
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): January 30, 2018

Advanced Energy Industries, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

000-26966
(Commission File Number)

84-0846841
(IRS Employer Identification
No.)

1625 Sharp Point Drive, Fort Collins, Colorado
(Address of principal executive offices)

80525
(Zip Code)

(970) 221-4670
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company []

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. []

Item 2.02 Results of Operations and Financial Condition.

The information in this Form 8-K is furnished under "Item 2.02 Results of Operations and Financial Condition" and Exhibit 99.1 attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Act of 1934, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

On January 30, 2018, Advanced Energy Industries, Inc. issued a press release announcing its financial results for the quarter ended December 31, 2017. A copy of the press release is furnished with this Current Report on Form 8-K as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

99.1 [Press release dated January 30, 2018 by Advanced Energy Industries, Inc., reporting its financial results for the quarter ended December 31, 2017.](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: January 30, 2018

/s/ Thomas McGimpsey

Thomas McGimpsey

Chief Financial Officer, Executive Vice President, General Counsel
& Corporate Secretary

Advanced Energy Announces Fourth Quarter and Full Year 2017 Results

- **Q4 Revenue increased 32.4% y/y and 1.5% q/q to \$179.2 million**
- **Q4 GAAP loss per share from continuing operations was \$0.73 (due to tax expense related to U.S. tax reform)**
- **Q4 Non-GAAP EPS from continuing operations was \$1.31**

Fort Collins, Colo., January 30, 2018 - Advanced Energy Industries, Inc. (Nasdaq: AEIS), today announced financial results for the fourth quarter and full year ended December 31, 2017. The company reported fourth quarter sales of \$179.2 million. Fourth quarter GAAP loss from continuing operations was \$29.0 million, or \$0.73 per share. Non-GAAP income from continuing operations was \$52.4 million, or \$1.31 per diluted share.

“Capped off by a strong fourth quarter in our semiconductor business, 2017 was a record-breaking year across the board as revenue and non-GAAP earnings grew to their highest levels in the company’s history,” said Yuval Wasserman, president and CEO of Advanced Energy. “Key to maintaining our market-leading position and continually outpacing the markets we serve is our ongoing innovation and technology leadership. We continued to demonstrate the sustainability of our model, allowing us to achieve our strategic and aspirational goals.”

Fourth Quarter Results

Sales were \$179.2 million in the fourth quarter of 2017 compared with \$176.6 million in the third quarter of 2017 and \$135.3 million in the fourth quarter of 2016.

GAAP loss from continuing operations was \$29.0 million or \$0.73 per share in the fourth quarter of 2017 compared with income from continuing operations of \$83.8 million or \$2.09 per diluted share in the prior quarter, and income from continuing operations of \$40.4 million or \$1.01 per diluted share in the fourth quarter of 2016. The fourth quarter 2017 results were impacted by one-time tax expenses of \$6.4 million associated with the write-down of solar inverter business and \$72.9 million associated with the recently enacted U.S. tax reform, which the company will continue to evaluate during the measurement period.

Non-GAAP income from continuing operations was \$52.4 million or \$1.31 per diluted share in the fourth quarter of 2017, including \$0.03 of favorable items. This compares with \$48.0 million or \$1.19 per diluted share in the prior quarter, and \$42.6 million or \$1.06 per diluted share in the same period last year. A reconciliation of non-GAAP measures is provided in the tables below.

The company generated \$49.6 million of operating cash from continuing operations in the fourth quarter of 2017.

Full Year 2017

Sales were \$671.0 million in 2017 compared with \$483.7 million in 2016, an increase of 39%.

GAAP income from continuing operations was \$136.1 million or \$3.39 per diluted share in 2017 compared with \$116.9 million or \$2.92 per diluted share in 2016. Full year 2017 results were impacted by a one-time tax benefit of \$33.8 million associated with the write-down of the solar inverter business and a one-time tax expense of \$72.9 million associated with the recently enacted U.S. tax reform, which the company will continue to evaluate during the measurement period.

Non-GAAP income from continuing operations was \$191.5 million or \$4.77 per diluted share in 2017 compared with \$124.6 million or \$3.11 per diluted share in 2016. A reconciliation of non-GAAP measures is provided in the tables below.

The company generated \$190.0 million in cash from continuing operations and ended the year with \$410.4 million in cash and marketable securities.

Discontinued Operations

The company's financial statements for all periods presented reflect results for the continuing precision power business, with the discontinued inverter business included in discontinued operations for both the balance sheet and income statement. Further financial detail regarding the amounts related to the discontinued inverter business are available in the company's 2016 Annual Report on Form 10-K.

First Quarter 2018 Guidance

Based on the company's current view, beliefs and assumptions, guidance for the first quarter of 2018 is within the following ranges and does not incorporate any potential adjustments during the measurement period associated with U.S. tax reform.

	<u>Q1 2018</u>
Revenues	\$183M - \$193M
GAAP operating margins from continuing operations	30.0% - 32.0%
GAAP EPS from continuing operations	\$1.19 - \$1.29
Non-GAAP operating margins from continuing operations	32.0% - 34.0%
Non-GAAP EPS from continuing operations	\$1.27 - \$1.37

Fourth Quarter 2017 Conference Call

Management will host a conference call tomorrow morning, Wednesday, January 31, 2018 at 6:30 a.m. Mountain Time/ 8:30 a.m. Eastern Time to discuss Advanced Energy's financial results. Domestic callers may access this conference call by dialing 855-232-8958. International callers may access the call by dialing 315-625-6980. Participants will need to provide the operator with the Conference ID Number 5097049, which has been reserved for this call. For a replay of this teleconference, please call 855-859-2056 or 404-537-3406 and enter Conference ID Number 5097049. The replay will be available for one week following the conference call. A webcast will also be available on the company's Investor Relations web page at <http://ir.advanced-energy.com>.

About Advanced Energy

Advanced Energy (NASDAQ: AEIS) is a global leader in innovative power and control technologies for high-growth, precision power solutions for thin films processes and industrial applications. Advanced Energy is headquartered in Fort Collins, Colorado, with dedicated support and service locations around the world. For more information, go to www.advanced-energy.com.

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Non-GAAP Measures

This release includes GAAP and non-GAAP income and per-share earnings data and other GAAP and non-GAAP financial information. 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 non-recurring items such as acquisition-related costs. Additionally, the fourth quarter and full year 2017 results exclude estimated income tax expense associated with U.S. tax reform. For the first quarter ending March 31, 2018 guidance, the company expects stock based compensation of \$2.7 million and amortization of intangibles of \$1.5 million. The non-GAAP measures included in this release 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. Advanced Energy believes that these non-GAAP measures provide useful information to management and investors to evaluate business performance without the impacts of certain non-cash charges and other charges which are not part of the company's usual operations. The company uses 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, the company believes that these non-GAAP measures, in combination with its financial results calculated in accordance with GAAP, provide investors with additional perspective. While some of the excluded items may be incurred and reflected in the company's GAAP financial results in the foreseeable future, the company believes that the items excluded from certain non-GAAP measures do not accurately reflect the underlying performance of its continuing operations for the period in which they are incurred. The use of non-GAAP measures has limitations in that such measures do not reflect all of the amounts associated with the company's results of operations as determined in accordance with GAAP, and these measures should only be used to evaluate the company's results of operations in conjunction with the corresponding GAAP measures. Please refer to the Form 8-K regarding this release furnished today to the Securities and Exchange Commission.

Forward-Looking Statements

The company's guidance with respect to anticipated financial results for the first quarter ending March 31, 2018, potential future growth and profitability, our future business mix, expectations regarding future market trends and the company's future performance within specific markets (e.g., statements regarding anticipated semiconductor and industrial market growth) and other statements herein or made on the above-announced conference call that are not historical information are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. 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 include, but are not limited to: (a) the effects of global macroeconomic conditions upon demand for our products and services; (b) the volatility and cyclicality of the industries the company serves, particularly the semiconductor industry; (c) delays in capital spending by end-users in our served markets; (d) the accuracy of the company's estimates related to fulfilling solar inverter product warranty and post-warranty obligations; (e) the company's ability to realize its plan to avoid additional costs after the solar inverter wind-down; (f) the accuracy of the company's assumptions on which its financial statement projections are based; (g) the impact of product price changes, which may result from a variety of factors; (h) the timing of orders received from customers; (i) the company's ability to realize benefits from cost improvement efforts including avoided costs, restructuring plans and inorganic growth; (j) the company's ability to obtain in a timely manner the materials necessary to manufacture its products; (k) unanticipated changes to management's estimates, reserves or allowances; and (l) changes and adjustments to the tax expense and benefits related to the recently enacted U.S. tax reform. These and other risks are described in Advanced Energy's Form 10-K, Forms 10-Q and other reports and statements filed with the Securities and Exchange Commission (the "SEC"). These reports and statements are available on the SEC's website at www.sec.gov. Copies may also be obtained from Advanced Energy's investor relations page at <http://ir.advanced-energy.com> or by contacting Advanced Energy's investor relations at 970-407-6555. Forward-looking statements are made and based on information available to the company on the date of this press release. Aspirational goals and targets discussed on the conference call or in the presentation materials should not be interpreted in any respect as guidance. The company assumes no obligation to update the information in this press release.

ADVANCED ENERGY INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in thousands, except per share data)

	Three Months Ended			Twelve Months Ended		
	December 31,		September 30,	December 31,		
	2017	2016	2017	2017	2016	
Sales:						
Product	\$ 154,172	\$ 115,885	\$ 152,363	\$ 578,650	\$ 410,580	
Service	25,042	19,458	24,212	92,362	73,124	
Total sales	179,214	135,343	176,575	671,012	483,704	
Cost of sales:						
Product	68,833	54,710	72,146	267,587	192,694	
Service	12,206	9,115	12,195	47,044	37,863	
Total cost of sales	81,039	63,825	84,341	314,631	230,557	
Gross profit	98,175	71,518	92,234	356,381	253,147	
	54.8%	52.8%	52.2%	53.1%	52.3%	
Operating expenses:						
Research and development	16,257	11,121	14,629	57,999	44,445	
Selling, general and administrative	22,682	20,864	24,692	93,262	77,678	
Amortization of intangible assets	1,174	987	1,240	4,350	4,167	
Total operating expenses	40,113	32,972	40,561	155,611	126,290	
Operating income	58,062	38,546	51,673	200,770	126,857	
Other (expense) income, net	559	81	153	(2,579)	1,219	
Income from continuing operations before income taxes	58,621	38,627	51,826	198,191	128,076	
Provision for income taxes	87,628	(1,809)	(31,968)	62,090	11,128	
Income (loss) from continuing operations, net of income taxes	(29,007)	40,436	83,794	136,101	116,948	
Income (loss) from discontinued operations, net of income taxes	(583)	3,845	70	1,760	10,506	
Net income (loss)	\$ (29,590)	\$ 44,281	\$ 83,864	\$ 137,861	\$ 127,454	
Basic weighted-average common shares outstanding						
	39,642	39,699	39,786	39,754	39,720	
Diluted weighted-average common shares outstanding						
	40,051	40,029	40,172	40,176	40,031	
Earnings per share:						
Continuing operations:						
Basic earnings (loss) per share	\$ (0.73)	\$ 1.02	\$ 2.11	\$ 3.42	\$ 2.94	
Diluted earnings (loss) per share	\$ (0.73)	\$ 1.01	\$ 2.09	\$ 3.39	\$ 2.92	
Discontinued operations:						
Basic earnings (loss) per share	\$ (0.01)	\$ 0.10	\$ 0.00	\$ 0.04	\$ 0.26	
Diluted earnings (loss) per share	\$ (0.01)	\$ 0.10	\$ 0.00	\$ 0.04	\$ 0.26	
Net income:						
Basic earnings (loss) per share	\$ (0.75)	\$ 1.12	\$ 2.11	\$ 3.47	\$ 3.21	
Diluted earnings (loss) per share	\$ (0.75)	\$ 1.11	\$ 2.09	\$ 3.43	\$ 3.18	

ADVANCED ENERGY INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 2017	December 31, 2016
	Unaudited	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 407,283	\$ 281,953
Marketable securities	3,104	4,737
Accounts receivable, net	87,429	75,667
Inventories, net	78,450	55,770
Income taxes receivable	1,295	1,482
Other current assets	8,129	9,324
Current assets of discontinued operations	9,535	9,401
Total current assets	595,225	438,334
Property and equipment, net	17,795	13,337
Deposits and other	3,051	1,835
Goodwill and intangibles, net	87,311	70,196
Deferred income tax assets	18,841	32,197
Non-current assets of discontinued operations	11,085	15,630
Total assets	\$ 733,308	\$ 571,529
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 48,177	\$ 46,255
Other accrued expenses	50,092	35,372
Current liabilities of discontinued operations	7,850	13,419
Total current liabilities	106,119	95,046
Non-current liabilities of continuing operations	91,271	63,252
Non-current liabilities of discontinued operations	15,277	21,157
Long-term liabilities	106,548	84,409
Total liabilities	212,667	179,455
Stockholders' equity	520,641	392,074
Total liabilities and stockholders' equity	\$ 733,308	\$ 571,529

December 31, 2016 amounts are derived from the December 31, 2016 audited Consolidated Financial Statements.

ADVANCED ENERGY INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Twelve Months Ended December 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 137,861	\$ 127,454
Income from discontinued operations, net of income taxes	1,760	10,506
Income from continuing operations, net of income taxes	136,101	116,948
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,424	7,813
Stock-based compensation expense	12,549	6,332
Provision for deferred income taxes	28,765	3,570
Loss on foreign exchange hedge	3,489	—
Net loss on disposal of assets	122	319
Changes in operating assets and liabilities, net of assets acquired	(494)	(7,838)
Net cash provided by operating activities from continuing operations	189,956	127,144
Net cash used in operating activities from discontinued operations	(7,255)	(7,857)
Net cash provided by operating activities	182,701	119,287
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(107)	(763)
Proceeds from sale of marketable securities	1,903	7,884
Acquisitions, net of cash acquired	(17,347)	—
Purchase of foreign exchange hedge	(3,489)	—
Purchases of property and equipment	(9,042)	(6,821)
Net cash (used in) provided by investing activities from continuing operations	(28,082)	300
Net cash used in investing activities from discontinued operations	—	—
Net cash (used in) provided by investing activities	(28,082)	300
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase and retirement of common stock	(29,993)	—
Net (payments) proceeds related to stock-based award activities	(1,315)	2,175
Other financing activities	1	(4)
Net cash (used in) provided by financing activities from continuing operations	(31,307)	2,171
Net cash used in financing activities from discontinued operations	—	(29)
Net cash (used in) provided by financing activities	(31,307)	2,142
EFFECT OF CURRENCY TRANSLATION ON CASH	2,208	(1,932)
INCREASE IN CASH AND CASH EQUIVALENTS	125,520	119,797
CASH AND CASH EQUIVALENTS, beginning of period	289,517	169,720
CASH AND CASH EQUIVALENTS, end of period	415,037	289,517
Less cash and cash equivalents from discontinued operations	7,754	7,564
CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS, end of period	\$ 407,283	\$ 281,953

ADVANCED ENERGY INDUSTRIES, INC.
SELECTED OTHER DATA (UNAUDITED)
(in thousands)

**Reconciliation of Non-GAAP measure -
operating expenses and operating income,
excluding certain items**

	Three Months Ended			Twelve Months Ended	
	December 31,		September 30,	December 31,	
	2017	2016	2017	2017	2016
Gross Profit from continuing operations, as reported	\$ 98,175	\$ 71,518	\$ 92,234	\$ 356,381	\$ 253,147
Operating expenses from continuing operations, as reported	40,113	32,972	40,561	155,611	126,290
Adjustments:					
Stock-based compensation	(1,842)	(2,033)	(3,453)	(12,549)	(6,332)
Amortization of intangible assets	(1,174)	(987)	(1,240)	(4,350)	(4,167)
Acquisition-related costs	—	—	—	(150)	—
Non-GAAP operating expenses from continuing operations	37,097	29,952	35,868	138,562	115,791
Non-GAAP operating income from continuing operations	\$ 61,078	\$ 41,566	\$ 56,366	\$ 217,819	\$ 137,356

**Reconciliation of Non-GAAP measure -
operating expenses and operating income,
excluding certain items**

	Three Months Ended			Twelve Months Ended	
	December 31,		September 30,	December 31,	
	2017	2016	2017	2017	2016
Gross Profit from continuing operations, as reported	54.8 %	52.8 %	52.2 %	53.1 %	52.3 %
Operating expenses from continuing operations, as reported	22.4	24.4	23.0	23.2	26.1
Adjustments:					
Stock-based compensation	(1.0)	(1.6)	(2.0)	(2.0)	(1.3)
Amortization of intangible assets	(0.7)	(0.7)	(0.7)	(0.6)	(0.9)
Acquisition-related costs	—	—	—	—	—
Non-GAAP operating expenses from continuing operations	20.7	22.1	20.3	20.6	23.9
Non-GAAP operating income from continuing operations	34.1 %	30.7 %	31.9 %	32.5 %	28.4 %

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

	Three Months Ended			Twelve Months Ended	
	December 31,		September 30,	December 31,	
	2017	2016	2017	2017	2016
Income (loss) from continuing operations, net of income taxes, as reported	\$ (29,007)	\$ 40,436	\$ 83,794	\$ 136,101	\$ 116,948
Adjustments:					
Stock-based compensation	1,842	2,033	3,453	12,549	6,332
Amortization of intangible assets	1,174	987	1,240	4,350	4,167
Loss on foreign exchange hedge	—	—	—	3,489	—
Acquisition-related costs	—	—	—	150	—
Incremental expense associated with start-up of the Asia regional headquarters	—	—	1,133	1,133	—
Nonrecurring tax (benefit) expense associated with inverter business	6,357	—	(40,194)	(33,837)	—
Tax Cuts and Jobs Act Impact	72,867	—	—	72,867	—
Tax effect of Non-GAAP adjustments	(813)	(881)	(1,426)	(5,264)	(2,854)
Non-GAAP income from continuing operations, net of income taxes	\$ 52,420	\$ 42,575	\$ 48,000	\$ 191,538	\$ 124,593

**Reconciliation of Non-GAAP measure - per
share earnings excluding certain items**

	Three Months Ended			Twelve Months Ended	
	December 31,		September 30,	December 31,	
	2017	2016	2017	2017	2016
Diluted earnings (loss) per share from continuing operations, as reported	\$ (0.73)	\$ 1.01	\$ 2.09	\$ 3.39	\$ 2.92
Add back:					
per share impact of Non-GAAP adjustments, net of tax	2.04	0.05	(0.90)	1.38	0.19
Non-GAAP per share earnings from continuing operations	\$ 1.31	\$ 1.06	\$ 1.19	\$ 4.77	\$ 3.11

Reconciliation of Q1 2018 Guidance

	Low End	High End
Revenue	\$183 million	\$193 million

Reconciliation of Non-GAAP operating margin

GAAP operating margin	30%	32%
Stock-based compensation	1%	1%
Amortization of intangible assets	1%	1%
Non-GAAP operating margin	32%	34%

Reconciliation of Non-GAAP earnings per share

GAAP earnings per share	\$ 1.19	\$ 1.29
Stock-based compensation	0.07	0.07
Amortization of intangible assets	0.04	0.04
Tax effects of excluded items	(0.03)	(0.03)
Non-GAAP earnings per share	\$ 1.27	\$ 1.37