

A collage of images on the left side of the slide, including a person in a lab coat and safety glasses, a microchip, and two telecommunications towers. The background is composed of overlapping light blue and white geometric shapes.

A Best-in-Class Industrial Growth Enterprise

Baird Technology & Service Conference / June 2022

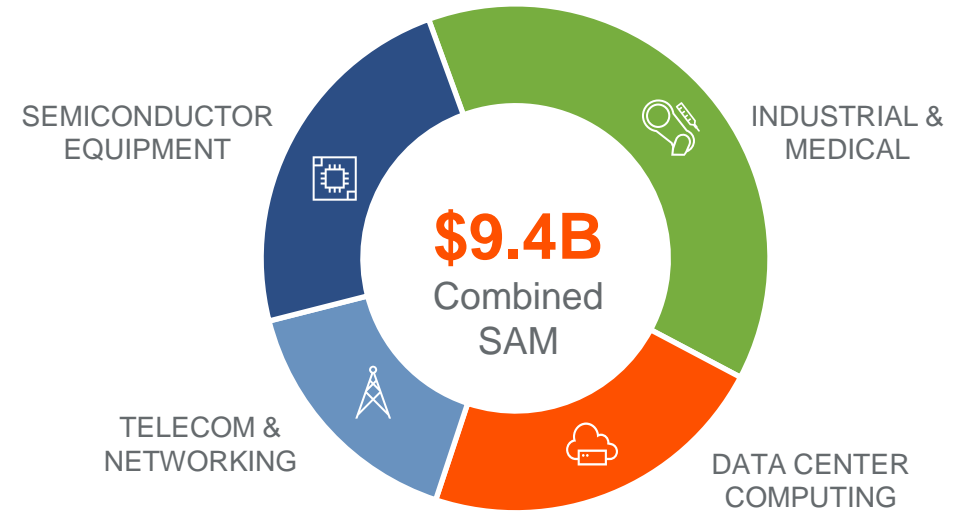
SAFE HARBOR

The company's guidance with respect to anticipated financial results, potential future growth and profitability, guidance on possible future results, future business mix, expectations regarding future market trends, future performance within specific markets and other statements herein or made on the above-announced 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. 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), which can be obtained from the SEC's website or from our Investors page at ir.advancedenergy.com. Forward-looking statements are made and based on information available to us as of May 4, 2022. Aspirational goals and targets should not be interpreted in any respect as guidance. We assume no obligation to update the information in this presentation.

ADVANCED ENERGY AT A GLANCE

Headquartered in Denver Colorado, **Advanced Energy (NASDAQ: AEIS)** is a global leader in design and manufacture of highly engineered **precision power** conversion, measurement and control solutions for **mission-critical applications and processes**

#1 or #2 in All Four Markets



BY THE NUMBERS



1981
Founded



11,000
Global Employees



700+
Patents Issued Globally



\$1.46B
2021 Revenue



\$211M
~15% Non-GAAP Operating Income

PRECISION POWER LEADER FOR THE DIGITAL ECONOMY



PURE PLAY POWER LEADER

Strategic focus on precision power ensures sustainable advantage and scale



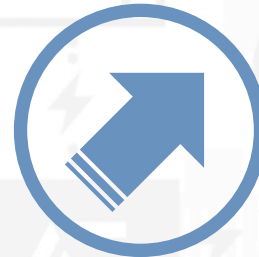
OUTPERFORMING MARKETS

Track record of broadening market reach, growing share and adding content



PROPRIETARY SOLUTIONS

Lead with differentiated, highly-engineered, high value products and technologies

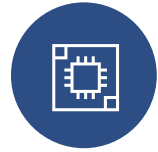


ACCELERATING EARNINGS

Capture long life-cycle revenues and optimize margins to grow EPS >2X faster than revenue

WE ARE THE PURE PLAY POWER LEADER

AE provides precision power conversion and control solutions for a wide range of high value and long life-cycle applications



SEMICONDUCTOR EQUIPMENT



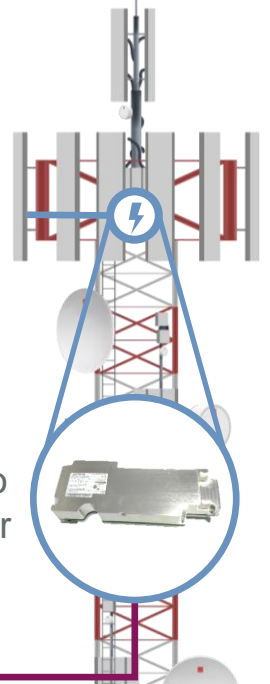
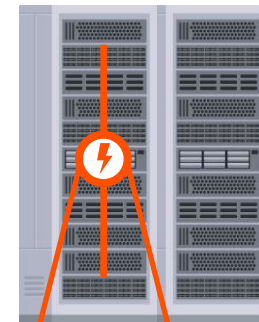
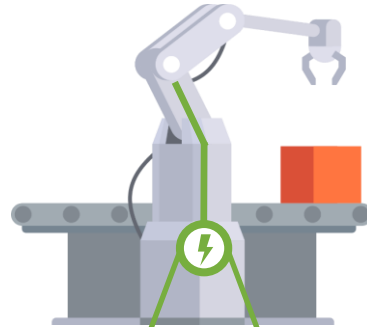
INDUSTRIAL & MEDICAL



DATA CENTER COMPUTING



TELECOM & NETWORKING



Grid Power

Facility Power

Process Power

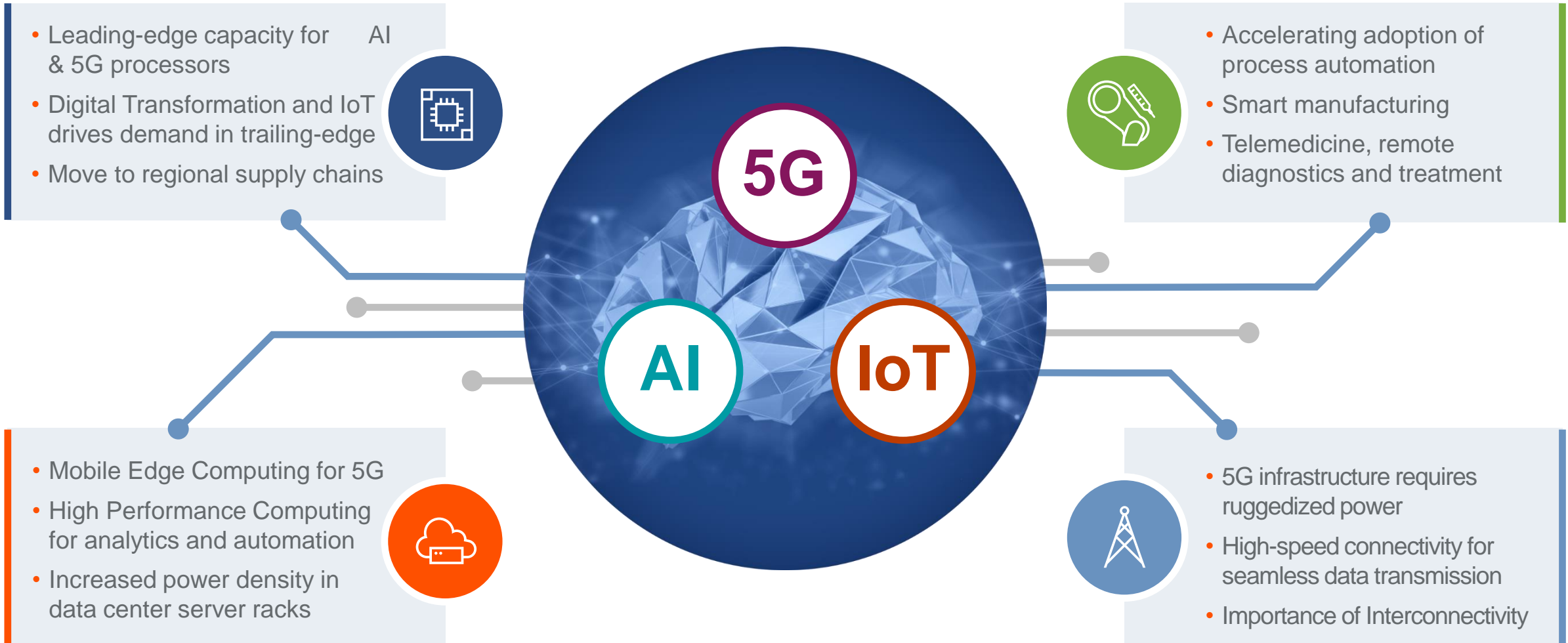
Custom Power

Server Power

Radio Power

>70% of Revenue Comes from Proprietary Products

DIGITAL ECONOMY DRIVES GROWTH ACROSS OUR 4 VERTICALS



FOCUS ON PROPRIETARY DESIGNS TO ACCELERATE GROWTH

AE TARGETED GROWTH STRATEGIES



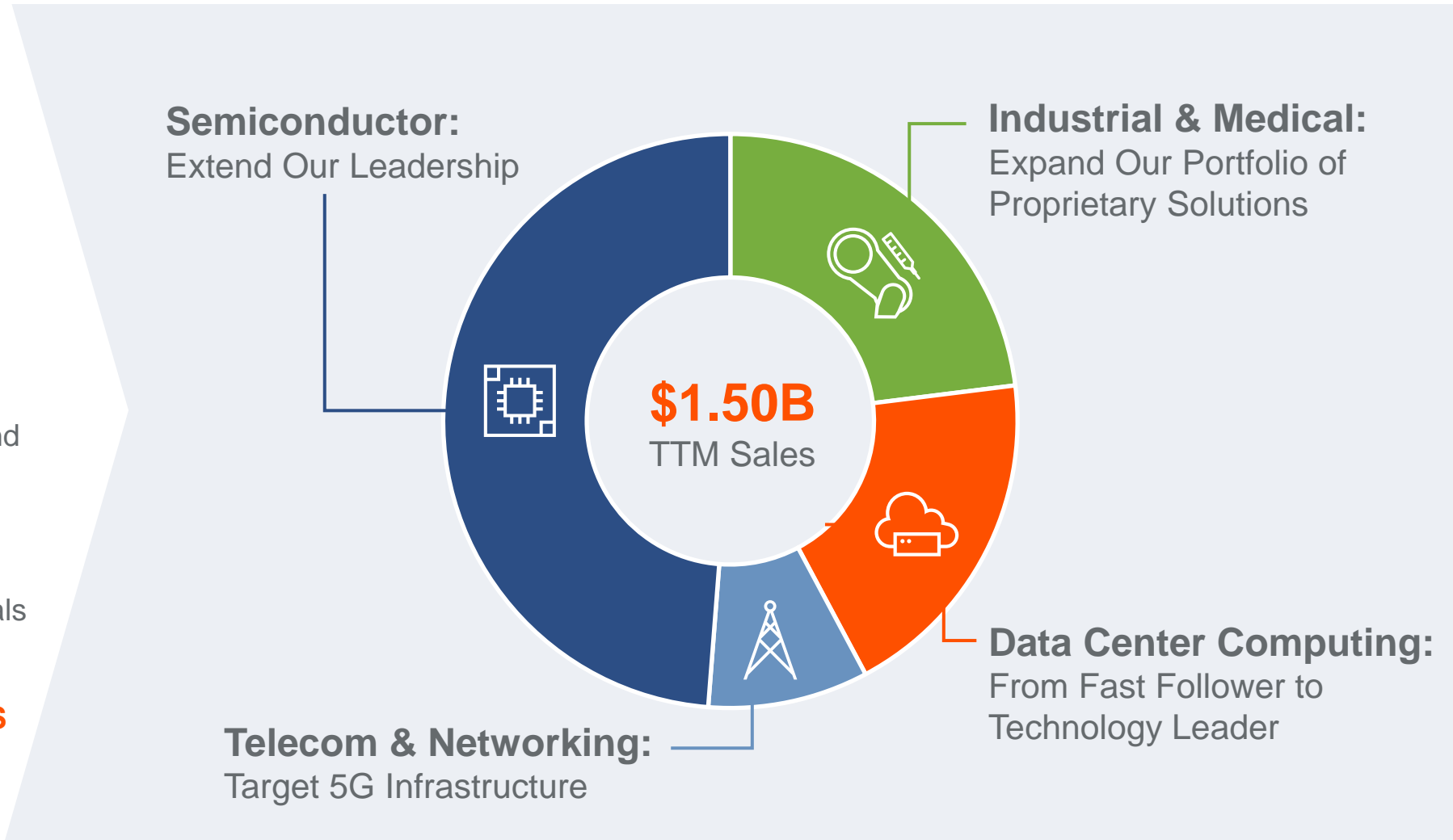
GROW SHARE
Across Mission-Critical
Precision Power Verticals



Invest in **INNOVATION** and
Technology Leadership



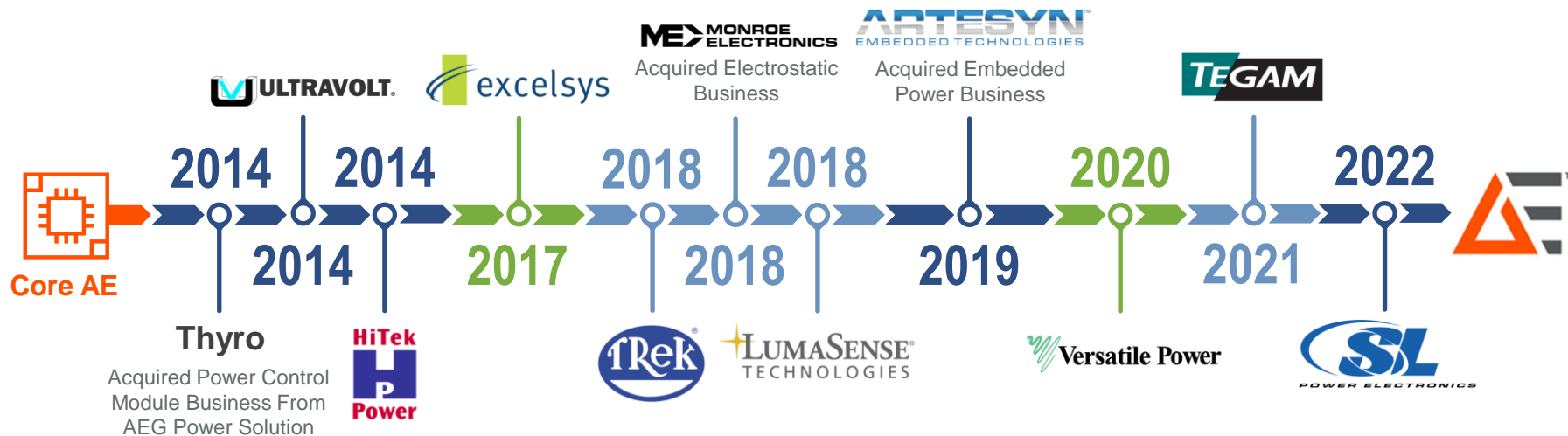
Leverage Strong Financials
and Increased Scale to
Capitalize on
NEW OPPORTUNITIES



INORGANIC GROWTH: GROWING SCOPE AND LEVERAGING SCALE

Track Record

Deployed >\$700M
Across 11 Acquisitions
All Accretive



Well-Defined Acquisition Criteria

- Precision Power and Controls
- Expand SAM, portfolio & technology
- Synergistic with current organization

Building a Solid Funnel

- Large and fragmented power market
- Plenty of differentiated high-value targets
- Extend our leadership

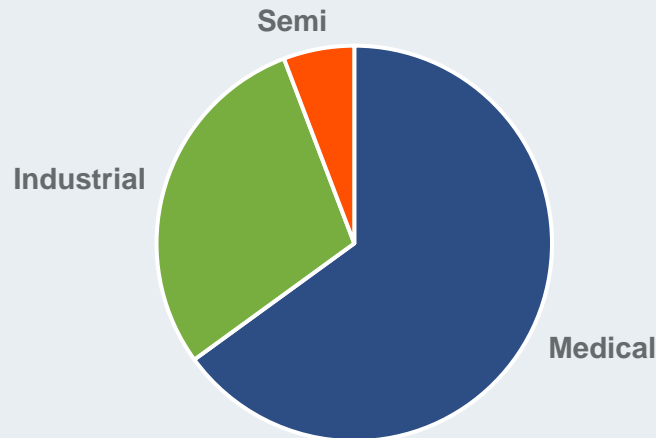
Discipline and Value Creation

- Analytical and deliberate
- Accretive within first year
- Target ROIC > 10%

SL POWER ACQUISTION BRINGS MANY STRATEGIC BENEFITS

FOCUSED ON MEDICAL

Revenue Mix by Market⁽¹⁾



STRATEGIC BENEFITS

- Expands AE’s addressable market in industrial and medical by > \$400 million
- Complements AE’s medical portfolio with low operating power, low emission (EMI/EMC), medical-grade power supplies
- Broadens AE’s reach in advanced industrial applications
- Delivers significant potential revenue and cost synergies by cross selling and integration into AE’s operations
- Enhances AE’s core competency in power conversion technologies
- Expected to be Non-GAAP earnings⁽²⁾ accretive in Year 1 and non-GAAP margin⁽²⁾ accretive after full integration

HIGHLIGHTS



TRANSITION
VALUE⁽³⁾
\$144.5M



2021
REVENUE
\$66M



YEARS IN
BUSINESS
60



NUMBER OF
SITES
5



EXPECTED COST
SYNERGIES
\$4M

(1) Mix based on 3-year average from fiscal 2019 to 2021

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

(3) Total purchase price of \$144.5 million is subjected to customary adjustments

Q1 2022 RESULTS SURPASSED HIGH END OF GUIDANCE



REVENUE
\$397 million
Up 0.1% Q/Q



BACKLOG
\$1.0 billion
Up 9% Q/Q



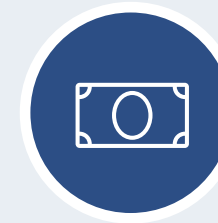
NON-GAAP GROSS MARGIN*
36.6%
Up 110 bps Q/Q



NON-GAAP OP MARGIN*
14.5%
Up 70 bps Q/Q



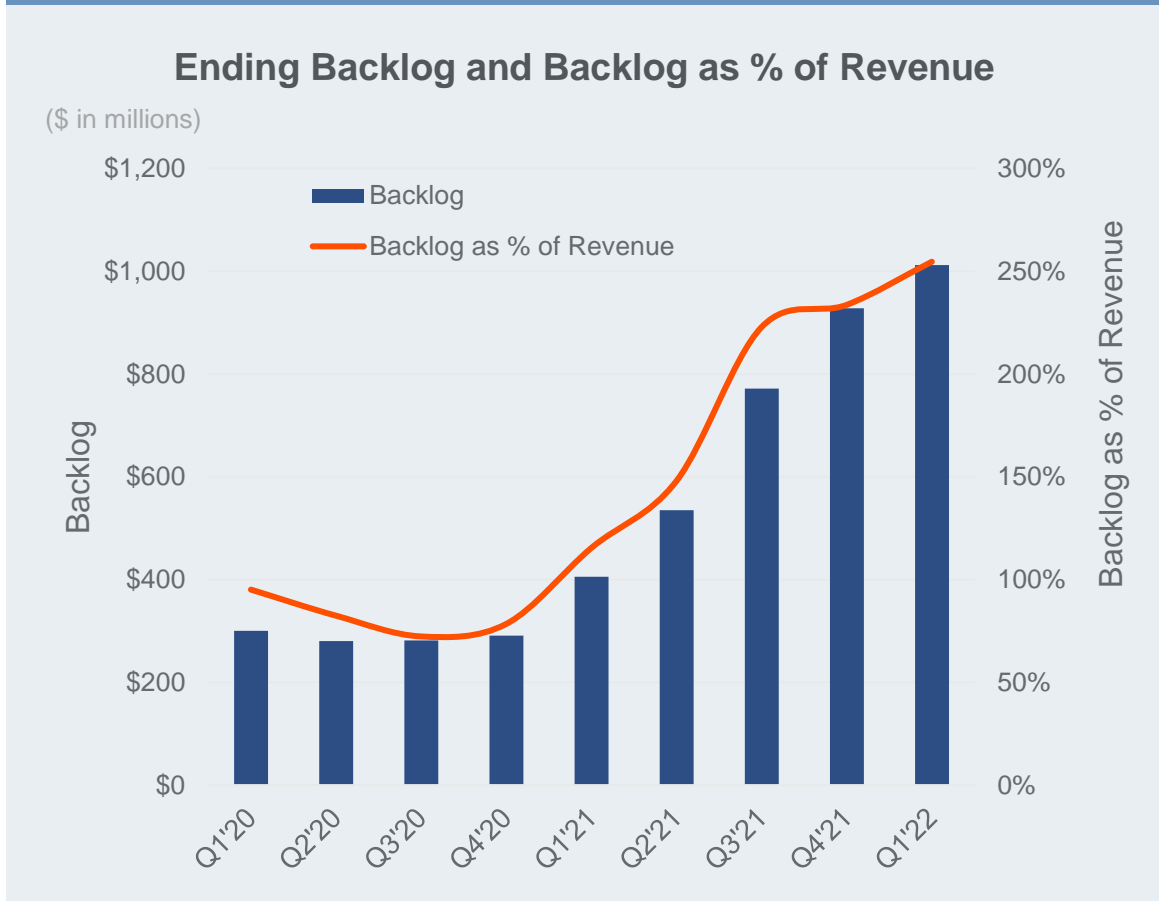
NON-GAAP EPS*
\$1.24
Down 9% Q/Q on tax



CASH & INVESTMENTS
\$524 million
Net Cash of \$136 million

STRONG DEMAND AND RECORD BACKLOG

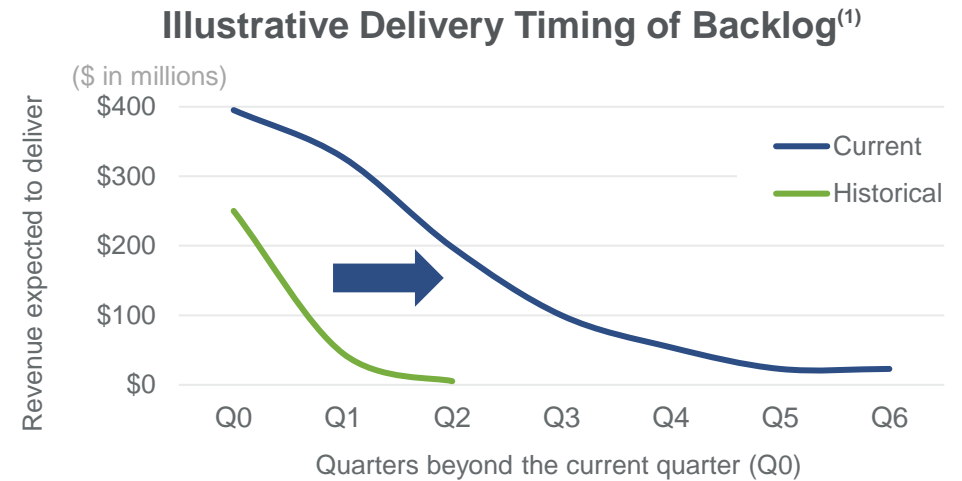
STRONG DEMAND HIGHLIGHTED BY RECORD BACKLOG



STRENGTH OF THE BACKLOG

- Vast majority of the backlog consists of proprietary designs
- ~ 60% is immediately shippable as soon as we can build
- Channel inventories of AE products well below normalized levels

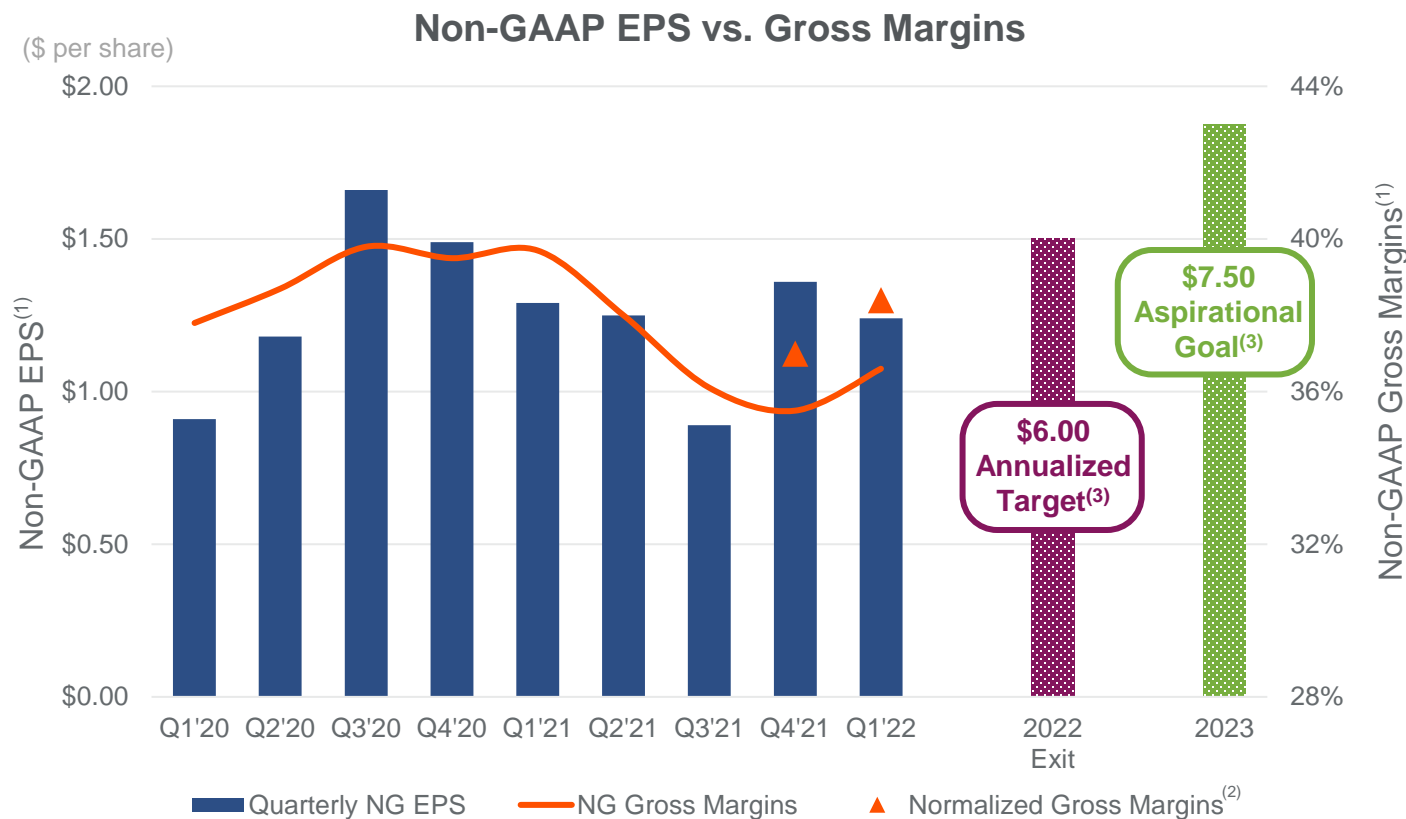
FROM LIMITED VISIBILITY TO EXTENDED VISIBILITY



(1) These examples of current and historical backlog are estimates timing of revenue delivery and should not be treated as guidance

REACCELERATING EARNINGS GROWTH ON SUPPLY IMPROVEMENT

EARNINGS AND MARGINS TO ACCELERATE AS SUPPLY IMPROVES



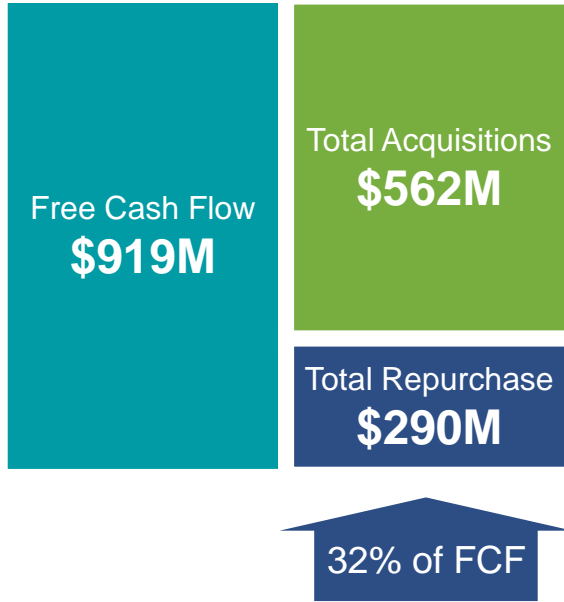
COST & SUPPLY MITIGATION ACTIONS

- Recover a portion of high material premiums from customers, which temporary impacts margins
- Pass along structural inflation in material costs
- Expand strategic sourcing with key suppliers
- Secure long-term agreements
- Requalify alternative ICs by partnering with customers
- Redesign boards when necessary

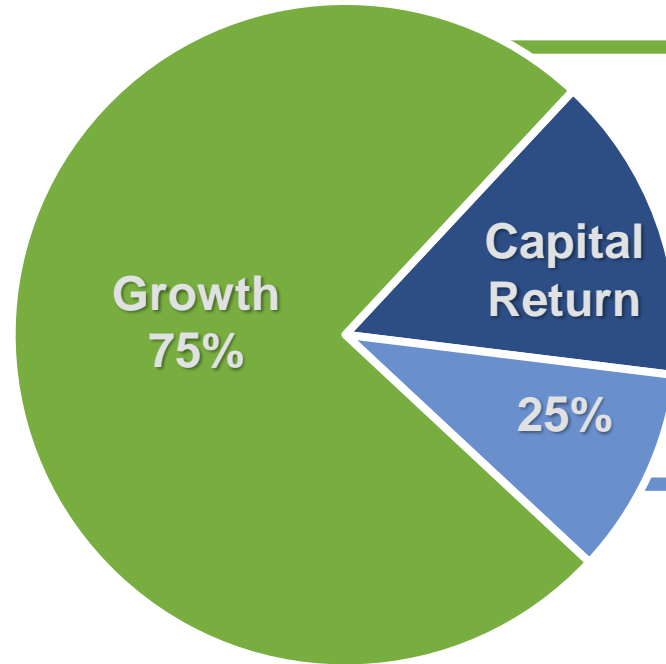
CAPITAL ALLOCATION PLAN

Capital Allocation Track Record

2014 to 2021 Total



Allocation of Free Cash Flow



GROWTH: ~75%

- M&A Engine with a disciplined process
- Building a solid funnel
- Maintain gross debt leverage at 1.0-1.5x, and comfortable raising to 2.5X
- Ample liquidity with an unused LOC of \$200M and accordion of \$250M

SHARE REPURCHASE: ~15%

- Opportunistic program to take advantage of market volatility
- Repurchased \$78M in 2021

DIVIDEND PROGRAM: ~10%

- Quarterly dividend program at \$0.10/share
- Yield at ~0.5% with room to future increase
- Supported by financial strength, scale and FCF



Strong Balance Sheet
supports continued inorganic growth

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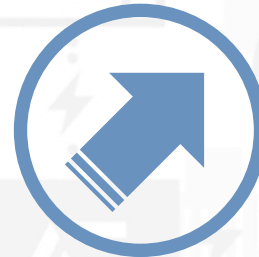
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ACCELERATING EARNINGS

Capture long life-cycle revenues and optimize margins to grow EPS >2X faster than revenue

The text 'THANK YOU' in a dark blue, all-caps, sans-serif font, centered on a white background. The background features a collage of images: a person in a surgical mask and cap, a microchip, and communication towers.

THANK YOU

GUIDANCE

Q2 2022 Guidance	
Revenue	\$395M +/- \$25M
GAAP EPS from continuing operations	\$0.65 +/- \$0.30
Non-GAAP EPS*	\$1.05 +/- \$0.30

QUARTERLY NON-GAAP FINANCIALS*

Quarterly Trend

(figures in \$ millions, except percentage 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
Backlog	300.1	280.1	281.5	290.7	405.7	534.7	771.4	927.8	1,012.4
Revenue	315.5	339.9	389.5	371.0	351.6	361.3	346.1	396.9	397.5
Gross Profit	119.1	131.6	154.9	146.4	139.7	137.3	124.9	141.0	145.3
Gross Margin	37.8%	38.7%	39.8%	39.5%	39.7%	38.0%	36.1%	35.5%	36.6%
Total OPEX	74.7	77.8	78.9	76.9	79.5	82.6	83.6	86.1	87.6
OPEX %	23.7%	22.9%	20.3%	20.7%	22.6%	22.9%	24.2%	21.7%	22.0%
Operating Income	44.4	53.8	76.0	69.5	60.2	54.7	41.2	54.8	57.8
Operating Income %	14.1%	15.8%	19.5%	18.7%	17.1%	15.1%	11.9%	13.8%	14.5%
Depreciation	6.6	6.6	7.2	7.3	7.3	7.5	7.9	8.1	8.4
EBITDA	51.0	60.4	83.2	76.8	67.6	62.2	49.1	63.0	66.1
EBITDA %	16.2%	17.8%	21.4%	20.7%	19.2%	17.2%	14.2%	15.9%	16.6%
Other Income/(Expense)	(3.5)	(0.5)	(2.4)	(2.3)	(2.6)	(1.9)	(1.7)	(2.5)	(2.1)
Income Before Taxes	40.9	53.3	73.6	67.2	57.6	52.8	39.6	52.3	55.6
Tax Provision/(Benefit)	6.0	7.9	9.8	9.8	7.9	4.7	5.6	0.9	8.9
Tax Rate	14.6%	14.8%	13.3%	14.7%	13.7%	8.9%	14.0%	1.6%	16.0%
Non-GAAP Net Income	34.9	45.4	63.8	57.3	49.7	48.1	34.0	51.5	46.7
Net Income %	11.1%	13.4%	16.4%	15.4%	14.1%	13.3%	9.8%	13.0%	11.8%
Non-GAAP EPS	0.91	1.18	1.66	1.49	1.29	1.25	0.89	1.36	1.24
Average Shares Outstanding	38.6	38.5	38.5	38.5	38.6	38.6	38.4	37.9	37.8

Non - GAAP

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 (in thousands)

	Three Months Ended		
	March 31,		December 31,
	2022	2021	2021
Gross profit from continuing operations, as reported	\$ 144,316	\$ 137,503	\$ 139,747
Adjustments to gross profit:			
Stock-based compensation	231	350	(19)
Facility expansion, relocation costs and other	1,284	1,838	997
Acquisition-related costs	(502)	8	234
Non-GAAP gross profit	<u>145,329</u>	<u>139,699</u>	<u>140,959</u>
Non-GAAP gross margin	36.6%	39.7%	35.5%
Operating expenses from continuing operations, as reported	99,659	93,321	97,537
Adjustments:			
Amortization of intangible assets	(5,509)	(5,384)	(5,556)
Stock-based compensation	(3,697)	(5,351)	(2,939)
Acquisition-related costs	(1,668)	(2,028)	(679)
Facility expansion, relocation costs and other	—	(51)	(17)
Restructuring charges	(1,218)	(1,038)	(2,231)
Non-GAAP operating expenses	<u>87,567</u>	<u>79,469</u>	<u>86,115</u>
Non-GAAP operating income	<u>\$ 57,762</u>	<u>\$ 60,230</u>	<u>\$ 54,844</u>
Non-GAAP operating margin	14.5%	17.1%	13.8%

Reconciliation of Non-GAAP measure - income excluding certain items (in thousands)

	Three Months Ended		
	March 31,		December 31,
	2022	2021	2021
Income from continuing operations, less non-controlling interest, net of income taxes	\$ 36,876	\$ 38,358	\$ 39,753
Adjustments:			
Amortization of intangible assets	5,509	5,384	5,556
Acquisition-related costs	1,166	2,036	913
Facility expansion, relocation costs, and other	1,284	1,889	1,014
Restructuring charges	1,218	1,038	2,231
Unrealized foreign currency (gain) loss	(1,285)	(2,202)	(134)
Acquisition-related costs and other included in other income (expense), net	—	87	(3,093)
Tax effect of non-GAAP adjustments	(1,069)	(1,284)	3,017
Non-GAAP income, net of income taxes, excluding stock-based compensation	<u>43,699</u>	<u>45,306</u>	<u>49,257</u>
Stock-based compensation, net of taxes	3,025	4,362	2,233
Non-GAAP income, net of income taxes	<u>\$ 46,724</u>	<u>\$ 49,668</u>	<u>\$ 51,490</u>

Reconciliation of non-GAAP measure - per share earnings excluding certain items (in thousands)

	Three Months Ended		
	March 31,		December 31,
	2022	2021	2021
Diluted earnings per share from continuing operations, as reported	\$ 0.98	\$ 0.99	\$ 1.05
Add back:			
Per share impact of non-GAAP adjustments, net of tax	0.26	0.30	0.31
Non-GAAP per share earnings	<u>\$ 1.24</u>	<u>\$ 1.29</u>	<u>\$ 1.36</u>

RECONCILIATION OF GAAP TO NON-GAAP GUIDANCE

Reconciliation of Q2 2022 Guidance

	<u>Low End</u>	<u>High End</u>
Revenue	\$370 million	\$420 million
Reconciliation of non-GAAP earnings per share		
GAAP earnings per share	\$ 0.35	\$ 0.95
Stock-based compensation	0.15	0.15
Amortization of intangible assets	0.14	0.14
Restructuring and other	0.19	0.19
Tax effects of excluded items	<u>(0.05)</u>	<u>(0.05)</u>
Non-GAAP earnings per share	<u>\$ 0.75</u>	<u>\$ 1.35</u>