



Fourth Quarter 2015
Earnings Conference Call

February 23, 2016

Safe Harbor

Use of Forward-Looking Statements

- This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, including, but not limited to, statements related to Enphase Energy's financial performance, market demands for its Microinverters, advantages of its technology, market trend and future financial performance.
- These forward-looking statements are based on Enphase's current expectations and are inherently subject to risks and uncertainties. They should not be considered guarantees of future results, which could differ materially from the results set forth in, contemplated by, or underlying this presentation.
- Factors that could cause actual results to differ materially from the Company's expectations are described in the reports filed by the Company with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and we encourage you to review our filing carefully, especially the sections entitled "Risk Factors" in our report on form 10-Q for the quarter ended September 30, 2015, and on form 10-K for the year ended December 31, 2015, which will be filed with the SEC in the first quarter of 2016.
- Enphase Energy undertakes no duty or obligation to update any forward-looking statements contained in this presentation as a result of new information, future events or changes in its expectations.

Use of Non-GAAP Financial Measures

- Financial measures in this presentation are non-GAAP unless otherwise noted. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles in the United States of America, or GAAP. As such, these non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP.
- Reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure can be found in the tables at the end of this presentation.
- The Company uses these non-GAAP financial measures to analyze its operating performance and future prospects, develop internal budgets and financial goals, and to facilitate period-to-period comparisons. Enphase believes that these non-GAAP financial measures reflect an additional way of viewing aspects of its operations that, when viewed with its GAAP results, provide a more complete understanding of factors and trends affecting its business.

Enphase Energy



Founded by
Raghu Belur and
Martin Fornage
in California

Enphase listed on
NASDAQ under
symbol ENPH



More than 10.3
million units shipped,
representing
over 2.5GW



2006

2007

2008 ~ 2011

2012

2013

2014

2015



First microinverter
system introduced



1 million units shipped,
Enphase expands globally



Fourth-generation
technology introduced



Home Energy Solution
AC Battery storage
system announced



Fifth-generation
technology introduced

Fourth Quarter 2015 Highlights

- Revenue of **\$65.6M**
- Shipped **129MW (AC)** or 152MW (DC), representing 547,000 microinverters
- **Ten millionth** microinverter shipped, representing more than **2.5GW** of Enphase systems
- Positive cash flow from operations of **\$8.1 million**



Fourth Quarter 2015 Business Highlights

Started Shipping 5th Generation microinverter systems

- **S-series microinverter**
 - Bi-directional microinverter that includes advanced grid functions
 - Powerful, smart solar energy microinverter that simplifies installation
 - Delivers market-leading quality, reliability, and safety
 - Designed to pair with higher power modules
 - Improved power conversion efficiency
- **Envoy-S**
 - Next generation gateway including consumption monitoring, revenue grade metering and cellular connectivity
- **AC Combiner Box**
 - Simplifies and reduces the cost of the installation process

Announced Agreement with LG Electronics to Develop AC Modules

- Pairs Enphase's S-series microinverter technology with LG's new generation of AC solar modules (ACM) for the global solar market
- Reducing product, design and installation costs, simplifying the supply chain and logistics

Fourth Quarter 2015 Financial Highlights (non-GAAP)

\$ in millions	Q4 '15	Q3 '15	Q4'14
Total Revenue	\$65.6	\$102.9	\$105.2
Gross Margin %	24.5%	30.9%	33.5%
Operating Expenses	\$27.8	\$26.9	\$30.4
Operating Income (loss)	(\$11.7)	\$4.9	\$4.8
Net Income (loss)	(\$11.5)	\$3.8	\$3.5
Earnings Per Share	(\$0.25)	\$0.08	\$0.07

Cash Flow and Balance Sheet Highlights

\$ in millions	Q4 '15	Q3 '15	Q4 '14
Cash Flow from Operations	\$8.1	(\$6.0)	\$8.9
Capital Expenditures	\$2.8	\$3.4	\$4.2
Depreciation	\$2.8	\$2.7	\$2.3
Cash	\$28.5	\$22.5	\$42.0
Total Debt	\$17.0	\$17.0	\$0.0

First Quarter 2016 Outlook (non-GAAP)

Revenue \$63M - \$69M

Gross Margin 18% - 21%

Operating Expenses \$27M - \$29M



Reconciliation of Non-GAAP Financial Measures

	<u>4Q15</u>	<u>3Q15</u>	<u>4Q14</u>
Gross Margin (GAAP)	23.9 %	30.6 %	33.3 %
Stock-based Compensation	0.6 %	0.3 %	0.2 %
Gross Margin (Non-GAAP)	<u>24.5 %</u>	<u>30.9 %</u>	<u>33.5 %</u>
Operating expenses (GAAP)	\$ 30.9	\$ 29.7	\$ 33.1
Stock-based compensation	(2.8)	(3.0)	(2.5)
Acquisition-related costs	—	—	(0.2)
Revaluation of contingent consideration	0.2	0.7	—
Severance costs	(0.5)	(0.5)	—
Operating expenses (Non-GAAP)	<u>\$ 27.8</u>	<u>\$ 26.9</u>	<u>\$ 30.4</u>
Income (loss) from operations (GAAP)	\$ (15.1)	\$ 1.8	\$ 1.9
Stock-based Compensation	3.1	3.3	2.7
Acquisition-related costs	—	—	0.2
Revaluation of contingent consideration	(0.2)	(0.7)	—
Severance costs	0.5	0.5	—
Income (loss) from operations (Non-GAAP)	<u>\$ (11.7)</u>	<u>\$ 4.9</u>	<u>\$ 4.8</u>
Net income (loss) (GAAP)	\$ (15.8)	\$ 0.6	\$ 0.4
Stock-based Compensation	3.1	3.4	2.7
Acquisition-related costs	—	—	0.2
Revaluation of contingent consideration	(0.2)	(0.7)	—
Severance costs	0.5	0.5	—
Non-cash interest expense	0.1	—	0.2
Income tax effect on revaluatin of contingent consideration liability	0.8	—	—
Net income (loss) (Non-GAAP)	<u>\$ (11.5)</u>	<u>\$ 3.8</u>	<u>\$ 3.5</u>
Net income (loss) per share, diluted (GAAP)	\$ (0.35)	\$ 0.01	\$ 0.01
Stock-based Compensation	0.07	0.07	0.06
Revaluation of contingent consideration	—	(0.01)	—
Severance costs	0.01	0.01	—
Income tax effect on revaluatin of contingent consideration liability	0.02	—	—
Net income (loss) per share, diluted (Non-GAAP)	<u>\$ (0.25)</u>	<u>\$ 0.08</u>	<u>\$ 0.07</u>

The ENPHASE Promise:

We make solar simple
and energy smart.