

The background features a collage of images: a person in a surgical cap and mask, a microchip, and two telecommunications towers. The design is accented with geometric shapes in blue, green, and orange.

# Q3 2024 Earnings Presentation

OCTOBER 30, 2024

# SAFE HARBOR

The company's guidance and other statements herein or made on the earnings conference call contain, in addition to historical information, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements in this presentation that are not historical information are forward-looking statements. 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 are described in Advanced Energy's Form 10-K, Form 10-Q and other reports and statements filed with the Securities and Exchange Commission (SEC), which can be obtained from the SEC's website at [www.sec.gov](http://www.sec.gov) or from Advanced Energy's Investors page at [ir.advancedenergy.com](http://ir.advancedenergy.com). Forward-looking statements are made and based on information available to Advanced Energy's management team as of October 30, 2024. Aspirational goals and medium-term targets should not be interpreted in any respect as guidance. The company assumes no obligation to update the information in this presentation.

# Q3 2024 SUMMARY

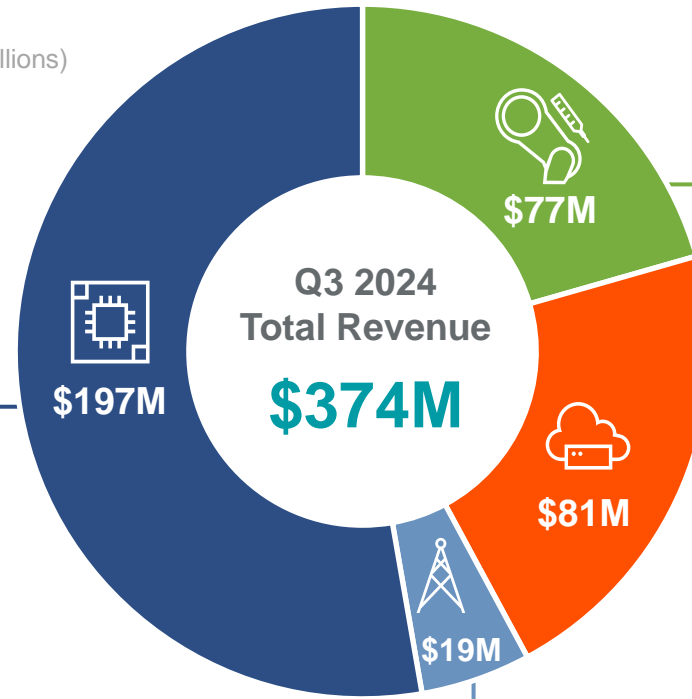


LumaDrive™ System delivers high-density power from 24 kW to 144 kW for high efficiency large-scale industrial lighting installation

- **Q3 2024 revenue and EPS both exceeded the midpoint of guidance**
  - Revenue of \$374 million was up 3% Q/Q led by strength in Semiconductor and Data Center Computing
  - Captured incremental demand in Semiconductor, which reached its highest levels since Q4 2022
  - Gross margin improvement enabled non-GAAP EPS of \$0.98, beating guidance of \$0.90
- **Executing well and delivering upside to our expectations for 2024**
  - Semiconductor to grow single-digits in 2024 versus prior outlook of a flat year
  - Data Center Computing to grow double-digits in 2024 on continued investments in AI infrastructure
  - Industrial and Medical to bounce around current levels for the next quarter or two as inventories normalize
- **Strong momentum of new products across our markets**
  - Delivered a record number of eVoS and eVerest qualification units for next-gen etch and deposition systems
  - New Industrial and Medical products continue to be well-received, resulting in a record funnel of new opportunities
  - Announced new data center products for high power AI applications and expect ramp to begin in the next two quarters
- **On track to structurally improve gross margins to over 40%**
  - Beginning to see the benefits of manufacturing consolidation with gross margin improvement of 100bps Q/Q in Q3
  - Expect more than 400bps of further gross margin improvement on lower manufacturing costs, improved mix and higher volumes as markets recover

# Q3 2024 REVENUE DETAIL BY MARKET

(\$ in millions)



## SEMICONDUCTOR EQUIPMENT

**Up 5% Q/Q & 7% Y/Y**

- Incremental demand in both leading and trailing edge logic process nodes
- On track to deliver >250 eVoS, eVerest and NavX by the end of the year
- eVoS design win for a high-volume application
- Multiple wins with both eVerest and NavX in next-generation systems
- Secured Semi Test win leveraging high-density power module originally for data center

## INDUSTRIAL & MEDICAL

**Down 3% Q/Q & 33% Y/Y**

- Direct customers and the channel continue to work through excess inventories
- Resales were solid and nearly 20% higher than trough resales in Q1 2024
- If resales trend continues, inventory turns in the channel should normalize this quarter or next
- Secured many key design wins in Industrial and Medical applications

## TELECOM & NETWORKING

**Down 22% Q/Q & 54% Y/Y**

- Telecom & Networking limited by lower demand and a meaningful program that moved into Q4
- Q3 2024 should be a trough for the year

## DATA CENTER COMPUTING

**Up 11% Q/Q & 18% Y/Y**

- Expect AI investment and improving GPU supply to support strong sales in coming quarters
- AE's technology advantages are valued by customers due to accelerating power consumption and cost of AI data centers
- Engineering expertise and manufacturing capabilities give AE a competitive edge

# Q3 2024 FINANCIAL HIGHLIGHTS



REVENUE  
**\$374 million**  
Up 3% Q/Q



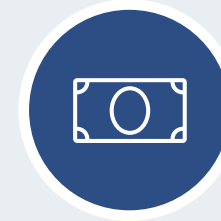
NON-GAAP EPS<sup>(1)</sup>  
**\$0.98**  
Up 15% Q/Q



NON-GAAP GROSS MARGIN<sup>(1)</sup>  
**36.3%**  
Up 100 bps Q/Q



NON-GAAP OP MARGIN<sup>(1)</sup>  
**10.5%**  
Up 120 bps Q/Q



OPERATING CASH FLOW<sup>(2)</sup>  
**\$35 million**



TOTAL CASH<sup>(3)</sup>  
**\$657 million**  
Net Cash of \$93 million

(1) Detailed explanations of non-GAAP financials and reconciliations of GAAP to non-GAAP financials can be found at the end of this presentation

(2) Cash flow from operating activities from continuing operations

(3) Net cash = Cash less Current portion of long-term debt and Long-term debt

# REVENUE BY MARKET

(\$ in millions)	Q3 2024	Q2 2024	Q3 2023	Q/Q	Y/Y
Semiconductor Equipment	\$197.4	\$188.3	\$185.0	4.8%	6.7%
Industrial & Medical	\$77.0	\$79.1	\$115.2	-2.7%	-33.2%
Data Center Computing	\$80.7	\$73.0	\$68.3	10.5%	18.1%
Telecom & Networking	\$19.2	\$24.6	\$41.4	-21.7%	-53.6%
<b>Total Revenue</b>	<b>\$374.2</b>	<b>\$364.9</b>	<b>\$410.0</b>	<b>2.5%</b>	<b>-8.7%</b>

# INCOME STATEMENT (GAAP/NON-GAAP)

(\$ in millions, except per share data)	Q3 2024	Q2 2024	Q3 2023	Q/Q	Y/Y
Revenue	\$374.2	\$364.9	\$410.0	2.5%	-8.7%
GAAP gross margin	35.8%	35.0%	35.9%		
GAAP operating expenses	\$145.1	\$114.8	\$117.3	26.4%	23.7%
GAAP operating margin from continuing ops	-3.0%	3.6%	7.3%		
GAAP EPS from continuing ops	-\$0.38	\$0.41	\$0.89	NM	NM
Non-GAAP <sup>(1)</sup> gross margin	36.3%	35.3%	36.1%		
Non-GAAP <sup>(1)</sup> operating expenses	\$96.9	\$95.1	\$97.3	1.9%	-0.4%
Non-GAAP <sup>(1)</sup> operating margin	10.5%	9.3%	12.4%		
Non-GAAP <sup>(1)</sup> EPS	\$0.98	\$0.85	\$1.28	15.2%	-23.8%

# BALANCE SHEET & CASH FLOW

- Total Cash declined Q/Q to \$657 million
  - Paid down \$345 million of term loan
  - Increased revolver from \$200 million to \$600 million
  - Net cash<sup>(1)</sup> at \$93 million
- Inventory Turns flat Q/Q at 2.5x
  - Days inventory decreased Q/Q from 146 days to 143 days
- DSO decreased Q/Q from 65 to 62 days on higher revenue
- DPO decreased Q/Q from 60 to 50 days on timing of payments for inventory
- Operating cash flow from continuing operations was \$35 million, primarily due to lower inventory and accounts receivable in the quarter
- CAPEX \$12.6 million

(\$ in millions)	Q3 2024	Q2 2024	Q3 2023
Cash	\$657.3	\$986.1	\$985.9
Inventories	\$377.7	\$383.1	\$364.0
Accounts Receivable	\$259.4	\$262.4	\$270.3
Total Assets	\$2,192.9	\$2,541.9	\$2,493.7
Accounts Payable	\$133.0	\$157.5	\$140.3
Total Debt	\$564.0	\$907.3	\$919.8
Total Liabilities	\$1,028.5	\$1,376.8	\$1,392.8
Shareholders' Equity	\$1,164.4	\$1,165.1	\$1,100.9

# Q4 2024 GUIDANCE

(\$ in millions, except per share data)	Guidance
Revenue	\$392 +/- \$20
GAAP EPS from continuing operations	\$0.47 +/- \$0.29
Non-GAAP <sup>(1)</sup> EPS	\$1.08 +/- \$0.25

(1) Detailed explanations of non-GAAP financials and reconciliations of GAAP to non-GAAP financials can be found at the end of this presentation

# QUARTERLY NON-GAAP FINANCIALS<sup>(1)</sup>

## Quarterly Trend

(figures in \$ millions, except percentage and EPS)

All figures from Continuing Operations

	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3
<b>Revenue</b>	<b>397.5</b>	<b>440.9</b>	<b>516.3</b>	<b>490.7</b>	<b>425.0</b>	<b>415.5</b>	<b>410.0</b>	<b>405.3</b>	<b>327.5</b>	<b>364.9</b>	<b>374.2</b>
Gross Profit	145.3	163.8	193.4	179.4	156.5	147.8	148.2	144.5	115.0	128.9	136.0
<b>Gross Margin</b>	<b>36.6%</b>	<b>37.1%</b>	<b>37.5%</b>	<b>36.6%</b>	<b>36.8%</b>	<b>35.6%</b>	<b>36.1%</b>	<b>35.7%</b>	<b>35.1%</b>	<b>35.3%</b>	<b>36.3%</b>
<b>Total OPEX</b>	<b>87.6</b>	<b>94.2</b>	<b>99.8</b>	<b>100.9</b>	<b>99.7</b>	<b>98.5</b>	<b>97.3</b>	<b>94.9</b>	<b>93.5</b>	<b>95.1</b>	<b>96.9</b>
OPEX %	22.0%	21.4%	19.3%	20.6%	23.5%	23.7%	23.7%	23.4%	28.6%	26.1%	25.9%
<b>Operating Income</b>	<b>57.8</b>	<b>69.6</b>	<b>93.6</b>	<b>78.5</b>	<b>56.8</b>	<b>49.3</b>	<b>50.9</b>	<b>49.7</b>	<b>21.5</b>	<b>33.8</b>	<b>39.1</b>
Operating Income %	14.5%	15.8%	18.1%	16.0%	13.4%	11.9%	12.4%	12.3%	6.6%	9.3%	10.5%
Depreciation <sup>(2)</sup>	8.4	8.5	8.5	8.8	9.5	9.4	9.7	9.7	10.0	10.2	11.1
<b>Adj. EBITDA<sup>(2)</sup></b>	<b>66.1</b>	<b>78.1</b>	<b>102.1</b>	<b>87.3</b>	<b>66.3</b>	<b>58.7</b>	<b>60.7</b>	<b>59.4</b>	<b>31.5</b>	<b>44.0</b>	<b>50.3</b>
Adj. EBITDA %	16.6%	17.7%	19.8%	17.8%	15.6%	14.1%	14.8%	14.6%	9.6%	12.1%	13.4%
Other Income/(Expense)	(2.1)	(2.2)	(1.9)	(1.1)	0.5	0.2	1.3	5.2	5.1	4.3	4.2
<b>Income Before Taxes</b>	<b>55.6</b>	<b>67.4</b>	<b>91.7</b>	<b>77.4</b>	<b>57.3</b>	<b>49.5</b>	<b>52.3</b>	<b>54.8</b>	<b>26.6</b>	<b>38.1</b>	<b>43.3</b>
Tax Provision/(Benefit)	8.9	13.1	12.1	13.2	10.4	7.6	3.8	8.1	4.7	6.1	6.3
Tax Rate	16.0%	19.4%	13.2%	17.0%	18.1%	15.3%	7.2%	14.8%	17.7%	15.9%	14.5%
<b>Non-GAAP Net Income</b>	<b>46.7</b>	<b>54.3</b>	<b>79.6</b>	<b>64.2</b>	<b>47.0</b>	<b>41.9</b>	<b>48.5</b>	<b>46.7</b>	<b>21.9</b>	<b>32.0</b>	<b>37.0</b>
Net Income %	11.8%	12.3%	15.4%	13.1%	11.1%	10.1%	11.8%	11.5%	6.7%	8.8%	9.9%
<b>Non-GAAP EPS</b>	<b>1.24</b>	<b>1.44</b>	<b>2.12</b>	<b>1.70</b>	<b>\$1.24</b>	<b>\$1.11</b>	<b>\$1.28</b>	<b>\$1.24</b>	<b>\$0.58</b>	<b>\$0.85</b>	<b>\$0.98</b>
Average Shares Outstanding	37.8	37.7	37.6	37.7	37.8	37.8	37.9	37.6	37.7	37.8	37.9

# 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 long-term unrealized foreign exchange gains and losses. In addition, we exclude discontinued operations and other non-recurring items such as acquisition-related costs, facility expansion and related costs, restructuring, asset impairments, and other charges, as they are not indicative of future performance. The tax effect of our non-GAAP adjustments represents the anticipated annual tax rate applied to each non-GAAP adjustment after consideration of their respective book and tax treatments. In addition, the tax effect also includes a discrete tax benefit associated with the release of a portion of our deferred tax asset valuation allowance.

The non-GAAP measures included in this presentation are not prepared 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. We believe that these non-GAAP measures provide useful information to management and investors to evaluate business performance without the impacts of certain non-cash charges, non-economic foreign currency remeasurements, and other cash charges which are not part of our usual operations. We use 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, we believe that these non-GAAP measures, in combination with its financial results calculated in accordance with GAAP, provide investors with additional perspective. To gain a complete picture of all effects on our financial results from any and all events, management does (and investors should) rely upon the GAAP measures as well, as the items excluded from non-GAAP measures may contribute to not accurately reflecting the underlying performance of the company's continuing operations for the period in which they are incurred. Furthermore, the use of non-GAAP measures has limitations in that such measures do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP, and these measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures.

# 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,	
	2024	2023	2024	2024	2023
Gross profit from continuing operations, as reported	\$ 134,068	\$ 147,341	\$ 127,741	\$ 374,638	\$ 449,532
Adjustments to gross profit:					
Stock-based compensation	1,046	615	1,056	2,931	1,587
Facility expansion, relocation costs and other	868	171	161	2,337	1,188
Acquisition-related costs	—	44	(57)	(13)	194
Non-GAAP gross profit	135,982	148,171	128,901	379,893	452,501
Non-GAAP gross margin	36.3%	36.1%	35.3%	35.6%	36.2%
Operating expenses from continuing operations, as reported	145,116	117,280	114,773	372,041	349,608
Adjustments:					
Amortization of intangible assets	(6,772)	(7,049)	(6,800)	(20,519)	(21,186)
Stock-based compensation	(10,868)	(7,460)	(10,328)	(31,372)	(21,226)
Acquisition-related costs	(1,581)	(611)	(1,934)	(4,781)	(2,654)
Facility expansion, relocation costs and other	(488)	—	—	(488)	—
Restructuring, asset impairments, and other charges	(28,546)	(4,898)	(625)	(29,416)	(9,095)
Non-GAAP operating expenses	96,861	97,262	95,086	285,465	295,447
Non-GAAP operating income	\$ 39,121	\$ 50,909	\$ 33,815	\$ 94,428	\$ 157,054
Non-GAAP operating margin	10.5%	12.4%	9.3%	8.9%	12.6%

## Reconciliation of Non-GAAP measure - Income excluding certain items

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2024	2023	2024	2024	2023
Income (loss) from continuing operations, less non-controlling interest, net of income tax	\$ (14,147)	\$ 33,651	\$ 15,604	\$ 7,244	\$ 92,858
Adjustments:					
Amortization of intangible assets	6,772	7,049	6,800	20,519	21,186
Acquisition-related costs	1,581	655	1,877	4,768	2,848
Facility expansion, relocation costs, and other	1,356	171	161	2,825	1,188
Restructuring, asset impairments, and other charges	28,546	4,898	625	29,416	9,095
Unrealized foreign currency loss (gain)	3,993	(1,604)	(1,545)	691	(2,817)
Other costs included in other income (expense), net	3,665	(1,516)	—	3,665	(1,516)
Tax effect of non-GAAP adjustments, including certain discrete tax benefits	(4,172)	(1,101)	(498)	(5,292)	(3,273)
Non-GAAP income, net of income tax, excluding stock-based compensation	27,594	42,203	23,024	63,836	119,569
Stock-based compensation, net of tax	9,412	6,299	8,993	27,099	17,794
Non-GAAP income, net of income tax	\$ 37,006	\$ 48,502	\$ 32,017	\$ 90,935	\$ 137,363

## Reconciliation of Non-GAAP measure - Weighted-average common shares adjusted for stock awards

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2024	2023	2024	2024	2023
Diluted weighted-average common shares outstanding	37,532	37,854	37,777	37,785	37,842
Dilutive effect of stock awards	360	—	—	—	—
Non-GAAP diluted weighted-average common shares outstanding	37,892	37,854	37,777	37,785	37,842

## Reconciliation of non-GAAP measure - per share earnings excluding certain items

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2024	2023	2024	2024	2023
Diluted earnings (loss) per share from continuing operations, as reported	\$ (0.38)	\$ 0.89	\$ 0.41	\$ 0.19	\$ 2.45
Add back:					
Per share impact of non-GAAP adjustments, net of tax	1.36	0.39	0.44	2.22	1.18
Non-GAAP earnings per share	\$ 0.98	\$ 1.28	\$ 0.85	\$ 2.41	\$ 3.63

# Q4 2024 RECONCILIATION OF GAAP TO NON-GAAP GUIDANCE

(\$ in millions, except per share data)	Low End	High End
<b>Revenue</b>	<b>\$372</b>	<b>\$412</b>
<b>Reconciliation of Non-GAAP EPS</b>		
<b>GAAP EPS</b>	<b>\$ 0.18</b>	<b>\$ 0.76</b>
Stock-based compensation	0.31	0.30
Amortization of intangible assets	0.19	0.18
Restructuring and other	0.29	0.21
Tax effects of excluded items	(0.14)	(0.12)
<b>Non-GAAP<sup>(1)</sup> EPS</b>	<b>\$ 0.83</b>	<b>\$ 1.33</b>