

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.

# Q2 2023 Earnings Presentation

AUGUST 3, 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 August 3, 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.

## Angstrom-Era Precision Plasma Power



eVerest RF Generator

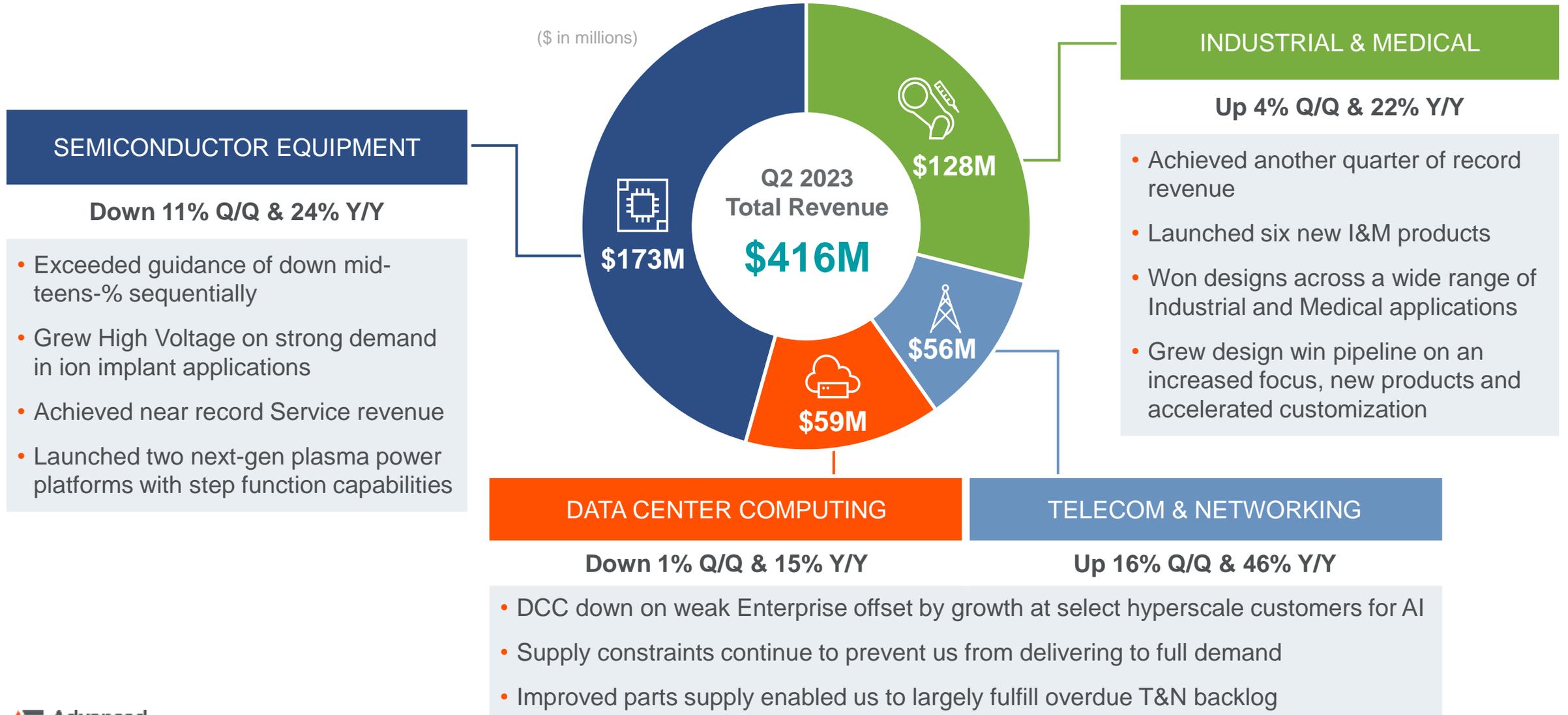


eVoS™ ME Asymmetric Bias  
Waveform Generator

# Q2 2023 SUMMARY

- **Q2 2023 results exceeded guidance**
  - Revenue of \$416 million and non-GAAP<sup>(1)</sup> EPS of \$1.11 exceeded the midpoints of guidance
  - Revenue down 2% Q/Q with record Industrial & Medical partially offsetting cyclical weakness in semiconductor
  - Results validate the benefits of our diversification strategy
- **Executing to our 2023 outlook**
  - Continue to expect semi revenue trough in Q2 and H2'23 to be flat-to-up versus H1'23 on pockets of strength
  - Expect 2023 non-semiconductor revenue to increase slightly Y/Y versus prior view of flat Y/Y
  - Gross margin to gradually improve, enabling more meaningful leverage in 2024
- **Launched multiple new platforms to meet next generation design requirements**
  - Launched next generation plasma power platforms, the eVerest and eVoS™ ME
  - Encouraged by strong customer interest in new products and a deeper level of customer engagement
  - Expect innovative products and technologies to drive record design wins this year
- **Improving our operational efficiency and optimizing our footprint**
  - Concentrate our production in large, highly efficient factories to leverage economies of scale
  - Execute to quadruple output in Mexicali and build a new flagship factory in Thailand
  - Control discretionary spending while maintaining R&D investment
  - Well-positioned to deliver long-term profitable growth

# STRENGTH IN NON-SEMI PARTIALLY OFFSET SEMI CYCLE



# Q2 2023 FINANCIAL HIGHLIGHTS



REVENUE  
**\$416 million**  
Down 2% Q/Q



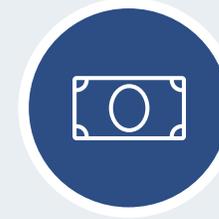
NON-GAAP EPS<sup>(1)</sup>  
**\$1.11**  
Down 10% Q/Q



NON-GAAP GROSS MARGIN<sup>(1)</sup>  
**35.6%**  
Down 120 bps Q/Q



NON-GAAP OP MARGIN<sup>(1)</sup>  
**11.9%**  
Down 150 bps Q/Q



OPERATING CASH FLOW<sup>(2)</sup>  
**\$24 million**  
Down 26% Q/Q



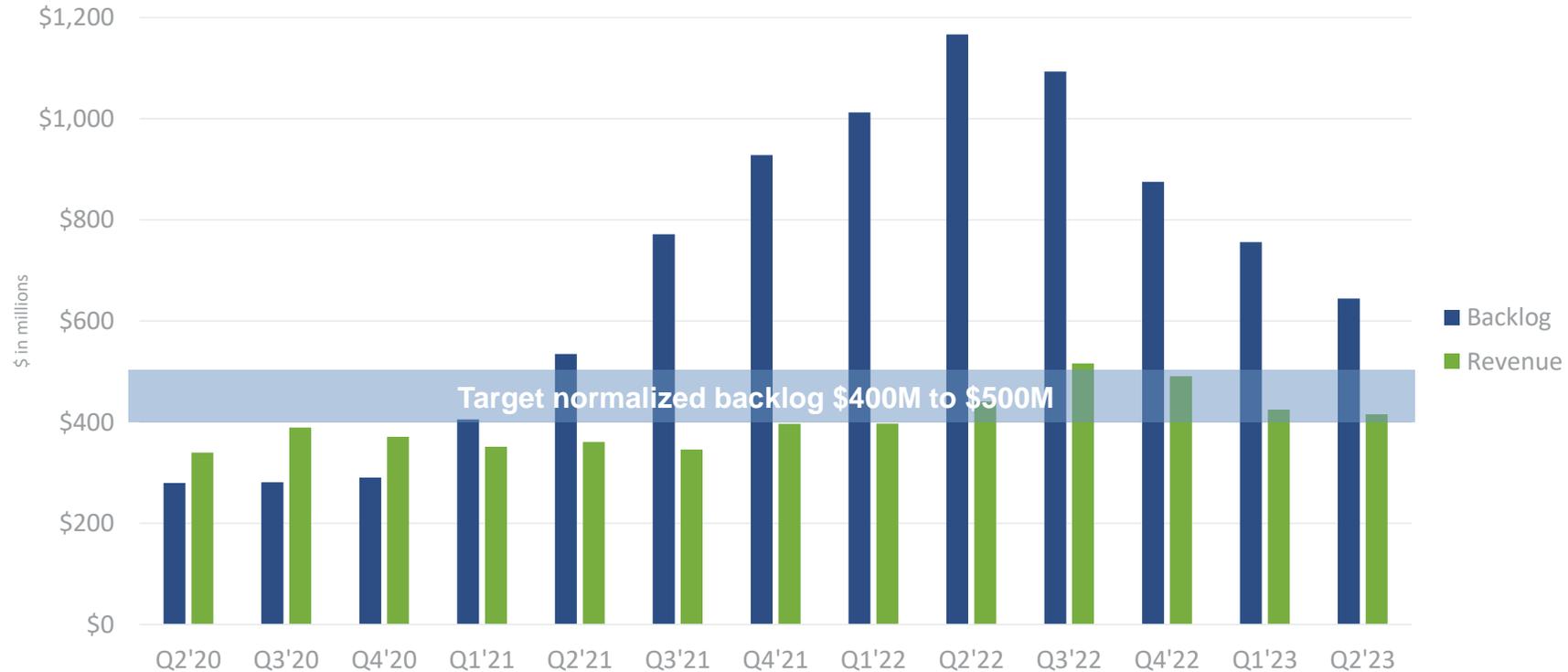
CASH & INVESTMENTS<sup>(3)</sup>  
**\$455 million**  
Net Cash of \$92 million

(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) Cash & Investments includes total cash and cash equivalents of \$455.3 million and marketable securities of \$0.2 million; Net cash = Cash & Investments less Current portion of long-term debt and Long-term debt

# QUARTERLY REVENUE AND BACKLOG TRENDS



- Total backlog at the end of Q2 2023 was \$645 million, down 45% Y/Y and down 15% Q/Q
- Mainly driven by customers reducing orders for out quarter deliveries as we improved our lead times
- More than 80% of the backlog is shippable over the next two quarters
- Continue to target a normalized backlog level of \$400-\$500 million

# REVENUE BY MARKET

(\$ in millions)	Q2 2023	Q1 2023	Q2 2022	Q/Q	Y/Y	ORGANIC <sup>(1)</sup>
						Y/Y
Semiconductor Equipment	\$173.2	\$194.2	\$228.8	-10.8%	-24.3%	-24.1%
Industrial & Medical	\$127.6	\$123.0	\$105.0	3.7%	21.6%	23.7%
Data Center Computing	\$59.1	\$59.7	\$69.2	-1.0%	-14.6%	-14.6%
Telecom & Networking	\$55.7	\$48.2	\$38.0	15.6%	46.3%	46.3%
<b>Total Revenue</b>	<b>\$415.5</b>	<b>\$425.0</b>	<b>\$440.9</b>	<b>-2.2%</b>	<b>-5.8%</b>	<b>-6.0%</b>

# INCOME STATEMENT

(\$ in millions, except per share data)	Q2 2023	Q1 2023	Q2 2022	Q/Q	Y/Y
Revenue	\$415.5	\$425.0	\$440.9	-2.2%	-5.8%
GAAP gross margin	35.4%	36.5%	36.8%		
GAAP operating expenses	\$117.3	\$115.1	\$109.4	1.9%	7.2%
GAAP operating margin from continuing ops	7.2%	9.4%	12.0%		
GAAP EPS from continuing ops	\$0.73	\$0.84	\$1.19	-13.1%	-38.7%
Non-GAAP <sup>(1)</sup> gross margin	35.6%	36.8%	37.1%		
Non-GAAP <sup>(1)</sup> operating expenses	\$98.5	\$99.7	\$94.2	-1.2%	4.6%
Non-GAAP <sup>(1)</sup> operating margin	11.9%	13.4%	15.8%		
Non-GAAP <sup>(1)</sup> EPS	\$1.11	\$1.24	\$1.44	-10.5%	-22.9%

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

# BALANCE SHEET & CASH FLOW

- Cash and investments<sup>(1)</sup> down Q/Q to \$455 million
  - Net cash down 2% Q/Q to \$92 million
- Inventory decreased Q/Q to \$392 million
  - Turns flat Q/Q at 2.7 times
- Receivables decreased Q/Q to \$259 million
  - DSO decreased Q/Q to 56 days
- Payables decreased Q/Q to \$149 million
  - DPO decreased Q/Q to 50 days
- Operating cash flow from continuing operations was \$23.8 million
- CAPEX was \$17.4 million, or 4.2% of revenue

(\$ in millions)	Q2 2023	Q1 2023	Q2 2022
Cash & Investments	\$455.4	\$461.8	\$374.8
Inventories	\$392.3	\$401.5	\$395.9
Accounts Receivable	\$258.8	\$291.6	\$270.8
Total Assets	\$1,949.9	\$2,008.7	\$1,878.1
Accounts Payable	\$149.3	\$185.8	\$197.9
Total Debt	\$363.5	\$368.4	\$383.0
Total Liabilities	\$824.6	\$912.8	\$953.2
Shareholders' Equity	\$1,125.3	\$1,095.9	\$924.9

# Q3 2023 GUIDANCE

(\$ in millions, except per share data)	Guidance
Revenue	\$415 +/- \$15
GAAP EPS from continuing operations	\$0.70 +/- \$0.20
Non-GAAP <sup>(1)</sup> EPS	\$1.13 +/- \$0.20

# 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	2023 Q1	2023 Q2
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	755.9	644.7
<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>	<b>425.0</b>	<b>415.5</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	156.5	147.8
<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>36.8%</b>	<b>35.6%</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>	<b>99.7</b>	<b>98.5</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%	23.5%	23.7%
<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>	<b>56.8</b>	<b>49.3</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%	13.4%	11.9%
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	9.5	9.4
<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>	<b>66.3</b>	<b>58.7</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%	15.6%	14.1%
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)	0.5	0.2
<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>	<b>57.3</b>	<b>49.5</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	10.4	7.6
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%	18.1%	15.3%
<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>	<b>46.9</b>	<b>41.9</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%	11.0%	10.1%
<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>	<b>\$1.24</b>	<b>\$1.11</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	37.8	37.8

# 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			Six Months Ended	
	June 30,		March 31,	June 30,	
	2023	2022	2023	2023	2022
Gross profit from continuing operations, as reported	\$ 147,080	\$ 162,158	\$ 155,111	\$ 302,191	\$ 306,474
Adjustments to gross profit:					
Stock-based compensation	589	402	383	972	633
Facility expansion, relocation costs and other	60	1,187	957	1,017	2,471
Acquisition-related costs	97	64	53	150	(438)
Non-GAAP gross profit	147,826	163,811	156,504	304,330	309,140
Non-GAAP gross margin	35.6%	37.1%	36.8%	36.2%	36.9%
Operating expenses from continuing operations, as reported	117,255	109,393	115,073	232,328	209,052
Adjustments:					
Amortization of intangible assets	(7,075)	(6,523)	(7,062)	(14,137)	(12,032)
Stock-based compensation	(7,348)	(4,656)	(6,418)	(13,766)	(8,353)
Acquisition-related costs	(1,165)	(4,159)	(878)	(2,043)	(5,827)
Restructuring	(3,154)	161	(1,043)	(4,197)	(1,057)
Non-GAAP operating expenses	98,513	94,216	99,672	198,185	181,783
Non-GAAP operating income	\$ 49,313	\$ 69,595	\$ 56,832	\$ 106,145	\$ 127,357
Non-GAAP operating margin	11.9%	15.8%	13.4%	12.6%	15.2%

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

	Three Months Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2023	2022	2023	2023	2022
Income from continuing operations, less non-controlling interest, net of income taxes	\$ 27,455	\$ 44,790	\$ 31,752	\$ 59,207	\$ 81,666
Adjustments:					
Amortization of intangible assets	7,075	6,523	7,062	14,137	12,032
Acquisition-related costs	1,262	4,223	931	2,193	5,389
Facility expansion, relocation costs, and other	60	1,187	957	1,017	2,471
Restructuring	3,154	(161)	1,043	4,197	1,057
Unrealized foreign currency gain	(2,266)	(5,569)	1,053	(1,213)	(6,854)
Acquisition-related costs and other included in other expense, net	—	85	—	—	85
Tax effect of non-GAAP adjustments	(1,051)	(752)	(1,121)	(2,172)	(1,821)
Non-GAAP income, net of income taxes, excluding stock-based compensation	35,689	50,326	41,677	77,366	94,025
Stock-based compensation, net of taxes	6,191	3,946	5,304	11,495	6,971
Non-GAAP income, net of income taxes	\$ 41,880	\$ 54,272	\$ 46,981	\$ 88,861	\$ 100,996

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

	Three Months Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2023	2022	2023	2023	2022
Diluted earnings per share from continuing operations, as reported	\$ 0.73	\$ 1.19	\$ 0.84	\$ 1.57	\$ 2.16
Add back:					
Per share impact of non-GAAP adjustments, net of tax	0.38	0.25	0.40	0.78	0.52
Non-GAAP earnings per share	\$ 1.11	\$ 1.44	\$ 1.24	\$ 2.35	\$ 2.68

# Q3 2023 RECONCILIATION OF GAAP TO NON-GAAP GUIDANCE

(\$ in millions, except per share data)	Low End		Midpoint		High End	
<b>Revenue</b>	<b>\$400</b>		<b>\$415</b>		<b>\$430</b>	
<b>Reconciliation of Non-GAAP EPS</b>						
<b>GAAP EPS</b>	<b>\$</b>	<b>0.50</b>	<b>\$</b>	<b>0.70</b>	<b>\$</b>	<b>0.90</b>
Stock-based compensation		0.20		0.20		0.20
Amortization of intangible assets		0.19		0.19		0.19
Restructuring and other		0.12		0.12		0.12
Tax effects of excluded items		(0.08)		(0.08)		(0.08)
<b>Non-GAAP<sup>(1)</sup> EPS</b>	<b>\$</b>	<b>0.93</b>	<b>\$</b>	<b>1.13</b>	<b>\$</b>	<b>1.33</b>