



Enphase Energy Reports Financial Results for the Second Quarter of 2020

FREMONT, Calif., Aug. 4, 2020 - Enphase Energy, Inc. (NASDAQ: ENPH), a global energy technology company and the world's leading supplier of solar microinverters, announced today financial results for the second quarter of 2020, which included the summary below from its President and CEO, Badri Kothandaraman.

We reported revenue of \$125.5 million in the second quarter of 2020, along with a record 39.6% for non-GAAP gross margin. Our second quarter revenue decreased 39% sequentially, or 22% sequentially, excluding the impact of \$44.5 million of safe harbor revenue in the first quarter of 2020. We shipped approximately 355 megawatts DC, or 1,087,662 microinverters.

Highlights for the second quarter of 2020 included:

- Shipments of Enphase Encharge™ energy storage systems in June for pilot runs to installers
- Revenue of \$125.5 million
- Cash flow from operations of \$25.4 million; ending cash balance of \$607.3 million
- GAAP gross margin of 38.5%; record non-GAAP gross margin of 39.6%
- GAAP operating expenses of \$37.5 million; non-GAAP operating expenses of \$26.0 million
- GAAP operating income of \$10.9 million; non-GAAP operating income of \$23.7 million
- GAAP net loss of \$47.3 million, including a non-cash charge of \$59.7 million from fair value changes related to our convertible notes issued in March 2020 due to an increase in our stock price
- Non-GAAP net income of \$23.5 million
- GAAP basic and diluted net loss per share of \$(0.38); non-GAAP diluted earnings per share of \$0.17

Our revenue and earnings for the second quarter of 2020 are provided below, compared with those of the prior quarter and the year ago quarter:

(In thousands, except per share data and percentages)

| | GAAP | | | Non-GAAP | | |
|--------------------|-------------|------------|------------|------------|------------|------------|
| | Q2 2020 | Q1 2020 | Q2 2019 | Q2 2020 | Q1 2020 | Q2 2019 |
| Revenue | \$ 125,538 | \$ 205,545 | \$ 134,094 | \$ 125,538 | \$ 205,545 | \$ 134,094 |
| Gross margin | 38.5 % | 39.2 % | 33.8 % | 39.6 % | 39.5 % | 34.1 % |
| Operating expenses | \$ 37,533 | \$ 35,963 | \$ 27,872 | \$ 26,024 | \$ 28,508 | \$ 22,478 |
| Operating income | \$ 10,854 | \$ 44,712 | \$ 17,447 | \$ 23,700 | \$ 52,773 | \$ 23,227 |
| Net income (loss) | \$ (47,294) | \$ 68,936 | \$ 10,618 | \$ 23,549 | \$ 51,875 | \$ 23,173 |
| Basic EPS | \$ (0.38) | \$ 0.56 | \$ 0.09 | \$ 0.19 | \$ 0.42 | \$ 0.20 |
| Diluted EPS | \$ (0.38) | \$ 0.50 | \$ 0.08 | \$ 0.17 | \$ 0.38 | \$ 0.18 |

Our non-GAAP gross margin increased to 39.6% from 39.5% in the first quarter of 2020, driven by disciplined pricing and cost management. Non-GAAP operating expenses decreased to \$26.0 million in the second quarter of 2020, compared to \$28.5 million in the prior quarter, primarily due to our tight spending controls. Non-GAAP operating income was \$23.7 million, compared to \$52.8 million in the prior quarter.

We exited the second quarter with \$607.3 million in cash and generated \$25.4 million in cash flow from operations. Inventory was \$31.2 million at the end of the second quarter of 2020, compared to \$34.6 million at the end of the first quarter of 2020. I am proud of our team's excellent inventory management and control.

We shipped our Encharge energy storage systems in June for pilot runs to a few of our installers and the feedback has been good. Encharge storage systems feature Ensemble™ energy management technology, which powers the world's first grid-agnostic microinverter-based storage system. We started Encharge production shipments in July to customers in North America. We are pleased with the initial feedback from our customers, who see the Encharge energy storage system as a safe, reliable and powerful option for energy independence. I want to thank our engineers worldwide who worked tirelessly to bring this breakthrough product to market.

We continue to focus relentlessly on customer experience. The employees in all four of our customer experience centers – the U.S., Europe, India, and Australia, are fully supporting installers and homeowners, while working from home. Our worldwide Net Promoter Score was 66% in the second quarter of 2020, a slight increase from 64% in the prior quarter. During the second quarter of 2020, we launched the online Enphase Community which gives installers and homeowners the ability to communicate directly about Enphase products. In addition, we opened online stores in Europe and Australia to better service installers and homeowners. These stores, along with our U.S. online store, are increasing the accessibility of our clean energy solutions.

We continue to navigate through the COVID-19 pandemic with strong support from our partners and customers. Our sales and operations teams were laser-focused on managing the channel during the second quarter of 2020, working closely with our installers and distributors. While we saw a rebound in customer demand in June and July, we are carefully monitoring the resurgence of the COVID-19 pandemic in several states. We have a resilient business model that enables strong cash flow generation even during difficult economic periods, enabling us to invest in product innovation and digital transformation. We are well-positioned with Ensemble and look forward to accelerating the introduction of new products over the next eighteen months.

BUSINESS HIGHLIGHTS

On June 1, 2020, Enphase Energy announced its expansion into Poland in collaboration with SmartX Sp. z o.o., a solar distributor with headquarters in Bytom, Poland. SmartX's installer network throughout Poland offers both residential and small commercial microinverter systems, utilizing Enphase IQ 7™ family of microinverters including IQ 7, IQ 7+™ and IQ 7X™.

On June 25, 2020, Enphase Energy and Q Cells, a renowned total energy solutions provider, announced a strategic partnership to develop Enphase Energized™ Q CELLS AC Modules (ACMs) based on seventh-generation Enphase IQ™ microinverters. The ACMs are available from major distributors in the U.S.

On July 6, 2020, Enphase Energy announced the launch of Enphase University, a combination of online and in-person training resources for solar and storage installers and Enphase system owners. Enphase University includes an integrated, web-based Learning Management System (LMS) that enables installers to complete training modules and manage training plans online.

On July 15, 2020, Enphase Energy and Maxeon Solar Technologies, SunPower's planned spin-off, announced a strategic partnership to produce the new Enphase Energized Maxeon AC Module, featuring a factory-integrated seventh-generation Enphase IQ microinverter. The AC Module will be commercialized by Maxeon Solar Technologies to residential customers in key international markets starting in the fourth quarter of 2020.

On July 29, 2020, Enphase Energy announced that it began shipping Encharge energy storage systems to customers in North America during June. For the first time, homeowners can easily generate, store and control energy with technology, all designed by Enphase.

THIRD QUARTER 2020 FINANCIAL OUTLOOK

For the third quarter of 2020, Enphase Energy estimates both GAAP and non-GAAP financial results as follows:

- Revenue to be within a range of \$160 million to \$175 million
- GAAP gross margin to be within a range of 36% to 39%; non-GAAP gross margin to be within a range of 37% to 40%, excluding stock-based compensation expenses
- GAAP operating expenses to be within a range of \$41.0 million to \$43.0 million, including \$13.0 million estimated for stock-based compensation expenses and acquisition related amortization
- Non-GAAP operating expenses to be within a range of \$28.0 million to \$30.0 million, excluding \$13.0 million estimated for stock-based compensation expenses and acquisition related amortization

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Use of Non-GAAP Financial Measures

The Company has presented certain non-GAAP financial measures in this press release. To view a description of non-GAAP financial measures used and the non-GAAP reconciliation schedule for the periods presented, click [here](#).

Conference Call Information

Enphase Energy will host a conference call for analysts and investors to discuss its second quarter 2020 results and third quarter 2020 business outlook today at 4:30 p.m. Eastern Time (1:30 p.m. Pacific Time). The call is open to the public by dialing (877) 644-1284; participant passcode 1782661. A live webcast of the conference call will also be accessible from the “Investor Relations” section of the Company’s website at investor.enphase.com. Following the webcast, an archived version will be available on the website for one year. In addition, an audio replay of the conference call will be available by calling (855) 859-2056; participant passcode 1782661, beginning approximately one hour after the call.

Forward-Looking Statements

This press release contains forward-looking statements, including statements related to Enphase Energy’s expectations as to the impact of the COVID-19 pandemic, future financial performance, expense levels, liquidity sources, the capabilities, advantages, and performance of our technology and products, our business strategies, including anticipated trends, growth and developments in targeted markets, new products, performance in operations, and the performance of our partners. These forward-looking statements are based on the Company’s current expectations and inherently involve significant risks and uncertainties. Enphase Energy’s actual results and the timing of events could differ materially from those anticipated in such forward-looking statements as a result of certain risks and uncertainties including those risks described in more detail in the Company’s most recent Annual Report on Form 10-K and other documents on file with the SEC and available on the SEC’s website at www.sec.gov. Enphase Energy undertakes no duty or obligation to update any forward-looking statements contained in this release as a result of new information, future events or changes in its expectations, except as required by law.

A copy of this press release can be found on the investor relations page of Enphase Energy’s website at investor.enphase.com.

About Enphase Energy, Inc.

Enphase Energy, a global energy technology company, delivers smart, easy-to-use solutions that manage solar generation, storage and communication on one intelligent platform. The Company revolutionized the solar industry with its microinverter technology and produces a fully integrated solar-plus-storage solution. Enphase has shipped more than 28 million microinverters, and over 1.2 million Enphase systems have been deployed in more than 130 countries. For more information, visit www.enphase.com.

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Contact:

Adam Hinckley
Enphase Energy, Inc.
Investor Relations
ir@enphaseenergy.com
+1-707-763-4784 x7354

ENPHASE ENERGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data) (Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------|------------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Net revenues | \$ 125,538 | \$ 134,094 | \$ 331,083 | \$ 234,244 |
| Cost of revenues | 77,151 | 88,775 | 202,021 | 155,586 |
| Gross profit | 48,387 | 45,319 | 129,062 | 78,658 |
| Operating expenses: | | | | |
| Research and development | 13,192 | 9,604 | 25,068 | 18,128 |
| Sales and marketing | 12,371 | 9,054 | 24,143 | 16,487 |
| General and administrative | 11,970 | 8,583 | 24,285 | 18,463 |
| Restructuring charges | — | 631 | — | 999 |
| Total operating expenses | 37,533 | 27,872 | 73,496 | 54,077 |
| Income from operations | 10,854 | 17,447 | 55,566 | 24,581 |
| Other expense, net | | | | |
| Interest income | 282 | 593 | 1,373 | 804 |
| Interest expense | (5,952) | (1,351) | (9,107) | (5,102) |
| Other (expense) income, net | 653 | (5,480) | (271) | (5,961) |
| Change in fair value of derivatives (1) | (59,692) | — | (44,348) | — |
| Total other expense, net | (64,709) | (6,238) | (52,353) | (10,259) |
| Income (loss) before income taxes | (53,855) | 11,209 | 3,213 | 14,322 |
| Income tax benefit (provision) | 6,561 | (591) | 18,429 | (939) |
| Net income (loss) | \$ (47,294) | \$ 10,618 | \$ 21,642 | \$ 13,383 |
| Net income (loss) per share: | | | | |
| Basic | \$ (0.38) | \$ 0.09 | \$ 0.17 | \$ 0.12 |
| Diluted | \$ (0.38) | \$ 0.08 | \$ 0.16 | \$ 0.11 |
| Shares used in per share calculation: | | | | |
| Basic | 125,603 | 113,677 | 124,567 | 110,951 |
| Diluted | 125,603 | 130,737 | 138,910 | 129,400 |

- (1) Change in fair value of derivatives of \$59.7 million and \$44.3 million for the three and six months ended June 30, 2020, respectively, represents changes in fair value of the conversion option in the Notes due 2025, as well as the convertible note hedge and warrant transactions. Initially, conversion of the Notes due 2025 would be settled solely in cash as a result of the Company not having the necessary number of authorized but unissued shares of its common stock available to settle the conversion option of the Notes due 2025 in shares; therefore, the conversion option, convertible note hedge and warrant transactions were classified as derivatives that required marked-to-market accounting. On May 20, 2020, at the Company's annual meeting of stockholders, the stockholders approved an amendment to its certificate of incorporation to increase the number of authorized shares of the Company's common stock. As a result, the Company will now be able to settle the Notes due 2025, convertible notes hedge and warrants through payment or delivery, as the case may be, of cash, shares of its common stock or a combination thereof, at the Company's election. Accordingly, on May 20, 2020, the conversion option, convertible note hedge and warrant transactions were remeasured at fair value and were then reclassified to additional paid-in-capital in the condensed consolidated balance sheet in the second quarter of 2020 and are no longer remeasured as long as they continue to meet the conditions for equity classification.

ENPHASE ENERGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

| | <u>June 30, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 607,254 | \$ 251,409 |
| Restricted cash | — | 44,700 |
| Accounts receivable, net | 89,504 | 145,413 |
| Inventory | 31,186 | 32,056 |
| Prepaid expenses and other assets | 29,257 | 26,079 |
| Total current assets | <u>757,201</u> | <u>499,657</u> |
| Property and equipment, net | 32,972 | 28,936 |
| Operating lease, right of use asset | 11,462 | 10,117 |
| Intangible assets, net | 28,086 | 30,579 |
| Goodwill | 24,783 | 24,783 |
| Other assets | 49,551 | 44,620 |
| Deferred tax assets, net | 93,872 | 74,531 |
| Total assets | <u>\$ 997,927</u> | <u>\$ 713,223</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 24,135 | \$ 57,474 |
| Accrued liabilities | 46,691 | 47,092 |
| Deferred revenues, current | 40,256 | 81,783 |
| Warranty obligations, current | 10,170 | 10,078 |
| Debt, current | 102,271 | 2,884 |
| Total current liabilities | <u>223,523</u> | <u>199,311</u> |
| Long-term liabilities: | | |
| Deferred revenues, noncurrent | 110,977 | 100,204 |
| Warranty obligations, noncurrent | 27,737 | 27,020 |
| Other liabilities | 12,340 | 11,817 |
| Debt, noncurrent | 253,174 | 102,659 |
| Total liabilities | <u>627,751</u> | <u>441,011</u> |
| Total stockholders' equity | <u>370,176</u> | <u>272,212</u> |
| Total liabilities and stockholders' equity | <u>\$ 997,927</u> | <u>\$ 713,223</u> |

ENPHASE ENERGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) (Unaudited)

| | Three Months Ended | | | Six Months Ended | |
|--|--------------------|-------------------|------------------|------------------|------------------|
| | June 30, 2020 | March 31, 2020 | June 30, 2019 | June 30, 2020 | June 30, 2019 |
| Cash flows from operating activities: | | | | | |
| Net (loss) income | \$ (47,294) | \$ 68,936 | \$ 10,618 | \$ 21,642 | \$ 13,383 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | 4,141 | 3,844 | 4,122 | 7,985 | 7,694 |
| Provision for doubtful accounts | 81 | 104 | 207 | 185 | 207 |
| Non-cash interest expense | 5,372 | 2,722 | 776 | 8,094 | 2,266 |
| Financing fees on extinguishment of debt | — | — | — | — | 2,152 |
| Fees paid for repurchase and exchange of convertible notes due 2023 | — | — | 6,000 | — | 6,000 |
| Stock-based compensation | 12,300 | 7,515 | 4,934 | 19,815 | 8,224 |
| Change in fair value of derivatives | 59,692 | (15,344) | — | 44,348 | — |
| Deferred income taxes | (7,067) | (12,500) | — | (19,567) | — |
| Changes in operating assets and liabilities: | | | | | |
| Accounts receivable | 6,529 | 49,637 | (15,838) | 56,166 | (19,104) |
| Inventory | 3,430 | (2,560) | (7,123) | 870 | (3,827) |
| Prepaid expenses and other assets | (4,525) | (5,009) | (7,155) | (9,534) | (9,568) |
| Accounts payable, accrued and other liabilities | (13,323) | (22,066) | 11,954 | (35,389) | 16,805 |
| Warranty obligations | 406 | 403 | 1,951 | 809 | 1,699 |
| Deferred revenues | 5,689 | (36,460) | 4,326 | (30,771) | 5,904 |
| Net cash provided by operating activities | 25,431 | 39,222 | 14,772 | 64,653 | 31,835 |
| Cash flows from investing activities: | | | | | |
| Purchases of property and equipment | (4,451) | (3,353) | (2,518) | (7,804) | (3,176) |
| Net cash used in investing activities | (4,451) | (3,353) | (2,518) | (7,804) | (3,176) |
| Cash flows from financing activities: | | | | | |
| Issuance of convertible notes, net of issuance costs | (591) | 313,011 | 128,040 | 312,420 | 128,040 |
| Purchase of convertible note hedges | — | (89,056) | (36,313) | (89,056) | (36,313) |
| Sale of warrants | — | 71,552 | 29,819 | 71,552 | 29,819 |
| Fees paid for repurchase and exchange of convertible notes due 2023 | — | — | (6,000) | — | (6,000) |
| Principal payments and financing fees on debt | (485) | (1,148) | (391) | (1,633) | (45,122) |
| Proceeds from exercise of equity awards and employee stock purchase plan | 2,867 | 1,979 | 958 | 4,846 | 2,622 |
| Payment of withholding taxes related to net share settlement of equity awards | (9,385) | (34,267) | (735) | (43,652) | (2,090) |
| Net cash provided by (used in) financing activities | (7,594) | 262,071 | 115,378 | 254,477 | 70,956 |
| Effect of exchange rate changes on cash and cash equivalents | 24 | (205) | 240 | (181) | 107 |
| Net increase in cash and cash equivalents | 13,410 | 297,735 | 127,872 | 311,145 | 99,722 |
| Cash, cash equivalents and restricted cash—Beginning of period | 593,844 | 203,046 | 78,087 | 296,109 | 106,237 |
| Cash and cash equivalents—End of period | \$ 607,254 | \$ 500,781 | \$ 205,959 | \$ 607,254 | \$ 205,959 |

ENPHASE ENERGY, INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(In thousands, except per share data and percentages)
(Unaudited)

| | Three Months Ended | | | Six Months Ended | |
|---|--------------------|-------------------|------------------|-------------------|------------------|
| | June 30, 2020 | March 31, 2020 | June 30, 2019 | June 30, 2020 | June 30, 2019 |
| Gross profit (GAAP) | \$ 48,387 | \$ 80,675 | \$ 45,319 | \$ 129,062 | \$ 78,658 |
| Stock-based compensation | 1,337 | 606 | 386 | 1,943 | 617 |
| Gross profit (Non-GAAP) | <u>\$ 49,724</u> | <u>\$ 81,281</u> | <u>\$ 45,705</u> | <u>\$ 131,005</u> | <u>\$ 79,275</u> |
| Gross margin (GAAP) | 38.5 % | 39.2 % | 33.8 % | 39.0 % | 33.6 % |
| Stock-based compensation | 1.1 % | 0.3 % | 0.3 % | 0.6 % | 0.2 % |
| Gross margin (Non-GAAP) | <u>39.6 %</u> | <u>39.5 %</u> | <u>34.1 %</u> | <u>39.6 %</u> | <u>33.8 %</u> |
| Operating expenses (GAAP) | \$ 37,533 | \$ 35,963 | \$ 27,872 | \$ 73,496 | \$ 54,077 |
| Stock-based compensation (1) | (10,963) | (6,909) | (4,217) | (17,872) | (7,220) |
| Restructuring and asset impairment charges | — | — | (631) | — | (999) |
| Acquisition related expenses and amortization | (546) | (546) | (546) | (1,092) | (1,092) |
| Operating expenses (Non-GAAP) | <u>\$ 26,024</u> | <u>\$ 28,508</u> | <u>\$ 22,478</u> | <u>\$ 54,532</u> | <u>\$ 44,766</u> |
| (1) Includes stock-based compensation as follows: | | | | | |
| Research and development | \$ 3,263 | \$ 1,919 | \$ 1,128 | \$ 5,182 | \$ 1,844 |
| Sales and marketing | 3,610 | 1,942 | 1,360 | 5,552 | 2,359 |
| General and administrative | 4,090 | 3,048 | 1,729 | 7,138 | 3,017 |
| Total | <u>\$ 10,963</u> | <u>\$ 6,909</u> | <u>\$ 4,217</u> | <u>\$ 17,872</u> | <u>\$ 7,220</u> |
| Income from operations (GAAP) | \$ 10,854 | \$ 44,712 | \$ 17,447 | \$ 55,566 | \$ 24,581 |
| Stock-based compensation | 12,300 | 7,515 | 4,603 | 19,815 | 7,837 |
| Restructuring and asset impairment charges | — | — | 631 | — | 999 |
| Acquisition related expenses and amortization | 546 | 546 | 546 | 1,092 | 1,092 |
| Income from operations (Non-GAAP) | <u>\$ 23,700</u> | <u>\$ 52,773</u> | <u>\$ 23,227</u> | <u>\$ 76,473</u> | <u>\$ 34,509</u> |
| Net income (loss) (GAAP) | \$ (47,294) | \$ 68,936 | \$ 10,618 | \$ 21,642 | \$ 13,383 |
| Stock-based compensation | 12,300 | 7,515 | 4,603 | 19,815 | 7,837 |
| Restructuring and asset impairment charges | — | — | 631 | — | 999 |
| Acquisition related expenses and amortization | 546 | 546 | 546 | 1,092 | 1,092 |
| Non-recurring debt prepayment fees and non-cash interest | 5,372 | 2,722 | 6,775 | 8,094 | 9,390 |
| Change in fair value of derivatives | 59,692 | (15,344) | — | 44,348 | — |
| Non-GAAP income tax adjustment | (7,067) | (12,500) | — | (19,567) | — |
| Net income (Non-GAAP) | <u>\$ 23,549</u> | <u>\$ 51,875</u> | <u>\$ 23,173</u> | <u>\$ 75,424</u> | <u>\$ 32,701</u> |
| Net income (loss) per share, basic (GAAP) | \$ (0.38) | \$ 0.56 | \$ 0.09 | \$ 0.17 | \$ 0.12 |
| Stock-based compensation | 0.10 | 0.06 | 0.04 | 0.16 | 0.07 |
| Restructuring and asset impairment charges | — | — | — | — | 0.01 |
| Acquisition related expenses and amortization | — | — | 0.01 | 0.01 | 0.01 |
| Non-recurring debt prepayment fees and non-cash interest | 0.05 | 0.02 | 0.06 | 0.07 | 0.08 |
| Change in fair value of derivatives | 0.48 | (0.12) | — | 0.36 | — |
| Non-GAAP income tax adjustment | (0.06) | (0.10) | — | (0.16) | — |
| Net income per share, basic (Non-GAAP) | <u>\$ 0.19</u> | <u>\$ 0.42</u> | <u>\$ 0.20</u> | <u>\$ 0.61</u> | <u>\$ 0.30</u> |
| Shares used in basic per share calculation GAAP and Non-GAAP | 125,603 | 123,531 | 113,677 | 124,567 | 110,951 |
| Net income (loss) per share, diluted (GAAP) | \$ (0.38) | \$ 0.50 | \$ 0.08 | \$ 0.16 | 0.11 |
| Stock-based compensation | 0.09 | 0.06 | 0.04 | 0.14 | 0.06 |
| Restructuring and asset impairment charges | — | — | 0.01 | — | 0.01 |
| Acquisition related expenses and amortization | — | — | — | 0.01 | 0.01 |
| Non-recurring debt prepayment fees and non-cash interest | 0.04 | 0.02 | 0.05 | 0.06 | 0.07 |
| Change in fair value of derivatives | 0.48 | (0.11) | — | 0.33 | — |
| Non-GAAP income tax adjustment | (0.06) | (0.09) | — | (0.14) | \$ — |
| Net income per share, diluted (Non-GAAP) (2) (4) | <u>\$ 0.17</u> | <u>\$ 0.38</u> | <u>\$ 0.18</u> | <u>\$ 0.56</u> | <u>\$ 0.26</u> |
| Shares used in diluted per share calculation GAAP | 125,603 | 138,104 | 130,737 | 138,910 | 129,400 |
| Shares used in diluted per share calculation Non-GAAP (3) (4) | 135,770 | 135,168 | 130,737 | 135,557 | 129,400 |

- (2) Calculation of non-GAAP diluted net income per share for the three months ended June 30, 2020, March 31, 2020 and June 30, 2019 excludes convertible notes due 2023 interest expense, net of tax of less than \$0.1 million, \$0.1 million and \$0.4 million, respectively, from non-GAAP net income. Calculation of non-GAAP diluted net income per share for the six months ended June 30, 2020 and June 30, 2019 excludes convertible notes due 2023 interest expense, net of tax of less than \$0.1 million and \$0.8 million, respectively, from non-GAAP net income.
- (3) Effect of dilutive in-the-money portion of convertible senior notes and warrants are included in the GAAP weighted-average diluted shares in periods where the Company has GAAP net income. The Company excluded the in-the-money portion of convertible notes due 2024 totaling 3,677 thousand shares and 2,936 thousand shares in the three months ended June 30, 2020 and March 31, 2020, respectively, and 3,353 thousand shares for the six months ended June 30, 2020 for non-GAAP weighted-average diluted shares as the Company entered into convertible note hedge transactions that reduce potential dilution to the Company's common stock upon any conversion of the notes due 2024.
- (4) Effect of dilutive in-the-money portion of Stock Options, RSUs, PSUs, shares to be purchased under the Company's ESPP, the Notes due 2023 and the warrants issued in conjunction with the Notes due 2024 are included in the non-GAAP weighted-average diluted shares in periods where the Company has non-GAAP net income, which totaled 10,167 thousand shares in the three months ended June 30, 2020.