



Advanced Energy

February 2016

Q4 2015
Earnings Call

Safe Harbor

The company's guidance with respect to anticipated financial results for the first quarter ending March 31, 2016, expectations regarding future market trends and the company's future performance within specific markets 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) 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 on its plan to avoid additional costs after the Solar inverter wind-down; (f) the accuracy of the company's estimates and 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 in the 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 the press release.



Advanced Energy

Yuval Wasserman
President and CEO

Q4 and 2015 Highlights

- Three years consecutive, double digit CAGR in revenue and operating income
- 2015 Revenues +13%; EPS from continuing operations +20%
- Q4 Revenues of \$86.9M; down 21% q/q
 - Semi decline moderated by Service revenues – highest Q4 levels in core Precision Power
- Q4 Non-GAAP* EPS \$0.32
 - Met expectations due to solid operating margins
- Q4 Cash balance of \$170.4M
 - After utilizing \$50M for accelerated stock repurchase

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

Semiconductor Design Wins

- Multiple wins in advanced memory, 3D NAND and DRAM
- Transition to 3D devices generating demand for RF power supplies
 - Increasing number of deposition/etch processes and process chambers
 - Higher content of advanced power solutions per chamber
- Increasing aspect ratios in 3D devices driving more challenging etch processes
 - More advanced RF technology (pulse & control) needed
- Providing broader range of complex RF power, frequencies and matching networks

Industrial Design Wins

- Won all Solvix hard coating contests
 - Expansion outside of EMEA with penetration in Asia and North America
- Won all architectural glass designs pursued
 - Accelerating growth with new technology for retrofitting existing glass lines
 - Success in Europe and North America in decorative films and Roll-to-Roll coating
- High voltage wins
 - Expanded SAM in mass spectrometry and industrial x-ray esp. Japan
- Wins in Power Control Modules
 - Initial revenue from second industrial automation partner in Europe

Semiconductor Applications

- Temporary, substantial dip in semi cycle
 - Delay in migration of next-gen technology to mass production and inventory adjustments from memory overcapacity
- Capital spending trends driving expansion of etch and deposition steps
 - Move to next-gen technology: 3D devices (Finfet, NAND), 3D packaging, multi-patterning in Logic and Foundry, initial ramp of 10nm
- Expect to grow faster than broader WFE market
 - Exposure to etch and deposition
 - Recent win rates in advanced RF applications
- Q1 recovery with Logic/Foundry buying resumes and memory upgrades

Industrial Applications

- Flat q/q with change in mix
 - Significant increases in architectural glass driven by new retrofit strategy
 - Flat panel display decrease
 - General industrial flat
- Increased penetration in high voltage industrial x-ray
 - Several new projects and first win in Asia
- Growing sales channel broadening reach in various markets
 - Industrial automation partnership revenue
- Q1 softening in industrial applications
 - Lower demand for architectural glass and hard coatings after strong Q4

Service

- Core Precision Power reached Q4 high*
 - Offset normal seasonal declines
 - Focus on total cost of ownership at fabs resulting in push for higher quality, global maintenance service organizations
 - Increased value of higher uptime, lower failure rates of repairs and timely upgrades driving share gains
- Expect steady, sustainable growth in service

* Excluding remaining service associated with inverters.

Capital Deployment Strategy

- Launched and completed \$50M ASR
 - Part of 3yr \$150M share repurchase announced in Sep 2015
 - Future free cash flow allocation
 - 70% organic and inorganic growth investments
 - 30% share repurchases

Efficient and Powerful Business Model

- Strength of model evident even in downturn
- Q4 Semi investment delays balanced by diversity of applications
- Financial model generates strong profitability and cash at peaks and troughs of investment cycles
- Expect Q1 improvement with strong return of semi investment
- Sole focus on Precision Power
- Committed to accelerating revenues, driving target op margins, deploying cash



Advanced Energy

Tom Liguori
Executive Vice President & CFO

Q4 Financial Highlights

- Total Revenues \$86.9M
- Non-GAAP* operating income from continuing operations 20.7%
- Non-GAAP* EPS from continuing operations \$0.32
- Completed \$50M ASR
- Cash of \$170.4M (including \$50M ASR)

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

Q4 Revenues by Application

<i>(in thousands)</i>	Q4 2015		Q3 2015		Q4 2014	
	Actual	% of Sales	Actual	% of Sales	Actual	% of Sales
Semi	\$ 50,219	57.8%	\$ 72,859	66.4%	\$ 70,713	40.4%
Industrial	21,195	24.4%	21,378	19.5%	22,404	14.3%
Service	15,477	17.8%	15,519	14.1%	17,046	8.9%
Total AE	\$ 86,891		\$109,756		\$110,163	

Q4 Income Statement Review

	Q4'15	Q4'14	Q3'15
<i>(\$ in Millions, except GM% & EPS)</i>			
Revenues	\$86.9	\$110.2	\$109.8
Gross margin \$	\$42.7	\$56.5	\$58.5
Gross margin %	49.1%	51.3%	53.3%
Non-GAAP Operating income from continuing ops*	\$18.0	\$32.2	\$32.3
Non-GAAP net income (loss) from continuing ops	\$13.0	\$26.2	\$25.0
Diluted EPS from continuing ops	\$0.28	\$0.57	\$0.56
Non-GAAP EPS from continuing ops*	\$0.32	\$0.64	\$0.61

* Excludes restructuring charges, stock based compensation, intangible amortization, and other non-recurring items.

Tax Charges

- Q4 Tax expense 20.8%
- Estimated 2016 Tax rate approximately 15% assuming existing tax regulations
- Difference between Q4 and 2016 was primarily tax valuation allowances associated with inverter wind down

Balance Sheet

- \$170.4M cash balance
- Completed inverter wind down on schedule and on budget
- Q4 Wind down cash costs \$2M
 - Total for year \$14M; below guided range
- Q4 Restructuring costs \$32M
- Total restructuring costs \$260M
 - Low end of estimate

	Q4'15	Q4'14
<i>(\$ in Millions)</i>		
Cash & Investments	\$170.4	\$124.5
Accounts Receivable	\$55.0	\$79.1
Inventory	\$52.6	\$46.1
Total Assets	\$471.0	\$684.6
Liabilities	\$208.2	\$209.6
Shareholders Equity	\$262.9	\$475.0

Significant Growth in 2015

	2014	2015	% Change
Revenue (in millions)	\$367.3	\$414.8	13%
Operating Income	\$86.1	\$106.7	24%
EPS from continuing ops	\$1.69	\$2.03	20%
Operating Margin	23.4%	25.7%	

Q1 2016 Guidance*

	Q1 Guidance Range		
Revenue (in millions)	\$90	-	\$100
Non-GAAP EPS from continuing ops**	\$0.40	-	\$0.50
Non-GAAP operating margin	23%	-	25%

* Estimates as of Q415 earnings conference call. The company assumes no obligation to update guidance.

**Non-GAAP EPS excludes restructuring charges, stock based compensation and amortization of intangibles, and other non-recurring items. Q1 non-GAAP guidance assumes stock based compensation of \$1.1M and amortization of intangibles of \$1.2M.

THANK YOU

