

Q3 2020 Earnings Presentation

NOVEMBER 5, 2020

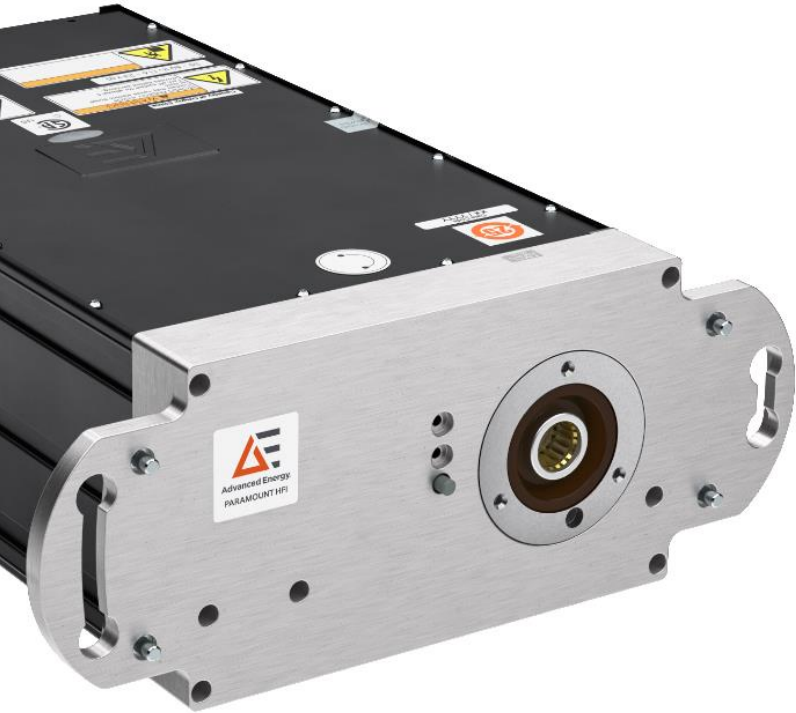
SAFE HARBOR

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 cyclicity 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 continuing spread of COVID-19 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 impact of escalating political, economic and policy tensions and conflicts between China and the United States including, but not limited to, trade wars and export restrictions between the two countries, China's national security law for Hong Kong, and China's expansion of control over the South China Sea, any of which could negatively impact our customers' and our presence, operations, and financial results. 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

- Record revenue, earnings, and cash flow on strong execution
- Solid demand as we continue to grow faster than our markets
- Pure Play Power strategy drives leadership, innovation and synergies
- Artesyn integration progressing ahead of plan with record accretion
- We expect to continue to grow earnings even with near-term variation

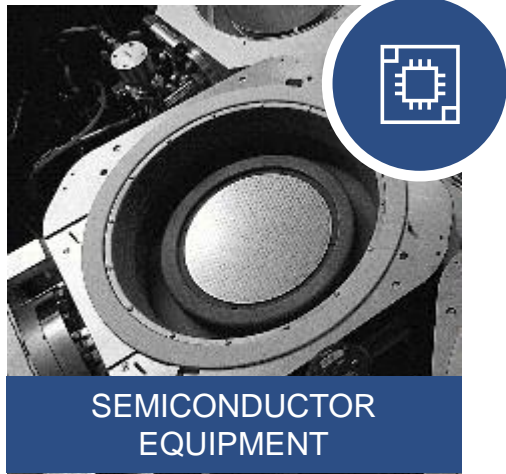
SOLID EXECUTION TO MEET STRONG DEMAND



Paramount® HFi RF power system, with integrated high-speed solid-state matching technology

- **Q3 2020 results above high ends of guidance ranges**
 - Record revenue of \$390 million and non-GAAP⁽¹⁾ earnings of \$1.66 per share
 - Record operating cash flow of \$67.5 million
- **Strong demand drove sequential revenue growth across all four markets**
 - Growing faster than our market verticals
 - Share gains with strong growth in multiple focused areas
 - Aggressive R&D investments, driving design wins and six new product launches
- **Solid execution delivered on our customer needs**
 - Allowed us to catch up on backlog and respond to last minute acceleration in demand
 - Leveraging our diversified footprint, agile supply chain and operational excellence
 - Achieved annualized Artesyn synergies of >\$30 million and cumulative non-GAAP⁽¹⁾ earnings accretion of >\$1.00 per share
- **On track to meet or exceed our long-term aspirational goals**
 - Q3 results validate our strategy and long-term business model
 - Investor event on December 14 where we will provide our updated aspirational goals

SEQUENTIAL GROWTH IN ALL FOUR MARKET VERTICALS



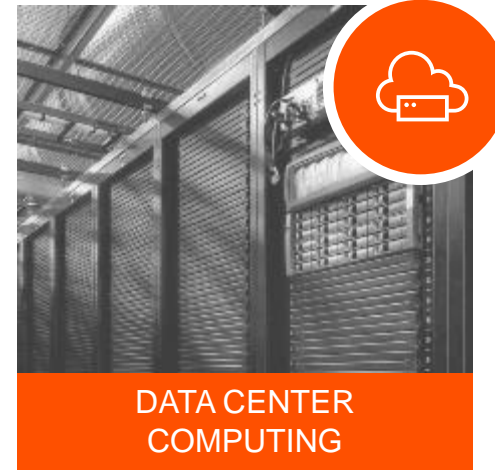
\$167M, up 15% QoQ

- Outgrowing WFE and our peers with >70% YoY⁽¹⁾ growth
- RF Match momentum continues and grew >120% YoY
- RPS on track to double in 2020
- New dielectric etch design win
- Several design wins for deposition processes in Korea



\$87M, up 23% QoQ

- Modest improvement in the industrial markets
- Catch up on Q2 backlog
- Medical critical care demand remains strong
- Multiple design wins, including a diagnostic blood analyzer
- Powering new filtration system for coronavirus prevention



\$88M, up 5% QoQ

- Revenue up 91% YoY⁽¹⁾ and Hyperscale grew 380% YoY⁽¹⁾
- Outperforming a market that faces data center digestion and weak IT spending
- 3rd hyperscaler revenue grew, and good progress in winning additional hyperscalers
- High Performance Computing becoming a secular driver



\$48M, up 18.5% QoQ

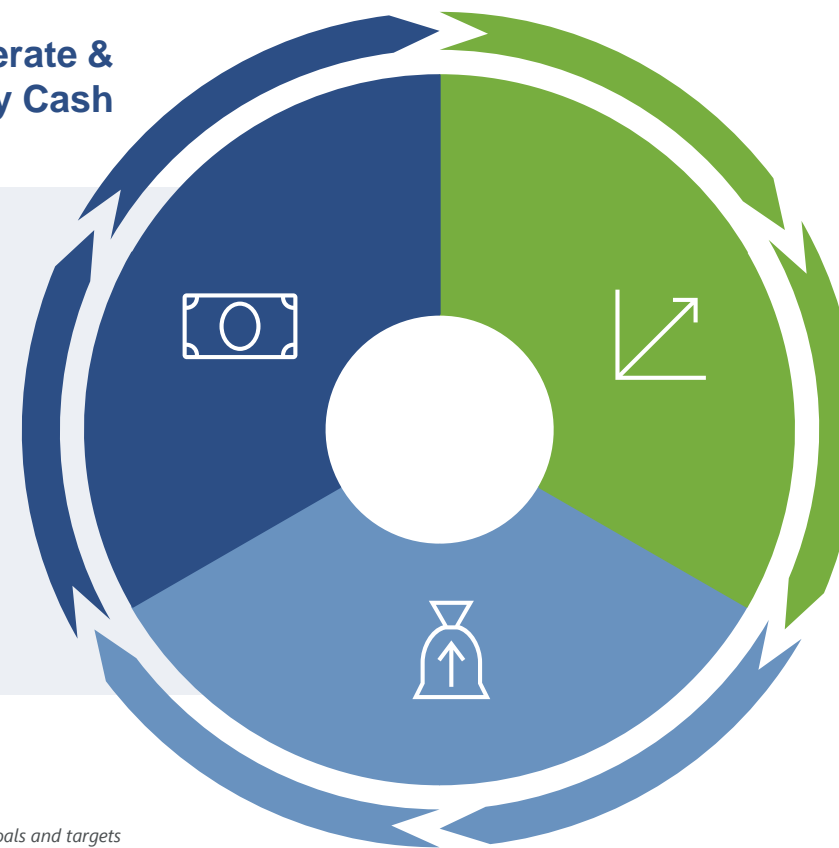
- Markets coming off the bottom seen in 1H 2020
- Benefited by catch-up shipments from Q2 backlog
- Data center networking a bright spot, with a key win supporting migration to 400G network
- Mix of 5G has risen considerably

Q3 RESULTS VALIDATE OUR LONG-TERM ASPIRATIONAL GOALS

Aspirational Goals⁽¹⁾ :

- Revenue: **> \$1.5B**
- Non-GAAP EPS⁽²⁾ : **> \$6.50**
- ROIC⁽³⁾ : **> 23%**

Generate &
Deploy Cash



Grow &
Diversify

Drive Strong
Profitability

(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

Q3 2020 FINANCIAL HIGHLIGHTS



REVENUE
\$390 million
Up 14.6% QoQ



NON-GAAP EPS⁽¹⁾
\$1.66
Up 41% QoQ



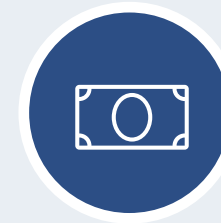
NON-GAAP GROSS MARGIN⁽¹⁾
39.8%
Up 110bps QoQ



NON-GAAP OP MARGIN⁽¹⁾
19.5%
Up 370bps QoQ



OPERATING CASH FLOW
\$67.5 million
Record high



TOTAL CASH
\$432 million
Up \$48 million QoQ

Q3 REVENUE BY MARKETS

(figures in \$ thousands)	ACTUAL RESULTS GROWTH RATES					PRO FORMA GROWTH RATES ⁽¹⁾	
	Q3 2020	Q2 2020	Q3 2019	Q/Q	Y/Y	Q/Q	Y/Y
Semiconductor Equipment	\$167,058	\$145,424	\$96,426	14.9%	73.2%	14.9%	70.4%
Industrial & Medical	\$87,013	\$70,886	\$55,187	22.8%	57.7%	22.8%	-10.7%
Data Center Computing	\$87,741	\$83,316	\$13,498	5.3%	550.0%	5.3%	91.4%
Telecom & Networking	\$47,709	\$40,254	\$10,016	18.5%	376.3%	18.5%	-1.0%
Total Revenue	\$389,521	\$339,880	\$175,127	14.6%	122.4%	14.6%	34.6%

Q3 REVENUE BY MARKETS – ORGANIC⁽¹⁾

(figures in \$ thousands)	Q3 2020	Q2 2020	Q3 2019	Q/Q	Y/Y
Semiconductor Equipment	\$166,120	\$144,226	\$95,468	15.2%	74.0%
Industrial & Medical	\$34,596	\$35,864	\$38,751	-3.5%	-10.7%
Total Revenue	\$200,716	\$180,090	\$134,219	11.5%	49.5%

Q3 2020 INCOME STATEMENT

(figures in \$ millions, except percentage & EPS)	Q3 2020	Q2 2020	Q3 2019	Q/Q	Y/Y
Revenue	\$389.5	\$339.9	\$175.1	14.6%	122.4%
GAAP gross margin	39.5%	38.3%	42.0%		
GAAP operating expenses	\$94.8	\$94.8	\$64.1	0.0%	47.9%
GAAP operating margin from continuing ops	15.1%	10.4%	5.4%		
GAAP EPS from continuing ops	\$1.18	\$0.76	\$0.19	55.3%	521.1%
Non-GAAP* gross margin	39.8%	38.7%	43.6%		
Non-GAAP* operating expenses	\$78.9	\$77.8	\$53.5	1.4%	47.6%
Non-GAAP* operating margin	19.5%	15.8%	13.1%		
Non-GAAP* EPS	\$1.66	\$1.18	\$0.54	40.7%	207.4%

Q3 2020 BALANCE SHEET & CASH FLOW

- Cash and investments rose by \$48.2 million
- Receivables increased to \$240.1 million
 - DSO improved 7 days to 55 days
- Inventory decreased to \$257.4 million
 - Turns were 3.7 times
- Operating cash flow from continuing operations was a record \$67.5 million
- Free cash flow⁽¹⁾ was \$55.7 million
 - Year-to-date free cash flow⁽¹⁾ was \$110 million
- Total debt at \$326.3 million
 - Gross debt leverage now at 1.3x⁽²⁾
- Repurchased \$4.3 million of stock at \$59.70 per share

(figures in \$ millions)	Q3 2020	Q2 2020	Q4 2019
Cash & Investments	\$431.6	\$383.4	\$349.1
Accounts Receivable	\$240.1	\$235.6	\$246.6
Inventory	\$257.4	\$260.0	\$230.0
Total Assets	\$1,642.5	\$1,594.3	\$1,532.4
Total Debt	\$326.3	\$330.5	\$339.0
Liabilities	\$873.8	\$875.9	\$855.1
Shareholders' Equity	\$768.7	\$718.4	\$677.3

Q4 2020 GUIDANCE

	Q4 2020
Revenue	\$360M +/- \$20M
GAAP EPS from continuing operations	\$1.03 +/- \$0.21
Non-GAAP* EPS	\$1.30 +/- \$0.20

NON-GAAP MEASURES

Advanced Energy's non-GAAP measures exclude the impact of non-cash related charges such as stock-based compensation, amortization of intangible assets, and unrealized foreign exchange gain or loss on long-term facility lease and pension obligations, 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			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2020	2019	2020	2020	2019
Gross profit from continuing operations, as reported	\$ 153,785	\$ 73,491	\$ 130,304	\$ 396,320	\$ 203,357
Adjustments to gross profit:					
Stock-based compensation	67	77	156	445	365
Facility expansion, relocation costs and other	1,095	1,342	970	3,608	1,662
Acquisition-related costs	—	1,506	215	5,356	1,506
Non-GAAP gross profit	<u>154,947</u>	<u>76,416</u>	<u>131,645</u>	<u>405,729</u>	<u>206,890</u>
Non-GAAP gross margin	39.8%	43.6%	38.7%	38.8%	45.9%
Operating expenses from continuing operations, as reported	94,831	64,101	94,828	276,082	171,171
Adjustments:					
Amortization of intangible assets	(5,049)	(3,002)	(5,009)	(15,064)	(6,849)
Stock-based compensation	(3,714)	(840)	(2,681)	(9,221)	(4,688)
Acquisition-related costs	(5,214)	(6,398)	(2,978)	(10,597)	(9,440)
Facility expansion, relocation costs and other	(415)	(223)	(539)	(1,770)	(297)
Restructuring charges	(1,494)	(152)	(5,790)	(7,940)	(3,620)
Non-GAAP operating expenses	<u>78,945</u>	<u>53,486</u>	<u>77,831</u>	<u>231,490</u>	<u>146,277</u>
Non-GAAP operating income	<u>\$ 76,002</u>	<u>\$ 22,930</u>	<u>\$ 53,814</u>	<u>\$ 174,239</u>	<u>\$ 60,613</u>
Non-GAAP operating margin	19.5%	13.1%	15.8%	16.7%	13.4%

Reconciliation of Non-GAAP measure - income excluding certain items

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2020	2019	2020	2020	2019
Income from continuing operations, less noncontrolling interest, net of income taxes	\$ 45,577	\$ 7,246	\$ 29,295	\$ 93,255	\$ 45,987
Adjustments:					
Amortization of intangible assets	5,049	3,002	5,009	15,064	6,849
Acquisition-related costs ⁽¹⁾	5,565	7,875	3,193	16,304	10,917
Facility expansion, relocation costs and other ⁽²⁾	1,784	1,565	1,509	5,652	1,959
Restructuring charges	1,494	152	5,790	7,940	3,620
Unrealized foreign currency (gain) loss	3,540	—	1,058	4,598	—
Central inverter services business sale	—	—	—	—	(14,804)
Tax effect of Non-GAAP adjustments	(2,115)	326	(2,595)	(6,080)	2,011
Non-GAAP income, net of income taxes, excluding stock-based compensation	60,894	20,166	43,259	136,733	56,539
Stock-based compensation, net of taxes	<u>2,892</u>	<u>702</u>	<u>2,170</u>	<u>7,425</u>	<u>3,887</u>
Non-GAAP income, net of income taxes	<u>\$ 63,786</u>	<u>\$ 20,868</u>	<u>\$ 45,429</u>	<u>\$ 144,158</u>	<u>\$ 60,426</u>

⁽¹⁾ For the three and nine months ended September 30, 2020, and 2019, Acquisition-related costs include an expense of \$351 and a gain of \$29, respectively, which was recognized in Other income (expense), net.

⁽²⁾ For the three and nine months ended September 30, 2020 and 2019, Facility expansion, relocation costs and other includes a \$274 noncash fixed asset write-off, which was recognized in Other income (expense), net.

Reconciliation of Non-GAAP measure - per share earnings excluding certain items

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2020	2019	2020	2020	2019
Diluted earnings per share from continuing operations, as reported	\$ 1.18	\$ 0.19	\$ 0.76	\$ 2.42	\$ 1.20
Add back (subtract):					
Per share impact of Non-GAAP adjustments, net of tax	0.48	0.35	0.42	1.32	0.37
Non-GAAP per share earnings	<u>\$ 1.66</u>	<u>\$ 0.54</u>	<u>\$ 1.18</u>	<u>\$ 3.74</u>	<u>\$ 1.57</u>

RECONCILIATION OF Q4 2020 GUIDANCE

	Low End		High End
Revenue	\$340M	-	\$380M
Reconciliation of non-GAAP* earnings per share			
GAAP earnings per share	\$0.82	-	\$1.24
Stock-based compensation	\$0.08	-	\$0.08
Amortization of intangible assets	\$0.13	-	\$0.13
Restructuring and other	\$0.11	-	\$0.09
Tax effects of excluded items	-\$0.04	-	-\$0.04
Non-GAAP* earnings per share	\$1.10	-	\$1.50