

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.

Q4 2020 Earnings Presentation

FEBRUARY 10, 2021

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 cyclicity 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 continuing spread 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

- **Strong Q4 revenue, earnings, and cash flow**
- **Record financial performance and strong execution in 2020**
- **Pure Play Power strategy drives growth faster than our markets**
- **Accelerated R&D investments resulted in record pace of new product introductions and design wins**
- **On track to meet or exceed the updated long-term financial targets**

STRONG FINISH TO A RECORD 2020



CoolIX® 3000 high power modular configurable power platform for medical applications

- **Q4 2020 results at high end of guidance ranges**
 - Revenue of \$371 million and non-GAAP⁽¹⁾ earnings of \$1.49 per share
 - Strong operating cash flow of \$67.1 million
 - Strong demand and good execution in dynamic operating environment
- **Delivered record results in 2020 and overcame many challenges posed by the pandemic**
 - Record 2020 revenue, non-GAAP earnings, and operating cash flow
 - Demonstrated agility and operational excellence in meeting shifting customer requirements
 - Results confirmed that we continue to outperform our markets
- **Driving long-term sustainable growth through our innovation, technologies and offerings**
 - Accelerating R&D investments resulted in twelve new product introductions
 - Exceeded Artesyn integration milestones and delivered on synergies ahead of target
 - Executing our inorganic growth and diversification strategy with the acquisition of Versatile Power
- **On track to meet or exceed our updated aspirational and longer-term goals**
 - New three-year targets of \$1.65 billion in revenue and \$7.50 in non-GAAP EPS
 - Longer-term vision of \$2.5 billion in revenue and \$12.00 in non-GAAP EPS

STRONG CADENCE OF NEW PRODUCTS INTRODUCED IN 2020



eVoS™ LE: Beyond RF for Next Gen Etch/Dep



OCP ORv3 Power Shelf: for 48V Data Center



BDQ1300: Isolated DC-DC Converters for 48V Telecom and Computing



Navigator® II FCI: High-Speed Solid-State Match for ALE/ALD



Ascent® MS: 5-Output DC Power System for Solar Cell Manufacturing



iTSTM + iHPS™: Intelligent Lighting and Control System for Horticulture



Paramount® HFi: Integrated RF System for Advanced Dep



Impac® 600: Modular, Field-Configurable Pyrometry Platform



CoolIX® 3000: High Power Configurable for Medical Applications



MAXstream™: RPS with Best-in-Class Capabilities and Reliability

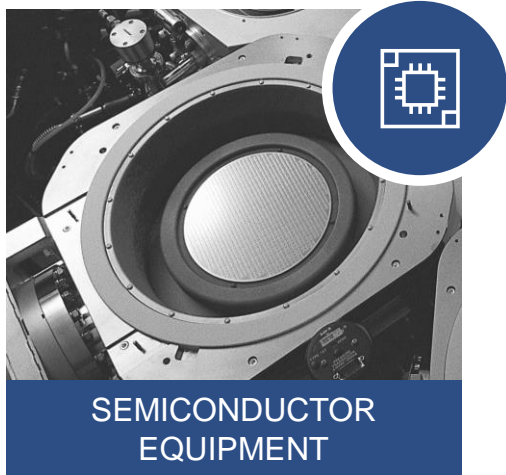


Thyro-A+: SCR Power Controller for Heating Applications



CS1000: High Power Fanless for Medical and Industrial Applications

SOLID PERFORMANCE IN ALL FOUR MARKET VERTICALS



SEMICONDUCTOR
EQUIPMENT

\$166M, up 32% YoY

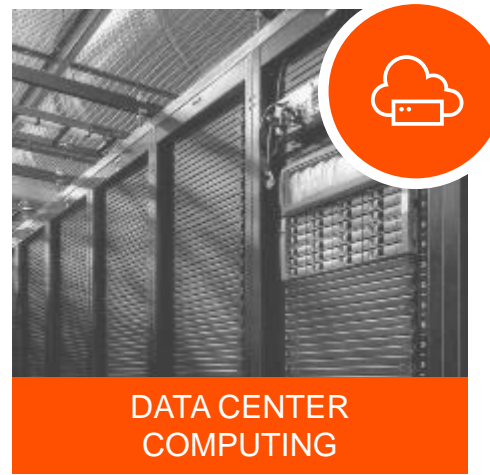
- At high-end of 2H target on strong foundry/logic and NAND
- Shipped eVoS eval units to multiple strategic customers
- Secured a next gen PECVD win at a top OEM customer
- Two new design wins in Korea
- Good progress in semi embedded power market with an important back-end design win



INDUSTRIAL &
MEDICAL

\$94M, down 3% YoY

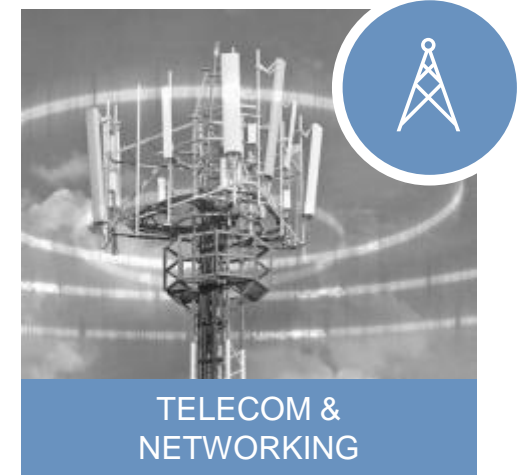
- Up 8% QoQ on strong thin film demand and seasonal strength
- Medical declined on lower demand for critical care and elective care applications
- Several medical design wins with fanless power supply
- Launched four new products across different applications



DATA CENTER
COMPUTING

\$65M, down 16% YoY

- Industry digestion following strong ramp during last year
- Grew hyperscale revenue by over 250% in 2020
- Solid progress at new Tier-1 hyperscale customers
- Two new 48V design wins: a new customer for our power shelf and a new DC-DC design
- Another HPC design win for a supercomputing platform



TELECOM &
NETWORKING

\$46M, up 20% YoY

- Improved market condition YoY and success of some programs
- Focusing on 5G designs with a new win for small cell radio
- Designed into a white-box network switch for a Tier-1 Asian hyperscale
- Portfolio optimization towards higher value applications

Q4 2020 FINANCIAL HIGHLIGHTS



REVENUE
\$371 million
Up 9.7% YoY



NON-GAAP EPS⁽¹⁾
\$1.49
Up 71% YoY



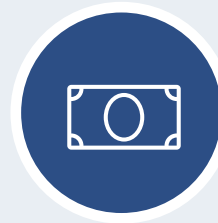
NON-GAAP GROSS MARGIN⁽¹⁾
39.5%
Up 360 bps YoY



NON-GAAP OP MARGIN⁽¹⁾
18.7%
Up 590 bps YoY



OPERATING CASH FLOW
\$67.1 million
Up \$48 million YoY



TOTAL CASH
\$483 million
Up \$134 million YoY

ASPIRATIONAL GOALS AND LONG-TERM VISION

	FISCAL 2020 RESULTS	3-YEAR ASPIRATIONAL GOALS	LONG TERM VISION (6-8 YEARS)
Revenue	\$1.42B	\$1.65B	\$2.50B
Non-GAAP EPS ⁽¹⁾	\$5.23	\$7.50	\$12.00
ROIC ⁽²⁾	23%	23%	20%

(1) Non-GAAP financial measures can be found at the back of this presentation

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

Q4 REVENUE BY MARKETS

(figures in \$ thousands)	Q4 2020	Q3 2020	Q4 2019	Q/Q	Y/Y
Semiconductor Equipment	\$165,757	\$167,058	\$125,108	-0.8%	32.5%
Industrial & Medical	\$93,769	\$87,013	\$96,736	7.8%	-3.1%
Data Center Computing	\$65,299	\$87,741	\$77,940	-25.6%	-16.2%
Telecom & Networking	\$46,144	\$47,709	\$38,484	-3.3%	19.9%
Total Revenue	\$370,969	\$389,521	\$338,268	-4.8%	9.7%

2020 REVENUE BY MARKETS

(figures in \$ thousands)	As Reported			Pro Forma ⁽¹⁾
	2020	2019	Y/Y	Y/Y
Semiconductor Equipment	\$611,864	\$403,018	51.8%	49.8%
Industrial & Medical	\$313,646	\$245,992	27.5%	-16.9%
Data Center Computing	\$322,539	\$91,438	253%	46.2%
Telecom & Networking	\$167,777	\$48,500	246%	-12.8%
Total Revenue	\$1,415,826	\$788,948	79.5%	18.1%

Q4 2020 INCOME STATEMENT

(figures in \$ millions, except percentage & EPS)	Q4 2020	Q3 2020	Q4 2019	Q/Q	Y/Y
Revenue	\$371.0	\$389.5	\$339.3	-4.8%	9.3%
GAAP gross margin	39.2%	39.5%	33.2%		
GAAP operating expenses	\$89.8	\$94.8	\$90.1	-5.3%	-0.4%
GAAP operating margin from continuing ops	15.0%	15.1%	6.5%		
GAAP EPS from continuing ops	\$1.09	\$1.18	\$0.27	-7.6%	303.7%
Non-GAAP* gross margin	39.5%	39.8%	35.9%		
Non-GAAP* operating expenses	\$76.9	\$78.9	\$78.0	-2.5%	-1.4%
Non-GAAP* operating margin	18.7%	19.5%	12.8%		
Non-GAAP* EPS	\$1.49	\$1.66	\$0.87	-10.2%	71.3%

2020 INCOME STATEMENT

(figures in \$ millions, except percentage & EPS)	2020	2019	Y/Y
Revenue	\$1,415.8	\$788.9	79.5%
GAAP gross margin	38.3%	40.0%	
GAAP operating expenses	\$365.8	\$261.3	40.0%
GAAP operating margin from continuing ops	12.4%	7.0%	
GAAP EPS from continuing ops	\$3.51	\$1.47	138.8%
Non-GAAP* gross margin	39.0%	41.6%	
Non-GAAP* operating expenses	\$308.4	\$224.3	37.5%
Non-GAAP* operating margin	17.2%	13.2%	
Non-GAAP* EPS	\$5.23	\$2.44	114.3%

Q4 2020 BALANCE SHEET & CASH FLOW

- Cash and investments rose by \$51 million
- Receivables decreased to \$235 million
 - DSO increased by 2 days to 57 days
- Inventory decreased to \$221 million
 - Turns improved to 4.1 times
- Operating cash flow from continuing operations was \$67.1 million
- Free cash flow⁽¹⁾ was \$56.0 million
 - 2020 free cash flow⁽¹⁾ was \$166 million
- Total debt at \$322 million
 - Gross debt leverage at 1.2x⁽²⁾

(figures in \$ millions)	Q4 2020	Q3 2020	Q4 2019
Cash & Investments	\$483.0	\$431.6	\$349.1
Accounts Receivable	\$235.2	\$240.1	\$246.6
Inventory	\$221.3	\$257.4	\$230.0
Total Assets	\$1,648.6	\$1,642.5	\$1,532.4
Total Debt	\$322.0	\$326.3	\$339.0
Liabilities	\$833.3	\$873.8	\$855.1
Shareholders' Equity	\$815.3	\$768.7	\$677.3

Q1 2021 GUIDANCE

	Q1 2021
Revenue	\$350M +/- \$15M
GAAP EPS from continuing operations	\$1.02 +/- \$0.15
Non-GAAP* EPS	\$1.25 +/- \$0.15

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,	
	2020	2019	2020	2020	2019
Gross profit from continuing operations, as reported	\$ 145,549	\$ 112,295	\$ 153,785	\$ 541,869	\$ 315,652
Adjustments to gross profit:					
Stock-based compensation	122	160	67	567	525
Facility expansion, relocation costs and other	741	2,229	1,095	4,349	3,891
Acquisition-related costs	25	6,784	—	5,381	8,290
Non-GAAP gross profit	<u>146,437</u>	<u>121,468</u>	<u>154,947</u>	<u>552,166</u>	<u>328,358</u>
Non-GAAP gross margin	39.5%	35.9%	39.8%	39.0%	41.6%
Operating expenses from continuing operations, as reported	89,764	90,093	94,831	365,846	261,264
Adjustments:					
Amortization of intangible assets	(5,065)	(5,319)	(5,049)	(20,129)	(12,168)
Stock-based compensation	(2,483)	(2,115)	(3,714)	(11,705)	(6,803)
Acquisition-related costs	387	(2,562)	(5,214)	(10,209)	(12,002)
Facility expansion, relocation costs and other	(443)	(651)	(415)	(2,213)	(948)
Restructuring charges	(5,226)	(1,418)	(1,494)	(13,166)	(5,038)
Non-GAAP operating expenses	<u>76,934</u>	<u>78,028</u>	<u>78,945</u>	<u>308,424</u>	<u>224,305</u>
Non-GAAP operating income	<u>\$ 69,503</u>	<u>\$ 43,440</u>	<u>\$ 76,002</u>	<u>\$ 243,742</u>	<u>\$ 104,053</u>
Non-GAAP operating margin	18.7%	12.8%	19.5%	17.2%	13.2%

Reconciliation of Non-GAAP measure - income excluding certain items

	Three Months Ended			Year Ended	
	December 31,		September 30,	December 31,	
	2020	2019	2020	2020	2019
Income from continuing operations, less non-controlling interest, net of income taxes	\$ 41,841	\$ 10,474	\$ 45,577	\$ 135,096	\$ 56,461
Adjustments:					
Amortization of intangible assets	5,065	5,319	5,049	20,129	12,168
Acquisition-related costs	(362)	9,346	5,214	15,590	20,292
Facility expansion, relocation costs and other	1,184	2,879	1,510	6,562	4,838
Restructuring charges	5,226	1,418	1,494	13,166	5,038
Unrealized foreign currency (gain) loss	3,786	—	3,540	8,384	—
Acquisition-related and other costs included in Other income (expense), net	90	—	625	716	(29)
Central inverter services business sale	—	1,067	—	—	(13,737)
Tax effect of Non-GAAP adjustments	(1,532)	1,195	(2,115)	(7,611)	3,206
Non-GAAP income, net of income taxes, excluding stock-based compensation	55,298	31,698	60,894	192,032	88,237
Stock-based compensation, net of taxes	1,993	1,740	2,892	9,418	5,627
Non-GAAP income, net of income taxes	<u>\$ 57,291</u>	<u>\$ 33,438</u>	<u>\$ 63,786</u>	<u>\$ 201,450</u>	<u>\$ 93,864</u>

includes a \$274 noncash fixed asset write-off, which was recognized in Other income (expense), net.

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

	Three Months Ended			Year Ended	
	December 31,		September 30,	December 31,	
	2020	2019	2020	2020	2019
Diluted earnings per share from continuing operations, as reported	\$ 1.09	\$ 0.27	\$ 1.18	\$ 3.51	\$ 1.47
Add back (subtract):					
Per share impact of Non-GAAP adjustments, net of tax	0.40	0.60	0.48	1.72	0.97
Non-GAAP per share earnings	<u>\$ 1.49</u>	<u>\$ 0.87</u>	<u>\$ 1.66</u>	<u>\$ 5.23</u>	<u>\$ 2.44</u>

RECONCILIATION OF Q1 2021 GUIDANCE

	Low End		High End
Revenue	\$335M	-	\$365M
Reconciliation of non-GAAP* earnings per share			
GAAP earnings per share	\$0.87	-	\$1.17
Stock-based compensation	\$0.08	-	\$0.08
Amortization of intangible assets	\$0.13	-	\$0.13
Restructuring and other	\$0.05	-	\$0.05
Tax effects of excluded items	-\$0.03	-	-\$0.03
Non-GAAP* earnings per share	\$1.10	-	\$1.40