

Q1 2017 Earnings Presentation



May 2, 2017

Safe Harbor

The company's guidance with respect to anticipated financial results for the second quarter ending June 30, 2017, 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 earnings 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 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; and (k) unanticipated changes to management's estimates, reserves or allowances. 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 presentation. 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.

Non-GAAP Measures

This presentation 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, amortization of intangible assets and restructuring costs, as well as acquisition related costs and other non-recurring items. For the first quarter ending June 30, 2017 guidance, the company expects stock based compensation of \$1.6 million and amortization of intangibles of \$1.0 million. 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. 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 for our latest earnings release filed with the Securities and Exchange Commission regarding this information.

Q1 2017 Earnings Presentation



Yuval Wasserman
President & CEO

Q1 2017 Highlights

- Revenue of \$149.4M; +44.9% y/y
 - Record Semiconductor and Service
 - Rebound in Industrial
- Non-GAAP* EPS from continuing ops \$1.04; +89.1% y/y
- Generated \$42.7M of cash

**Non-GAAP measures exclude the impact of non-cash related charges such as stock based compensation, amortization of intangible assets and restructuring costs, as well as acquisition related costs and other non-recurring items.*

Semiconductor Highlights

- Semiconductor revenue of \$104.6M; +50.0% y/y
 - Accelerated demand in advanced memory devices (mobile handsets and solid state drives)
 - Strong performance from Korean OEMs
 - 5th consecutive quarter of record semiconductor revenue
- Ramp of 1Xnm Logic and investment in 3DNAND driving growth in fab capacity and next-gen technology development
 - Sophisticated 3DNAND devices requiring complex dep and etch equipment
 - AE delivering highly engineered precision power supplies for new processing tools

Semiconductor Design Wins

- Broad set of design wins in Asia and U.S.
- Advanced 3D memory and Logic devices drove wins
 - New plasma-enhanced atomic layer deposition (Remote Plasma Source)
 - Adopted for radicals-based processes
 - Solid state RF matching product
 - Progressed from evaluation to pilot and mass production for advanced etch applications
 - Enables performance of emerging short plasma processed with high speed, reliable and dynamic control

Semiconductor Outlook

- Solid state drives and mobile handsets continue to generate demand
 - 3DNAND acceleration
 - Foundry and Logic investments in 10nm ramp and 7/5nm development
- Some OEMs reaching maximum capacity and tailoring material planning
- Expect Q2 semi revenues above Q1 levels

Industrial Highlights

- Total Industrial revenue of \$24.2M; +26.9% q/q
- Strong growth in Thin Films Industrial
 - Coatings of advanced materials for consumer electronics
- Significant improvement in Specialty Industrial Power
 - High voltage products for mass spectrometry market
 - Ramp of thermal products through expanding distribution channels

Industrial Design Wins

Thin Films Industrial

- Advanced coating applications
- Flat Panel Display in China
- PV Solar cells application in China with new Ascent AP product

Specialty Industrial Power

- High Voltage – mass spectrometry
- Strong pipeline of new opportunities
 - X-ray, heavy industry, safety, security
- Thermal Power Control Modules – glass line project and broadened collaboration with Siemens to target Chinese glass industry

Industrial Outlook

- Expect total Industrial revenues to grow across all segments
 - Thin Films Industrial to account for majority of increase
 - Significant growth in advanced industrial coatings, Solar PV, Flat Panel and glass
 - Specialty Industrial Power growth
 - Strong performance in Power Control Modules, High Voltage products for mass spectrometry and SEM applications

Service Highlights and Outlook

- Service revenue of \$20.5M; +5.5% q/q
 - Success of aftermarket strategy
 - Opportunities to customize unique needs to solve customer problems
 - Growth drivers
 - Scaling business processes, management systems and local entities
- Opened new service center in Xi'an close to customers
 - Provide competitive turnaround times and increase responsiveness
- Outlook for Q2 2017
 - Continued growth through understanding customer's needs and quickly delivering highly engineered solutions

Q1 2017 Earnings Presentation



Tom Liguori
Executive VP & CFO

Q1 2017 Financial Highlights

- Total revenue of \$149.4M; +10.3% q/q and +44.9 y/y
 - 5th straight quarter of top line growth
 - New highs in Semi and Service and rebound in Industrial applications
- GAAP operating margin from continuing operations 29.0%
- GAAP EPS from continuing operations \$0.88
- Non-GAAP* operating margin from continuing operations 31.9%
- Non-GAAP* EPS from continuing operations \$1.04

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Q1 2017 Revenue by Application

	Q1 2017		Q4 2016		Q1 2016	
<i>(in thousands)</i>	Actual	% of Sales	Actual	% of Sales	Actual	% of Sales
Semiconductors	\$ 104,648	70.1%	\$ 96,830	71.5%	\$ 69,746	67.7%
Industrial	24,179	16.2%	19,054	14.1%	16,547	16.1%
Service	20,524	13.7%	19,459	14.4%	16,751	16.2%
Total Revenue	\$149,351		\$135,343		\$103,044	

Q1 2017 Income Statement Review

<i>(\$ in Millions, except GM% & EPS)</i>	Q1'17	Q4'16	Q1'16
Revenue	\$149.4	\$135.3	\$103.0
Operating expenses	\$35.6	\$33.0	\$29.8
GAAP Operating margin from continuing ops %	29.0%	28.5%	22.9%
GAAP EPS from continuing ops	\$0.88	\$1.01	\$0.50
Non-GAAP* Operating margin from continuing ops %	31.9%	30.7%	25.3%
Non-GAAP* EPS from continuing ops	\$1.04	\$1.06	\$0.55

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Q1 2017 Balance Sheet

- Generated \$42.7M in cash from continuing operations
- Ongoing improvements in working capital management
 - Process improvements (orders and receivables)

<i>(\$ in Millions)</i>	Q1'17	Q4'16
Cash & Investments	\$322.7	\$286.7
Accounts Receivable	\$76.8	\$75.7
Inventory	\$64.6	\$55.8
Total Assets	\$616.5	\$571.5
Liabilities	\$182.2	\$179.4
Shareholders' Equity	\$434.3	\$392.1

Q2 2017 Guidance*

	Q2 2017		
Revenue	\$150M	-	\$160M
GAAP operating margins from continuing operations	28%	-	30%
GAAP EPS from continuing operations	\$0.96	-	\$1.06
Non-GAAP** operating margins from continuing operations	30%	-	32%
Non-GAAP** EPS from continuing operations	\$1.00	-	\$1.10

*Estimates as of Q1'17 earnings conference call. The company assumes no obligation to update guidance.

**Q2'17 non-GAAP measures exclude the impact of stock based compensation of \$1.6M, amortization of intangibles of \$1.0M, restructuring costs, and significant non-recurring items.

Reconciliation of Q2 2017 Guidance*

	Low End		High End
Revenues	\$150M	-	\$160M
Reconciliation of Non-GAAP operating margin**			
GAAP operating margin	28%	-	30%
Stock-based compensation	1%	-	1%
Amortization of intangible assets	1%	-	1%
Non-GAAP operating margin**	30%	-	32%
Reconciliation of Non-GAAP earnings per share**			
GAAP earnings per share	\$0.96	-	\$1.06
Stock-based compensation	0.04	-	0.04
Amortization of intangible assets	0.02	-	0.02
Tax effects of excluded items	(0.02)		(0.02)
Non-GAAP earnings per share**	\$1.00	-	\$1.10

*Estimates as of Q1'17 earnings conference call. The company assumes no obligation to update guidance.

**Q2'17 non-GAAP measures exclude the impact of stock based compensation of \$1.6M, amortization of intangibles of \$1.0M, restructuring costs, and significant non-recurring items.