

A collage of images including a person in a surgical mask and cap, a microchip, and two telecommunications towers, all in a light blue and white color scheme.

Q2 2022 Earnings Presentation

AUGUST 3, 2022

SAFE HARBOR

The company's guidance with respect to anticipated financial results, potential future growth and profitability, guidance on possible future results, future business mix, expectations regarding future market trends, future performance within specific markets and other statements herein or made on the above-announced conference call 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. These risks 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 or from our Investors page at ir.advancedenergy.com. Forward-looking statements are made and based on information available to Advanced Energy's management team as of August 3, 2022. 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.

Q2 2022 SUMMARY

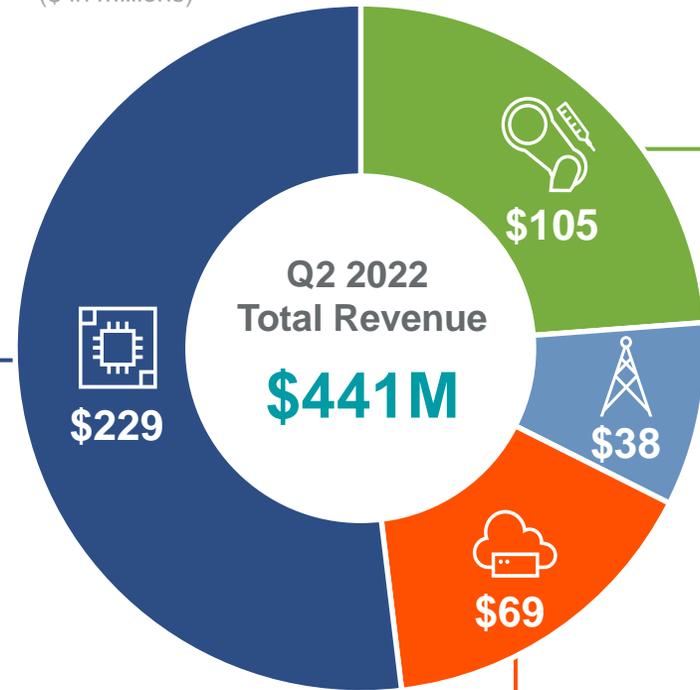


The ALTA™ platform including digitally-controlled RF power supplies and tap-selectable matching network, designed for next-generation thin-film industrial applications

- **Q2 2022 results surpassed high end of guidance, while demand remains strong**
 - Revenue was a record \$441 million; non-GAAP⁽¹⁾ earnings were \$1.44 per share
 - Semiconductor revenue reached another quarterly record and grew 30% Y/Y
 - While delivering record-breaking revenue, backlog grew to \$1.17 billion
- **Mitigation efforts gaining traction in a dynamic supply chain environment**
 - Alternative ICs and redesigns contributed incremental revenue in Q2 and expect more in 2H 2022
 - Supply chain remains challenging and high material cost premiums continue in the near-term
 - Maintaining surge capacity at our factories to respond quickly
- **Focused on introducing more innovative products and accelerating our strategies**
 - Increased cadence of new product introductions across wide range of applications
 - Now a top player in medical power with one of the broadest product portfolios in the industry
- **Well-positioned to deliver on pent-up earnings potential**
 - Maintain target of >\$6.00 per share annualized earnings⁽²⁾ by Q4 2022 as supply chain improves
 - On track to deliver double-digit-% revenue and earnings growth in 2022⁽²⁾

DELIVERED SOLID GROWTH ACROSS OUR MARKETS

(\$ in millions)



SEMICONDUCTOR EQUIPMENT

Up 30% Y/Y & Up 13% Q/Q

- Reached another quarterly record in semi revenue
- Expected to grow again in Q3 and to outgrow WFE in 2022
- Delivered evaluation units in dielectric etch and RPS
- Secured multiple design wins with High Voltage solutions

INDUSTRIAL & MEDICAL

Up 26% Y/Y & Up 27% Q/Q

- Grew 12% Y/Y and 12% Q/Q organically
- With SL Power, AE is now a top player in medical power
- Won designs in medical, indoor farm lighting, factory automation and industrial printing
- Launched new digitally-control RF products for Industrial

DATA CENTER COMPUTING

Flat Y/Y & Down 9% Q/Q

- Demand remains strong, but revenues paced by supply of critical ICs
- Won several high-value designs during Q2 2022

TELECOM & NETWORKING

Up 19% Y/Y & Up 8% Q/Q

Q2 2022 FINANCIAL HIGHLIGHTS



REVENUE
\$441 million
Up 11% Q/Q



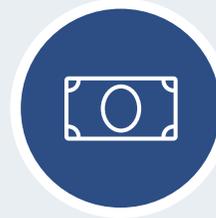
NON-GAAP EPS⁽¹⁾
\$1.44
Up 16% Q/Q



NON-GAAP GROSS MARGIN⁽¹⁾
37.1%
Up 50 bps Q/Q



NON-GAAP OP MARGIN⁽¹⁾
15.8%
Up 130 bps Q/Q

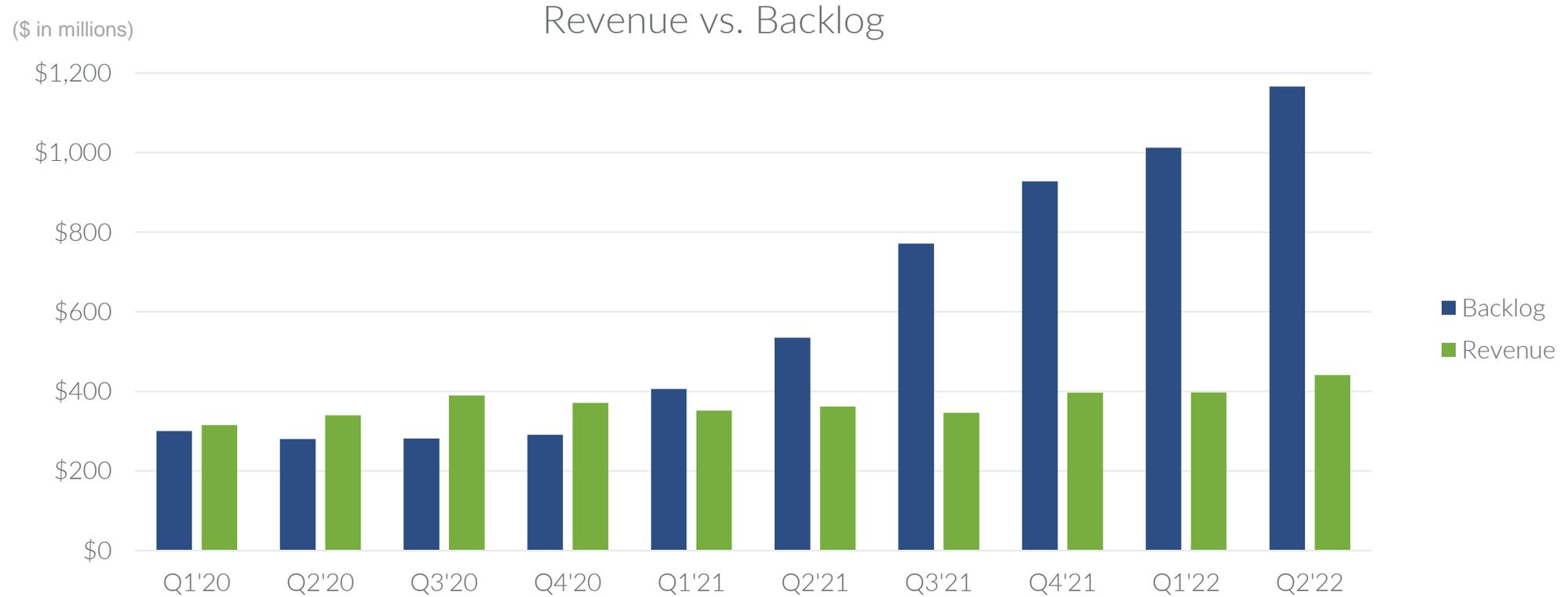


OPERATING CASH FLOW
\$38.0 million
Up \$28.0 million Q/Q



CASH & INVESTMENTS⁽²⁾
\$375 million
Net Debt of \$8.2 million

QUARTERLY REVENUE AND BOOKINGS TRENDS



- Total revenue grew 11% Q/Q and 8% Q/Q organically
- Total backlog at the end of Q2 2022 grew 15% Q/Q and 12% Q/Q excluding SL Power
- Proprietary products represent approximately 80% of the backlog
- ~2/3 of the backlog has customer request date in the next two quarters

REVENUE BY MARKET

(figures in \$ millions)	Q2 2022	Q1 2022	Q2 2021	Q/Q	Y/Y	ORGANIC GROWTH	
						Q/Q	Y/Y
Semiconductor Equipment	\$228.8	\$203.0	\$176.7	13%	30%	12%	29%
Industrial & Medical	\$105.0	\$82.9	\$83.2	27%	26%	12%	12%
Data Center Computing	\$69.2	\$76.2	\$69.5	(9%)	0%	(9%)	0%
Telecom & Networking	\$38.0	\$35.4	\$32.0	8%	19%	8%	19%
Total Revenue	\$440.9	\$397.5	\$361.3	11%	22%	8%	18%

INCOME STATEMENTS

(figures in \$ millions, except percentage and EPS)	Q2 2022	Q1 2022	Q2 2021	Q/Q	Y/Y
Revenue	\$440.9	\$397.5	\$361.3	11%	22%
GAAP gross margin	36.8%	36.3%	37.4%		
GAAP operating expenses	\$109.4	\$99.7	\$94.0	10%	16%
GAAP operating margins from continuing ops	12.0%	11.2%	11.4%		
GAAP EPS from continuing ops	\$1.19	\$0.98	\$0.92	21%	29%
Non-GAAP gross margin ⁽¹⁾	37.1%	36.6%	38.0%		
Non-GAAP operating expenses ⁽¹⁾	\$94.2	\$87.6	\$82.6	8%	14%
Non-GAAP operating margins ⁽¹⁾	15.8%	14.5%	15.1%		
Non-GAAP EPS ⁽¹⁾	\$1.44	\$1.24	\$1.25	16%	15%

BALANCE SHEET & CASH FLOW

- Cash and marketable securities of \$375 million⁽¹⁾
- Operating cash flow from continuing ops of \$38.0 million
- Net Working Capital down slightly to 119 days
 - Inventory increased to \$396 million but turns remain at 2.8x
 - Begin to scale back inventories of less-critical components, which should improve turns
 - Receivables increased but DSO down slightly to 56 days
 - Payables increased but DPO down slightly to 64 days
- CAPEX of \$12.4 million
- Repurchased \$17.0 million of stock at an average price of \$74.12 per share

(figures in \$ millions)	Q2 2022	Q1 2022	Q2 2021
Cash & Investments ⁽¹⁾	\$374.8	\$523.5	\$510.0
Account Receivable	\$270.8	\$248.7	\$243.4
Inventory	\$395.9	\$360.8	\$296.7
Total Assets	\$1,878.1	\$1,832.4	\$1,776.2
Accounts Payables	\$197.9	\$183.1	\$206.7
Total Debt	\$383.0	\$387.9	\$313.5
Total Liabilities	\$953.2	\$931.0	\$889.6
Shareholders' Equity	\$924.9	\$901.3	\$876.6

(1) Cash & Investment includes both total cash and equivalent and marketable securities

GUIDANCE

	Q3 2022 Guidance
Revenue	\$435M +/- \$25M
GAAP EPS from continuing operations	\$0.92 +/- \$0.30
Non-GAAP EPS ⁽¹⁾	\$1.30 +/- \$0.30

QUARTERLY NON-GAAP FINANCIALS⁽¹⁾

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

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

Reconciliation of Non-GAAP measure - operating expenses and operating income, excluding certain items

	Three Months Ended		Six Months Ended		
	June 30,		June 30,		
	2022	2021	2022	2021	
Gross profit from continuing operations, as reported	\$ 162,158	\$ 135,033	\$ 144,316	\$ 306,474	\$ 272,536
Adjustments to gross profit:					
Stock-based compensation	402	215	231	633	565
Facility expansion, relocation costs and other	1,187	1,997	1,284	2,471	3,835
Acquisition-related costs	64	84	(502)	(438)	92
Non-GAAP gross profit	<u>163,811</u>	<u>137,329</u>	<u>145,329</u>	<u>309,140</u>	<u>277,028</u>
Non-GAAP gross margin	37.1%	38.0%	36.6%	36.9%	38.9%
Operating expenses from continuing operations, as reported	109,393	93,953	99,659	209,052	187,274
Adjustments:					
Amortization of intangible assets	(6,523)	(5,513)	(5,509)	(12,032)	(10,897)
Stock-based compensation	(4,656)	(3,229)	(3,697)	(8,353)	(8,580)
Acquisition-related costs	(4,159)	(2,328)	(1,668)	(5,827)	(4,356)
Facility expansion, relocation costs and other	—	(63)	—	—	(114)
Restructuring charges	161	(211)	(1,218)	(1,057)	(1,249)
Non-GAAP operating expenses	<u>94,216</u>	<u>82,609</u>	<u>87,567</u>	<u>181,783</u>	<u>162,078</u>
Non-GAAP operating income	<u>\$ 69,595</u>	<u>\$ 54,720</u>	<u>\$ 57,762</u>	<u>\$ 127,357</u>	<u>\$ 114,950</u>
Non-GAAP operating margin	15.8%	15.1%	14.5%	15.2%	16.1%

Reconciliation of Non-GAAP measure - income excluding certain items

	Three Months Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2022	2021	2022	2022	2021
Income from continuing operations, less non-controlling interest, net of income taxes	\$ 44,790	\$ 35,511	\$ 36,876	\$ 81,666	\$ 73,869
Adjustments:					
Amortization of intangible assets	6,523	5,513	5,509	12,032	10,897
Acquisition-related costs	4,223	2,412	1,166	5,389	4,448
Facility expansion, relocation costs, and other	1,187	2,060	1,284	2,471	3,949
Restructuring charges	(161)	211	1,218	1,057	1,249
Unrealized foreign currency (gain) loss	(5,569)	885	(1,285)	(6,854)	(1,317)
Acquisition-related costs and other included in other income (expense), net	85	899	—	85	986
Tax effect of non-GAAP adjustments	(752)	(2,043)	(1,069)	(1,821)	(3,327)
Non-GAAP income, net of income taxes, excluding stock-based compensation	50,326	45,448	43,699	94,025	90,754
Stock-based compensation, net of taxes	3,946	2,636	3,025	6,971	6,998
Non-GAAP income, net of income taxes	<u>\$ 54,272</u>	<u>\$ 48,084</u>	<u>\$ 46,724</u>	<u>\$ 100,996</u>	<u>\$ 97,752</u>

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

	Three Months Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2022	2021	2022	2022	2021
Diluted earnings per share from continuing operations, as reported	\$ 1.19	\$ 0.92	\$ 0.98	\$ 2.16	\$ 1.91
Add back:					
Per share impact of non-GAAP adjustments, net of tax	0.25	0.33	0.26	0.52	0.62
Non-GAAP per share earnings	<u>\$ 1.44</u>	<u>\$ 1.25</u>	<u>\$ 1.24</u>	<u>\$ 2.68</u>	<u>\$ 2.53</u>

RECONCILIATION OF GAAP TO NON-GAAP GUIDANCE

Reconciliation of Q3 2022 Guidance

	<u>Low End</u>	<u>High End</u>
Revenue	\$410 million	\$460 million
Reconciliation of non-GAAP earnings per share		
GAAP earnings per share	\$ 0.62	\$ 1.22
Stock-based compensation	0.15	0.15
Amortization of intangible assets	0.19	0.19
Restructuring and other	0.11	0.11
Tax effects of excluded items	<u>(0.07)</u>	<u>(0.07)</u>
Non-GAAP earnings per share	<u>\$ 1.00</u>	<u>\$ 1.60</u>