

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

# Q4 2022 Earnings Presentation

FEBRUARY 8, 2023

# 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 February 8, 2023. 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.

# Q4 AND FULL YEAR 2022 SUMMARY



Advanced Energy FlexiCharge FC1500:  
Industry's first fully-integrated, intelligent  
configurable capacitor charger and low voltage  
power supply for medical laser applications

- **Strong results for Q4 and full year 2022**
  - Revenue of \$491 million and non-GAAP<sup>(1)</sup> EPS of \$1.70 were both second highest levels ever
  - Achieved record 2022 revenue of \$1.85 billion and record non-GAAP<sup>(1)</sup> EPS of \$6.49
  - Annualized 2H'22 non-GAAP<sup>(1)</sup> EPS exceeded our aspirational goal of \$7.50
  - Doubled number of new product launches in 2022 and expect new product and design wins to accelerate in 2023
- **Supply chain environment remains dynamic while backlog is normalizing**
  - Supply of scarce components still gating revenues, with Power ICs and FETs being most significantly constrained
  - Q4 backlog down to \$875 million on China-based export controls, lower semi demand, and improved lead times
- **Expect 2023 semi revenue down while non-semi revenue stable in aggregate**
  - Semi has pockets of strength including services, high voltage for ion implant, and design slots still ramping
  - We believe aggregate non-semi market revenue should be relatively stable year-on-year
  - Expect gross margins to gradually improve in 2H'23 on better supply, lower material costs, and increased efficiency
- **Focused on our priorities and long-term growth strategies**
  - Maintain new product and design win momentum with continued R&D investments and accelerated development
  - Improve efficiency of manufacturing and supply chain operations by optimizing footprint and streamlining supply
  - Increase customer engagement across our markets
  - Control discretionary spending

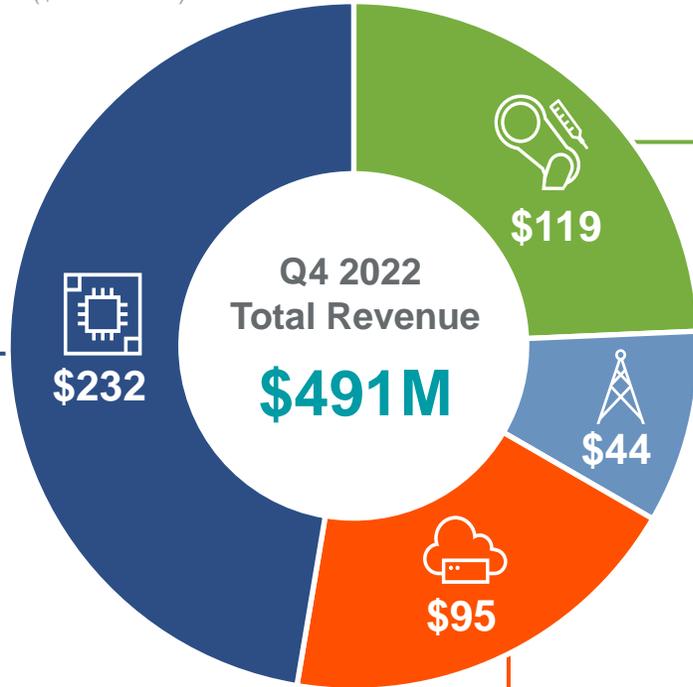
# DELIVERED SOLID GROWTH ACROSS OUR MARKETS

(\$ in millions)

## SEMICONDUCTOR EQUIPMENT

Up 30% Y/Y, Down 13% Q/Q

- Roughly half of Q/Q decline due to China-based export controls
- Customers lowered build plans partially offset by restocking of their inventories to normalized levels
- Secured new wins in inspection and remote plasma source
- Introduced new technology platforms for advanced etch



## INDUSTRIAL & MEDICAL

Up 21% Y/Y, Flat Q/Q

- Backlog grew Q/Q despite record shipments
- Industrial wins in 3D printing, test & measurement, and industrial laser
- Medical wins in surgical, medical laser, diagnostic and life science equipment
- Launched innovative FlexiCharge for medical laser applications

## DATA CENTER COMPUTING

Up 18% Y/Y, Up 8% Q/Q

- Data Center Computing revenue reached a new quarterly record
- Upside driven by improved component deliveries late in the quarter

## TELECOM & NETWORKING

Up 15% Y/Y, Up 4% Q/Q

# Q4 2022 FINANCIAL HIGHLIGHTS



REVENUE  
**\$491 million**  
Up 24% Y/Y



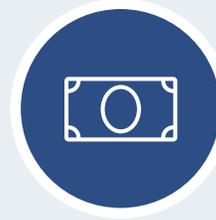
NON-GAAP EPS\*  
**\$1.70**  
Up 25% Y/Y



NON-GAAP GROSS MARGIN<sup>(1)</sup>  
**36.6%**  
Up 110 bps Y/Y



NON-GAAP OP MARGIN\*  
**16.0%**  
Up 220 bps Y/Y

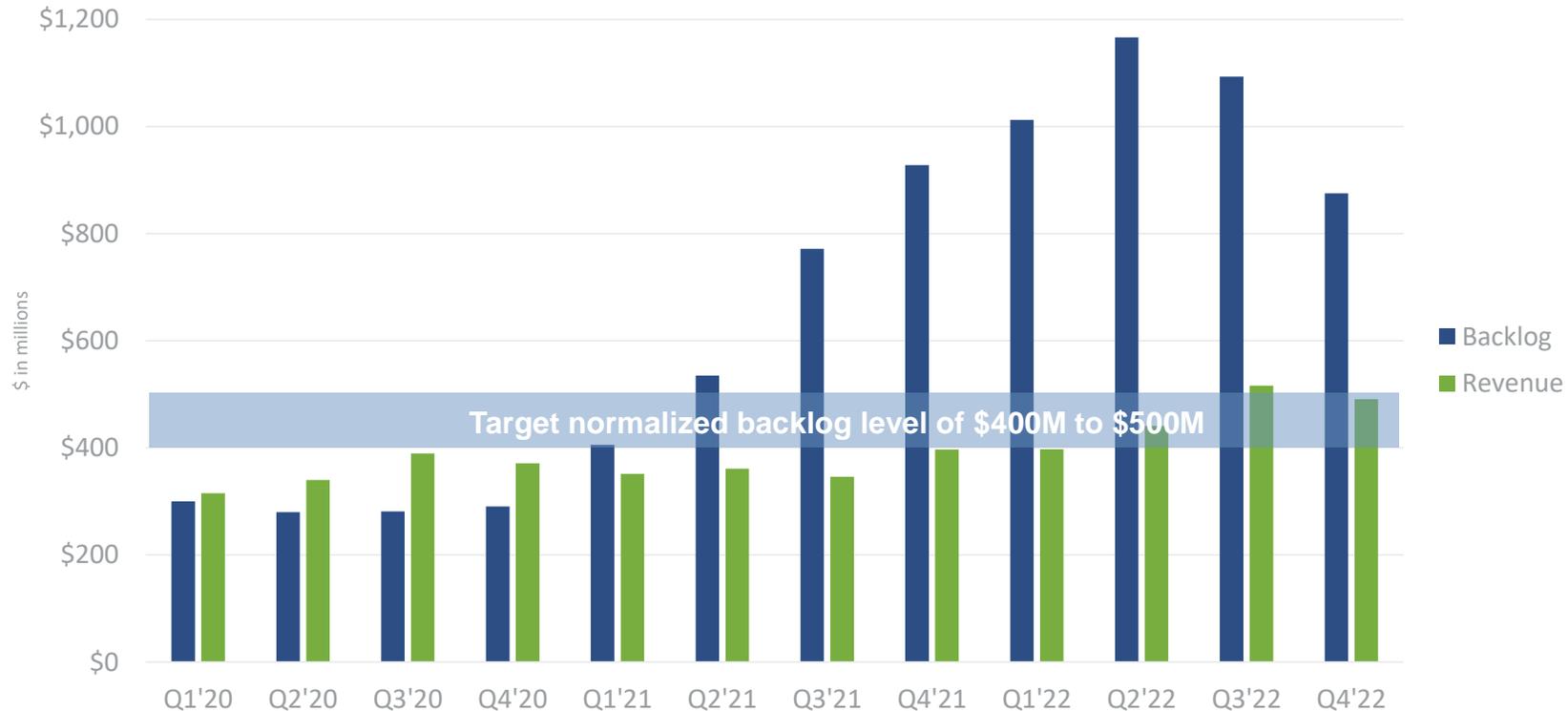


OPERATING CASH FLOW  
**\$70.7 million**  
Up 106% Y/Y



CASH & INVESTMENTS<sup>(2)</sup>  
**\$461 million**  
Net Cash of \$88 million

# QUARTERLY REVENUE AND BACKLOG TRENDS



- Total backlog at the end of Q4 2022 was \$875 million, down 6% Y/Y and down 20% Q/Q
- ~40% of Q/Q backlog decline due to China-based export controls while the balance due to lower semi demand and improved lead times
- More than 70% of the backlog is shippable over the next two quarters
- Proprietary products represent over 75% of the backlog

# Q4 REVENUE BY MARKET

(\$ in millions)	Q4 2022	Q3 2022	Q4 2021	Q/Q	Y/Y	ORGANIC <sup>(1)</sup>
						Y/Y
Semiconductor Equipment	\$232.5	\$266.6	\$179.3	-12.8%	29.6%	28.8%
Industrial & Medical	\$119.3	\$119.6	\$98.8	-0.2%	20.8%	1.4%
Data Center Computing	\$94.5	\$87.5	\$80.1	8.0%	18.0%	18.0%
Telecom & Networking	\$44.4	\$42.6	\$38.7	4.4%	14.7%	14.7%
<b>Total Revenue</b>	<b>\$490.7</b>	<b>\$516.3</b>	<b>\$396.9</b>	<b>-4.9%</b>	<b>23.6%</b>	<b>18.4%</b>

# 2022 REVENUE BY MARKET

(\$ in millions)	2022	2021	Y/Y	ORGANIC <sup>(1)</sup>
				Y/Y
Semiconductor Equipment	\$930.8	\$710.2	31.1%	30.5%
Industrial & Medical	\$426.8	\$341.2	25.1%	11.5%
Data Center Computing	\$327.5	\$270.9	20.9%	20.9%
Telecom & Networking	\$160.3	\$133.7	19.9%	20.0%
<b>Total Revenue</b>	<b>\$1,845.4</b>	<b>\$1,456.0</b>	<b>26.7%</b>	<b>23.3%</b>

(1) Excludes the acquisition of SL Power, which closed on April 25, 2022

# INCOME STATEMENTS

(\$ in millions, except per share data)	Q4 2022	Q3 2022	Q4 2021	Q/Q	Y/Y	2022	2021	Y/Y
Revenue	\$490.7	\$516.3	\$396.9	-4.9%	23.6%	\$1,845.4	\$1,456.0	26.8%
GAAP gross margin	36.2%	37.0%	35.2%			36.6%	36.6%	
GAAP operating expenses	\$119.7	\$113.6	\$97.5	5.3%	22.7%	\$442.4	\$380.6	16.2%
GAAP operating margin from continuing ops	11.8%	15.0%	10.6%			12.6%	10.4%	
GAAP EPS from continuing ops	\$1.20	\$1.99	\$1.05	-39.7%	14.3%	\$5.29	\$3.51	50.7%
Non-GAAP <sup>(1)</sup> gross margin	36.6%	37.5%	35.5%			37.0%	37.3%	
Non-GAAP <sup>(1)</sup> operating expenses	\$100.9	\$99.8	\$86.1	1.2%	17.2%	\$382.5	\$331.8	15.3%
Non-GAAP <sup>(1)</sup> operating margin	16.0%	18.1%	13.8%			16.2%	14.5%	
Non-GAAP <sup>(1)</sup> EPS	\$1.70	\$2.12	\$1.36	-19.8%	25.0%	\$6.49	\$4.78	35.8%

# Q4 2022 BALANCE SHEET & CASH FLOW

- Cash and investments increased 12% Q/Q to \$461 million
  - Net cash up Q/Q to \$88 million
- Receivables increased to \$301 million
  - DSO increased slightly Q/Q to 55 days
- Inventory decreased Q/Q to \$376 million
  - Turns increased Q/Q to 3.4 times
- Operating cash flow from continuing operations was \$70.7 million
- Repurchased \$0.7 million of stock
  - Average price of \$69.16 per share

(\$ in millions)	Q4 2022	Q3 2022	Q4 2021
Cash & Investments	\$460.9	\$411.2	\$546.7
Accounts Receivable	\$300.7	\$307.0	\$237.2
Inventories	\$376.0	\$409.4	\$338.4
Total Assets	\$1,992.2	\$1,974.0	\$1,817.3
Accounts Payable	\$170.5	\$219.8	\$193.7
Total Debt	\$373.3	\$378.1	\$392.7
Total Liabilities	\$925.9	\$984.1	\$945.8
Shareholders' Equity	\$1,066.3	\$989.9	\$871.5

# Q1 2023 GUIDANCE

(\$ in millions, except per share data)	Q1 2023 Guidance
Revenue	\$415 +/- \$20
GAAP EPS from continuing operations	\$0.76 +/- \$0.25
Non-GAAP <sup>(1)</sup> EPS	\$1.10 +/- \$0.25

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

## Quarterly Trend

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

All figures from Continuing Operations

	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Backlog	300.1	280.1	281.5	290.7	405.7	534.7	771.4	927.8	1,012.4	1,166.5	1,093.0	875.3
<b>Revenue</b>	<b>315.5</b>	<b>339.9</b>	<b>389.5</b>	<b>371.0</b>	<b>351.6</b>	<b>361.3</b>	<b>346.1</b>	<b>396.9</b>	<b>397.5</b>	<b>440.9</b>	<b>516.3</b>	<b>490.7</b>
Gross Profit	119.1	131.6	154.9	146.4	139.7	137.3	124.9	141.0	145.3	163.8	193.4	179.4
<b>Gross Margin</b>	<b>37.8%</b>	<b>38.7%</b>	<b>39.8%</b>	<b>39.5%</b>	<b>39.7%</b>	<b>38.0%</b>	<b>36.1%</b>	<b>35.5%</b>	<b>36.6%</b>	<b>37.1%</b>	<b>37.5%</b>	<b>36.6%</b>
<b>Total OPEX</b>	<b>74.7</b>	<b>77.8</b>	<b>78.9</b>	<b>76.9</b>	<b>79.5</b>	<b>82.6</b>	<b>83.6</b>	<b>86.1</b>	<b>87.6</b>	<b>94.2</b>	<b>99.8</b>	<b>100.9</b>
OPEX %	23.7%	22.9%	20.3%	20.7%	22.6%	22.9%	24.2%	21.7%	22.0%	21.4%	19.3%	20.6%
<b>Operating Income</b>	<b>44.4</b>	<b>53.8</b>	<b>76.0</b>	<b>69.5</b>	<b>60.2</b>	<b>54.7</b>	<b>41.2</b>	<b>54.8</b>	<b>57.8</b>	<b>69.6</b>	<b>93.6</b>	<b>78.5</b>
Operating Income %	14.1%	15.8%	19.5%	18.7%	17.1%	15.1%	11.9%	13.8%	14.5%	15.8%	18.1%	16.0%
Depreciation	6.6	6.6	7.2	7.3	7.3	7.5	7.9	8.1	8.4	8.5	8.5	8.8
<b>EBITDA</b>	<b>51.0</b>	<b>60.4</b>	<b>83.2</b>	<b>76.8</b>	<b>67.6</b>	<b>62.2</b>	<b>49.1</b>	<b>63.0</b>	<b>66.1</b>	<b>78.1</b>	<b>102.1</b>	<b>87.3</b>
EBITDA %	16.2%	17.8%	21.4%	20.7%	19.2%	17.2%	14.2%	15.9%	16.6%	17.7%	19.8%	17.8%
Other Income/(Expense)	(3.5)	(0.5)	(2.4)	(2.3)	(2.6)	(1.9)	(1.7)	(2.5)	(2.1)	(2.2)	(1.9)	(1.1)
<b>Income Before Taxes</b>	<b>40.9</b>	<b>53.3</b>	<b>73.6</b>	<b>67.2</b>	<b>57.6</b>	<b>52.8</b>	<b>39.6</b>	<b>52.3</b>	<b>55.6</b>	<b>67.4</b>	<b>91.7</b>	<b>77.4</b>
Tax Provision/(Benefit)	6.0	7.9	9.8	9.8	7.9	4.7	5.6	0.9	8.9	13.1	12.1	13.2
Tax Rate	14.6%	14.8%	13.3%	14.7%	13.7%	8.9%	14.0%	1.6%	16.0%	19.4%	13.2%	17.0%
<b>Non-GAAP Net Income</b>	<b>34.9</b>	<b>45.4</b>	<b>63.8</b>	<b>57.3</b>	<b>49.7</b>	<b>48.1</b>	<b>34.0</b>	<b>51.5</b>	<b>46.7</b>	<b>54.3</b>	<b>79.6</b>	<b>64.2</b>
Net Income %	11.1%	13.4%	16.4%	15.4%	14.1%	13.3%	9.8%	13.0%	11.8%	12.3%	15.4%	13.1%
<b>Non-GAAP EPS</b>	<b>0.91</b>	<b>1.18</b>	<b>1.66</b>	<b>1.49</b>	<b>1.29</b>	<b>1.25</b>	<b>0.89</b>	<b>1.36</b>	<b>1.24</b>	<b>1.44</b>	<b>2.12</b>	<b>1.70</b>
Average Shares Outstanding	38.6	38.5	38.5	38.5	38.6	38.6	38.4	37.9	37.8	37.7	37.6	37.7

# NON-GAAP MEASURES

Advanced Energy's non-GAAP measures exclude the impact of non-cash related charges such as stock-based compensation and amortization of intangible assets, as well as discontinued operations, and non-recurring items such as acquisition-related costs and restructuring expenses. 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. 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			Year Ended	
	December 31,		September 30,	December 31,	
	2022	2021	2022	2022	2021
Gross profit from continuing operations, as reported	\$ 177,814	\$ 139,747	\$ 191,218	\$ 675,506	\$ 532,322
Adjustments to gross profit:					
Stock-based compensation	391	(19)	454	1,478	764
Facility expansion, relocation costs and other	1,162	997	1,662	5,295	6,189
Acquisition-related costs	73	234	66	(299)	3,585
Non-GAAP gross profit	179,440	140,959	193,400	681,980	542,860
Non-GAAP gross margin	36.6%	35.5%	37.5%	37.0%	37.3%
Operating expenses from continuing operations, as reported	119,713	97,537	113,646	442,411	380,641
Adjustments:					
Amortization of intangible assets	(7,033)	(5,556)	(7,049)	(26,114)	(22,060)
Stock-based compensation	(4,450)	(2,939)	(5,568)	(18,371)	(14,975)
Acquisition-related costs	(1,660)	(679)	(1,150)	(8,637)	(6,803)
Facility expansion, relocation costs and other	—	(17)	—	—	(229)
Restructuring charges	(5,636)	(2,231)	(121)	(6,814)	(4,752)
Non-GAAP operating expenses	100,934	86,115	99,758	382,475	331,822
Non-GAAP operating income	\$ 78,506	\$ 54,844	\$ 93,642	\$ 299,505	\$ 211,038
Non-GAAP operating margin	16.0%	13.8%	18.1%	16.2%	14.5%

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

	Three Months Ended			Year Ended	
	December 31,		September 30,	December 31,	
	2022	2021	2022	2022	2021
Income from continuing operations, less non-controlling interest, net of income taxes	\$ 45,345	\$ 39,753	\$ 74,864	\$ 201,875	\$ 134,663
Adjustments:					
Amortization of intangible assets	7,033	5,556	7,049	26,114	22,060
Acquisition-related costs	1,733	913	1,216	8,338	10,388
Facility expansion, relocation costs, and other	1,162	1,014	1,662	5,295	6,418
Restructuring charges	5,636	2,231	121	6,814	4,752
Unrealized foreign currency (gain) loss	5,378	(134)	(6,169)	(7,645)	(3,543)
Acquisition-related costs and other included in other (income) expense, net	(3,817)	(3,093)	(4,685)	(8,417)	(2,186)
Tax effect of non-GAAP adjustments	(2,042)	3,017	855	(3,008)	(1,346)
Non-GAAP income, net of income taxes, excluding stock-based compensation	60,428	49,257	74,913	229,366	171,206
Stock-based compensation, net of taxes	3,776	2,233	4,697	15,444	12,042
Non-GAAP income, net of income taxes	\$ 64,204	\$ 51,490	\$ 79,610	\$ 244,810	\$ 183,248

## ADVANCED ENERGY INDUSTRIES, INC. SELECTED OTHER DATA (UNAUDITED)

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

	Three Months Ended			Year Ended	
	December 31,		September 30,	December 31,	
	2022	2021	2022	2022	2021
Diluted earnings per share from continuing operations, as reported	\$ 1.20	\$ 1.05	\$ 1.99	\$ 5.35	\$ 3.51
Add back:					
Per share impact of non-GAAP adjustments, net of tax	0.50	0.31	0.13	1.14	1.27
Non-GAAP earnings per share	\$ 1.70	\$ 1.36	\$ 2.12	\$ 6.49	\$ 4.78

# RECONCILIATION OF GAAP TO NON-GAAP EPS GUIDANCE

(\$ in millions, except per share data)	Low End	Midpoint	High End
<b>Revenue</b>	<b>\$395</b>	<b>\$415</b>	<b>\$435</b>
<b>Reconciliation of Non-GAAP EPS</b>			
<b>GAAP EPS</b>	<b>\$ 0.51</b>	<b>\$ 0.76</b>	<b>\$ 1.01</b>
Stock-based compensation	0.17	0.17	0.17
Amortization of intangible assets	0.19	0.19	0.19
Restructuring and other	0.04	0.04	0.04
Tax effects of excluded items	(0.06)	(0.06)	(0.06)
<b>Non-GAAP<sup>(1)</sup> EPS</b>	<b>\$ 0.85</b>	<b>\$ 1.10</b>	<b>\$ 1.35</b>