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PRESENTATION

Unidentified Analyst

We're going to kick it off. Hopefully everyone enjoyed their lunch. I want to say thank you so much for coming. Really excited to have the Advanced Energy team here with us. Thank you guys so much for flying all the way here.

With us today, we have Steve Kelley, the CEO. We have Paul Oldham, the EVP and CFO; and we have Edwin Mok, who is the VP of IR. So for those in the room who may be less familiar with the Advanced Energy story, I guess, Steve, do you mind kicking it off just with a quick overview of the business, including your product portfolio and your customer base?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Yes, thanks very much for having us today. Can you hear me okay? Yes. So we're a roughly \$1.5 billion a year company located in Denver, Colorado. Our core expertise is in precision power. So we've been delivering precision power delivery systems to the semiconductor equipment industry for over 40 years. So that's our core business.

Over the years, we've branched out into other precision power businesses. And now we address the industrial market, the medical market, computing, networking and telecom markets as well. And so what we offer customers is a one-stop shop for sophisticated power delivery systems for very expensive electronic equipment. And we're generally a high-growth company. We sell into fast-growing applications. Of late, our biggest issue has been supply of ICs. So that's constrained our growth somewhat in 2021 and continues to constrain us this year, but we are making some progress there. So our revenues are improving, and we have record backlog of over \$1 billion.

So the demand side is quite strong. We're also innovating at a very high rate. We have over 1,200 development engineers at the company who work very closely together to bring a variety of technologies to market. And then we have a strong network of factories, primarily in Asia. So in total, we employ about 11,000 people at the company.

QUESTIONS AND ANSWERS

Unidentified Analyst

So maybe just because you just mentioned it, you have over \$1 billion of backlog. How much has that backlog grown? And how durable is it?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Yes. So the backlog is at a record level, and that's largely because of high demand and our supply constraints. But we think the backlog is extremely durable because most of our revenue as a company is sole-source revenue. So if you take a look at our \$1.5 billion, roughly 70% of it comes from sole-source products. And if you look at our backlog, roughly 80% of our backlog dollar value is coming from sole-source products.

So customers want those products. It's hard to design us out, and they're expediting us every day to get more product from us. So we think it's durable. The last 20% of the business is more fungible. We have competition there. And so we basically pay close attention to our inventory levels in that part of the business, so we don't get overextended.

Unidentified Analyst

Maybe speaking about that competition, your competitive landscape, who should people be thinking about as your kind of key competitors that you're open?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

It's an interesting question because in our business, we have a variety of competitors and they change in every market. With 1 or 2 exceptions, they're all much smaller than we are. And so that's something we bring to the market is a certain size, and it gives comfort to our customers because almost all of the applications we sell into are very long life-cycle applications. So we get a design win, and we'll keep shipping that product for 10, 15, 20, sometimes 30 or 40 years. And so the fact that Advanced Energy has been here for 40 years already and is very healthy financially and is clearly focused on growth and investment, it's a big plus for our customers.

Unidentified Analyst

As you can imagine, a theme at the conference so far has about -- has been about supply chain disruption. So several companies, Cisco, Applied Materials have highlighted the impact of China lockdowns on their supply chain as well as other factors. Have you seen an impact on your operations or your supply chain?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Yes. So supply chain has been a topic du jour for quite some quarters now. And the one common theme I would say is that almost all of our supply chain issues are integrated circuit-related, and they tend to be older nodes. So greater than 28-nanometer nodes. So there's a lot of competition for that product from automotive customers as well as other industrial suppliers like ourselves. So we've been fighting these battles for, I would say, the better part of a year. And I think we're getting better at it. You develop some skills, finding product, dealing with suppliers, dealing with distributors, dealing with brokers.

We've also been able to redesign a number of our products where we find we have ICs that we just can't get, so problematic parts. So we could design around those parts and redirect that business to suppliers who are willing to support us.

Unidentified Analyst

I realize I probably should have at the beginning, but Paul, anything on the safe harbor forward-looking statements?

Paul R. Oldham - *Advanced Energy Industries, Inc. - Executive VP & CFO*

Just a reminder to have a look at our forward-looking statements in our filings with the SEC that identify various risks. Thank you.

Unidentified Analyst

Great. Thanks. All right. Another big topic of conversation is inflation. Obviously, talking about supply chain input costs, how have these factors impacted your business? And what are you doing to manage costs and support your margins?

Paul R. Oldham - *Advanced Energy Industries, Inc. - Executive VP & CFO*

Yes. Maybe I'll talk about that for just a minute. We have a goal as a company to have over 40% gross margins. And just prior to the supply chain challenges, we were actually very close to that long-term target. What we've seen since then is that the limited supply of parts have increased our input costs, especially for scarce materials. And in many times for these very scarce parts, we've had to pay many multiples of their normal cost to get the parts in.

Our customers have supported us on that. And in many cases, we're being reimbursed or partially compensated for those parts, but it's having an impact on our gross margins. So between the 36% we're running today and our target of 40%, over 200 basis points of that is just these premium materials. And over time, we think that, that premium we're paying will dissipate. Eventually, we'll be able to get many of these parts from normal channels.

There's about another 100 basis points of just cost inflation in that. I mean everybody is reading about rising prices on wafers, on certain parts, and we see that as well. And that, we think, will largely be able to either pass on to our customers through pricing or through our own efficiencies to be able to offset that over time. Steve talked about, for example, some of the redesigns that we're doing.

And then finally, there's about 100 basis points of just inefficiencies in our factories. We've kept -- despite kind of the supply chain shortage, we kept our labor force fully intact. We're actually adding capacity and making investments because we do see much higher potential revenue levels as we go forward given the industry dynamics and our backlog. And -- but it hasn't been very efficient as you chase these few parts. And so we're carrying that. So as the supply environment begins to normalize, we feel very confident we'll be able to move back towards and even above the 40% gross margin target as we go forward.

Unidentified Analyst

Got it. So maybe going from gross margins to earnings, you guys are targeting earnings to return to an annualized run rate of \$6 per share, I believe, by fourth quarter of this year and to further grow into next year '23. Can you talk through what you're doing to achieve those targets, maybe anything incremental to what you were just talking about?

Paul R. Oldham - *Advanced Energy Industries, Inc. - Executive VP & CFO*

Yes, that's right. So supply chain shortages have been our biggest challenge. Our demand is very strong. And the supply chain is affecting our top line, our ability to get product out. It's affecting our gross margins. It's also affecting our inventory interestingly enough because we've been able to bring in inventory for these noncritical or scarce parts to support a much higher level of business.

So as we're able to resolve those, we expect our revenue should be able to run north of \$400 million a quarter for an extended period of time. Gross margins improved back into the high 30s or low 40s and the combination of those 2 things will, we believe, easily generate over \$6 of share annualized earnings. Question is when do we get there? And our operating view is that we think we can start to get there in the fourth quarter of this year. We have made some improvements internally relative to getting parts. There are some areas where we think the market could be improving. And so our operating view is that by the fourth quarter, we ought to be getting close to that run rate. It will all come down to the supply situation, but we believe the fundamentals, the building blocks are there. And that should be able to be sustained for multiple quarters.

So while it's been a sort of a day-to-day slog of finding parts, we believe there's a lot of pent-up earnings potential in the company. As the situation starts to normalize, that can drive the company for many quarters going forward.

Unidentified Analyst

Got it. So maybe going back, we spoke before about backlog. There are, however, a bunch of macro headwinds that could potentially limit demand. Do you think if we end up in a recession in 2023, do you think there could be any impact on demand?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

I think it's something we keep an eye on, but I think it's important to realize everything we do is business-to-business. And for our key markets, I'll just kind of run through each market and just explain how we see the dynamics moving forward.

In the semi equipment market, we sell to most of the major equipment makers, in particular, the ones that build plasma chambers, plasma etch, plasma deposition. And they see demand is up and to the right. They have a lot of delinquent backlog and their lead times are in excess of 1 year in many cases. So obviously, there's a demand. A big part of that equation is demand. But also, if there is a move to having each region of independent semiconductor capacity. So whether you're talking in the U.S., Europe, Japan, Korea, China, everyone wants their own semi infrastructure. And so that's layered over and above the demand picture. So I think the market is going to remain quite healthy for the foreseeable future.

The next 2 most important markets for us are industrial and medical, and we're seeing good signs in both markets. I think the industrial market underperformed a bit during the COVID period. That's starting to come back stronger. And the same story with medical. Medical, a lot of the elective procedures were deferred until after COVID. So we're seeing a surge in demand from medical equipment makers. So that's good.

I think in the other markets we sell to, obviously, the data center market is strong right now. Computing market is -- at least the part we sell into is strong. We don't sell into personal computers and phones. We're more in the infrastructure side of the business, and then we're seeing strong tailwinds in telecom based on 5G infrastructure build-out in North America.

Unidentified Analyst

That's helpful. And you hit on my next question, which was you have these 4 major markets you addressed. In all of your marketing materials, your updates, you say you talk about you're #1 or #2 in each of those markets. So how do you think about allocating your time and resources to the different markets? And where do you plan to be more or less aggressive in terms of investing in growth?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Yes. Clearly, our focus is on semiconductor, industrial, medical because nearly all the solutions we provide in those areas are sole-sourced solutions. They're a long-life cycle, they're differentiated and they're almost an annuity. And so that's where we're investing internally and also that's where we're looking externally as we look at our acquisition funnel, we're trying to make sure we stay focused on those 3 areas.

Unidentified Analyst

So maybe this answer that exact -- answer this next question, but you guys have been a market leader on the semi side for a long time. How are you able to or plan to defend this position and continue to grow the business?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

So in semiconductor, we've done quite well in part of the market called conductor etch and a few other parts of the market. But there are other parts of the market where we have very small share. So that's where we're focused on gaining share. Remote plasma source is one of those submarkets. And then dielectric etch is another market, where we're not much of a factor where we think we can become a factor over the next few years based on new products we're developing. So those are organic growth opportunities for us. So I think between that and defending our conductor etch share, which is also a growth market, I think we have a very strong outlook in semi equipment in the coming years.

Unidentified Analyst

Got it. I mean, you also referenced potential M&A. You guys recently announced the SL Power deal, which seems to fit well with your strategy in Industrial & Medical. Can you talk a little bit more about that deal, including strategic rationale and any synergies you're expecting?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Yes. So we recently purchased a company called SL Power, and SL Power has a long history in the industrial medical market. In fact, they've been around in one way, shape or form for 60 years. They have about \$66 million in revenue last year and 60% of it was into medical equipment customers. The other 40% was industrial and about 70% -- almost 75% of their revenue is coming from sole-source products. So it fits very squarely in our strategy of focus on industrial, medical and semiconductor.

They've got a great margin profile and they fit very nicely into Advanced Energy. So far, it's been a great integration, although we're in the early stages of it. We see a lot of potential to grow revenue because the 2 product portfolios, Advanced Energy and SL Powers are exclusive. There's very little overlap. And more importantly, SL Power is very strong at customers where Advanced Energy isn't. And so there's a lot of good cross-selling opportunities that are right in front of us.

Unidentified Analyst

Maybe we go -- just since we're talking about M&A, can you talk a little bit higher level by your M&A philosophy in terms of continuing to focus on precision power and controls versus adding incremental products that maybe address a similar client base?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Yes. So we're an active acquirer. We have quite a list of companies we've acquired over the years. Some have been tuck-ins. Some have been more transformative, like Artesyn, which we did almost 3 years ago. I think SL Power is somewhere in between. Again, we're looking to stay focused on those key markets of industrial, medical and semiconductor equipment. We think we can leverage technologies across our portfolio. And we have a manufacturing base, which is really geared towards high mix, low volume. So we're geared towards flexibility and high quality for our customers. And so those types of acquisitions we're looking for is where we could add technologies, products and people who will complement our existing team and product line at Advanced Energy.

In addition to the power delivery systems, we also have been active in the sensing and control market because the critical sensing and control market also feeds into the performance of our power delivery systems. So the better job we do, sensing temperature and pressure and other key metrics, the more precise we can be when it comes to delivering the right amount of power at the right time.

Unidentified Analyst

Everyone loves to talk about M&A, but obviously, organic growth is critical as well. How important is R&D and innovation in your business? Or especially in this competitive labor environment, are you able to attract the talent that you need to fuel that side of your business?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Yes. I mean this is a competitive business. We have competitors out there, and we need to continue to innovate continuously. That's why we spend as much on R&D as we do. We are focused on hiring the highest quality engineers we could find, and that's the continuous message to the team. We do track our attrition and the attrition has been relatively low, well ahead of the benchmark. So I'm pleased with that. We are focused on retention, particularly of our key engineers. We're also focused on recruiting very high-quality people into the company. So right now, we have navigated through the COVID period, I think, very well as a company.

Unidentified Analyst

That's great. You mentioned competitors. I admittedly did get a question on the web portal saying you mentioned specifically, there are 1 or 2 competitors that are larger to you. Are you willing to share with them who you're referring to?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Well, I think there's another competitor on the same scale, which is MKS, actually a local company here in Massachusetts. And they compete against us in the semiconductor space. I would say their focus is more on semiconductor as a market. Our focus is primarily on power as a market. So we take our power expertise and try to utilize it across multiple markets.

Unidentified Analyst

Got it. All right. Switching directions a little bit, any update to your production capacity planning, including the Shenzhen exit?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

I can say that we are accelerating our investment in capacity. And so we're investing heavily in expanding capacity, our existing factory network. We're looking at building a new factory. In Shenzhen, we are originally scheduled to close that particular factory back mid-2021. We chose to keep it open through the end of this year, primarily because we need the capacity. So -- and it's really come in handy at Shenzhen and Malaysia, both producing semiconductor equipment products over the course of the last 2 years, has been absolutely critical. So we'll continue to invest heavily there so that we could have the best quality in the industry.

Unidentified Analyst

And so maybe for those who don't know the background, where you mentioned the shift in capacity, where is that going from the Shenzhen exit?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Yes. So we announced a few years ago that we were building a new factory in Penang, Malaysia. And so that was done. And now we're in the process of basically expanding the capacity in that factory. And so there's quite a bit of effort going there from an engineering, from a production standpoint and from an investment standpoint.

Unidentified Analyst

Got it. Maybe this one is for Paul. Can you talk a little bit about your strategy for capital allocation?

Paul R. Oldham - *Advanced Energy Industries, Inc. - Executive VP & CFO*

Sure. So first thing is the priority is on growth. So we've allocated roughly 75% of our capital resources to grow the company through smart M&A, through investments we need to make to grow organically, make sure we have the right infrastructure in place. If you look back over the last several years, we've deployed over \$700 million to M&A, all of which has helped grow the company. Everything we've acquired has been profitable and is performing better now than when we bought it. So we feel good about that track record. That will continue to be our priority.

But the balance, we do want to have a balanced plan to return cash to shareholders. So we do that through 2 things. First, a little over a year ago, we initiated a dividend. We paid \$0.10 per share per quarter. It's about -- it's a small yield of 50 basis point yield. But it's, I think, an important messaging around the quality of the company is we've got larger, really, very predictable cash flows in terms of staying positive through cycles and are more diversified. We think that's been an important element.

And then third, we have an opportunistic share repurchase program. The goal of that program is to offset dilution. But the fact is because the markets have been volatile, we've been able to buy quite a lot of shares as we've seen dips in the stock price. So -- for example, 2 years ago, we didn't buy any stock back. Last year, we bought back almost \$80 million worth of stock at pretty attractive prices.

We continue to buy some in the first quarter. So we do look every quarter at what our outlook is, on the economy, on the company, on the intrinsic value, what happened to be in the M&A pipeline or other cash requirements, and we'll put in place sort of a program to allow us to buy throughout the markets using a structured program. That served us pretty well as we've been able to reduce the share count over the last the 9 months or so pretty significantly.

Unidentified Analyst

That's great. Maybe I'll pause really quickly, check the webcast. Does anyone have any questions before I kind of just keep rolling? We can just wait for the mic, sorry, real quick, to the webcast.

Unidentified Analyst

You mentioned the secular trend in the wafer fab equipment market towards onshoring effectively. I'm wondering how long you think that can go on, considering at some point, there may be excess capacity and considering how much investment has increased in that market over the last 2 or 3 years.

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Yes. I think building wafer fab capacity is a multiyear endeavor, right? And so I think it can go on for quite some time. It's hard to specify exactly how many years, but I would estimate somewhere in the next 3 to 6 years, you'll see a buildout across the world. There's always a question about at what rate will the capacity get build out, but I think there's a serious effort in the regions I mentioned to make sure they have self-sufficiency in semiconductors.

Unidentified Analyst

Might there be excess capacity sometime soon because of such significant increase in investment?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

I think at some point, there'll be excess capacity. I don't think it's going to be some time soon, though. I think it's going to take some time for this capacity to come online. So I think it's some years away before we hit an excess capacity situation.

Unidentified Analyst

Maybe to that point, too, I mean, how -- just thinking about that question, building new capacity, but what's in terms of the long-term relationships with some of your customers? I mean I assume you can rely on R&R as well. I mean this isn't just new-built factories, so there's some longevity and replacement cycle, et cetera.

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Yes. I mean I think there's a lot of replacement going on in the business and upgrades. And so we sell into all types of wafer fab environments. So we go into trailing edge as well as the leading-edge fabs, and both markets are very strong and they have been for quite some time. And as you're reading, there's still quite a bit of pent-up demand in the trailing edge technologies. And I think that's yet another factor that argues in favor of a continued growth cycle for semiconductor equipment companies.

Unidentified Analyst

And maybe going back to it, I mean, there's been a lot of positive talk today. What kind of keeps you up at night? Is there anything about the business that you could view as an existential risk?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Any existential risk? Yes. I don't see anything right in front of me, to tell you the truth. I think it's a solid business because we're operating in a number of markets right now. So obviously, semi equipment is our biggest market. But roughly half our business is in other markets. And so I think we've spread our risk across multiple markets and the fact that we have 70% of our revenue coming from sole-source products means that we have a very solid foundation.

So the objective we have is to continue moving that percentage up to operate the company above 40% gross margin in good times and bad times. And so I think from a revenue foundation standpoint as well as from a financial standpoint, Advanced Energy is a very, very solid company.

Unidentified Analyst

Do you have a view on that like mix shift? I mean maybe not a precise data point, but where you feel most comfortable in terms of semis versus industrial, medical and other businesses?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

I don't have a target mix. I'm hoping that we could continue to grow both sides of the business at an equal rate. So I'm pretty comfortable with 50-50. But again, all businesses have cycles. The semi cycle has tended to be a little more pronounced than other areas of the industry. So it's good to have some balance.

Unidentified Analyst

We spent a lot of time talking about semis. Any strategies in particular with regard to Industrial & Medical? I mean we talked about some of them in the context of SL Power, but...

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Yes. Industrial & Medical is an interesting market because many of the customers we sell to are small and medium sized. So it does require a substantial engineering resource, particularly in the field. We have salespeople, we have channel partners and we have field application engineers. And those people are critical to securing new design wins with this very large customer base. And so our strategy is basically to focus more than half our sales force exclusively on Industrial & Medical. And the other part of our strategy is to shift more engineers into the Industrial & Medical segments, which we've already done. And it's already starting to pay off for us.

We're seeing a lot more opportunities, and we expect to see our new product revenue go up quite significantly in the coming years. In addition to that, we also look at inorganic ways to grow and SL Power is an example of that. I think there are other opportunities to buy companies in the space that will accelerate our growth.

Unidentified Analyst

And is that -- you mentioned SL Power like one of the reasons that was great is you cover this client, they cover this client. Is it more of that, again, really focusing on subsectors within Industrial and Power, just finding that different client mix? Or is it even expanding outside into new areas?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Yes. I think both markets are big, Industrial & Medical, I mean a lot bigger than what our revenue is. So I think there's a lot of opportunity for growth. And I think the customers in this space, the ones we talk to are really are looking for a reliable supplier with high technology. Somebody is going to be around 10, 20, 30 years from now. The guaranteed support, and we'll continue innovating so we can keep them ahead of the curve.

The other thing that we offer, which I think is a very nice capability as we have a worldwide network of service centers, and so these are centers where people could send back Advanced Energy's power delivery systems for maintenance, for upgrades, for calibration. And this is a pretty significant part of our business now, but it's also a very nice feature for our customers.

Unidentified Analyst

That's great. Yes, real service there. To that point, you were just talking about how Industrial & Medical is so broad, and I'm just thinking in my head, it's probably difficult to define. But do you think of -- do you have a view on market share, current and targeted? Or is it just too difficult of a market to define?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Well, the good news is we only have single-digit Industrial & Medical market share. And so there's a lot of room in front of us to grow. So once we get into the double digits, into the 20%, 30% area, then we'll start thinking about a target. But right now, there's a lot of fertile ground for us that we need to go after.

Unidentified Analyst

Great. Take it. Yes. We got -- sorry to make you wait for the mic.

Unidentified Analyst

You mentioned new products that will be significant, can you just give an example of what that might be?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Any particular market or...

Unidentified Analyst

Well, maybe just in semiconductor, your choice, but maybe semiconductor would be a good place to start.

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Yes. So we have launched a couple of new products recently, one which we call MAXstream, which is to address one of the underserved markets, which is remote plasma source. And that's being evaluated favorably by a number of customers as we speak. And the other one is called eVoS, and this is for the dielectric etch market, where we have very limited participation today. And that's a -- it's a new technology concept, which we think will gain some traction in the semi equipment market.

But the thing about the semi equipment market is it does take time to turn the interest and design win into revenue. Usually, it's a matter of years. But once you get in there, it's an annuity for quite some time. So you have to be a little patient in our business.

Unidentified Analyst

So your major customers in semiconductors have been speaking of higher capital intensity in the industry as a tailwind. I wonder how that translates for you in your business.

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Yes. So I think the question is about high capital intensity and how that helps out our customers. So for us, again, we're focused primarily on plasma chambers. So as wafer fabs install more plasma etch capability, plasma deposition capability, atomic layer deposition, et cetera, et cetera. Anything with a plasma chamber, that's good for us because each of those chambers needs specialty power, which is our business.

Unidentified Analyst

Maybe just -- well, anyone else before I launch into one more. And then maybe going back to the question on new products, how do you -- are these generally kind of internally developed via R&D? Or are you responding to customer requests? How does that -- how do those new products come about or both?

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

It's a combination of both. Our customers have specific needs. They tend to be shorter term, quite frankly. And so we have to balance the short term with the medium to long term. And so we have a team of technologists who are focusing on 3, 5, 7 years out, and those are the folks that are developing disruptive technologies essentially. And that enables products like the ones I just mentioned, like MAXstream and eVoS, where we have something different and we think it's something that customers can take advantage of to improve their productivity and lower their costs.

Unidentified Analyst

All right. Well, we're down to our last minute. So any important takeaways for the investors in the room?

Paul R. Oldham - *Advanced Energy Industries, Inc. - Executive VP & CFO*

I guess one takeaway is, look, we have a strong position in the market. The markets we're in have good structural dynamics that are driving demand and the primary operational factor we have today is supply constraints. And so as these supply trends begin to normalize, we think there's significant pent-up earnings potential in the company. We've demonstrated that the last couple of quarters when we've gotten parts.

We've been able to overperform our expectations in the Street's numbers. And as that situation improves, we think we can operate the company at a higher revenue number and a meaningfully higher earnings number as we go forward for several quarters.

Unidentified Analyst

Great. Well, our last 30 seconds. Any last minute questions or forever hold your piece till the next one? All right. Thanks so much, guys.

Stephen D. Kelley - *Advanced Energy Industries, Inc. - President, CEO & Director*

Thank you.

Paul R. Oldham - *Advanced Energy Industries, Inc. - Executive VP & CFO*

Thank you.

Unidentified Analyst

Thank you.

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