%	16.0%

Reconciliation of Non-GAAP measure - income excluding certain items

	Three Months Ended		
	March 31,		December 31,
	2023	2022	2022
Income from continuing operations, less non-controlling interest, net of income taxes	\$ 31,752	\$ 36,876	\$ 45,345
Adjustments:			
Amortization of intangible assets	7,062	5,509	7,033
Acquisition-related costs	931	1,166	1,733
Facility expansion, relocation costs, and other	957	1,284	1,162
Restructuring	1,043	1,218	5,636
Unrealized foreign currency gain	1,053	(1,285)	5,378
Acquisition-related costs and other included in other expense, net	—	—	(3,817)
Tax effect of non-GAAP adjustments	(1,121)	(1,069)	(2,042)
Non-GAAP income, net of income taxes, excluding stock-based compensation	41,677	43,699	60,428
Stock-based compensation, net of taxes	5,304	3,025	3,776
Non-GAAP income, net of income taxes	\$ 46,981	\$ 46,724	\$ 64,204

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

	Three Months Ended		
	March 31,		December 31,
	2023	2022	2022
Diluted earnings per share from continuing operations, as reported	\$ 0.84	\$ 0.98	\$ 1.20
Add back:			
Per share impact of non-GAAP adjustments, net of tax	0.40	0.26	0.50
Non-GAAP earnings per share	\$ 1.24	\$ 1.24	\$ 1.70

Q2 2023 RECONCILIATION OF GAAP TO NON-GAAP GUIDANCE

(\$ in millions, except per share data)	Low End	Midpoint	High End
Revenue	\$390	\$410	\$430
Reconciliation of Non-GAAP EPS			
GAAP EPS	\$ 0.37	\$ 0.62	\$ 0.87
Stock-based compensation	0.17	0.17	0.17
Amortization of intangible assets	0.19	0.19	0.19
Restructuring and other	0.09	0.09	0.09
Tax effects of excluded items	(0.07)	(0.07)	(0.07)
Non-GAAP⁽¹⁾ EPS	\$ 0.75	\$ 1.00	\$ 1.25