

# Advanced Energy Announces Second Quarter Results

Aug 01, 2016 4:18 PM

- Revenue increased 15.3% sequentially
- GAAP EPS from continuing operations was \$0.68
- Non-GAAP EPS from continuing operations was \$0.73
- Ended the quarter with \$215.1 million in cash and marketable securities

FORT COLLINS, Colo., Aug. 01, 2016 (GLOBE NEWSWIRE) -- Advanced Energy Industries, Inc. (Nasdaq:AEIS) today announced financial results for the second quarter ended June 30, 2016. The company reported second quarter sales of \$118.8 million. Second quarter GAAP income from continuing operations was \$27.3 million, or \$0.68 per diluted share. Non-GAAP income from continuing operations was \$29.2 million, or \$0.73 per diluted share.

“The second quarter exceeded our expectations on the top and bottom line with record contributions from our Semiconductor and Service businesses and a rebound in our Industrial markets,” said Yuval Wasserman, president and CEO of Advanced Energy. “Our current performance is a direct result of the adoption of our recent design wins in next-generation 3D enabling technologies to volume production. With our advantageous financial model, we are progressing towards our aspirational goals.”

## Second Quarter Results

Sales were \$118.8 million compared with \$103.0 million in the first quarter of 2016 and \$108.7 million in the second quarter of 2015.

GAAP income from continuing operations, net of income taxes was \$27.3 million or \$0.68 per diluted share in the second quarter of 2016 compared to \$20.2 million or \$0.50 per diluted share in the first quarter, and \$23.0 million or \$0.56 per diluted share in the second quarter of 2015.

Non-GAAP income from continuing operations, net of income taxes was \$29.2 million or \$0.73 per diluted share in the second quarter of 2016 compared to \$22.1 million or \$0.55 per diluted share in the first quarter, and \$24.4 million or \$0.59 per diluted share in the same period last year. A reconciliation of non-GAAP measures is provided in the tables below.

The company ended the quarter with \$215.1 million in cash and marketable securities.

## Discontinued Operations

The company's financial statements for all periods presented reflect results for the continuing precision power business, with the discontinued inverter business included in discontinued operations for both the balance sheet and income statement. Further financial detail regarding the

amounts related to the discontinued inverter business are available in the company's 2015 Annual Report on Form 10-K.

### **Third Quarter 2016 Guidance**

Based on the company's current view, beliefs and assumptions, guidance for the third quarter of 2016 is within the following ranges:

	<b>Q3 2016</b>
Revenues	\$116M - \$126M
GAAP operating margins from continuing operations	25% - 28%
GAAP EPS from continuing operations	\$0.65 - \$0.76
Non-GAAP operating margins from continuing operations	27% - 30%
Non-GAAP EPS from continuing operations	\$0.70 - \$0.80

### **Second Quarter 2016 Conference Call**

Management will host a conference call tomorrow morning, Tuesday, August 2, 2016, at 8:30 a.m. Eastern Time to discuss Advanced Energy's financial results. Domestic callers may access this conference call by dialing 855-232-8958. International callers may access the call by dialing 315-625-6980. Participants will need to provide the operator with the Conference ID Number 49515744, which has been reserved for this call. For a replay of this teleconference, please call 855-859-2056 or 404-537-3406 and enter Conference ID Number 49515744. The replay will be available for one week following the conference call. A webcast will also be available on the company's Investor Relations web page at <http://ir.advanced-energy.com>.

### **About Advanced Energy**

Advanced Energy (Nasdaq:AEIS) is a global leader in innovative power and control technologies for high-growth, precision power solutions for thin films processes and industrial applications. Advanced Energy is headquartered in Fort Collins, Colorado, with dedicated support and service locations around the world. For more information, go to [www.advanced-energy.com](http://www.advanced-energy.com).

### **Non-GAAP Measures**

This release includes GAAP and non-GAAP income and per-share earnings data and other GAAP and non-GAAP financial information. Advanced Energy's non-GAAP measures exclude the impact of non-cash related charges such as stock based compensation, amortization of intangible assets and restructuring costs, as well as acquisition related costs and other non-recurring items. For the third quarter ending September 30, 2016 guidance, the company expects stock based compensation of \$1.2 million and amortization of intangibles of \$1.1 million. 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 to evaluate business performance without the impacts of certain non-cash charges and other 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.

## **Forward-Looking Statements**

The company's guidance with respect to anticipated financial results for the third quarter ending September 30, 2016, expectations regarding future market trends and the company's future performance within specific markets and other statements 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 cyclical nature of the industries the company serves, particularly the semiconductor industry; (c) delays in capital spending by end-users in our served markets; (d) the accuracy of the company's estimates related to fulfilling solar inverter product warranty and post-warranty obligations; (e) the company's ability to realize its plan to avoid additional costs after the solar inverter wind-down; (f) the accuracy of the company's assumptions on which its financial statement projections are based; (g) the impact of price changes, which may result from a variety of factors; (h) the timing of orders received from customers; (i) the company's ability to realize benefits from cost improvement efforts including avoided costs, restructuring plans and inorganic growth; (j) the company's ability to obtain in a timely manner the materials necessary to manufacture its products; and (k) unanticipated changes to management's estimates, reserves or allowances. 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](http://www.sec.gov). Copies may also be obtained from Advanced Energy's investor relations page at <http://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 press release.

## **ADVANCED ENERGY INDUSTRIES, INC.**

### **CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

**(in thousands, except per share data)**

<b>Three Months Ended</b>		<b>Six Months Ended</b>		
<b>June 30,</b>		<b>March 31,</b>	<b>June 30,</b>	
<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>

Sales:										
Product	\$ 100,752		\$ 91,424		\$ 86,293		\$ 187,045		\$ 185,032	
Service	18,013		17,230		16,751		34,764		33,132	
Total sales	118,765		108,654		103,044		221,809		218,164	
Cost of sales:										
Product	47,334		43,778		40,815		88,149		86,070	
Service	9,385		8,327		8,769		18,154		16,446	
Total cost of sales	56,719		52,105		49,584		106,303		102,516	
Gross profit	62,046		56,549		53,460		115,506		115,648	
	52.2	%	52.0	%	51.9	%	52.1	%	53.0	%
Operating expenses:										
Research and development	11,266		9,984		10,765		22,031		19,744	
Selling, general and administrative	19,377		16,684		18,016		37,393		33,391	
Amortization of intangible assets	1,074		1,102		1,058		2,132		2,200	
Restructuring benefit	—		—		—		—		(2 )	
Total operating expenses	31,717		27,770		29,839		61,556		55,333	
Operating Income	30,329		28,779		23,621		53,950		60,315	
Other income, net	836		301		357		1,193		1,169	
Income from continuing operations before income taxes	31,165		29,080		23,978		55,143		61,484	
Provision for income taxes	3,911		6,056		3,758		7,669		12,805	
Income from continuing operations, net of income taxes	27,254		23,024		20,220		47,474		48,679	
Income (loss) from discontinued operations, net of income taxes	3,277		(255,483 )		2,061		5,338		(259,862 )	
<b>Net income (loss)</b>	<b>\$ 30,531</b>		<b>\$ (232,459 )</b>		<b>\$ 22,281</b>		<b>\$ 52,812</b>		<b>\$ (211,183 )</b>	
Basic weighted-average common shares outstanding										
	39,672		40,946		39,814		39,750		40,843	
Diluted weighted-average common shares outstanding										
	39,969		41,253		40,100		40,046		41,192	
<b>Earnings per share:</b>										
Continuing operations:										
Basic earnings per share	\$ 0.69		\$ 0.56		\$ 0.51		\$ 1.19		\$ 1.19	
Diluted earnings per share	\$ 0.68		\$ 0.56		\$ 0.50		\$ 1.19		\$ 1.18	

Discontinued operations:					
Basic earnings (loss) per share	\$ 0.08	\$ (6.24 )	\$ 0.05	\$ 0.13	\$ (6.36 )
Diluted earnings (loss) per share	\$ 0.08	\$ (6.24 )	\$ 0.05	\$ 0.13	\$ (6.36 )
<b>Net income:</b>					
<b>Basic earnings (loss) per share</b>	<b>\$ 0.77</b>	<b>\$ (5.68 )</b>	<b>\$ 0.56</b>	<b>\$ 1.33</b>	<b>\$ (5.17 )</b>
<b>Diluted earnings (loss) per share</b>	<b>\$ 0.76</b>	<b>\$ (5.68 )</b>	<b>\$ 0.56</b>	<b>\$ 1.32</b>	<b>\$ (5.17 )</b>

**ADVANCED ENERGY INDUSTRIES, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(in thousands)**

	<b>June 30,</b>	<b>December 31,</b>
	<b>2016</b>	<b>2015</b>
	Unaudited	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 209,273	\$ 158,443
Marketable securities	5,784	11,986
Accounts receivable, net	66,162	54,959
Inventories, net	57,227	52,573
Deferred income tax assets	6,027	6,004
Income taxes receivable	1,875	9,040
Other current assets	8,978	7,868
Current assets of discontinued operations	31,517	41,902
Total current assets	386,843	342,775
Property and equipment, net	11,167	9,645
Deposits and other	1,678	1,729
Goodwill and intangibles, net	74,750	76,870
Deferred income tax assets	30,231	30,398
Non-current assets of discontinued operations	285	1,271
Total assets	\$ 504,954	\$ 462,688

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities:		
Accounts payable	\$ 36,951	\$ 27,246
Other accrued expenses	36,807	40,357
Current liabilities of discontinued operations	24,910	36,481
Total current liabilities	98,668	104,084
Non-current liabilities of continuing operations	64,370	67,722
Non-current liabilities of discontinued operations	20,104	27,302
Long-term liabilities	84,474	95,024
Total liabilities	183,142	199,108
Stockholders' equity	321,812	263,580
Total liabilities and stockholders' equity	\$ 504,954	\$ 462,688

December 31, 2015 amounts are derived from the December 31, 2015 audited Consolidated Financial Statements.

**ADVANCED ENERGY INDUSTRIES, INC.**  
**SELECTED OTHER DATA (UNAUDITED)**  
**(in thousands)**

Reconciliation of Non-GAAP measure - operating expenses and operating income, excluding certain items	Three Months Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2016	2015	2016	2016	2015
Gross Profit from continuing operations, as reported	\$ 62,046	\$ 56,549	\$ 53,460	\$ 115,506	\$ 115,648
Operating expenses from continuing operations, as reported	31,717	27,770	29,839	61,556	55,333
Adjustments:					
Restructuring charges	—	—	—	—	2
Stock-based compensation	(1,569 )	(693 )	(1,429 )	(2,998 )	(1,180 )
Amortization of intangible assets	(1,074 )	(1,102 )	(1,058 )	(2,132 )	(2,200 )
Non-GAAP operating expenses from continuing operations	29,074	25,975	27,352	56,426	51,955
Non-GAAP operating income from continuing operations	\$ 32,972	\$ 30,574	\$ 26,108	\$ 59,080	\$ 63,693

**Reconciliation of Non-GAAP****measure - income excluding certain items****Three Months Ended****June 30,****March 31,****June 30,****2016****2015****2016****2016****2015**Income from continuing operations,  
net of income taxes, as reported

\$ 27,254

\$ 23,024

\$ 20,220

\$ 47,474

\$ 48,679

Adjustments:

Restructuring charges

—

—

—

—

(2 )

Stock-based compensation

1,569

693

1,429

2,998

1,180

Amortization of intangible assets

1,074

1,102

1,058

2,132

2,200

Tax effect of non-GAAP adjustments

(711 )

(375 )

(655 )

(1,366 )

(673 )

Non-GAAP income from continuing  
operations, net of income taxes

\$ 29,186

\$ 24,444

\$ 22,052

\$ 51,238

\$ 51,384

**Reconciliation of Non-GAAP****measure - per share earnings  
excluding certain items****Three Months Ended****Six Months Ended****June 30,****March 31,****June 30,****2016****2015****2016****2016****2015**Diluted earnings per share from  
continuing operations, as reported

\$ 0.68

\$ 0.56

\$ 0.50

\$ 1.19

\$ 1.18

Add back:

per share impact of Non-GAAP  
adjustments, net of tax

0.05

0.03

0.05

0.09

0.07

Non-GAAP per share earnings from  
continuing operations

\$ 0.73

\$ 0.59

\$ 0.55

\$ 1.28

\$ 1.25

**Reconciliation of Q3 2016 Guidance****Low End****High End****Revenue****\$116 million****\$126 million****Reconciliation of Non-GAAP operating margin**

GAAP operating margin

25

%

28

%

Stock-based compensation

1

%

1

%

Amortization of intangible assets

1

%

1

%

**Non-GAAP operating margin****27****%****30****%**

**Reconciliation of Non-GAAP earnings per share**

GAAP earnings per share	\$ 0.65	\$ 0.76
Stock-based compensation	0.03	0.03
Amortization of intangible assets	0.03	0.03
Tax effects of excluded items	(0.01 )	(0.02 )
<b>Non-GAAP earnings per share</b>	<b>\$ 0.70</b>	<b>\$ 0.80</b>

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