

A collage of images including a person in a lab coat and mask, a microchip, and communication towers.

Q4 2023 Earnings Presentation

FEBRUARY 6, 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 or from Advanced Energy's Investors page at ir.advancedenergy.com. Forward-looking statements are made and based on information available to Advanced Energy's management team as of February 6, 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.

Q4 AND FULL YEAR 2023 SUMMARY

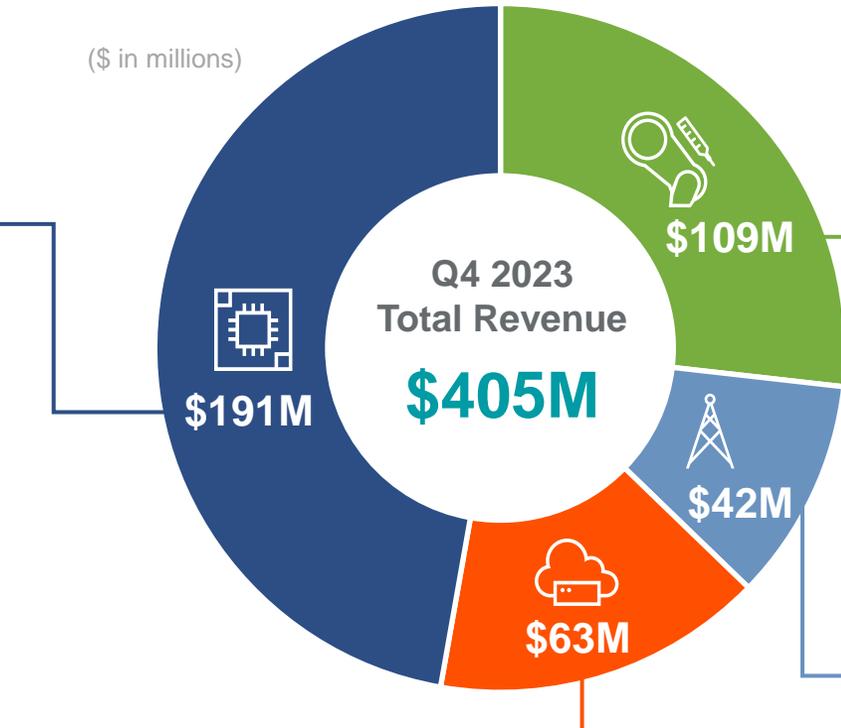


NeoPower NP08 AC-DC configurable power supply delivering up to 4000 W with best-in-class power density of 18 W/in³ for industrial and medical applications

- **Good execution in Q4 and full year 2023**
 - Q4 revenue of \$405 million at midpoint of guidance; non-GAAP⁽¹⁾ EPS of \$1.24 surpassed midpoint of guidance
 - Delivered record operating cash flow of \$213 million in 2023 and a record \$85 million in Q4 2023
 - 2023 benefited from our diversification strategy, with revenue performance significantly improved from previous semi downturns and better than many of our semi sub-system peers
- **Investments in new products, channel strategy, and factory optimization are yielding results**
 - Launched 20 new products in 2023, including game-changing platforms such as eVoS™, eVerest™ and NeoPower
 - Achieved record number of design wins in the Semiconductor, Industrial and Medical markets
 - Launched new digital platform in 2023, with web traffic and engagement levels > 2X in six months
 - Completed closure of 2 small factories in Q4, in addition to Shenzhen closure in Q1
- **Market weakness in 1H 2024, but expect 2H 2024 to improve and 2025 to further strengthen**
 - Sluggish demand across our markets in Q1 but we see early signs that markets will improve
 - Expect revenue 2H'24 > 1H'24 and Q4 exit rate return to >\$400M as market recovers and new programs kick in
- **Continue to execute on strategic focus areas in 2024**
 - Maintain momentum in new product launches and design wins
 - Broaden our customer base and expand presence at existing customers with channel strategy and website
 - Continue to improve operational efficiency, optimize manufacturing footprint, and control costs
 - Leverage strong balance sheet to continue to look for inorganic growth opportunities

Q4 2023 REVENUE DETAIL BY MARKET

(\$ in millions)



SEMICONDUCTOR EQUIPMENT

Up 3% Q/Q & Down 18% Y/Y

- Revenue up Q/Q on higher product revenue offsetting lower service revenue
- Shipments of eVerest and eVoS beta units increased sharply
- Delivered an upgraded, high flow MAXstream™ RPS to customer
- High Voltage and Service reached record sales for the full year

INDUSTRIAL & MEDICAL

Down 6% Q/Q & Down 9% Y/Y

- Revenue down Q/Q as production of new designs partially offset macro headwinds
- Launched NeoPower family of configurable PSUs with best-in-class power density
- Investments in channel and digital platform are expected to drive future share gains
- Adding eCommerce in Q1 to make it easier for customers to quickly evaluate products

DATA CENTER COMPUTING

Down 8% Q/Q & Down 34% Y/Y

- Data Center Computing down Q/Q on a soft enterprise market partially offset by the volume ramp of our proprietary Hyperscale product for AI applications
- Telecom & Networking up slightly Q/Q on strong year-end Telecom shipments

TELECOM & NETWORKING

Up 2% Q/Q & Down 5% Y/Y

Q4 2023 FINANCIAL HIGHLIGHTS



REVENUE
\$405 million
Down 1% Q/Q



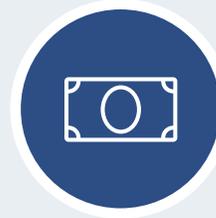
NON-GAAP EPS⁽¹⁾
\$1.24
Down 3% Q/Q



NON-GAAP GROSS MARGIN⁽¹⁾
35.7%
Down 40 bps Q/Q



NON-GAAP OP MARGIN⁽¹⁾
12.3%
Down 10 bps Q/Q



OPERATING CASH FLOW⁽²⁾
\$85 million
Record & Up 16% Q/Q



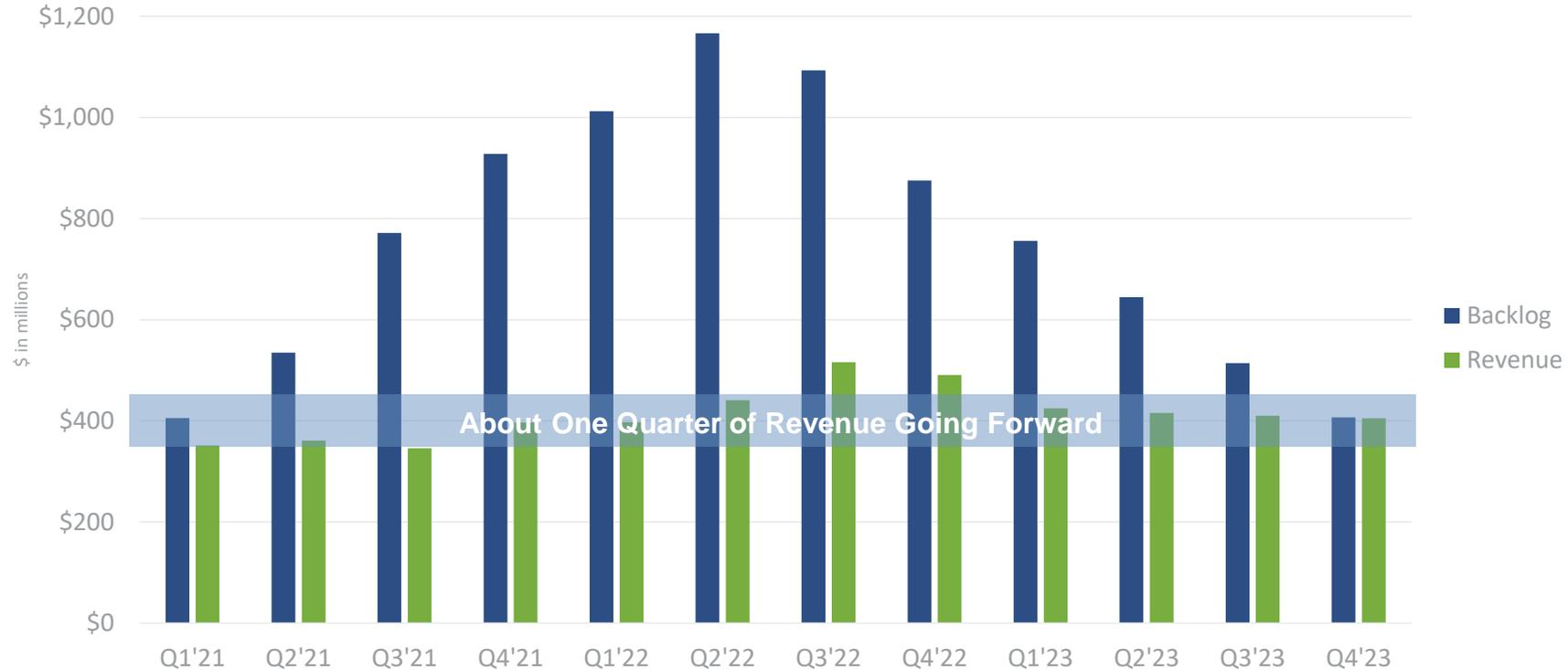
TOTAL CASH⁽³⁾
\$1.045 billion
Net Cash of \$129 million

(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

QUARTERLY REVENUE AND BACKLOG TRENDS



- Backlog at the end of Q4 2023 returned to normalized range of \$407 million, down 54% Y/Y and down 21% Q/Q
- Mainly driven by shorter leadtimes and customers moving back to hub or JIT bins rather than placing direct orders
- Roughly 75% of the backlog is shippable over the next two quarters
- Expect backlog to remain around one quarter of revenue going forward

Q4 AND 2023 REVENUE BY MARKET

(\$ in millions)	Q4 2023	Q3 2023	Q4 2022	Q/Q	Y/Y	2023	2022	Y/Y
Semiconductor Equipment	\$191.4	\$185.0	\$232.5	3.4%	-17.7%	\$743.8	\$930.8	-20.1%
Industrial & Medical	\$108.6	\$115.2	\$119.3	-5.8%	-9.0%	\$474.4	\$426.8	11.2%
Data Center Computing	\$62.9	\$68.3	\$94.5	-8.0%	-33.5%	\$249.9	\$327.5	-23.7%
Telecom & Networking	\$42.4	\$41.4	\$44.4	2.4%	-4.5%	\$187.7	\$160.3	17.1%
Total Revenue	\$405.3	\$410.0	\$490.7	-1.2%	-17.4%	\$1,655.8	\$1,845.4	-10.3%

INCOME STATEMENTS

(\$ in millions, except per share data)	Q4 2023	Q3 2023	Q4 2022	Q/Q	Y/Y	2023	2022	Y/Y
Revenue	\$405.3	\$410.0	\$490.7	-1.2%	-17.4%	\$1,655.8	\$1,845.4	-10.3%
GAAP gross margin	35.3%	35.9%	36.2%			35.8%	36.6%	-
GAAP operating expenses	\$129.1	\$117.3	\$119.7	10.1%	7.8%	\$478.7	\$442.4	8.2%
GAAP operating margin from continuing ops	3.4%	7.3%	11.8%			6.9%	12.6%	-570 bps
GAAP EPS from continuing ops	\$1.01	\$0.89	\$1.20	13.4%	-16.2%	\$3.46	\$5.35	-35.3%
Non-GAAP ⁽¹⁾ gross margin	35.7%	36.1%	36.6%			36.1%	37.0%	-90 bps
Non-GAAP ⁽¹⁾ operating expenses	\$94.9	\$97.3	\$99.8	-2.5%	-4.9%	\$390.3	\$382.5	2.1%
Non-GAAP ⁽¹⁾ operating margin	12.3%	12.4%	16.0%			12.5%	16.2%	-370 bps
Non-GAAP ⁽¹⁾ EPS	\$1.24	\$1.28	\$1.70	-3.1%	-27.1%	\$4.88	\$6.49	-24.8%

BALANCE SHEET & CASH FLOW

- Total Cash up Q/Q to \$1,045 million
 - Net cash⁽¹⁾ up Q/Q to \$129 million
- Inventory Turns improved Q/Q from 2.9x to 3.1x
 - Days inventory improved Q/Q from 125 days to 116 days
- DSO increased Q/Q from 59 days to 63 days
- DPO increased Q/Q from 48 days to 49 days
- Operating cash flow from continuing operations was a record \$84.7 million
- CAPEX was \$14.2 million, or 3.5% of revenue

(\$ in millions)	Q4 2023	Q3 2023	Q4 2022
Cash	\$1,044.7	\$986.1	\$460.9
Inventories	\$336.1	\$364.0	\$376.0
Accounts Receivable	\$282.4	\$270.3	\$300.7
Total Assets	\$2,556.8	\$2,493.7	\$1,992.2
Accounts Payable	\$141.8	\$140.3	\$170.5
Total Debt	\$915.7	\$919.8	\$373.3
Total Liabilities	\$1,412.6	\$1,392.8	\$925.9
Shareholders' Equity	\$1,144.2	\$1,100.9	\$1,066.3

Q1 2024 GUIDANCE

(\$ in millions, except per share data)	Guidance
Revenue	\$350 +/- \$15
GAAP EPS from continuing operations	\$0.29 +/- \$0.20
Non-GAAP ⁽¹⁾ EPS	\$0.70 +/- \$0.20

(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⁽¹⁾

Quarterly Trend

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

All figures from Continuing Operations

	2021	2021	2021	2021	2022	2022	2022	2022	2023	2023	2023	2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Backlog	405.7	534.7	771.4	927.8	1,012.4	1,166.5	1,093.0	875.3	755.9	644.7	514.5	406.8
Revenue	351.6	361.3	346.1	396.9	397.5	440.9	516.3	490.7	425.0	415.5	410.0	405.3
Gross Profit	139.7	137.3	124.9	141.0	145.3	163.8	193.4	179.4	156.5	147.8	148.2	144.5
Gross Margin	39.7%	38.0%	36.1%	35.5%	36.6%	37.1%	37.5%	36.6%	36.8%	35.6%	36.1%	35.7%
Total OPEX	79.5	82.6	83.6	86.1	87.6	94.2	99.8	100.9	99.7	98.5	97.3	94.9
OPEX %	22.6%	22.9%	24.2%	21.7%	22.0%	21.4%	19.3%	20.6%	23.5%	23.7%	23.7%	23.4%
Operating Income	60.2	54.7	41.2	54.8	57.8	69.6	93.6	78.5	56.8	49.3	50.9	49.7
Operating Income %	17.1%	15.1%	11.9%	13.8%	14.5%	15.8%	18.1%	16.0%	13.4%	11.9%	12.4%	12.3%
Depreciation	7.3	7.5	7.9	8.1	8.4	8.5	8.5	8.8	9.5	9.4	9.7	9.7
EBITDA⁽²⁾	67.6	62.2	49.1	63.0	66.1	78.1	102.1	87.3	66.3	58.7	60.7	59.4
EBITDA %	19.2%	17.2%	14.2%	15.9%	16.6%	17.7%	19.8%	17.8%	15.6%	14.1%	14.8%	14.6%
Other Income/(Expense)	(2.6)	(1.9)	(1.7)	(2.5)	(2.1)	(2.2)	(1.9)	(1.1)	0.5	0.2	1.3	5.2
Income Before Taxes	57.6	52.8	39.6	52.3	55.6	67.4	91.7	77.4	57.3	49.5	52.3	54.8
Tax Provision/(Benefit)	7.9	4.7	5.6	0.9	8.9	13.1	12.1	13.2	10.4	7.6	3.8	8.1
Tax Rate	13.7%	8.9%	14.0%	1.6%	16.0%	19.4%	13.2%	17.0%	18.1%	15.3%	7.2%	14.8%
Non-GAAP Net Income	49.7	48.1	34.0	51.5	46.7	54.3	79.6	64.2	47.0	41.9	48.5	46.7
Net Income %	14.1%	13.3%	9.8%	13.0%	11.8%	12.3%	15.4%	13.1%	11.1%	10.1%	11.8%	11.5%
Non-GAAP EPS	1.29	1.25	0.89	1.36	1.24	1.44	2.12	1.70	\$1.24	\$1.11	\$1.28	\$1.24
Average Shares Outstanding	38.6	38.6	38.4	37.9	37.8	37.7	37.6	37.7	37.8	37.8	37.9	37.6

(1) For detailed explanations of non-GAAP financials and reconciliations of GAAP to non-GAAP financials, please refer to our 10-K and 10-Q filings with the SEC

(2) EBITDA is defined as non-GAAP net operating income + depreciation

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,	
	2023	2022	2023	2023	2022
Gross profit from continuing operations, as reported	\$ 142,866	\$ 177,814	\$ 147,341	\$ 592,398	\$ 675,506
Adjustments to gross profit:					
Stock-based compensation	472	391	615	2,059	1,478
Facility expansion, relocation costs and other	1,146	1,162	171	2,334	5,295
Acquisition-related costs	44	73	44	238	(299)
Non-GAAP gross profit	144,528	179,440	148,171	597,029	681,980
Non-GAAP gross margin	35.7%	36.6%	36.1%	36.1%	37.0%
Operating expenses from continuing operations, as reported	129,096	119,713	117,280	478,704	442,411
Adjustments:					
Amortization of intangible assets	(7,068)	(7,033)	(7,049)	(28,254)	(26,114)
Stock-based compensation	(7,716)	(4,450)	(7,460)	(28,942)	(18,371)
Acquisition-related costs	(1,372)	(1,660)	(611)	(4,026)	(8,637)
Facility expansion, relocation costs and other	—	—	(189)	(189)	—
Restructuring, asset impairments, and other charges	(18,071)	(5,636)	(4,709)	(26,977)	(6,814)
Non-GAAP operating expenses	94,869	100,934	97,262	390,316	382,475
Non-GAAP operating income	\$ 49,659	\$ 78,506	\$ 50,909	\$ 206,713	\$ 299,505
Non-GAAP operating margin	12.3%	16.0%	12.4%	12.5%	16.2%

Reconciliation of Non-GAAP measure - income excluding certain items

	Three Months Ended			Year Ended	
	December 31,		September 30,	December 31,	
	2023	2022	2023	2023	2022
Income from continuing operations, less non-controlling interest, net of income tax	\$ 37,891	\$ 45,345	\$ 33,651	\$ 130,749	\$ 201,875
Adjustments:					
Amortization of intangible assets	7,068	7,033	7,049	28,254	26,114
Acquisition-related costs	1,416	1,733	655	4,264	8,338
Facility expansion, relocation costs, and other	1,146	1,162	360	2,523	5,295
Restructuring, asset impairments, and other charges	18,071	5,636	4,709	26,977	6,814
Unrealized foreign currency gain	2,728	5,378	(1,604)	(89)	(7,645)
Acquisition-related costs and other included in other income (expense), net	—	(3,817)	(1,516)	(1,516)	(8,417)
Tax effect of non-GAAP adjustments, including certain discrete tax benefits	(28,030)	(2,042)	(1,101)	(31,303)	(3,008)
Non-GAAP income, net of income tax, excluding stock-based compensation	40,290	60,428	42,203	159,859	229,366
Stock-based compensation, net of tax	6,387	3,776	6,299	24,181	15,444
Non-GAAP income, net of income tax	\$ 46,677	\$ 64,204	\$ 48,502	\$ 184,040	\$ 244,810

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

	Three Months Ended			Year Ended	
	December 31,		September 30,	December 31,	
	2023	2022	2023	2023	2022
Diluted earnings per share from continuing operations, as reported	\$ 1.01	\$ 1.20	\$ 0.89	\$ 3.46	\$ 5.35
Add back:					
Per share impact of non-GAAP adjustments, net of tax	0.23	0.50	0.39	1.42	1.14
Non-GAAP earnings per share	\$ 1.24	\$ 1.70	\$ 1.28	\$ 4.88	\$ 6.49

Q1 2024 RECONCILIATION OF GAAP TO NON-GAAP GUIDANCE

(\$ in millions, except per share data)	Low End		Midpoint		High End	
Revenue	\$335		\$350		\$365	
Reconciliation of Non-GAAP EPS						
GAAP EPS	\$	0.09	\$	0.29	\$	0.49
Stock-based compensation		0.24		0.24		0.24
Amortization of intangible assets		0.19		0.19		0.19
Restructuring and other		0.06		0.06		0.06
Tax effects of excluded items		(0.08)		(0.08)		(0.08)
Non-GAAP⁽¹⁾ EPS	\$	0.50	\$	0.70	\$	0.90