

The background features a collage of images: a person in a surgical mask and cap, a microchip, and two telecommunications towers. The design is accented with blue, green, and orange geometric shapes.

# Q3 2022 Earnings Presentation

NOVEMBER 1, 2022

# SAFE HARBOR

The company's guidance and other statements herein or made on the earnings conference call contain, in addition to historical information, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements in this presentation that are not historical information are forward-looking statements. 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 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 at [www.sec.gov](http://www.sec.gov) or from Advanced Energy's Investors page at [ir.advancedenergy.com](http://ir.advancedenergy.com). Forward-looking statements are made and based on information available to Advanced Energy's management team as of November 1, 2022. Aspirational goals and medium-term targets should not be interpreted in any respect as guidance. The company assumes no obligation to update the information in this presentation.

# Q3 2022 SUMMARY



Advanced Energy SLB300 medical power supply, designed to provide reliable, stable power with long-term operational life for medical and critical industrial applications

- **Q3 2022 results surpassed high end of guidance, while demand remains strong**
  - Revenue was \$516 million; non-GAAP<sup>(1)</sup> earnings were \$2.12 per share
  - Revenue in each of our end markets grew greater than 40% Y/Y and over 10% Q/Q
  - Backlog remains solid at \$1.1 billion, with ~2/3 shippable within the next two quarters
- **Strong performance highlighted improved supply and manufacturing execution**
  - Manufacturing continues to react nimbly, quickly turning lumpy component deliveries into revenue
  - Continued success in our efforts to qualify alternatives to scarce components
  - Supply environment remains dynamic and high material cost premiums continue in the near-term
- **Positioned to continue to outperform our markets in 2023**
  - Supported by our solid order book, low channel inventory position and balanced market exposure
  - Taken steps to ensure compliance with China semi export controls but direct impact is relatively small
- **Executing long-term strategic initiatives to accelerate earnings growth**
  - Continue to invest in bringing new innovative technologies and products to our markets
  - Grow I&M through targeted market strategies, engineering focus and channel reach
  - Optimize manufacturing footprint to maximize efficiency, flexibility and quality

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

(2) This target is on a non-GAAP basis and should not be interpreted in any respect as guidance

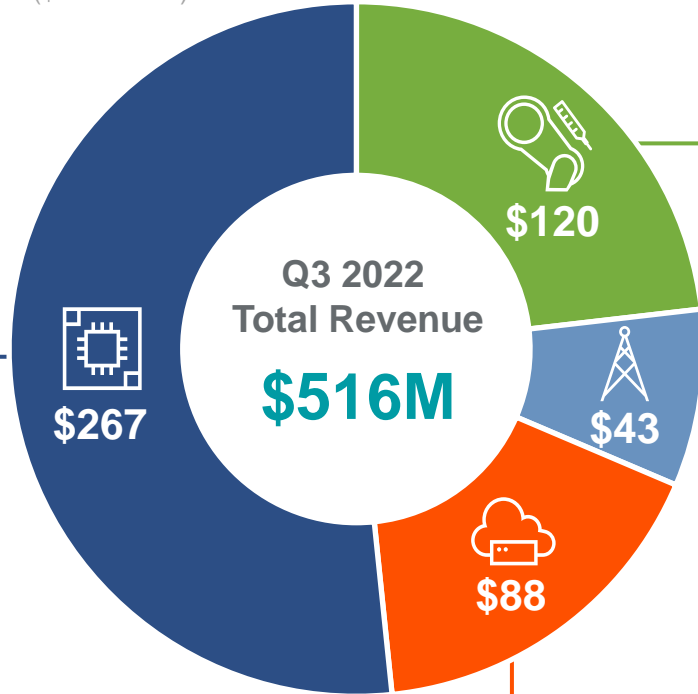
# DELIVERED SOLID GROWTH ACROSS OUR MARKETS

(\$ in millions)

## SEMICONDUCTOR EQUIPMENT

**Up 54% Y/Y & 17% Q/Q**

- Reached another quarterly record in semi revenue
- Near term demand remains strong, with Q4 revenue expected to grow 30%+ Y/Y
- Making good progress in Conductor Etch, Dielectric Etch and RPS technologies
- Won a next-gen metal deposition design for advanced logic



## INDUSTRIAL & MEDICAL

**Up 48% Y/Y & 14% Q/Q**

- Reached quarterly record, and grew 29% Y/Y and 12% Q/Q organically
- Strong design win pipeline and increased market reach to drive growth in the coming year
- Secured design wins in surgical, life science, EV charging and T&M
- Increasing engagements with Tier-1 medical OEMs

## DATA CENTER COMPUTING

**Up 41% & 27% Q/Q**

- Beat expectations on better parts availability, but revenues continue to be paced by availability of scarce components
- Won several high-value designs during Q3 2022

## TELECOM & NETWORKING

**Up 44% Y/Y & 12% Q/Q**

# Q3 2022 FINANCIAL HIGHLIGHTS



REVENUE  
**\$516 million**  
Up 17% Q/Q



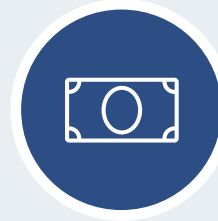
NON-GAAP EPS<sup>(1)</sup>  
**\$2.12**  
Up 47% Q/Q



NON-GAAP GROSS MARGIN<sup>(1)</sup>  
**37.5%**  
Up 40 bps Q/Q



NON-GAAP OP MARGIN<sup>(1)</sup>  
**18.1%**  
Up 230 bps Q/Q

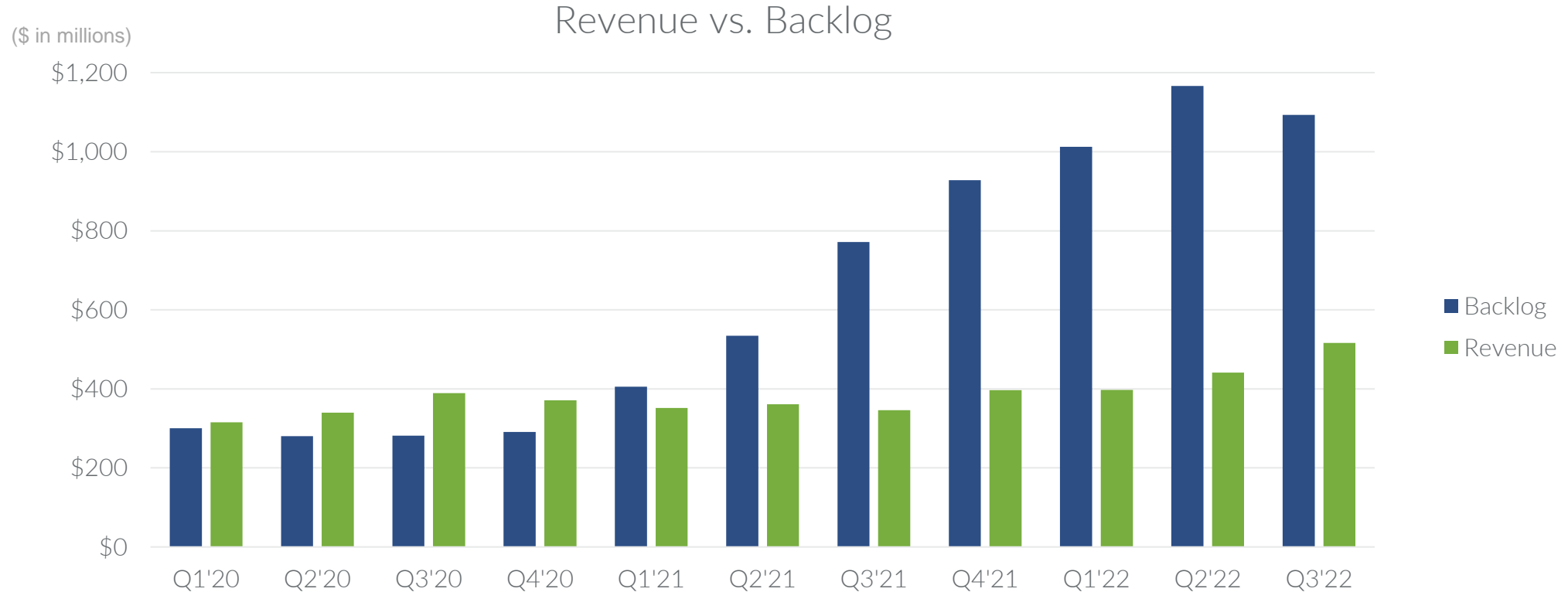


OPERATING CASH FLOW  
**\$65.4 million**  
Up \$27.8 million Q/Q



CASH & INVESTMENTS<sup>(2)</sup>  
**\$411 million**  
Net Cash of \$33 million

# QUARTERLY REVENUE AND BACKLOG TRENDS



- Total backlog at the end of Q3 2022 was \$1,093 million, up 42% Y/Y and down 6% Q/Q
- Total revenue grew 49% Y/Y and 17% Q/Q
- ~2/3 of the backlog has customer request date in the next two quarters
- Proprietary products represent over 75% of the backlog

# REVENUE BY MARKET

(figures in \$ millions)	Q3 2022	Q2 2022	Q3 2021	Q/Q	Y/Y	ORGANIC GROWTH	
						Q/Q	Y/Y
Semiconductor Equipment	\$266.6	\$228.8	\$173.4	17%	54%	16%	53%
Industrial & Medical	\$119.6	\$105.0	\$80.8	14%	48%	12%	29%
Data Center Computing	\$87.5	\$69.2	\$62.2	27%	41%	27%	41%
Telecom & Networking	\$42.5	\$38.0	\$29.6	12%	44%	12%	44%
<b>Total Revenue</b>	<b>\$516.3</b>	<b>\$440.9</b>	<b>\$346.1</b>	<b>17%</b>	<b>49%</b>	<b>17%</b>	<b>44%</b>

# INCOME STATEMENTS

(figures in \$ millions, except percentage and EPS)	Q3 2022	Q2 2022	Q3 2021	Q/Q	Y/Y
Revenue	\$516.3	\$440.9	\$346.1	17%	49%
GAAP gross margin	37.0%	36.8%	34.7%		
GAAP operating expenses	\$113.6	\$109.4	\$95.8	4%	19%
GAAP operating margins from continuing ops	15.0%	12.0%	7.0%		
GAAP EPS from continuing ops	\$1.99	\$1.19	\$0.55	67%	262%
Non-GAAP gross margin <sup>(1)</sup>	37.5%	37.1%	36.1%		
Non-GAAP operating expenses <sup>(1)</sup>	\$99.8	\$94.2	\$83.6	6%	19%
Non-GAAP operating margins <sup>(1)</sup>	18.1%	15.8%	11.9%		
Non-GAAP EPS <sup>(1)</sup>	\$2.12	\$1.44	\$0.89	47%	138%



# BALANCE SHEET & CASH FLOW

- Cash and marketable securities of \$411 million
- Inventory turns improved to 3.2x
  - Focus on scaling back inventories of less-critical components, which should improve turns
- Receivables DSO down slightly to 54 days
- Payables DPO down slightly to 61 days
- Operating cash flow from continuing ops. of \$65.4 million
- CAPEX of \$14.0 million
- Repurchased \$2.4 million of stock at an average price of \$69.39 per share

(figures in \$ millions)	Q3 2022	Q2 2022	Q3 2021
Cash & Investments <sup>(1)</sup>	\$411.2	\$374.8	\$550.8
Account Receivable	\$307.0	\$270.8	\$220.1
Inventory	\$409.4	\$395.9	\$341.5
<b>Total Assets</b>	<b>\$1,974.1</b>	<b>\$1,878.1</b>	<b>\$1,832.1</b>
Accounts Payables	\$219.8	\$197.9	\$190.2
Total Debt	\$378.1	\$383.0	\$397.6
Total Liabilities	\$984.1	\$953.2	\$990.3
Shareholders' Equity	\$989.9	\$924.9	\$841.8

# GUIDANCE

	Q4 2022 Guidance
Revenue	\$470M +/- \$20M
GAAP EPS from continuing operations	\$1.18 +/- \$0.25
Non-GAAP EPS <sup>(1)</sup>	\$1.55 +/- \$0.25

# QUARTERLY NON-GAAP FINANCIALS<sup>(1)</sup>

## Advanced Energy - 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	2022 Q2	2022 Q3
Backlog	300.1	280.1	281.5	290.7	405.7	534.7	771.4	927.8	1,012.4	1,166.5	1,093.0
<b>Revenue</b>	<b>315.5</b>	<b>339.9</b>	<b>389.5</b>	<b>371.0</b>	<b>351.6</b>	<b>361.3</b>	<b>346.1</b>	<b>396.9</b>	<b>397.5</b>	<b>440.9</b>	<b>516.3</b>
Gross Profit	119.1	131.6	154.9	146.4	139.7	137.3	124.9	141.0	145.3	163.8	193.4
<b>Gross Margin</b>	<b>37.8%</b>	<b>38.7%</b>	<b>39.8%</b>	<b>39.5%</b>	<b>39.7%</b>	<b>38.0%</b>	<b>36.1%</b>	<b>35.5%</b>	<b>36.6%</b>	<b>37.1%</b>	<b>37.5%</b>
<b>Total OPEX</b>	<b>74.7</b>	<b>77.8</b>	<b>78.9</b>	<b>76.9</b>	<b>79.5</b>	<b>82.6</b>	<b>83.6</b>	<b>86.1</b>	<b>87.6</b>	<b>94.2</b>	<b>99.8</b>
OPEX %	23.7%	22.9%	20.3%	20.7%	22.6%	22.9%	24.2%	21.7%	22.0%	21.4%	19.3%
<b>Operating Income</b>	<b>44.4</b>	<b>53.8</b>	<b>76.0</b>	<b>69.5</b>	<b>60.2</b>	<b>54.7</b>	<b>41.2</b>	<b>54.8</b>	<b>57.8</b>	<b>69.6</b>	<b>93.6</b>
Operating Income %	14.1%	15.8%	19.5%	18.7%	17.1%	15.1%	11.9%	13.8%	14.5%	15.8%	18.1%
Depreciation	6.6	6.6	7.2	7.3	7.3	7.5	7.9	8.1	8.4	8.5	8.5
<b>EBITDA</b>	<b>51.0</b>	<b>60.4</b>	<b>83.2</b>	<b>76.8</b>	<b>67.6</b>	<b>62.2</b>	<b>49.1</b>	<b>63.0</b>	<b>66.1</b>	<b>78.1</b>	<b>102.2</b>
EBITDA %	16.2%	17.8%	21.4%	20.7%	19.2%	17.2%	14.2%	15.9%	16.6%	17.7%	19.8%
Other Income/(Expense)	(3.5)	(0.5)	(2.4)	(2.3)	(2.6)	(1.9)	(1.7)	(2.5)	(2.1)	(2.2)	(1.9)
<b>Income Before Taxes</b>	<b>40.9</b>	<b>53.3</b>	<b>73.6</b>	<b>67.2</b>	<b>57.6</b>	<b>52.8</b>	<b>39.6</b>	<b>52.3</b>	<b>55.6</b>	<b>67.4</b>	<b>91.7</b>
Tax Provision/(Benefit)	6.0	7.9	9.8	9.8	7.9	4.7	5.6	0.9	8.9	13.1	12.1
Tax Rate	14.6%	14.8%	13.3%	14.7%	13.7%	8.9%	14.0%	1.6%	16.0%	19.4%	13.2%
<b>Non-GAAP Net Income</b>	<b>34.9</b>	<b>45.4</b>	<b>63.8</b>	<b>57.3</b>	<b>49.7</b>	<b>48.1</b>	<b>34.0</b>	<b>51.5</b>	<b>46.7</b>	<b>54.3</b>	<b>79.6</b>
Net Income %	11.1%	13.4%	16.4%	15.4%	14.1%	13.3%	9.8%	13.0%	11.8%	12.3%	15.4%
<b>Non-GAAP EPS</b>	<b>0.91</b>	<b>1.18</b>	<b>1.66</b>	<b>1.49</b>	<b>1.29</b>	<b>1.25</b>	<b>0.89</b>	<b>1.36</b>	<b>1.24</b>	<b>1.44</b>	<b>2.12</b>
Average Shares Outstanding	38.6	38.5	38.5	38.5	38.6	38.6	38.4	37.9	37.8	37.7	37.6

Non - GAAP Financials

# 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

(figures in \$ thousands, except percentage and EPS)

## Reconciliation of Non-GAAP measure - operating expenses and operating

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2022	2021	2022	2022	2021
Gross profit from continuing operations, as	\$ 191,218	\$ 120,039	\$ 162,158	\$ 497,692	\$ 392,575
Adjustments to gross profit:					
Stock-based compensation	454	218	402	1,087	783
Facility expansion, relocation costs and	1,662	1,357	1,187	4,133	5,192
Acquisition-related costs	66	3,259	64	(372)	3,351
Non-GAAP gross profit	193,400	124,873	163,811	502,540	401,901
Non-GAAP gross margin	37.5%	36.1%	37.1%	37.1%	38.0%
Operating expenses from continuing	113,646	95,830	109,393	322,698	283,104
Adjustments:					
Amortization of intangible assets	(7,049)	(5,607)	(6,523)	(19,081)	(16,504)
Stock-based compensation	(5,568)	(3,456)	(4,656)	(13,921)	(12,036)
Acquisition-related costs	(1,150)	(1,768)	(4,159)	(6,977)	(6,124)
Facility expansion, relocation costs and	—	(98)	—	—	(212)
Restructuring charges	(121)	(1,272)	161	(1,178)	(2,521)
Non-GAAP operating expenses	99,758	83,629	94,216	281,541	245,707
Non-GAAP operating income	\$ 93,642	\$ 41,244	\$ 69,595	\$ 220,999	\$ 156,194
Non-GAAP operating margin	18.1%	11.9%	15.8%	16.3%	14.7%

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

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2022	2021	2022	2022	2021
Income from continuing operations, less non-controlling interest, net of income taxes	\$ 74,864	\$ 21,041	\$ 44,790	\$ 156,530	\$ 94,910
Adjustments:					
Amortization of intangible assets	7,049	5,607	6,523	19,081	16,504
Acquisition-related costs	1,216	5,027	4,223	6,605	9,475
Facility expansion, relocation costs, and other	1,662	1,455	1,187	4,133	5,404
Restructuring charges	121	1,272	(161)	1,178	2,521
Unrealized foreign currency (gain) loss	(6,169)	(2,092)	(5,569)	(13,023)	(3,409)
Acquisition-related costs and other included in other income (expense), net	(4,685)	(79)	85	(4,600)	907
Tax effect of non-GAAP adjustments	855	(1,036)	(752)	(966)	(4,363)
Non-GAAP income, net of income taxes, excluding stock-based compensation	74,913	31,195	50,326	168,938	121,949
Stock-based compensation, net of taxes	4,697	2,811	3,946	11,668	9,809
Non-GAAP income, net of income taxes	\$ 79,610	\$ 34,006	\$ 54,272	\$ 180,606	\$ 131,758

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

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2022	2021	2022	2022	2021
Diluted earnings per share from continuing operations, as reported	\$ 1.99	\$ 0.55	\$ 1.19	\$ 4.15	\$ 2.46
Add back:					
Per share impact of non-GAAP adjustments, net of tax	0.13	0.34	0.25	0.64	0.96
Non-GAAP per share earnings	\$ 2.12	\$ 0.89	\$ 1.44	\$ 4.79	\$ 3.42

# RECONCILIATION OF GAAP TO NON-GAAP GUIDANCE

## Reconciliation of Q4 2022 Guidance

	<u>Low End</u>	<u>High End</u>
<b>Revenue</b>	<b>\$450 million</b>	<b>\$490 million</b>
<b>Reconciliation of non-GAAP earnings per share</b>		
GAAP earnings per share	\$ 0.93	\$ 1.43
Stock-based compensation	0.16	0.16
Amortization of intangible assets	0.19	0.19
Restructuring and other	0.09	0.09
Tax effects of excluded items	<u>(0.07)</u>	<u>(0.07)</u>
<b>Non-GAAP earnings per share</b>	<b><u>\$ 1.30</u></b>	<b><u>\$ 1.80</u></b>