



INVESTOR PRESENTATION **2014**

Q4 2013  
Earnings Call  
*February 4, 2014*



# Safe Harbor

The Company's expectations with respect to guidance to financial and operational results for the first quarter ending March 31, 2014 and 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. Directional goals should not be interpreted as guidance. The Company is only providing guidance with respect to the first quarter ending March 31, 2014.

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 and seasonality of renewable energy projects and solar inverter sales; (d) the acquisition of Solvix, REFUSol and recently the Power Control Modules product line from AEG Power Solutions GmbH (the "POC Modules") (collectively, the "Acquisitions") including the successful integration of the operations of such Acquisitions, the retention of key employees of such Acquisitions, expectations surrounding the benefits of the Acquisitions' products, the total available market and expected sales of such products, and product cost expectations surrounding the fabless manufacturing models for REFUSol and the POC Modules; (e) with regard to the renewable energy market, the continuation of feed-in-tariffs and other incentives in Europe and elsewhere for solar inverters, including the RPS (renewable portfolio standards) and the timing and availability of grant programs in North America and Europe; (f) renewable energy project delays resulting from solar panel price declines and increased competition in the solar inverter equipment market, (g) the timing of orders received from customers, (h) the Company's ability to realize benefits from cost improvement efforts including avoided costs, any restructuring plans and any inorganic growth, (i) the ability to obtain materials and manufacture products; and (j) 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](http://www.sec.gov). Copies may also be obtained from Advanced Energy's website at [www.advancedenergy.com](http://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 the press release. The Company assumes no obligation to update the information in this press release.





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Garry Rogerson  
CEO

# Q4 2013 Highlights

- Total Revenue of \$153M
- Non-GAAP\* EPS of \$0.67 and GAAP EPS of \$0.83
- Operating profit (excl. restructuring) grew 22% q/q
- Generated \$45M in cash
- Powerful R&D and manufacturing model drove higher profits on small revenue increase
- Improved margins through operational excellence

*\*Non-GAAP EPS excludes restructuring charges, stock based compensation, and intangible amortization.*

## Q4 Highlights (continued)

- Utilizing cash effectively
- Final steps toward one manufacturing and supply chain
- Larger restructuring charge due to accelerated actions
- Restructuring now complete
- No more charges anticipated, except for acquisitions



# Driving to New Aspirational Goals

- Decreasing manufacturing costs
- New products setting stage
- New applications
- Expanding geographies
- Position has never been better
- Positioned for exciting 2014





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Yuval Wasserman  
*President of Thin Films*

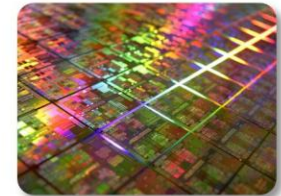
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# Thin Films Financial Highlights

- Revenues up 16% q/q to \$87.6M
- Strength in semi applications
- New product investment
  - Design wins
  - Increased market presence
  - New applications
  - New geographies
  - Contribution to bottom line

## POWER CONVERSION APPLICATIONS



*\*Excluding restructuring charges.*



# Thin Film Applications

- Semiconductor strength driven by:
  - New products
  - Healthy capex
  - Investment in VNAND
  - Increased share in advanced RF technology
- 3D devices and new materials driving new opportunities
- Flat Panel slow with end of Gen 5.5; focus on next-gen applications for encapsulation in flexible displays and touch panels
- TF Renewables new application gains with new Bipolar DC technology
- TF Industrials penetration and new applications in hard coating
- Service fab-wide solutions driving increased opportunities

# New TF Products and Technologies

- Won 88% of design wins pursued in quarter
  - 78% won in Semiconductor – new applications, tools, platforms
  - 91% won in Thin Film Industrials – FPD, glass coating, additional hard coating applications
- Acquisition of Power Control Modules
  - Increased diversity in thin film industrial applications
  - Grow presence in precision power delivery markets
  - Utilizing outsourced manufacturing
- Powerful R&D engine
  - Generating new products
  - Expanding presence





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Gordon Tredger  
*President of Solar Energy*

# Solar Energy Financial Highlights

- Revenues down 4% q/q to \$65M
- New, advanced, higher-margin product line in place
- Shipped 1<sup>st</sup> 1MW inverters
- Backlog remains strong for 1MW





# Revamped Product Line

- 1MW installed at several sites
  - Several key advantages
  - Margins improve as volumes ramp and costs reduced
  - Access to large projects in 2014
- 3-phase string gaining momentum
  - Building presence in commercial applications
  - Shipping 2<sup>nd</sup> generation UL and 1000v inverters
  - Global expansion in Canada and Japan
- Strong R&D pipeline of country-specific inverters
  - Developing 1.5MW inverter for India
  - Japan and India – important geographies in 2015

# Setting the Stage

- Q1 seasonality
- High demand and strong backlog in target markets
- Newly-revamped product line
- Robust R&D pipeline
- Expanded distribution capability
- Disciplined supply chain management
- Ongoing operational initiatives to reduce costs





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Danny Herron  
*CFO*

# 2013 Financial Highlights

- Total Revenue \$547M
  - TF sales +26% to \$297M
  - Solar sales +16% to \$250M
- GAAP income from continuing operations (excl. restructuring) +150% to \$62M or \$1.53 EPS
- Shareholder equity increased by \$74.3 million, +19%
- Taken ~\$80M out of cost structure
- Strong cash generation
  - Ended year with \$150M of cash



# Q4 Financial Highlights

- Strong profitability – GAAP EPS\* \$0.55
  - Effective tax rate of 0%
- Total Revenues \$153M, +35% y/y
- Operating income \$22.3M or 15% (excl. restructuring)
- Taken ~\$80M out of cost structure
- Strong cash generation of \$45M

*\*Excludes restructuring,*

# Market Detail

| Market (\$ in millions) | Q4'13          | Q3'13          | Q4'12          |
|-------------------------|----------------|----------------|----------------|
| <b>Thin Films</b>       | \$87.6         | \$75.4         | \$53.3         |
| Semiconductor           | \$59.4         | \$43.1         | \$29.5         |
| Flat Panel Display      | \$3.7          | \$5.5          | \$3.2          |
| Renewables              | \$4.4          | \$4.7          | \$2.6          |
| DS & Industrial         | \$7.9          | \$9.3          | \$6.3          |
| Service                 | \$12.3         | \$12.8         | \$11.7         |
|                         |                |                |                |
| <b>Solar Energy</b>     | \$64.9         | \$67.5         | \$59.6         |
|                         |                |                |                |
| <b>TOTAL</b>            | <b>\$152.6</b> | <b>\$142.9</b> | <b>\$113.0</b> |



# P&L Review

|   | Q4'13   | Q3'13   | Q4'12   |
|---|---------|---------|---------|
| (\$ in Millions, except GM% & EPS)        |         |         |         |
| Revenues                                  | \$152.6 | \$142.9 | \$113.0 |
| Gross Margin \$                           | \$58.8  | \$56.2  | \$38.5  |
| Gross Margin %                            | 38.6%   | 39.3%   | 34.1%   |
| Operating Income*                         | \$22.3  | \$18.3  | \$7.5   |
| Net Income from Continuing Operations     | \$34.4  | \$0.7   | \$4.9   |
| EPS from Continuing Operations            | \$0.83  | \$0.02  | \$0.13  |
| Non-GAAP EPS** from Continuing Operations | \$0.67  | \$0.53  | \$0.23  |

\*Operating Income excludes restructuring,

\*\*Non-GAAP EPS excludes restructuring charges, stock based compensation, intangible amortization, acquisition-related costs and non-recurring discrete tax benefits.

# Balance Sheet

- Generated \$45M in cash, ending quarter with \$150M
- Inventory decreased by \$13M
- Trade working capital reduction of \$7M from Q3

|                         | Q4'13   | Q3'13   | Q4'12   |
|-------------------------|---------|---------|---------|
| <i>(\$ in Millions)</i> |         |         |         |
| Cash & Investments      | \$149.7 | \$104.7 | \$172.2 |
| Accounts Receivable     | \$125.8 | \$130.3 | \$83.9  |
| Inventory               | \$109.8 | \$123.2 | \$81.5  |
| Total Assets            | \$652.4 | \$627.7 | \$537.2 |
| Liabilities             | \$188.5 | \$212.9 | \$147.6 |
| Shareholders Equity     | \$463.9 | \$414.8 | \$389.6 |



# Restructuring Update

- \$2.3M in pre-tax restructuring charges
- Completed restructuring actions
- No more restructuring charges expected; save acquisition-related

**Total Restructuring Charges: \$53.9M (\$37.9M non-cash)**

**TOTAL ESTIMATED COST SAVINGS: \$80M by end of 2014**

# Estimated Annual Cost Savings\*

| ACTION                               | Est. Annual Impact in \$Millions |               |               |               |              |
|--------------------------------------|----------------------------------|---------------|---------------|---------------|--------------|
|                                      | 2011                             | 2012          | 2013          | 2014          | TOTAL        |
| Organizational restructuring         | \$2                              | \$12          | \$12          | \$12          | \$38         |
| Space consolidation                  | \$0                              | \$1           | \$2           | \$2           | \$5          |
| Optimize distribution network        | \$0                              | \$0           | \$2           | \$2           | \$4          |
| Manufacturing consolidation          | \$0                              | \$3           | \$10          | \$10          | \$23         |
| Material sourcing improvement        |                                  | \$2           | \$7           | \$17          | \$26         |
| <b>Compensation Plan Changes</b>     |                                  |               |               |               |              |
| - Incentive plans                    |                                  | \$6           | \$6           | \$6           | \$18         |
| - Shareholder dilution               |                                  | \$6           | \$6           | \$6           | \$18         |
| <b>2013 Restructuring Program</b>    |                                  |               | \$14          | \$25          | \$39         |
| <b>Total Cost Saving Initiatives</b> | <b>\$2</b>                       | <b>\$30</b>   | <b>\$59</b>   | <b>\$80</b>   | <b>\$171</b> |
| <b>Net Income Impact</b>             | <b>\$2</b>                       | <b>\$22</b>   | <b>\$44</b>   | <b>\$60</b>   |              |
| <b>EPS Impact</b>                    | <b>\$0.05</b>                    | <b>\$0.55</b> | <b>\$1.09</b> | <b>\$1.47</b> |              |

\*Estimates as of Q413 earnings conference call and should not be interpreted or construed in any way as guidance.



# Diversification Driving EPS Growth

Operating Margin from Incremental Products Driving EPS Growth



# Q1'14 Guidance\*

|                          | Q4<br>(as reported) | Q1 Guidance Range |        |
|--------------------------|---------------------|-------------------|--------|
| Revenue<br>(in millions) | \$152.6             | \$138             | \$146  |
| GAAP EPS**               | \$0.55              | \$0.36            | \$0.42 |
| Non-GAAP EPS***          | \$0.67              | \$0.41            | \$0.47 |

\* Estimates as of Q413 earnings conference call. The company assumes no obligation to update guidance.

\*\* Excludes restructuring charge of approximately \$2.3M in Q413.

\*\*\* Non-GAAP EPS excludes restructuring charges, stock based compensation and amortization of intangibles. Q1 non-GAAP guidance assumes stock based compensation of \$2.2M and amortization of intangibles of \$1.3M.





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Thank You