Q1 2020 Earnings Presentation

MAY 6, 2020

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 cyclicality 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 recent outbreak of the 2019-Novel Coronavirus (2019-nCoV) 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 effects of U.S. government trade and export restrictions, Chinese retaliatory trade actions, and other governmental action related to tariffs upon the demand for our, and our customers', products and services and the U.S. economy. 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

- **A strong quarter despite the extraordinary and challenging time**
  - Q1 revenue of $315.5 million, above guidance midpoint
  - Q1 non-GAAP(1) earnings per share of $0.91, at higher end of a widened guidance range
  - Ended the quarter with strengthened financial positions
- **Early responses to COVID ensure the well-being of our employees and communities**
- **Operational Excellence and agility enables AE to meet our customer commitments**
  - Overcame significant challenges in navigating multiple shutdowns and supply chain constraints
  - Optimized production and materials managements through integration of Artesyn acquisition
- **Solid demand momentum from our customers and industries**
  - Strong backlog entering Q2 driven by continued demand from semi equipment and data center computing
- **This crisis validates our strategy, and we are focused on our long-term financial objectives**

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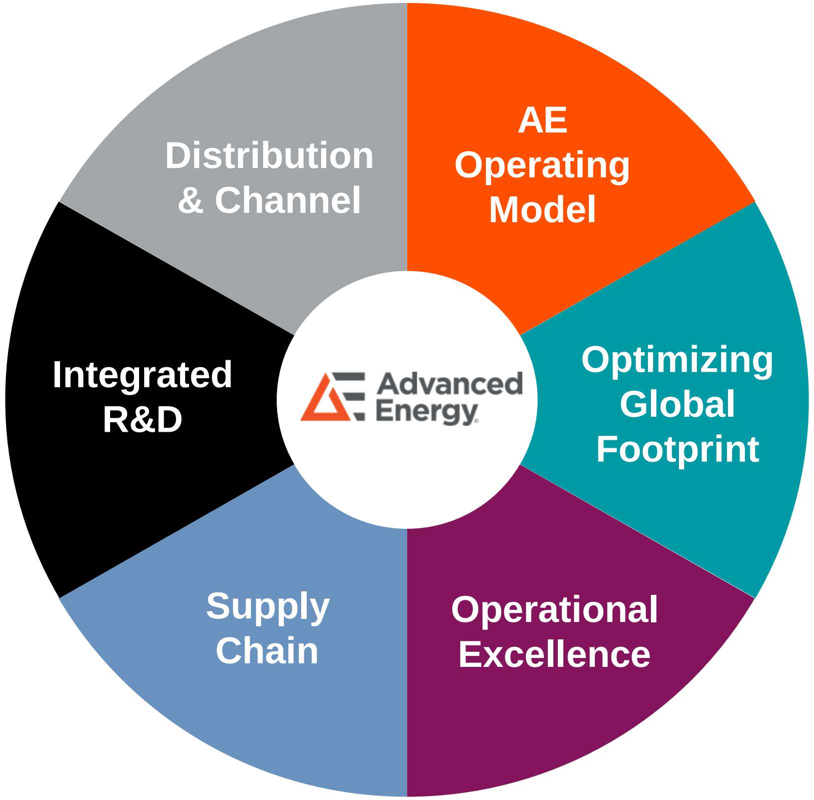
(1) *non-GAAP measures exclude the impact of non-cash related charges such as stock-based compensation and amortization of intangible assets, as well as discontinued operations, and non-recurring items such as acquisition-related costs and restructuring expenses.*

COVID-19 RESPONSES AND UPDATE

- **Our top priority is on the well-being of our employees and communities**
  - Recognized crisis early; our executive-led Rapid Response Team took actions to protect health and safety
  - Safety protocols, protective equipment, separation structures and methods that are above and beyond local government requirements
  - Work from home guidelines for non-essential employees
  - Sophisticated IT solutions for innovative in-home mini labs with remote access
- **All factories are operational**
  - China back to full capacity
  - Local government decrees limiting capacities at Philippines and Malaysia sites
- **Our products contribute to fight this pandemic**
  - A long history of designing and developing power supplies for medical applications
  - Designed into ventilators, CT scanners and blood analyzers
  - Powering analytical instruments in life science applications like gene sequencing and vaccine development

OUR POSITION OF STRENGTH

- **Well capitalized balance sheet with increased cash and reduced debt**
  - Increased positive net cash with covenants based on *net* multiples
  - Plenty of liquidity with a $150 million unused line of credit
  - Interest rate SWAP agreement effectively converts 85% of our variable rate debt to a historically low effective fixed rate
- **The benefits of the Artesyn acquisition become evident**
  - Our distributed world-class global manufacturing and supply chain operations allowed for optimization
  - Delivering on customer commitments despite significant disruption
  - Artesyn integration is on track with increasing benefits from combined organization
  - Completed actions that should result in >$15 million of annualized synergies



AE'S FUNCTIONAL INTEGRATION

PERFORMANCE ACROSS OUR MARKET VERTICALS

SEMICONDUCTOR EQUIPMENT

$134M, up 7% QoQ

- Semi product revenue grew 10.4% offset by lower service
- RF and RPS gaining momentum, with significant RPS win at a new customer
- First shipment into WFE auxiliary power application
- Received Applied Materials' Supplier Excellence Award

INDUSTRIAL & MEDICAL

$62M, down 36% QoQ

- Product transition by a large industrial customer
- COVID-19 impacted our ability to ship select products
- Macro conditions in industrial production remain challenging
- Increasing demand in medical and life science

DATA CENTER COMPUTING

$86M, up 11% QoQ

- Hyperscale demand accelerated with >50% sequential growth
- Enterprise Computing down on seasonality
- Won multiple next-gen designs, demonstrating our technology leadership

TELECOM & NETWORKING

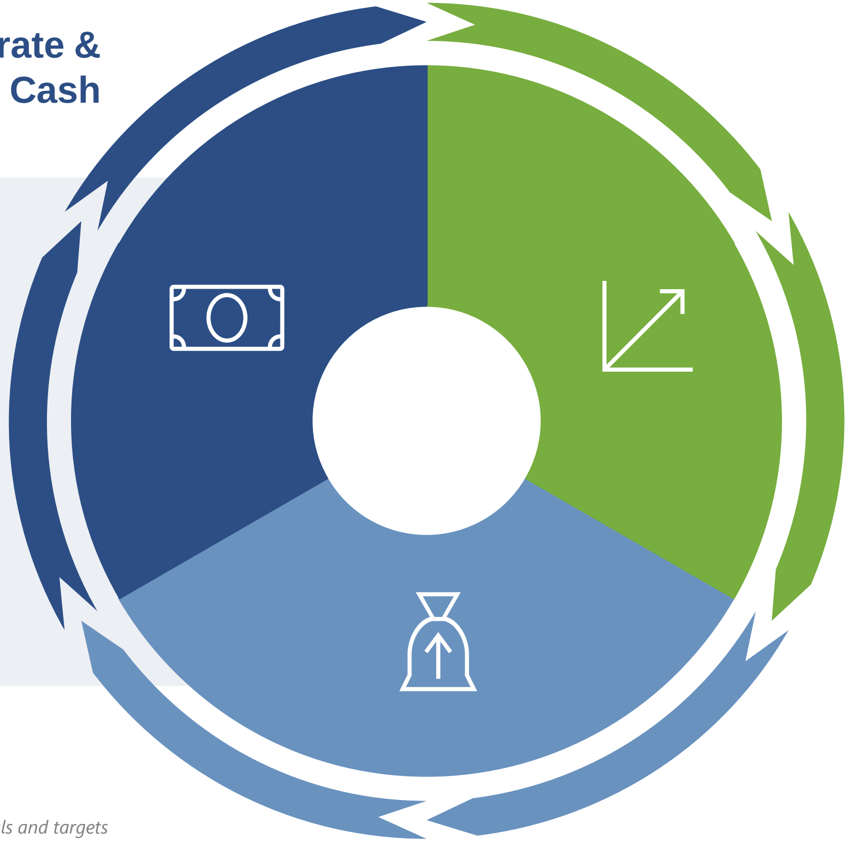
$34M, down 13% QoQ

- Telecom carriers delaying investments, impacting OEM demand
- Saw spots of strength driven by prior design wins
- Actively engaged in multiple 5G base station designs

CONFIDENT ON OUR LONG-TERM ASPIRATIONAL GOALS

Aspirational Goals[1] :

- Revenue: **> $1.5B**
- Non-GAAP EPS[2] : **> $6.50**
- ROIC[3] : **> 23%**



(1) *Please note that hypothetical scenarios regarding revenue growth, EBITDA, EPS, (GAAP or non-GAAP), ROIC, cash generation, acquisitions, aspirational goals and targets and similar statements illustrate various possible outcomes of our different strategies if they are successful. These hypothetical scenarios and illustrations should not be treated as forecasts or projections or financial guidance. We cannot assure you that we will be able to accomplish any of these goals, metrics or opportunities at any point in the future (if at all), all of which are subject to significant risks and uncertainties.*

(2) *Refer to the non-GAAP reconciliation for additional detail.*

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

Q1 REVENUE BY MARKETS

(figures in $thousands)	Q1 2020	Q4 2019	Q1 2019	ACTUAL RESULTS GROWTH RATES Q/Q	ACTUAL RESULTS GROWTH RATES Y/Y	PRO FORMA GROWTH RATES[(1)] Q/Q	PRO FORMA GROWTH RATES[(1)] Y/Y
Semiconductor Equipment	$133,625	$125,108	$91,437	6.8%	46.1%	6.8%	42.7%
Industrial & Medical	$61,979	$96,736	$49,306	-35.9%	25.7%	-35.9%	-31.6%
Data Center Computing	$86,183	$77,940	$0	10.6%		10.6%	63.4%
Telecom & Networking	$33,669	$38,484	$0	-12.5%		-12.5%	-42.9%
Total Revenue	**$315,456**	**$338,268**	**$140,743**	**-6.7%**	**124.1%**	**-6.7%**	**6.6%**

(1) *Revenue comparisons on a pro-forma basis include full historical revenues of the Artesyn acquisition in prior periods*

Q1 REVENUE BY MARKETS – ORGANIC(1)

(figures in $thousands)	Q1 2020	Q4 2019	Q1 2019	Q/Q	Y/Y
Semiconductor Equipment	$131,979	$122,717	$91,437	7.5%	44.3%
Industrial & Medical	$29,557	$36,158	$49,306	-18.3%	-40.1%
Total Revenue	**$161,536**	**$158,875**	**$140,743**	**1.7%**	**14.8%**

(1) Revenue comparisons on an organic basis exclude the revenue contribution of the Artesyn acquisition in all periods

Q1 2020 INCOME STATEMENT

(figures in $millions, except percentage & EPS)	Q1 2020	Q4 2019	Q1 2019	Q/Q	Y/Y
Revenue	$315.5	$338.3	$140.7	-6.7%	124.1%
GAAP gross margin	35.6%	33.2%	46.7%		
GAAP operating expenses	$86.4	$90.1	$53.9	-4.1%	60.2%
GAAP operating margin from continuing ops	8.2%	6.6%	8.4%		
GAAP EPS from continuing ops	$0.48	$0.27	$0.40	77.8%	20.0%
Non-GAAP* gross margin	37.8%	35.9%	47.0%		
Non-GAAP* operating expenses	$74.7	$78.0	$45.8	-4.2%	63.3%
Non-GAAP* operating margin	14.1%	12.8%	14.5%		
Non-GAAP* EPS	$0.91	$0.87	$0.58	4.6%	56.9%

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** 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.*

Q1 2020 BALANCE SHEET & CASH FLOW

- Cash and securities rose to $355.0 million
- Operating cash flow from continuing operations was $28.9 million
- Total debt at $334.8 million
- Receivables decreased to $214.4 million
  - DSO improved 5 days to 61 days
- Inventory increased to $235.3 million
  - Turns were 3.5 times
- Repurchased 170K shares for $7.2 million

(figures in $millions)	Q1 2020	Q4 2019
Cash & Investments	$355.0	$349.1
Accounts Receivable	$214.4	$246.6
Inventory	$235.3	$230.0
Total Assets	$1,536.3	$1,532.4
Total Debt	$334.8	$339.0
Liabilities	$850.4	$855.1
Shareholders' Equity	$686.0	$677.3

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Q2 2020 GUIDANCE

	Q2 2020
Revenue	$315M +/- 30M
GAAP EPS from continuing operations	$0.53 +/- $0.30
Non-GAAP* EPS	$0.80 +/- $0.30

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*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.

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 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		
	March 31,		December 31,
	2020	2019	2019
Gross profit from continuing operations, as reported	$ 112,231	$ 65,740	$ 112,295
Adjustments to gross profit:			
Stock-based compensation	222	233	160
Facility expansion and relocation costs	1,543	170	2,229
Acquisition-related costs	5,141	—	6,784
Non-GAAP gross profit	119,137	66,143	121,468
Non-GAAP gross margin	37.8%	47.0%	35.9%
Operating expenses from continuing operations, as reported	86,423	53,949	90,093
Adjustments:			
Amortization of intangible assets	(5,006)	(1,973)	(5,319)
Stock-based compensation	(2,826)	(2,966)	(2,115)
Acquisition-related costs	(2,836)	(1,511)	(2,562)
Facility expansion and relocation costs	(385)	(74)	(651)
Restructuring charges	(656)	(1,673)	(1,418)
Non-GAAP operating expenses	74,714	45,752	78,028
Non-GAAP operating income	$ 44,423	$ 20,391	$ 43,440
Non-GAAP operating margin	14.1%	14.5%	12.8%

Reconciliation of Non-GAAP measure - income excluding certain items	Three Months Ended		
	March 31,		December 31,
	2020	2019	2019
Income from continuing operations, less noncontrolling interest, net of income taxes	$ 18,383	$ 15,379	$ 10,474
Adjustments:			
Amortization of intangible assets	5,006	1,973	5,319
Acquisition-related costs	7,977	1,511	9,346
Facility expansion and relocation costs	1,928	244	2,879
Restructuring charges	656	1,673	1,418
Central inverter services business sale	—	—	1,067
Tax effect of Non-GAAP adjustments	(1,370)	(851)	1,195
Non-GAAP income, net of income taxes, excluding stock-based compensation	32,580	19,929	31,698
Stock-based compensation, net of taxes	2,363	2,463	1,740
Non-GAAP income, net of income taxes	$ 34,943	$ 22,392	$ 33,438

Reconciliation of Non-GAAP measure - per share earnings excluding certain items	Three Months Ended		
	March 31,		December 31,
	2020	2019	2019
Diluted earnings per share from continuing operations, as reported	$ 0.48	$ 0.40	$ 0.27
Add back (subtract):			
per share impact of Non-GAAP adjustments, net of tax	0.43	0.18	0.60
Non-GAAP per share earnings	$ 0.91	$ 0.58	$ 0.87

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RECONCILIATION OF Q2 2020 GUIDANCE

	Low End		High End
Revenue	**$285M**	**-**	**$345M**
Reconciliation of non-GAAP* earnings per share			
GAAP earnings per share	**$0.23**	**-**	**$0.83**
Stock-based compensation	$0.07	-	$0.07
Amortization of intangible assets	$0.14	-	$0.14
Restructuring and other	$0.10	-	$0.10
Tax effects of excluded items	-$0.04	-	-$0.04
Non-GAAP* earnings per share	**$0.50**	**-**	**$1.10**

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**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.*