



Annual Report 2020





Use of forward-looking statements

This presentation contains forward-looking statements made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to statements concerning future financial performance and guidance, including revenues, gross margin, operating results, expenses and costs; our business strategies, including our operations and anticipated trends and developments in markets in which we operate and in the markets in which we plan to expand; our expectations as to the impacts and evolving effects of the ongoing COVID-19 pandemic; the anticipated market adoption of Enphase's new products and technologies; the capabilities and performance of our technology and products, including product scalability, the ability to operate without a grid, the ability to optimize and customize products, load disaggregation, monitoring, and management, and reduction in installation, logistics and supply chain times; the capacity and availability of our products; the recovery of tariff refunds; our performance in operations, including product quality, safety, reliability, cost management, and customer service. These statements are based upon current expectations that involve risks and uncertainties. Any statements that are not of historical fact, may be forward-looking statements. Words used such as "anticipates," "believes," "continues," "designed," "estimates," "expects," "goal," "intends," "likely," "may," "ongoing," "plans," "projects," "pursuing," "seeks," "should," "will," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. All forward-looking statements are based on our current assumptions, expectations and beliefs, and involve substantial risks and uncertainties that may cause results, performance or achievement to materially differ from those expressed or implied by these forward-looking statements. Therefore, you should not place undue reliance on our forward-looking statements. A detailed discussion of risk factors that affect our business is included in the filings we make with the Securities and Exchange Commission (SEC) from time to time, including our most recent reports on Form 10-K and Form 10-Q, particularly under the heading "Risk Factors." Copies of these filings are available on the Enphase website at <http://investor.enphase.com/sec.cfm>, or on the SEC website at www.sec.gov. All forward-looking statements in this presentation are based on information currently available to us, and we assume no obligation to update these forward-looking statements in light of new information or future events.

Industry Information

Information regarding market and industry statistics in this presentation is based on information available to us that we believe is accurate. It is generally based on publications that are not produced for purposes of economic analysis.

Non-GAAP Financial Metrics

• The Company has presented certain non-GAAP financial measures in this presentation. 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. Reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure can be found in the Appendix to this presentation. Non-GAAP financial measures presented by the Company include non-GAAP gross margin, operating expenses, income from operations, net income and free cash flow.

• These non-GAAP financial measures do not reflect a comprehensive system of accounting, differ from GAAP measures with the same captions and may differ from non-GAAP financial measures with the same or similar captions that are used by other companies. In addition, these non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the Company's results of operations as determined in accordance with 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. 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.

• As presented in the "Reconciliation of Non-GAAP Financial Measures" page, each of the non-GAAP financial measures excludes one or more of the following items for purposes of calculating non-GAAP financial measures to facilitate an evaluation of the Company's current operating performance and a comparison to its past operating performance:

• Stock-based compensation expense. The Company excludes stock-based compensation expense from its non-GAAP measures primarily because they are non-cash in nature. Moreover, the impact of this expense is significantly affected by the Company's stock price at the time of an award over which management has limited to no control.

• Tariff refunds. This item represents approved tariff refunds, and interest income earned on those refunds, by the U.S. Customs and Border Protection that qualify for the tariff exclusion on Chinese imported microinverter products that fit the dimensions and weight limits within a Section 301 Tariff exclusion under U.S. note 20(ss)(40) to subchapter III of chapter 99 of the Harmonized Tariff Schedule of the United States. Approved refunds relate to tariffs previously paid from September 24, 2018 to March 31, 2020 and are excluded from the non-GAAP measures as the refunds are non-recurring in nature for tariff costs incurred in the past and are not reflective of the Company's ongoing financial performance.

• Restructuring and asset impairment charges. The Company excludes restructuring charges due to the nature of the expenses being unplanned and arising outside the ordinary course of continuing operations. These costs primarily consist of fees paid for restructuring-related management consulting services, cash-based severance costs related to workforce reduction actions, asset write-downs of property and equipment and lease loss reserves, and other contract termination costs resulting from restructuring initiatives.

• Acquisition related expenses and amortization. The Company excludes acquisition related expenses as they represent expenses incurred related to the Company's business acquisition, which are non-recurring in nature, and amortization of acquired intangible assets, which is a non-cash expense. Acquisition related expenses and amortization of acquired intangible assets are not reflective of the Company's ongoing financial performance.

• Non-recurring debt prepayment fees and non-cash interest. The Company excludes amortization of debt issuance costs, accretion of debt discount and non-recurring debt settlement costs, because these expenses do not represent a cash outflow for the Company except in the period the financing was secured or when the financing was settled, and such amortization expense or settlement of debt costs is not reflective of the Company's ongoing financial performance.

• Loss on settlement of convertible notes. This item is reflected in other income (expense), net and represents the difference between the carrying value and the fair value of the settled convertible notes, which is non-cash in nature and is not reflective of the Company's ongoing financial performance.

• Change in fair value of derivatives notes. This item is reflected in other income (expense), net and represents changes in fair value of the conversion option in the convertible notes due 2025, as well as the convertible note hedge and warrant transactions, which is non-cash in nature and is not reflective of the Company's ongoing financial performance.

• Non-GAAP income tax adjustment. This Company excludes this item as it represents the amount adjusted to the Company's GAAP tax provision or benefit to present the non-GAAP tax amount based on cash tax expense and reserves.

• Free cash flow. This item represents cash flows from operating activities plus deemed repayment of convertible notes attributable to debt discount reported in operating activities less purchases of property and equipment. The Company believes the free cash flow is the best measure of how much cash the business generates after accounting for capital expenditures.



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Badri Kothandaraman
President and CEO

Dear fellow shareholders,

The COVID-19 pandemic has been surreal, yet we will emerge stronger having learnt how to adapt to adversity

The world could not have predicted the COVID-19 pandemic and the enormous anxiety it produced as people discovered new ways to live and work. Our main priority in 2020 was to ensure the health and safety of our employees, customers, and partners. I am proud of how we effectively managed this, while doing everything possible to ensure the uninterrupted supply and support of our products to customers and partners.

The challenges brought on by the pandemic provided us an opportunity to not only further strengthen our business processes to manage externalities, but also to accelerate our investment in innovation and create new products with unmatched value. As people worldwide were under strict stay-at-home orders, they began to pay closer attention to their homes and ways to save costs, including the migration to renewable clean energy.

At Enphase, we developed a culture playbook to provide our current and future employees with a blueprint showing our purpose, core values, and how we work together to achieve results within the company. This blueprint was invaluable as we came together in 2020 to support each other, our customers, partners, and our communities. I am proud of our team's ongoing dedication to developing technology and products that further enable energy independence, while serving our communities and improving the environment.

With a framework of moving forward through unprecedented times, this letter highlights our 2020 accomplishments, and outlines our strategic focus and 2021 priorities.

“The challenges brought on by the pandemic provided us an opportunity to not only further strengthen our business processes to manage externalities, but also to accelerate our investment in innovation and create new products with unmatched value.”



IQ 8™ microinverter

Our 2020 performance

“We are pleased to report that 2020 was a record year for non-GAAP profitability and free cash flow generation. We generated a record \$198.9 million¹ free cash flow in 2020, compared to \$124.3 million¹ in 2019.”

Our employees came through in 2020, delivering on our financial and operational objectives while mitigating the impact of the pandemic. For the full year 2020, revenue increased 24% year-over-year to \$774.4 million, compared to \$624.3 million in 2019. We shipped approximately 6.8 million microinverters in 2020, compared to approximately 6.2 microinverters in 2019. Our GAAP gross margin in 2020 was 44.7%, compared to 35.4% in 2019; our non-GAAP gross margin in 2020 was 40.1%,¹ compared to 35.7%¹ in 2019, primarily as a result of disciplined pricing and cost management. We exited 2020 with \$679.4 million in cash. In March 2020, we successfully completed a \$320 million-dollar aggregate principal convertible notes issuance that resulted in net proceeds of \$313 million. We are pleased to report that 2020 was a record year for non-GAAP profitability and free cash flow generation. We generated a record \$198.9 million¹ free cash flow in 2020, compared to \$124.3 million¹ in 2019.

We were excited to end the year with the news that effective January 7, 2021, Enphase would be joining the S&P 500 index. This was an accomplishment made possible through the hard work and dedication of our employees, along with the ongoing support of our customers, partners, and shareholders.

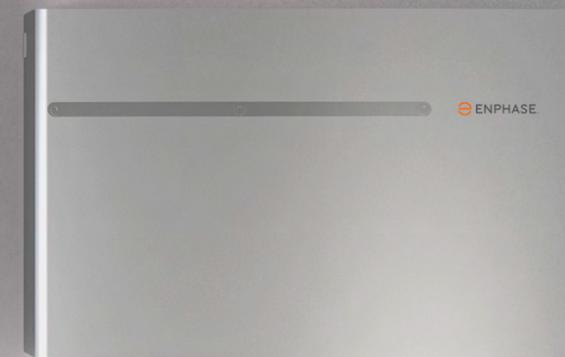
We achieved revenue growth in all regions

The majority of our revenue growth in 2020 was from North America, with a focus on small- and medium-sized installers. In addition, we achieved revenue growth in all our international regions, including Australia, Europe, and Latin America. Despite the pandemic, Europe was our fastest growing international region in 2020, with a revenue increase of 32%, compared to 2019. We are excited about our growth in the Netherlands, France, Germany, Belgium, Poland, and Spain. In Australia, we benefited from a favorable competitive environment as regulations continued to shift towards safer and smarter solar solutions. Our revenue growth in Latin America was primarily due to strength in Puerto Rico for our microinverter systems, as well as our Enphase Storage systems.

¹ See Appendix for reconciliation to comparable GAAP measures

Enphase Storage

Save your energy for when you need it.



We introduced our Enphase Storage system

In July 2020, we introduced to customers in North America our Enphase Storage system, featuring our Ensemble™ energy management technology, which powers the world's first grid-agnostic microinverter-based storage system. The Enphase Storage system provides resilience in the face of natural disasters and grid outages, ensuring that a home can be powered even during extended periods of inclement weather, delivering energy independence and peace of mind.

We shipped more than 50 MWh of Enphase Storage systems in 2020. Installers like the system's simplicity, modularity, and having a single provider of rooftop power electronics and battery storage systems; while homeowners value the product's differentiated functionality, industrial design, reliability, safety, and ability to get on and off-grid from a smartphone app.

We managed operations to ensure on-time customer deliveries

In early March 2020, the worldwide spread of the pandemic resulted in significant downward pressure on global demand due to shelter-in-place restrictions. As a result, we cut our manufacturing targets in Q2'20 and then had to quickly ramp back up to meet the surge in demand in Q3'20 and Q4'20. Our operations team did an excellent job flexing manufacturing as 2020 played out. I am very proud of the fact that our global team was able to navigate the manufacturing and logistics disruptions due to the pandemic in order to meet on-time customer deliveries.



Enphase production line at the Flex Mexico factory

“The Enphase Storage system provides resilience in the face of natural disasters and grid outages, ensuring that a home can be powered even during extended periods of inclement weather, delivering energy independence and peace of mind.”

“Quality is at the forefront in every step of our design and production process, and we have established some of the industry's most rigorous quality standards.”



Manufacturing at the Salcomp India facility

I was also pleased with the ramp of our Mexico factory which met our target of producing more than one million microinverters in Q4'20. As part of our supply chain strategy to diversify production to tariff-free and cost competitive locations, we began microinverter production at Salcomp India in October 2020 and started shipping to customers during Q4'20. We have a high-quality, state-of-the-art automated line with a quarterly production capacity of 500,000 units and the space to add a second line with the same capacity. Our goal is to have a global capacity of five million units per quarter by the end of 2021.

Quality and reliability remain integral to the Enphase design

Our goal is to provide the most reliable and resilient energy solutions. We are passionate about leveraging our technology to build great products that people can count on for years to come and in all climates. Quality is at the forefront in every step of our design and production process, and we have established some of the industry's most rigorous quality standards. By the end of 2020, we were closer to achieving our target of less than 500 defective parts per million (DPPM), which translates to a failure rate of less than 0.05%, shipped on an annualized basis.

System reliability is critical as we transform from a microinverter systems company into an energy management systems company. It not only entails having the world's most reliable microinverters, but also motivates us to ensure that all elements of the energy management systems, including storage, gateway, communications, and smart switch, are equally reliable.

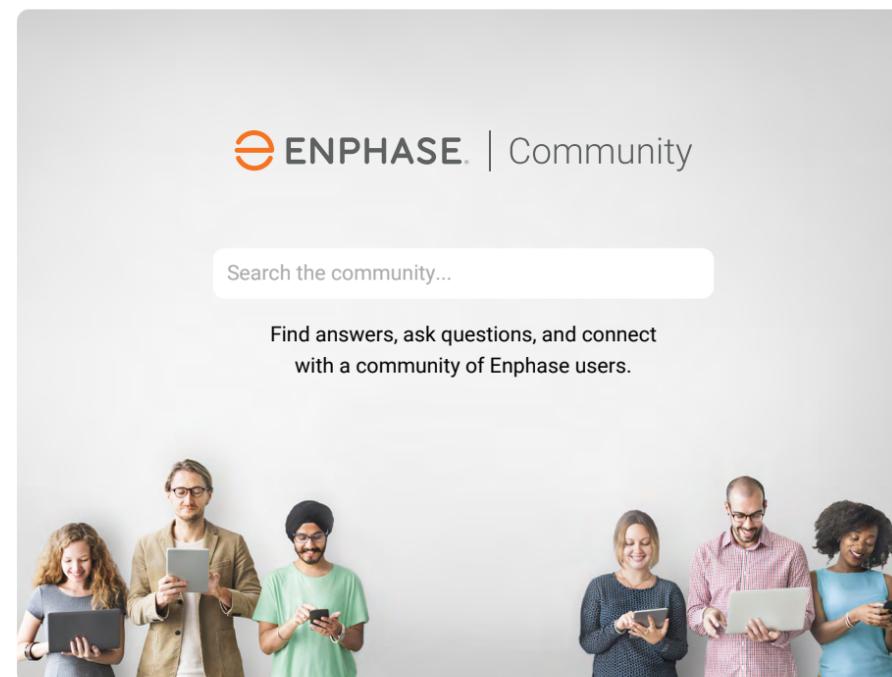
The battery storage systems available today only have a 10-year limited warranty. We see an opportunity for Enphase to increase this to 15 or 20 years in the future, leveraging our track record on the microinverters and expertise in power electronics.

We matured significantly in servicing customers

“Customer first” is our mantra. Our worldwide customer service Net Promoter Score (NPS) was above 60% in 2020. This is a result of many initiatives such as retraining our agents, matching orphaned sites to active installers for better servicing, and improving our tools, processes, and systems.

I am happy to report that our customer experience personnel in all four worldwide locations – U.S., Europe, India, and Australia – fully supported our installers and homeowners while working from home under the shelter-in-place rules due to the pandemic. We did not miss a beat in supporting them, as all our systems are cloud-based. The software-defined architecture of our microinverters is very powerful. For example, in some cases it has enabled us to solve hardware problems with software work-around, minimizing customer impact.

We maintained high levels of customer engagement through our customer support group and the Enlighten™ cloud-based software app. During 2020, we introduced the Enphase Community to help installers and homeowners solve their problems quickly. The Enphase Community continued to excel at providing exceptional service to customers through more than 2,700 answered questions and 238 articles as of March 31, 2021, managed by a team of product experts from the solar industry and Enphase moderators. In addition, the Community has grown significantly, and currently has more than 3,000 unique user visits a day.



“The software-defined architecture of our microinverters is very powerful. For example, in some cases it has enabled us to solve hardware problems with software work-around, minimizing customer impact.”

We had to ensure that the customer experience for Enphase storage systems was as good as for the microinverter systems. We had a few teething troubles during the initial ramp of our storage systems, one of them being long commissioning times. Our engineering teams jumped on the problem and were able to reduce the commissioning time on our storage systems from many hours to sub-two hours on average through improvements in our Envoy™ software, Installer Toolkit™, and training initiatives. Our goal is to further reduce the commissioning time to sub-60 minutes, allowing our installer partners to visit the site, install, and commission an Enphase Storage system in a few hours. For our homeowner customers, we have recognized that it is important to provide them up-to-date information about their systems. To achieve this, we are working on providing text messaging and push notifications for critical updates, allowing them to be “always informed” during both on- and off-grid situations.

We kick-started our digital transformation efforts

We spent a great deal of time in 2020 defining the elements of a complete digital platform to deliver exceptional service to both homeowners and installers as they navigate through buying, installing, and operating Enphase home energy management systems.

I am excited about our recent two acquisitions – Sofdesk Inc., and the Solar Design Services business of DIN Engineering. The former Sofdesk team, headquartered at Enphase Montreal, provides design and proposal software for solar and roofing companies. Based in Noida, India, the team acquired from the Solar Design Services business of DIN Engineering provides rapid and cost-effective proposal drawings and permit plan sets to installers. By providing tools and services to installers, we aim to simplify the sales process, while reducing soft costs and providing an enhanced buying experience for homeowners. We will continue to explore other available tools and services that can be added to our digital platform. We may choose to design and build our tools and services, or acquire companies that will provide us with these capabilities.

“We spent a great deal of time in 2020 defining the elements of a complete digital platform to deliver exceptional service to both homeowners and installers as they navigate through buying, installing, and operating Enphase home energy management systems.”

We surpassed our 35-15-20 target financial model handily

We surpassed our 35-15-20 target financial model handily in 2020. 35-15-20 stands for 35% gross margin, 15% operating expenses, and 20% operating income, all as a percentage of revenue on a non-GAAP basis. This baseline model, introduced at our Analyst Day in December 2019, represents the minimum financial performance we expect to achieve over the next 24 months, while demonstrating profitable topline growth. We exited the fourth quarter of 2020 at approximately 40-13-27 – this means 40% gross margin,¹ 13% operating expense,¹ and 27% operating income,¹ all as a percentage of

¹ See Appendix for reconciliation to comparable GAAP measures

“We came through the year’s challenges brought on by the global pandemic and were pleased with our performance. We remained laser focused on delivering an exceptional customer experience, introduced our Enphase Storage system, and made substantial progress on digital transformation.”

revenue – on a non-GAAP basis. Our 2020 GAAP net income was \$134.0 million, resulting in diluted earnings per share of \$0.95. Non-GAAP net income was \$188.5 million,¹ resulting in diluted earnings per share of \$1.37.¹

Below is a recap of our financial performance in 2020 as compared with 2019. Dollars are represented in thousands, except per share data and percentages:

	GAAP	
	2020	2019
Revenue	\$ 774,425	\$ 624,333
Gross Margin	44.7 %	35.4 %
Operating Expense	20.6 %	19.0 %
Operating Income	\$ 186,439	\$ 102,729
Net Income	\$ 133,995	\$ 161,148
Basic EPS	\$ 1.07	\$ 1.38
Diluted EPS	\$ 0.95	\$ 1.23
Cash	\$ 679,379	\$ 251,409
Cash Flows from Operating Activities	\$ 216,334	\$ 139,067
	Non-GAAP ¹	
	2020	2019
Revenue	\$ 774,425	\$ 624,333
Gross Margin	40.1 %	35.7 %
Operating Expense	15.3 %	15.4 %
Operating Income	\$ 192,504	\$ 126,952
Net Income	\$ 188,526	\$ 124,205
Basic EPS	\$ 1.50	\$ 1.06
Diluted EPS	\$ 1.37	\$ 0.95
Cash	\$ 679,379	\$ 251,409
Free Cash Flow	\$ 198,908	\$ 124,279

In short, we executed reasonably well on our 2020 priorities

In my letter to you last year, I provided you with a list of our 2020 priorities. We came through the year’s challenges brought on by the global pandemic and were pleased with our performance. We remained laser focused on delivering an exceptional customer experience, introduced our Enphase Storage system, and made substantial progress on digital transformation. We had 850 employees as of December 31, 2020, and I am very proud of how they weathered through the pandemic and contributed to our ongoing success.

¹ See Appendix for reconciliation to comparable GAAP measures

Low voltage. High safety.

Enphase Storage stores only low-voltage DC power, avoiding the dangers that come with high-voltage DC power.



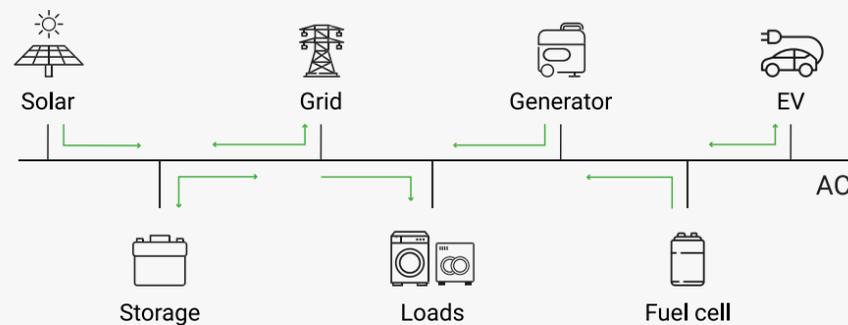
Our strategic focus

Before I provide the details of our 2021 priorities, I would like to outline some specifics regarding our strategy as a way to understand our future. Enphase is rapidly evolving from being the world's leading supplier of microinverters to becoming the world's leading home energy management systems provider.

During the past few years, there has been an unprecedented amount of investment and infrastructure development in Electric Vehicles (EV). This investment is well-justified because EVs are better for the environment and produce few direct emissions. We think the same concept applies to a home. More often than not, the energy consumed by the home comes from gas or coal-powered power plants. And, most homes use natural gas-powered appliances. While EVs are garnering attention, the question is whether enough is being done to ensure all home energy is clean. The "all-electric green home" represents Nirvana where energy is clean and there are no natural gas-powered appliances. While perfection may take a decade or more, we can start with incremental improvements now. This is where Enphase comes in with distributed home energy management systems capable of providing energy independence to the home in a clean manner.

"Enphase is rapidly evolving from being the world's leading supplier of microinverters to becoming the world's leading home energy management systems provider."

Enphase ensemble technology enables home energy management



Our home energy management systems are architected to efficiently manage generation, storage, and consumption resources in the home to ensure the best customer experience. This includes ensuring cost savings for homeowners when they are connected to the grid and providing resilience in the event of a grid failure. Generation, storage, and consumption resources in the home include solar, battery storage, generators, EV chargers, fuel cells, the

grid, and electrical loads. All these distributed energy resources (DERs) require complex and sophisticated energy management systems to function correctly. Enphase is ideally positioned for this due to our core competencies in power electronics, semiconductors, and software, along with our Ensemble technology.

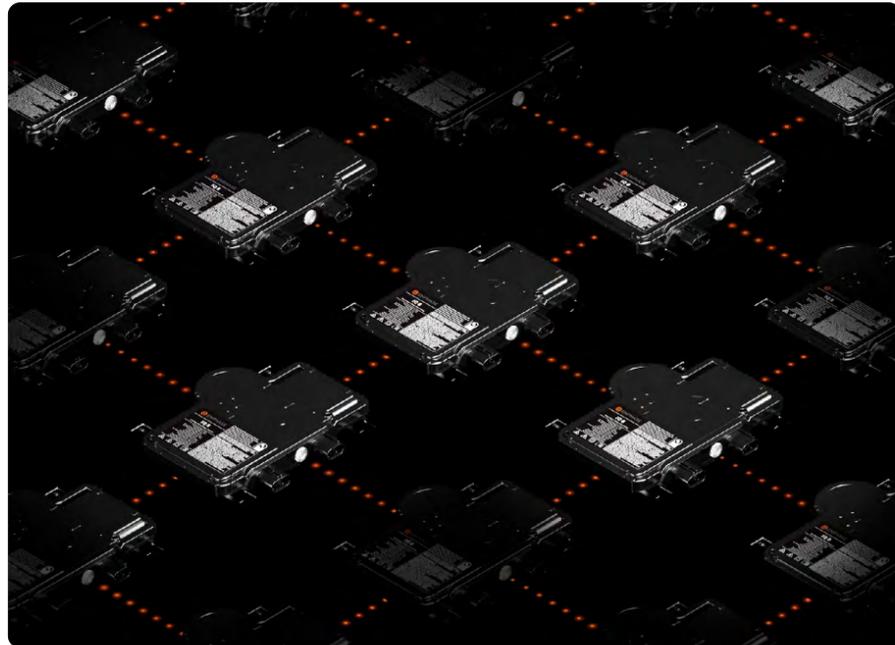
When connected to the grid, Enphase home energy management systems manage all the available resources to ensure the loads are serviced by the most efficient generation resource available at that time. For example, if there is sufficient solar production, the load is serviced by solar which is prioritized over storage or the grid. This guarantees the best economics for the homeowner. When there are not sufficient solar resources available, the system chooses to discharge the battery or draw energy from the grid, based again on the best economics for the homeowner.

"The development of these distributed microgrids could be one of the most exciting transformations that is likely to occur in the energy industry."

In the event of a grid failure, our home energy management systems can identify the failure in a matter of milliseconds and seamlessly begin generating power within the home, using solar, battery storage, and other available resources to alleviate a power outage. The systems have the ability to turn a home into a highly resilient, self-reliant microgrid. The development of these distributed microgrids could be one of the most exciting transformations that is likely to occur in the energy industry. This means a world where there are no centralized generation units, transmission lines, and sub-stations. Each home microgrid could be interconnected to form pools of microgrids. All towns and cities could become their own microgrids, and such a world is feasible with our Ensemble technology.

All the building blocks of the Enphase home energy management systems are managed by our underlying Ensemble technology with an integrated approach, bringing significant benefits to installers and homeowners. Installers will see simplified procurement, installation, and commissioning, while operations and maintenance will be done through a single app. In the unlikely event of a failure, homeowners will be able to call a single phone number for support, delivering them peace of mind that one company is managing all of their energy needs.

The key building block in our home energy management systems is our grid-forming IQ 8™ microinverter. This is a bi-directional power conversion device that has a built-in communications infrastructure and full stack software, enabling it to be completely software defined. This allows us to tailor the behavior of the device based on its usage. For example, the addition of an IQ 8 microinverter in front of a prime mover such as a solar panel means it needs to operate as a grid-agnostic microinverter and when connected to a battery cell pack, it behaves as both a microinverter and a charge controller, all through software. Similarly, connecting IQ 8 to a fuel cell generator can transform it into an AC fuel cell and can transform the EV into an active bidirectional participant in our home energy management systems.



Grid-forming IQ 8™ microinverters

We continue to innovate on microinverters by leveraging our semiconductor core competency with powerful custom ASIC (application-specific integrated circuit) controllers. We are looking beyond IQ 8, into IQ 9™ and IQ 10™ microinverters. We plan to use semiconductor materials such as Gallium Nitride (GaN), and techniques in packaging and thermal management to significantly improve the power, size, efficiency, and reliability of the microinverters.

As solar and storage penetration continues to increase, the utilities have an opportunity to discontinue the use of expensive and polluting peaker plants. They can achieve this by engaging with storage systems that have been installed in homes, and coordinating their discharge based on the needs of the grid. As we progress towards the “all-electric green home”, coordination between DERs will become critical in order to ensure the resilience of the grid. This is an example of how intelligent and connected systems powered by Ensemble technology can not only bring value to the homeowner, but also to the utilities.

We aim to deliver best-in-class home energy management systems, leveraging a comprehensive digital platform and our trusted installers in the Enphase Installer Network (EIN). We believe in order to deliver the benefits of Enphase products to our installer partners and homeowners, we need to effectively manage their entire buying and ownership journey. This begins with lead generation, lead management, design, proposal, permitting, installation, and operations and maintenance. The backbone of this strategy is our tiered EIN, where installers qualify based on stringent performance benchmarks, including homeowner satisfaction, relationship duration, and annual volumes, among other things. The installers in our network benefit from access to an enhanced digital platform that delivers leads, self-service tools, product priority, and analytics that can be leveraged to improve their business efficiency.

“As we progress towards the ‘all-electric green home’, coordination between DERs will become critical in order to ensure the resilience of the grid.”

It shines in all kinds of weather.

Enphase Solar has received a NEMA 6 rating, meaning it can endure just about anything Mother Nature sends its way.



Our 2021 priorities

We believe our solid execution in 2020 and our strategic focus position us well to take advantage of key growth opportunities. Our top priorities for 2021 are highlighted below.

We plan to introduce differentiated home energy management systems for global markets

New products are the lifeblood of Enphase. We will continue to focus on technology and products that help to improve quality of life and lead to energy independence, while keeping true to our core purpose of sustainability. We expect 2021 to be very busy for us in terms of product launches.

We are working on adding additional features to our Enphase Storage systems. These include M-Series™ microinverter compatibility, generator compatibility, load control, and grid services. We recently announced that the Enphase Storage systems are now compatible to our M-Series solar microinverters. The expanded compatibility provides approximately 300,000 additional Enphase system owners with the possibility of achieving energy resilience. Homeowners will have the ability to add generators to their Enphase Storage systems, and will be able to configure the generator's behavior from their Enphase app. With the load control feature, homeowners will be able to connect up to four loads to Enphase storage systems and control them via the app. In addition, we plan to partner with a number of aggregators in order to allow our storage systems to participate in grid services programs offered by utilities. Finally, we expect to introduce the Enphase Storage systems into Australia and Europe in 2021.

Our IQ 7™ family of products have put us in a solid position today. We expect to introduce these microinverters into exciting new solar markets for Enphase, including Italy, the Philippines, South Africa, and Thailand. In addition, we believe one of Enphase's most significant accomplishments will be the introduction of our IQ 8 PV product, the world's first grid-independent solar microinverter. We expect to release this product in the U.S. in 2021.

We also expect to introduce our small commercial solution in 2021. The core element of this solution is our IQ 8D™ microinverter which allows an installer to connect two solar panels to a single microinverter. The IQ 8D microinverter will be expected to have the same reliability as the IQ 7 microinverter. It will be compliant with Rapid Shutdown, a key regulatory requirement for the small commercial rooftop. The entire solution will include design, proposal, permitting services, and fleet and performance management for operations and maintenance.

"We will continue to focus on technology and products that help to improve quality of life and lead to energy independence, while keeping true to our core purpose of sustainability."



IQ 8D microinverter

"As one of our customers recently said, 'You are now an always-on power company.' We recognize we have a responsibility and obligation to ensure our customers have access to continuous power."

We are working hard on our first consumer product, a portable power station, previously referred to as Ensemble-in-a-Box™. The product will provide energy security indoors as well as energy-on-the-go outdoors. We also view this as a starter product for those homeowners who are not yet ready to invest in a full solar or storage system. The portable power station will support up to 1.3 kWh storage, 1.6 kW continuous power, and 3.2 kW of peak power. It will keep the home's basic appliances such as lights, mobile devices, and most refrigerators on for a few hours during an outage. We expect to release this product in the U.S. in 2021.

We plan to end the year with an NPS > 70%

With our focus on storage and energy independence, we are now in the path of power to homeowners. As one of our customers recently said, "You are now an always-on power company." We recognize we have a responsibility and obligation to ensure our customers have access to continuous power. We will be introducing 24x7 customer support and building a field service organization that can provide expert help on-site to our customers, in other words a "white glove" service for our installer partners. We recognize that a faster install and commissioning process is key to customer satisfaction. In addition to our existing enhancements, we will continue to improve the process so an entire storage system can be installed and commissioned in a few hours.

“We believe that integrating solar design software from our Sofdesk acquisition, adding permitting services from our acquisition of DIN’s Design Services Business, along with a number of in-house efforts, will significantly accelerate our digital platform in 2021.”

We plan to integrate our acquisitions and add new capabilities onto the digital platform

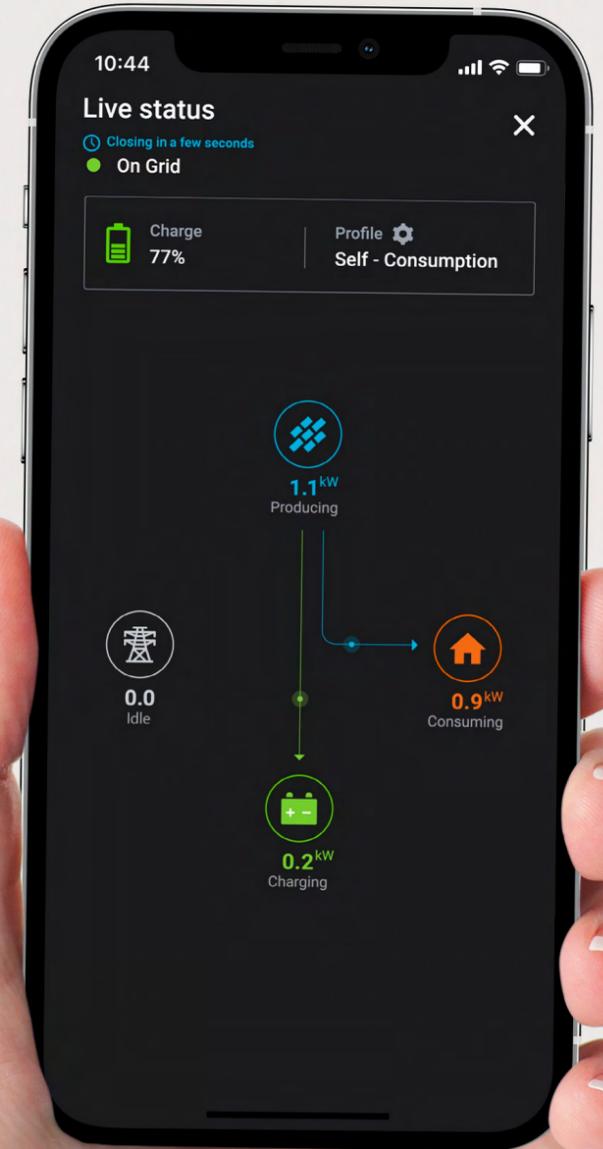
It is our vision that a complete digital platform will serve as a powerful catalyst, accelerating our home energy management systems sales. To bring this vision to fruition, we will enhance our EIN by adding trusted installers who will act as our product evangelists, and provide an exceptional experience to homeowners across the globe. After successful launches in the U.S. and Australia in 2020, we plan to launch the EIN in a number of countries in Europe and in the Asia-Pacific region in 2021.

We expect to make significant strides regarding the implementation of our digital platform to ensure that homeowners, installers, and Enphase are continuously connected digitally. We plan to provide homeowners with powerful capabilities such as visualizing solar and storage on their own home with an intuitive interface. We believe that integrating solar design software from our Sofdesk acquisition, adding permitting services from our acquisition of DIN’s Design Services Business, along with a number of in-house efforts, will significantly accelerate our digital platform in 2021.



Take control of your power.

One system, one app, one call for support.





Final thoughts

As we look back on 2020, I am proud of how we adapted to the challenges that came our way. We took care of our employees, provided for our customers and partners, and prospered along the way. We are optimistic about our resilience, flexibility, and solid business processes, reflecting the best in sustainability.

Sustainability is at our core at Enphase and our purpose remains to advance a sustainable future for all. As part of our commitment, we published our inaugural Environmental, Social, and Governance (ESG) [report](#) in January 2021. As we work towards an equitable energy future for all, we are aware of the importance of mobilizing the world to reduce the carbon footprint and electrify the planet.

We will continue to work hard to deliver high quality products that produce clean energy, save our customers money, and provide them with complete energy independence. Looking forward in 2021, we are excited about the strength in worldwide demand for solar, the ramp of our storage systems and upcoming new products, the higher levels of customer service, and our ongoing digital transformation efforts.

As always, I thank our employees, customers, partners, and shareholders for their continued support.

To be continued,

Badri Kothandaraman
President and CEO

April 7, 2021

Appendix

Enphase Energy, Inc. reconciliation of Non-GAAP financial measures

In thousands, except per share data and percentages. (Unaudited)

	Year Ended	
	December 31, 2020	December 31, 2019
Gross profit (GAAP)	\$ 345,981	\$ 221,245
Stock-based compensation	3,759	1,650
Tariff refunds	(38,940)	-
Gross profit (Non-GAAP)	\$ 310,800	\$ 222,895
Gross margin (GAAP)	44.7 %	35.4 %
Stock-based compensation	0.5 %	0.3 %
Tariff refunds	(5.1)%	- %
Gross margin (Non-GAAP)	40.1 %	35.7 %
Operating expenses (GAAP)	\$ 159,542	\$ 118,516
Stock-based compensation	(38,744)	(17,791)
Restructuring and asset impairment charges	-	(2,599)
Acquisition related expenses and amortization	(2,502)	(2,183)
Operating expenses (Non-GAAP)	\$ 118,296	\$ 95,943
Operating expenses (Non-GAAP) % of revenue	15.3 %	15.4 %
Income from operations (GAAP)	\$ 186,439	\$ 102,729
Stock-based compensation	42,503	19,441
Tariff refunds	(38,940)	-
Restructuring and asset impairment charges	-	2,599
Acquisition related expenses and amortization	2,502	2,183
Income from operations (Non-GAAP)	\$ 192,504	\$ 126,952
Income from operations (Non-GAAP) % of revenue	24.9 %	20.3 %
Net income (GAAP)	\$ 133,995	\$ 161,148
Stock-based compensation	42,503	19,441
Tariff refunds	(39,567)	-
Restructuring and asset impairment charges	-	2,599
Acquisition related expenses and amortization	2,502	2,183
Non-cash interest expense	18,825	13,205
Loss on partial settlement of Notes due 2024	3,037	-
Change in fair value of derivatives	44,348	-
Non-GAAP income tax adjustment	(17,117)	(74,371)
Net income (Non-GAAP)	\$ 188,526	\$ 124,205
Net income per share, basic (GAAP)	\$ 1.07	\$ 1.38
Stock-based compensation	0.34	0.17
Tariff refunds	(0.32)	-
Restructuring and asset impairment charges	-	0.02

Enphase Energy, Inc. reconciliation of Non-GAAP financial measures (continued)

	December 31, 2020	December 31, 2019
Acquisition related expenses and amortization	0.02	0.02
Non-recurring debt prepayment fees and non-cash interest	0.15	0.11
Loss on partial settlement of Notes due 2024	0.03	-
Change in fair value of derivatives	0.35	-
Non-GAAP income tax adjustment	(0.14)	(0.64)
Net income per share, basic (Non-GAAP)	\$ 1.50	\$ 1.06
Shares used in per share calculation GAAP and Non-GAAP	125,561	116,713
Net income per share, diluted (GAAP)	\$ 0.95	\$ 1.23
Stock-based compensation	0.31	0.15
Tariff refunds	(0.28)	-
Restructuring and asset impairment charges	-	0.02
Acquisition related expenses and amortization	0.02	0.02
Non-recurring debt prepayment fees and non-cash interest	0.14	0.10
Loss on partial settlement of Notes due 2024	0.02	-
Change in fair value of derivatives	0.33	-
Non-GAAP income tax adjustment	(0.12)	(0.57)
Net income per share, diluted (Non-GAAP) (1)	\$ 1.37	\$ 0.95
Shares used in per share calculation GAAP	141,918	131,644
Shares used in per share calculation Non-GAAP (2)	137,469	131,193
Net cash provided by operating activities (GAAP)	216,334	139,067
Purchases of property and equipment	(20,558)	(14,788)
Deemed repayment of convertible notes due 2024 attributable to accreted debt discount	3,132	-
Free cash flow (Non-GAAP)	\$ 198,908	\$ 124,279

¹Calculation of non-GAAP diluted net income per share for the year ended December 31, 2020 and December 31, 2019 excludes convertible notes due 2023 interest expense, net of tax of \$0.1 million and \$0.9 million, respectively, from non-GAAP net income.

²Effect 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 4,449 thousands and 451 thousand shares for the years ended December 31, 2020 and December 31, 2019, respectively from 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.

Enphase Energy, Inc. reconciliation of Non-GAAP financial measures (continued)

In thousands, except percentages. (Unaudited)

	Quarter Ended	
	December 31, 2020	
Gross profit (GAAP)	\$	121,938
Stock-based compensation		522
Tariff refunds		(15,911)
Gross profit (Non-GAAP)	\$	106,549
Gross margin (GAAP)		46.0 %
Stock-based compensation		0.2 %
Tariff refunds		(6.0)%
Gross margin (Non-GAAP)		40.2 %
Operating expenses (GAAP)	\$	42,824
Stock-based compensation		(7,767)
Acquisition related expenses and amortization		(864)
Operating expenses (Non-GAAP)	\$	34,193
Operating expense (Non-GAAP) % of revenue		12.9 %
Income from operations (GAAP)	\$	79,114
Stock-based compensation		8,289
Tariff refunds		(15,911)
Acquisition related expenses and amortization		864
Income from operations (Non-GAAP)	\$	72,356
Income from operations (Non-GAAP) % of revenue		27.3 %



Enphase
Energy independence
starts here.



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Stock exchange listing

Enphase Energy, Inc. common stock trades on the NASDAQ Global Market under the symbol ENPH
Financial and investor information is available on the company's investor relations website at investor.enphase.com