

## Letter from Your CEO

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Since Raghu Belur and Martin Fornage founded Enphase in 2006, Enphase has grown to be the world's largest supplier of solar microinverters, a testament to our focus on innovation and growth. Over the past few years, we have transitioned from a pure-play microinverter company to an energy management solutions company. Our products connect energy generation, energy storage and communications management on one intelligent platform.

The early part of 2017 was tough for us. We made some difficult restructuring decisions that enabled us to start truly focusing on operational excellence. In June 2017, we put a stake in the ground targeting Gross Margin at 30% of revenue, Operating Expenses at 20% of revenue and Operating Income at 10% of revenue by the fourth quarter of 2018. We are pleased with our progress in 2017 towards that 30-20-10 target operating model. The release of IQ 6 combined with supply chain optimization and pricing management has led to three consecutive quarters of gross margin improvement, resulting in gross margin of 23.8% in the fourth quarter of 2017. This financial transformation required more than just a focus on cost reduction, Enphase has transformed its culture to one of discipline and rigor that is backed up with metrics. This focus continues to be applied broadly across all aspects of our business.

In 2017, we expanded our product offerings by launching the Enphase Home Energy Solution with IQ™, our next-generation integrated solar, storage and energy management platform. The IQ family of microinverters also enables our AC Module (ACM) product. We are excited about partnering with module makers that integrate our IQ microinverter with a PV module to create ACMs which reduce overall installation time for our customers. In addition, our cultural transformation extends to how we serve our customers. We now apply the same level of rigorous evaluation of our processes and procedures to improve our customers' ease of doing business with us.

India is key to our overall strategy both for operations and top-line growth. We opened an R&D Center in Bangalore, India in 2017 to take advantage of the enormous talent pool in India, which supports Enphase's core strength of developing innovative products and helps us drive operational efficiencies to achieve our 30-20-10 target operating model. We also see a growing commercial opportunity for Enphase in India, as the country is powering the growth of solar with its ambitious targets for clean energy.

In 2018, Enphase has three priorities: providing best-in-class customer experience, achieving our 30-20-10 model and gearing up for the launch of IQ 8. We will continue to build upon our culture of discipline and rigor to match Enphase's original innovative spirit. As we execute on the conversion of our customer base to IQ 7, a single worldwide SKU, we expect to close the year on the brink of a new chapter of innovation - the grid-agnostic IQ 8 technology, which we will productize in 2019. Until then, we are laser-focused on achieving our 30-20-10 target operating model and sustained profitability.

A handwritten signature in black ink, appearing to be 'BK' followed by a long horizontal stroke.

Badri Kothandaraman  
President and CEO