



Advanced Energy

August 4, 2015

Q2 2015
Earnings Call

Safe Harbor:

The company's guidance with respect to anticipated financial results for the third quarter ending September 30, 2015, estimates of future costs related to our Inverter business and other statements 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; (b) the volatility and cyclicity of the industries the company serves, particularly the semiconductor industry; (c) the volatility, seasonality and delays of renewable energy projects; (d) potential decreases in customer orders and sales and disruptions in operations, supplier relationships and employee relations given the decision to wind down the Solar Inverter business; (e) the company's ability to identify and execute upon a sale of the assets (if any) of the Solar Inverter business; (f) unanticipated developments that may prevent or delay wind down or sale activities; (g) the company's ability to realize on its plan to avoid costs as it winds down the Solar Inverter business; (h) the accuracy of the company's estimates and assumptions on which its financial statement projections are based, including estimates and assumptions related to the wind down of the Solar Inverter business; (i) the impact of price changes resulting 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 materials and manufacture products; and (m) 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.

These reports and statements are available on the SEC's website at www.sec.gov. Copies may also be obtained from Advanced Energy's website at www.advancedenergy.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. As reiterated previously, 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 the latest earnings press release or this presentation.



Advanced Energy

Yuval Wasserman
President and CEO

Q2 2015 Highlights

- Revenues of \$136.8M
 - Results reached the high end of expectations
 - Precision Power drove significant non-GAAP profitability and cash generation
 - Semiconductors trended with market
 - Record high service
 - Inverter business saw lower revenues as wind down commenced
- Non-GAAP* EPS \$0.43
 - Improved margins due to semiconductor and service component
- Generated \$27M cash; ended quarter with \$183.2M

**Non-GAAP EPS excludes restructuring charges, stock based compensation, intangible amortization, acquisition-related costs, and other non-recurring items.*

Design Wins

- Semiconductors
 - Etch and memory for DRAM and NAND flash applications
 - Won with latest RF platforms including advanced RF solutions
 - Increasing power content in advanced plasma processing WFE
- Industrial Precision Power Applications
 - Hard coating geographic expansion with new wins in N.America and Korea
 - Wins in new bi-polar DC and pulsed DC technology for large area sputtering for glass, FPD, solar cell manufacturing
 - High voltage wins in mass spectrometry, industrial x-ray, analytical instruments, lasers and defense

Semiconductors Remain Near Record Levels

- Revenue of \$70M in-line with market served, down 4% sequentially
 - Predicted digestion did not materialize
 - Benefitting from multi-patterning applications in etch and deposition
 - Late quarter pull-ins to meet strong demand in etch and PECVD
- Expect trends to continue into third quarter
 - Utilization rates climb
 - Investment cycle transitions from DRAM to 3D NAND and 16nm and 14nm FinFet foundry capacity increases ahead of 2016 demand
- AE named top process power provider in VLSI 2015 Customer Satisfaction Survey

Industrial Precision Power Applications

- Increases in process power for flat panel display
- Large glass coater award
- Slight decline in other industrial applications
- Gaining traction in North America and Korean industrial markets
- Collaboration with large industrial partners to extend reach WW

Service – Precision Power and Inverter

- Share gains and volume increases in Precision Power
- Sizable Inverter upgrade project award
- Adding activity related to re-use, repurposing, upgrades, retrofits
- Share gains from leading, next-gen technology and lagging technology such as 200mm, MEMS, sensors for IoT
- Geographic expansion in US, Korea and Japan

Inverter

- Thorough strategic alternatives process
 - No options provided sufficient value and terms in best interest of shareholders and company
 - Decision to wind-down business June 29, 2015
- Fulfilling orders through existing inventory
- Booking orders to convert raw materials on hand into finished goods
- On-track to complete by year-end

Efficient and Powerful Business Model

- Profitable business model and powerful financial engine
 - Differentiating from peers
- Leadership in power conversion and strong design wins
- Long-term plan to focus on Precision Power to drive:
 - Profitable growth
 - Strong cash flow



Advanced Energy

Tom Liguori
Executive Vice President & CFO

Q2 Financial Highlights

- Total Revenues \$136.8M exceeded expectations
- Non-GAAP EPS \$0.43 exceeded expectations
- Cash grew to \$183.2M
- Inverter wind-down on schedule and budget
- Operating income ex-Inverters \$28.6M or 27% of revenues

Sales by Market

<i>(in thousands)</i>	Q2 2015		Q1 2015		Q2 2014	
	Actual	% of Sales	Actual	% of Sales	Actual	% of Sales
Semi	\$ 70,166	51.3%	\$ 73,221	51.9%	\$ 49,261	33.7%
Industrial	21,257	15.5%	20,387	14.4%	20,911	14.3%
Service	13,187	9.6%	12,231	8.7%	11,660	8.0%
Business Excluding Inverters	\$ 104,610		\$ 105,839		\$ 81,832	
Inverters	\$ 32,181	23.5%	\$ 35,279	25.0%	\$ 64,453	44.1%
Total AE	\$ 136,791		\$141,118		\$146,285	

Q2 Non-GAAP Reconciliation

Three months ended June 30, 2015

	Total AE	Inverters	Excluding Inverters
Revenues	\$ 136,791	\$ 32,181	\$ 104,610
Operating (loss) income as reported	\$ (184,602)	\$ (213,234)	\$ 28,632
Adjustments			---
Restructuring charges	168,393	168,393	---
Acquisition-related costs	---	---	---
Stock-based compensation	853	159	694
Non-recurring tax item	---	---	---
Non-recurring inventory impairment	14,994	14,994	---
Non-recurring accounts receivable impairment	17,661	17,661	---
Amortization of intangible assets	1,894	793	1,101
Non-GAAP Operating income (loss)	\$ 19,193	\$ (11,234)	\$ 30,427

P&L Review

	Q2'15	Q1'15	Q2'14
<i>(\$ in Millions, except GM% & EPS)</i>			
Revenues	\$136.8	\$141.1	\$146.3
Gross margin %	29.4%	42.3%	35.9%
Operating expense	\$224.9	\$37.9	\$41.0
Operating income	(\$184.6)	\$21.9	\$11.5
Income tax	\$48.0	\$1.7	\$0.9
Net income (loss)	(\$232.5)	\$21.3	\$10.6
GAAP EPS	(\$5.68)	\$0.52	\$0.26
Non-GAAP EPS**	\$0.43	\$0.57	\$0.38

**Non-GAAP measure excludes restructuring charges.*

***Non-GAAP EPS excludes restructuring charges, stock based compensation, intangible amortization, acquisition-related costs, and other non-recurring items.*

Restructuring and Tax Charges

- Inverter wind-down charges of \$201.1M
 - Cost of sales \$15M to write-down inventory
 - SG&A \$17.7M for receivables reserves
 - Restructuring \$168.4M includes
 - \$154.6M impairment for goodwill and intangibles
 - \$12.3M for write-down of fixed assets
 - \$1.5M for contract settlement costs
- Tax Accrual of \$48M
 - CY2015 expect tax benefit between \$0 and \$2M
 - Charge should reverse; expect Q3 & Q4 tax benefit of \$50-\$52M
 - Beyond 2015, normalized Precision Power tax rate of 15%

Balance Sheet

	Q2'15	Q1'15	Q2'14
<i>(\$ in Millions)</i>			
Cash & Investments	\$183.2	\$155.9	\$130.2
Accounts Receivable	\$91.4	\$121.7	\$121.3
Inventory	\$78.1	\$98.1	\$118.2
Total Assets	\$512.1	\$695.2	\$704.1
Liabilities	\$251.6	\$211.0	\$239.2
Shareholders Equity	\$260.5	\$484.3	\$464.9

Q3 2015 Guidance*

Non-GAAP

	Total Company	Inverters	Business Ex-Inverters
Revenues	\$126M - \$137M	\$24M - \$27M	\$102M - \$110M
Operating income	\$17M - \$25M	\$(5)M - \$(8)M	\$25M - \$30M
GAAP EPS	\$0.12 - \$0.17		
Non-GAAP** EPS	\$0.45 - \$0.50		

* Estimates as of Q215 earnings conference call. The company assumes no obligation to update guidance.

** Non-GAAP guidance assumes stock based compensation of \$0.6M, amortization of intangibles of \$1.9M and restructuring charges ranging between \$35 million and \$45 million in our inverter business due to the wind down.

THANK YOU

