

Advanced Energy Announces First Quarter 2018 Results

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- **Q1 Revenue increased 31.0% y/y and 9.2% q/q to \$195.6 million**
- **Q1 GAAP EPS from continuing operations was \$1.16**
- **Q1 Non-GAAP EPS from continuing operations was \$1.34**

FORT COLLINS, Colo., April 30, 2018 (GLOBE NEWSWIRE) -- Advanced Energy Industries, Inc. (Nasdaq:AEIS), today announced financial results for the first quarter ended March 31, 2018.

“Carrying on the momentum seen in 2017, first quarter semiconductor revenue again reached record levels while our Industrial business soared to new historical highs due to the rapid adoption of our advanced technology and expanding geographical presence,” said Yuval Wasserman, president and CEO of Advanced Energy. “Our diversification strategy is working - producing strong results - as we continue to execute on our strategic plan towards our aspirational goals. We believe our strong balance sheet provides the flexibility required to acquire new products and technologies and return value to shareholders.”

First Quarter Results

Sales were \$195.6 million in the first quarter of 2018 compared with \$179.2 million in the fourth quarter of 2017 and \$149.4 million in the first quarter of 2017.

GAAP income from continuing operations was \$46.4 million or \$1.16 per diluted share in the first quarter of 2018 compared with a loss from continuing operations of \$29.0 million or \$0.73 per diluted share in the fourth quarter of 2017, and income from continuing operations of \$35.4 million or \$0.88 per diluted share in the first quarter of 2017.

Non-GAAP income from continuing operations was \$53.4 million or \$1.34 per diluted share in the first quarter of 2018. This compared with \$52.4 million or \$1.31 per diluted share in the fourth quarter of 2017, and \$41.9 million or \$1.04 per diluted share in the first quarter of 2017. A reconciliation of non-GAAP measures is provided in the tables below.

The company generated \$34.9 million of operating cash from continuing operations in the first quarter of 2018.

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 all purposes. Further financial detail regarding the amounts related to the discontinued inverter business are available in the company’s 2017 Annual Report on Form 10-K.

Second Quarter 2018 Guidance

Based on the company's current view, beliefs and assumptions, its guidance for the second quarter of 2018 is within the following ranges and does not incorporate any potential adjustments during the measurement period associated with U.S. tax reform.

| | Q2 2018 |
|---|-----------------|
| Revenues | \$193M - \$207M |
| GAAP operating margins from continuing operations | 29.0% - 31.0% |
| GAAP EPS from continuing operations | \$1.23 - \$1.33 |
| Non-GAAP operating margins from continuing operations | 31.0% - 33.0% |
| Non-GAAP EPS from continuing operations | \$1.30 - \$1.40 |

First Quarter 2018 Conference Call

Management will host a conference call tomorrow morning, Tuesday, May 1, 2018 at 6:30 a.m. Mountain Time/ 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 3792517, 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 3792517. 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.

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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 and amortization of intangible assets, as well as non-recurring items such as acquisition-related costs. Additionally, the first quarter non-GAAP results exclude estimated income tax expense associated with U.S. tax reform. For the second quarter ending June 30, 2018 guidance, the company expects stock-based compensation of \$2.7 million and amortization of intangibles of \$1.4 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 and investors 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 second quarter ending June 30, 2018, potential future growth and profitability, our future business mix, expectations regarding future market trends and the company's future performance within specific markets (e.g., statements regarding anticipated semiconductor and industrial market growth) 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. 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 product 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; (k) unanticipated changes to management's estimates, reserves or allowances; and (l) changes and adjustments to the tax expense and benefits related to the recently enacted U.S. tax reform. 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 <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)

| | Three Months Ended | | |
|--|---------------------------|------------------|---------------------|
| | March 31, | | December |
| | 2018 | 2017 | 31, |
| | | | 2017 |
| Sales: | | | |
| Product | \$ 171,209 | \$ 128,827 | \$ 154,172 |
| Service | 24,408 | 20,524 | 25,042 |
| Total sales | 195,617 | 149,351 | 179,214 |
| Cost of sales: | | | |
| Product | 79,806 | 60,117 | 68,833 |
| Service | 12,166 | 10,403 | 12,206 |
| Total cost of sales | 91,972 | 70,520 | 81,039 |
| Gross profit | 103,645 | 78,831 | 98,175 |
| | 53.0 | % 52.8 | % 54.8 |
| | | | % |
| Operating expenses: | | | |
| Research and development | 17,637 | 12,503 | 16,257 |
| Selling, general and administrative | 28,648 | 22,098 | 22,682 |
| Amortization of intangible assets | 1,257 | 962 | 1,174 |
| Total operating expenses | 47,542 | 35,563 | 40,113 |
| Operating income | 56,103 | 43,268 | 58,062 |
| Other income (expense), net | 26 | (3,208) | 559 |
| Income from continuing operations before income taxes | 56,129 | 40,060 | 58,621 |
| Provision for income taxes | 9,759 | 4,619 | 87,628 |
| Income (loss) from continuing operations, net of income taxes | 46,370 | 35,441 | (29,007) |
| Income (loss) from discontinued operations, net of income taxes | 140 | 2,094 | (583) |
| Net income (loss) | 46,510 | 37,535 | (29,590) |
| Income from continuing operations attributable to noncontrolling interest | 31 | — | — |
| Net income (loss) attributable to Advanced Energy Industries, Inc. | \$ 46,479 | \$ 37,535 | \$ (29,590) |
| Basic weighted-average common shares outstanding | 39,619 | 39,738 | 39,642 |
| Diluted weighted-average common shares outstanding | 39,995 | 40,179 | 40,051 |
| Earnings per share attributable to Advanced Energy Industries, Inc: | | | |
| Continuing operations: | | | |
| Basic earnings (loss) per share | \$ 1.17 | \$ 0.89 | \$ (0.73) |
| Diluted earnings (loss) per share | \$ 1.16 | \$ 0.88 | \$ (0.73) |
| Discontinued operations: | | | |
| Basic earnings (loss) per share | \$ 0.00 | \$ 0.05 | \$ (0.01) |
| Diluted earnings (loss) per share | \$ 0.00 | \$ 0.05 | \$ (0.01) |

| | | | |
|--|---------------|---------------|------------------|
| Net income: | | | |
| Basic earnings (loss) per share | \$1.17 | \$0.94 | \$(0.75) |
| Diluted earnings (loss) per share | \$1.16 | \$0.93 | \$(0.75) |

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

| | March 31, 2018 | December 31, 2017 |
|--|---------------------------|------------------------------|
| ASSETS | Unaudited | |
| Current assets: | | |
| Cash and cash equivalents | \$ 413,874 | \$ 407,283 |
| Marketable securities | 3,197 | 3,104 |
| Accounts and other receivable, net | 116,900 | 87,429 |
| Inventories, net | 96,842 | 78,450 |
| Income taxes receivable | 2,226 | 1,295 |
| Other current assets | 7,895 | 8,129 |
| Current assets of discontinued operations | 9,638 | 9,535 |
| Total current assets | 650,572 | 595,225 |
| Property and equipment, net | 20,706 | 17,795 |
| Deposits and other assets | 4,207 | 3,051 |
| Goodwill and intangibles, net | 88,351 | 87,311 |
| Deferred income tax assets | 38,741 | 18,841 |
| Non-current assets of discontinued operations | 11,084 | 11,085 |
| Total assets | \$ 813,661 | \$ 733,308 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 61,328 | \$ 48,177 |
| Other accrued expenses | 58,034 | 50,092 |
| Current liabilities of discontinued operations | 7,272 | 7,850 |
| Total current liabilities | 126,634 | 106,119 |
| Non-current liabilities of continuing operations | 95,539 | 91,271 |
| Non-current liabilities of discontinued operations | 14,279 | 15,277 |
| Long-term liabilities | 109,818 | 106,548 |
| Total liabilities | 236,452 | 212,667 |

| | | |
|--|------------|------------|
| Advanced Energy stockholders' equity | 576,747 | 520,641 |
| Noncontrolling interest | 462 | — |
| Stockholders' equity | 577,209 | 520,641 |
| Total liabilities and stockholders' equity | \$ 813,661 | \$ 733,308 |

December 31, 2017 amounts are derived from the December 31, 2017 audited Consolidated Financial Statements.

ADVANCED ENERGY INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

| | Three Months Ended | |
|---|---------------------------|-------------|
| | March 31, | |
| | 2018 | 2017 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$46,510 | \$37,535 |
| Income from discontinued operations, net of income taxes | 140 | 2,094 |
| Income from continuing operations, net of income taxes | 46,370 | 35,441 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,861 | 1,987 |
| Stock-based compensation expense | 4,494 | 3,398 |
| Loss on foreign exchange hedge | — | 3,489 |
| Net loss on disposal of assets | 138 | 65 |
| Changes in operating assets and liabilities, net of assets acquired | (18,978) | (1,721) |
| Net cash provided by operating activities from continuing operations | 34,885 | 42,659 |
| Net cash used in operating activities from discontinued operations | (1,784) | (2,453) |
| Net cash provided by operating activities | 33,101 | 40,206 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisitions, net of cash acquired | (6,072) | — |
| Purchase of foreign exchange hedge | — | (3,489) |
| Purchases of property and equipment | (3,923) | (1,391) |
| Net cash used in investing activities from continuing operations | (9,995) | (4,880) |
| Net cash used in investing activities from discontinued operations | — | — |
| Net cash used in investing activities | (9,995) | (4,880) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Purchase and retirement of common stock | (12,750) | — |
| Net payments related to stock-based award activities | (4,032) | (1,688) |
| Net cash used in financing activities from continuing operations | (16,782) | (1,688) |
| Net cash used in financing activities from discontinued operations | — | — |
| Net cash used in financing activities | (16,782) | (1,688) |
| EFFECT OF CURRENCY TRANSLATION ON CASH | 167 | 1,133 |

| | | |
|--|-----------|-----------|
| INCREASE IN CASH AND CASH EQUIVALENTS | 6,491 | 34,771 |
| CASH AND CASH EQUIVALENTS, beginning of period | 415,037 | 289,517 |
| CASH AND CASH EQUIVALENTS, end of period | 421,528 | 324,288 |
| Less cash and cash equivalents from discontinued operations | 7,654 | 6,339 |
| CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS, end of period | \$413,874 | \$317,949 |

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

| | Three Months Ended | | |
|--|---------------------------|-------------|-----------------|
| | March 31, | | December |
| | 2018 | 2017 | 31, |
| Gross profit from continuing operations, as reported | \$103,645 | \$78,831 | \$98,175 |
| Operating expenses from continuing operations, as reported | 47,542 | 35,563 | 40,113 |
| Adjustments: | | | |
| Stock-based compensation | (4,494) | (3,398) | (1,842) |
| Amortization of intangible assets | (1,257) | (962) | (1,174) |
| Acquisition-related costs | (350) | — | — |
| Facility expansion and relocation costs | (476) | — | — |
| Non-GAAP operating expenses from continuing operations | 40,965 | 31,203 | 37,097 |
| Non-GAAP operating income from continuing operations | \$62,680 | \$47,628 | \$61,078 |

| | Three Months Ended | | |
|--|---------------------------|-------------|-----------------|
| | March 31, | | December |
| | 2018 | 2017 | 31, |
| Gross profit from continuing operations, as reported | 53.0% | 52.8% | 54.8 % |
| Operating expenses from continuing operations, as reported | 24.3 | 23.8 | 22.4 |
| Adjustments: | | | |
| Stock-based compensation | (2.3) | (2.3) | (1.0) |
| Amortization of intangible assets | (0.6) | (0.6) | (0.7) |
| Acquisition-related costs | (0.2) | — | — |
| Facility expansion and relocation costs | (0.2) | — | — |
| Non-GAAP operating expenses from continuing operations | 21.0 | 20.9 | 20.7 |
| Non-GAAP operating income from continuing operations | 32.0% | 31.9% | 34.1 % |

Reconciliation of Non-GAAP measure - income excluding certain items**Three Months Ended**

| | March 31, | | December |
|---|------------------|-------------|-----------------|
| | 2018 | 2017 | 31, |
| | | | 2017 |
| Income (loss) from continuing operations, less noncontrolling interest, net of income taxes | \$46,339 | \$35,441 | \$(29,007) |
| Adjustments: | | | |
| Stock-based compensation | 4,494 | 3,398 | 1,842 |
| Amortization of intangible assets | 1,257 | 962 | 1,174 |
| Loss on foreign exchange hedge | — | 3,489 | — |
| Acquisition-related costs | 350 | — | — |
| Facility expansion and relocation costs | 476 | — | — |
| Nonrecurring tax (benefit) expense associated with inverter business | — | — | 6,357 |
| Tax Cuts and Jobs Act Impact | 1,853 | — | 72,867 |
| Tax effect of Non-GAAP adjustments | (1,343) | (1,396) | (813) |
| Non-GAAP income from continuing operations, net of income taxes | \$53,426 | \$41,894 | \$52,420 |

Reconciliation of Non-GAAP measure - per share earnings excluding certain items**Three Months Ended**

| | March 31, | | December |
|---|------------------|-------------|-----------------|
| | 2018 | 2017 | 31, |
| | | | 2017 |
| Diluted earnings (loss) per share from continuing operations, as reported | \$1.16 | \$0.88 | \$(0.73) |
| Add back: | | | |
| per share impact of Non-GAAP adjustments, net of tax | 0.18 | 0.16 | 2.04 |
| Non-GAAP per share earnings from continuing operations | \$1.34 | \$1.04 | \$1.31 |

Reconciliation of Q2 2018 Guidance**Low End High End****Revenue****\$193M \$207M****Reconciliation of Non-GAAP operating margin**

GAAP operating margin

29.0% 31.0%

| | | |
|-----------------------------------|--------------|--------------|
| Stock-based compensation | 1.3% | 1.3% |
| Amortization of intangible assets | 0.7% | 0.7% |
| Non-GAAP operating margin | 31.0% | 33.0% |

Reconciliation of Non-GAAP earnings per share

| | | |
|------------------------------------|---------------|---------------|
| GAAP earnings per share | \$1.23 | \$1.33 |
| Stock-based compensation | \$0.05 | \$0.05 |
| Amortization of intangible assets | \$0.04 | \$0.04 |
| Tax effects of excluded items | \$(0.02) | \$(0.02) |
| Non-GAAP earnings per share | \$1.30 | \$1.40 |



Source: Advanced Energy Industries, Inc.