

A collage of images including a person in a surgical mask and cap, a microchip, and two telecommunications towers, all in a light blue and white color scheme.

# Q3 2021 Earnings Presentation

NOVEMBER 8, 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 that are not historical information are forward-looking statements and are subject to the Safe Harbor provision of the U.S. Private Securities Litigation Reform Act of 1995. 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. These risks 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). These reports and statements are available on the SEC's website at [www.sec.gov](http://www.sec.gov). Copies may also be obtained from our Investors page at [ir.advancedenergy.com](http://ir.advancedenergy.com). Forward-looking statements are based on information available to the company on the date of this presentation. Aspirational goals and targets discussed in the presentation materials should not be interpreted as guidance. The company assumes no obligation to update the information in this presentation.

# Q3 2021 SUMMARY



iLS™ Series of Programmable Power Supplies for the Test and Measurement market

- **Q3 2021 results above guidance midpoints**
  - Revenue of \$346 million and non-GAAP<sup>(1)</sup> earnings of \$0.89 per share
  - Gross margin above guidance range
- **Supply constraints of critical ICs limiting revenue**
  - The environment remains dynamic, working with a high sense of urgency to mitigate the impacts
  - Progress on improving parts and cost recovery to yield incremental results in Q4 and beyond
- **Pent-up demand to drive meaningful upside to current revenue levels**
  - Demand remains extremely robust across all of our target markets
  - Record backlog of \$771 million with vast majority proprietary products, and a high level of shippable revenue as supply normalizes
- **Positioning the company for sustained revenue growth**
  - Broad customer acceptance of our new technologies and a strong lineup of differentiated products
  - Increasing the capabilities of the leadership team, including a new COO
  - Strengthened our financial position by amending debt agreement while increasing capital return
  - Well-positioned to meet or exceed our medium- and long-term financial goals

# STRONG DEMAND LIMITED BY IC SUPPLY CONSTRAINTS



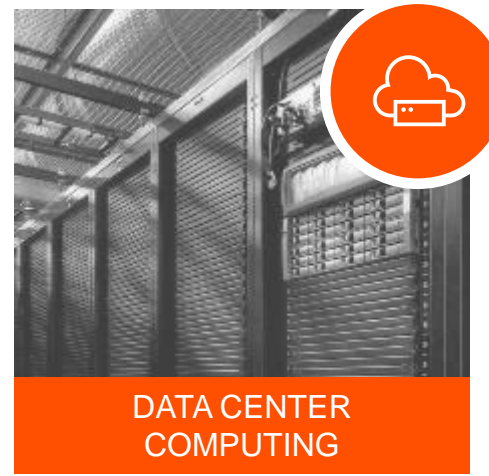
**\$173M, down 2% Q/Q**

- Customers forecasting strong unit growth in 2022, across a wide range of technologies
- Strong position in next-generation conductor etch
- eVoS and MAXStream being evaluated by multiple customers
- Strategic wins in Korea and China and an important design win in RPS



**\$81M, down 3% Q/Q**

- Demand increased across our target markets
- Won several Medical wins, including a strategic win in ultrasound
- Secured wins in thin-film application and indoor farming
- Won proprietary power control and sensing designs



**\$62M, down 10% Q/Q**

- Strong demand driven by trends in digital transformation
- Supply constraints particularly acute for ICs used in this market
- Next-gen hyperscale design win with 2X power density
- Won a high value design in storage



**\$30M, down 7% Q/Q**

- 5G infrastructure investment continues
- Revenue limited by supply constraints
- Won high value designs for telecom edge and network routing applications

# Q3 2021 FINANCIAL HIGHLIGHTS



REVENUE  
**\$346 million**  
Down 4% Q/Q



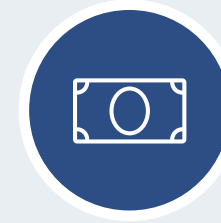
NON-GAAP EPS<sup>(1)</sup>  
**\$0.89**  
Above target of \$0.80



NON-GAAP GROSS MARGIN<sup>(1)</sup>  
**36.1%**  
Down 190 bps Q/Q



NON-GAAP OP MARGIN<sup>(1)</sup>  
**11.9%**  
Down on lower sales, GM



OPERATING CASH FLOW  
**\$18.3 million**  
5.3% of sales



CASH & INVESTMENTS  
**\$551 million**  
Increased on debt refinancing

# Q3 REVENUE BY MARKET

(figures in \$ thousands)	Q3 2021	Q2 2021	Q3 2020	Q/Q	Y/Y
Semiconductor Equipment	\$173,441	\$176,671	\$167,058	-1.8%	3.8%
Industrial & Medical	\$80,800	\$83,197	\$87,013	-2.9%	-7.1%
Data Center Computing	\$62,231	\$69,458	\$87,741	-10.4%	-29.1%
Telecom & Networking	\$29,621	\$31,985	\$47,709	-7.4%	-37.9%
<b>Total Revenue</b>	<b>\$346,093</b>	<b>\$361,311</b>	<b>\$389,521</b>	<b>-4.2%</b>	<b>-11.1%</b>

# Q3 2021 INCOME STATEMENT

(figures in \$ millions, except percentage & EPS)	Q3 2021	Q2 2021	Q3 2020	Q/Q	Y/Y
Revenue	\$346.1	\$361.3	\$389.5	-4.2%	-11.1%
GAAP gross margin	34.7%	37.4%	39.5%		
GAAP operating expenses	\$95.8	\$94.0	\$94.8	2.0%	1.1%
GAAP operating margin from continuing ops	7.0%	11.4%	15.1%		
GAAP EPS from continuing ops	\$0.55	\$0.92	\$1.18	-40.2%	-53.4%
Non-GAAP* gross margin	36.1%	38.0%	39.8%		
Non-GAAP* operating expenses	\$83.6	\$82.6	\$78.9	1.2%	5.9%
Non-GAAP* operating margin	11.9%	15.1%	19.5%		
Non-GAAP* EPS	\$0.89	\$1.25	\$1.66	-28.8%	-46.4%

# Q3 2021 BALANCE SHEET & CASH FLOW

- Cash and investments increased to \$551 million
  - Extended term loan by 2 years and raised amount to \$400 million on the same attractive rate
- Receivables decreased to \$220 million
  - DSO improved to 57 days
- Inventory increased to \$342 million
  - Turns were 2.8 times
- Operating cash flow from continuing operations was \$18.3 million
- Repurchased \$52.6 million of stock
  - Average price of \$86.93 per share

(figures in \$ millions)	Q3 2021	Q2 2021	Q4 2020
Cash & Investments	\$550.8	\$510.0	\$483.0
Accounts Receivable	\$220.1	\$243.4	\$235.2
Inventory	\$341.5	\$296.7	\$221.3
Total Assets	\$1,832.1	\$1,776.2	\$1,647.7
Total Debt	\$397.6	\$313.5	\$322.0
Liabilities	\$990.3	\$899.6	\$832.3
Shareholders' Equity	\$841.8	\$876.6	\$815.3



# Q4 2021 GUIDANCE

	Q4 2021
Revenue	\$355M +/- \$20M
GAAP EPS from continuing operations	\$0.62 +/- \$0.25
Non-GAAP* EPS	\$0.92 +/- \$0.25

# ASPIRATIONAL GOALS AND LONG-TERM VISION

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

(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.

# 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			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2021	2020	2021	2021	2020
Gross profit from continuing operations, as reported	\$ 120,039	\$ 153,785	\$ 135,033	\$ 392,575	\$ 396,320
Adjustments to gross profit:					
Stock-based compensation	218	67	215	783	445
Facility expansion, relocation costs and other	1,357	1,095	1,997	5,192	3,608
Acquisition-related costs	3,259	—	84	3,351	5,356
Non-GAAP gross profit	<u>124,873</u>	<u>154,947</u>	<u>137,329</u>	<u>401,901</u>	<u>405,729</u>
Non-GAAP gross margin	36.1%	39.8%	38.0%	38.0%	38.8%
Operating expenses from continuing operations, as reported	95,830	94,831	93,953	283,104	276,082
Adjustments:					
Amortization of intangible assets	(5,607)	(5,049)	(5,513)	(16,504)	(15,064)
Stock-based compensation	(3,456)	(3,714)	(3,229)	(12,036)	(9,221)
Acquisition-related costs	(1,768)	(5,214)	(2,328)	(6,124)	(10,597)
Facility expansion, relocation costs and other	(98)	(415)	(63)	(212)	(1,770)
Restructuring charges	(1,272)	(1,494)	(211)	(2,521)	(7,940)
Non-GAAP operating expenses	<u>83,629</u>	<u>78,945</u>	<u>82,609</u>	<u>245,707</u>	<u>231,490</u>
Non-GAAP operating income	<u>\$ 41,244</u>	<u>\$ 76,002</u>	<u>\$ 54,720</u>	<u>\$ 156,194</u>	<u>\$ 174,239</u>
Non-GAAP operating margin	11.9%	19.5%	15.1%	14.7%	16.7%

## Reconciliation of Non-GAAP measure - income excluding certain items

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2021	2020	2021	2021	2020
Income from continuing operations, less non-controlling interest, net of income taxes	\$ 21,041	\$ 45,577	\$ 35,511	\$ 94,910	\$ 93,255
Adjustments:					
Amortization of intangible assets	5,607	5,049	5,513	16,504	15,064
Acquisition-related costs	5,027	5,214	2,412	9,475	15,953
Facility expansion, relocation costs, and other	1,455	1,510	2,060	5,404	5,378
Restructuring charges	1,272	1,494	211	2,521	7,940
Unrealized foreign currency (gain) loss	(2,092)	3,540	885	(3,409)	4,598
Acquisition-related costs and other included in other income (expense), net	(79)	625	899	907	625
Tax effect of non-GAAP adjustments	<u>(1,036)</u>	<u>(2,115)</u>	<u>(2,043)</u>	<u>(4,363)</u>	<u>(6,080)</u>
Non-GAAP income, net of income taxes, excluding stock-based compensation	31,195	60,894	45,448	121,949	136,733
Stock-based compensation, net of taxes	2,811	2,892	2,636	9,809	7,425
Non-GAAP income, net of income taxes	<u>\$ 34,006</u>	<u>\$ 63,786</u>	<u>\$ 48,084</u>	<u>\$ 131,758</u>	<u>\$ 144,158</u>

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

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2021	2020	2021	2021	2020
Diluted earnings per share from continuing operations, as reported	\$ 0.55	\$ 1.18	\$ 0.92	\$ 2.46	\$ 2.42
Add back (subtract):					
Per share impact of non-GAAP adjustments, net of tax	0.34	0.48	0.33	0.96	1.32
Non-GAAP per share earnings	<u>\$ 0.89</u>	<u>\$ 1.66</u>	<u>\$ 1.25</u>	<u>\$ 3.42</u>	<u>\$ 3.74</u>

# RECONCILIATION OF Q4 2021 GUIDANCE

	Low End		High End
<b>Revenue</b>	<b>\$335M</b>	-	<b>\$375M</b>
<b>Reconciliation of non-GAAP* earnings per share</b>			
<b>GAAP earnings per share</b>	<b>\$0.37</b>	-	<b>\$0.87</b>
Stock-based compensation	\$0.11	-	\$0.11
Amortization of intangible assets	\$0.14	-	\$0.14
Restructuring and other	\$0.10	-	\$0.10
Tax effects of excluded items	-\$0.05	-	-\$0.05
<b>Non-GAAP* earnings per share</b>	<b>\$0.67</b>	-	<b>\$1.17</b>