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ENPHASE ENERGY
Q3 2025

Earnings Report Update

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Company Overview

Enphase Energy, Inc. designs and manufactures smart home energy solutions centered on semiconductor-based microinverters that convert solar power at the module level. Its integrated software enables efficient energy monitoring and control. Core offerings include microinverters, IQ Batteries, and cloud-based management systems, supporting clean, reliable solar energy. Founded in 2006, Enphase is headquartered in Fremont, California.

GUIDANCE

Enphase Energy projects Q4 2025 revenue between $310 million and $350 million, reflecting stable demand and steady shipments of IQ Batteries.

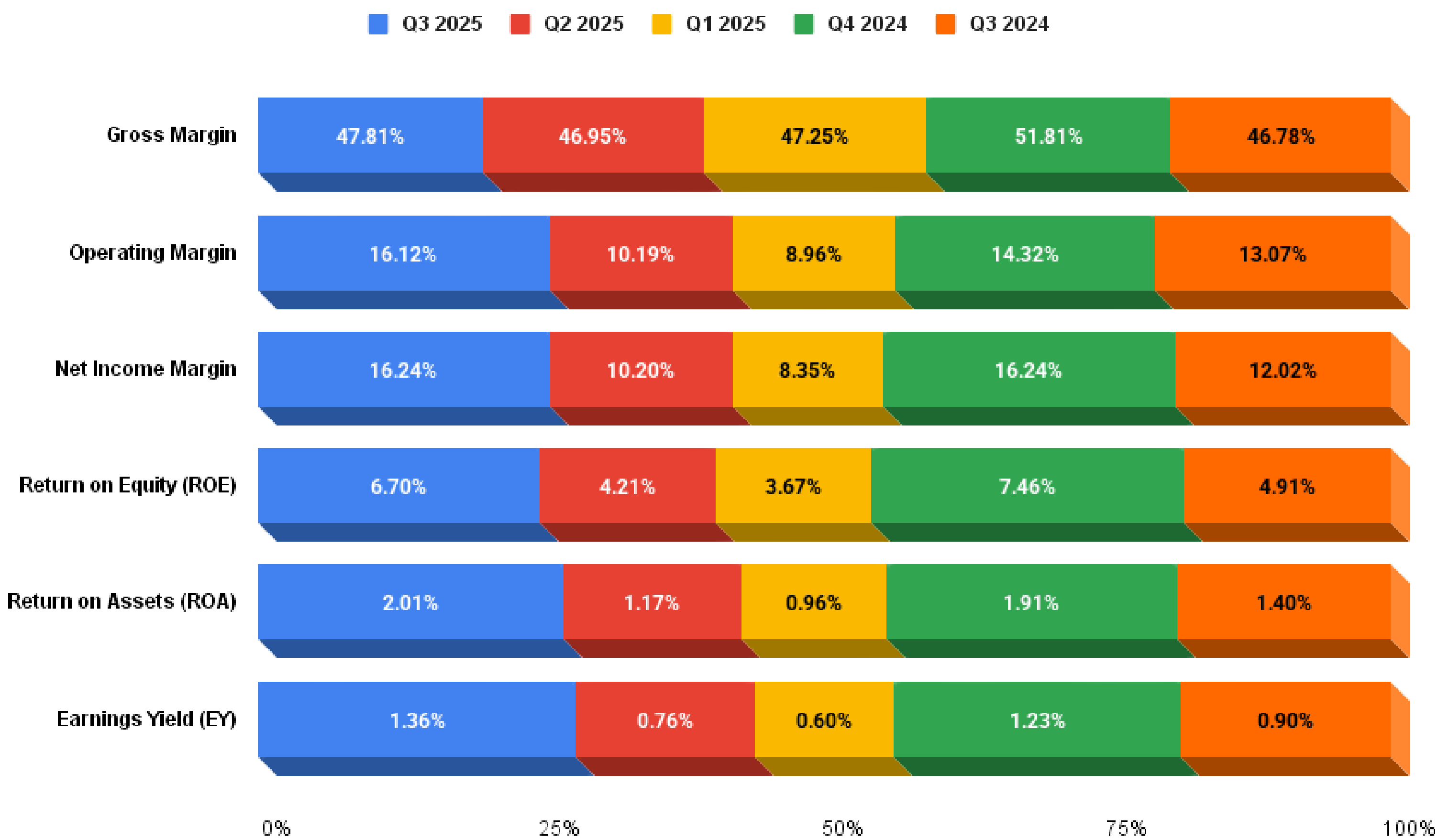
CEO's Commentary

"Enphase Energy CEO, Badri Kothandaraman highlighted that Q3 2025 marked the company's highest revenue in two years at $410.4 million, driven by strong U.S. demand and record 195MWh of IQ Battery shipments. He emphasized expanding U.S. manufacturing capacity, sustained profitability with a 49.2% non-GAAP gross margin, and ongoing innovation to strengthen Enphase's leadership in smart, reliable home energy solutions."

Expectation Analysis

MILLION USD	Q3 2025	ESTIMATE	BEAT/MISS
REVENUE	410.00B	370.00B	11.00%
EBITDA	144.00B	102.00B	40.80%
EBIT	66.20B	25.40B	160.00%
EPS (adjusted)	0.90	0.66	37.20%

Margin and Efficiency Analysis



Revenue/Profitability Summary

Million USD($), except EPS	Q3 2025	QOQ	YOY
Revenue	410.43	13.02%	7.76%
Gross Profit	196.24	15.10%	10.14%
Income from Operation	66.16	78.77%	32.88%
Other Income	10.86	108.93%	1037.17%
Income before Tax	77.02	82.49%	51.78%
Net Income	66.64	79.85%	45.62%
EPS	0.50	78.57%	51.52%

Cost/Expenses Summary

Million USD($)	Q3 2025	QOQ	YOY
Revenue cost	214.19	11.17%	5.67%
Research & Development	47.27	4.06%	-1.21%
Sales & Marketing	48.43	-4.49%	-2.50%
General & Administrative	33.10	-2.75%	9.63%
Restructuring & Impairment	1.29	-61.26%	90.10%
Operating Expenses	130.08	-2.55%	1.32%

Cash Flow Summary

Million USD($)	Q3 2025	QOQ	YOY
Net cash from operations	13.92	-47.73%	-91.82%
Net cash from investing	21.41	141.82%	119.03%
Net cash from financing	-1.68	93.91%	97.01%
Closing cash balance	401.88	8.46%	56.79%

Key Items of Financial Position Summary

Million USD($)	30th September	YTD	QOQ	YOY
Current assets	2,391.79	2.78%	4.49%	1.31%
Non-current assets	928.70	0.66%	4.37%	2.81%
Total assets	3,320.49	2.18%	4.46%	1.72%
Current liabilities	1,171.14	77.42%	0.74%	106.38%
Non-current liabilities	1,154.32	-34.29%	1.65%	-34.61%
Total liabilities	2,325.47	-3.77%	1.19%	-0.32%
Total equities	995.02	19.45%	12.99%	6.83%

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Performance Highlight

- Enphase Energy delivered strong Q3 2025 results with revenue rising 13% QoQ and 7.8% YoY to $410.4 million, its highest in two years. Growth was fueled by robust U.S. demand, a 29% QoQ surge in domestic sales, and $70.9 million in safe harbor shipments.

- Enphase shipped 1.77 million microinverters, equivalent to 784.6 MW DC, demonstrating strong demand and production efficiency, with 1.53 million units sourced from U.S. facilities qualifying for 45X production tax credits.

- Enphase demonstrated solid profitability in Q3 2025, with non-GAAP gross margin rising to 49.2% from 48.6% QoQ, supported by cost discipline and IRA benefits, though partly offset by a 4.9% tariff impact. Operating income grew 25% QoQ to $123.4 million, aided by stable expenses, while net income surged 30.5% to $117.3 million, lifting EPS to $0.90, underscoring strong operational leverage.

- Operating cash flow totaled $13.9 million, despite inventory build-up and higher receivables, with total cash and securities reaching $1.48 billion, ensuring ample liquidity for ongoing R&D and manufacturing expansion.

- Launches of IQ Battery 10C, IQ Meter Collar, and IQ Combiner 6C enhanced customer adoption, while upcoming IQ9N-3P and IQ EV Charger 2 are poised to diversify revenue streams in Q4.

- European initiatives, including virtual power plant integration and expanded IQ Energy Management, strengthen Enphase's long-term positioning in smart grid and distributed energy management across major EU markets.

Concerns Raised

- European revenue declined 38% QoQ, underscoring regional market weakness and slower solar adoption. This imbalance heightens Enphase's dependence on the U.S. market, reducing its geographic diversification and exposing the company to localized policy and demand fluctuations.

- Reciprocal tariffs negatively impacted gross margins by 4.9 percentage points, more than doubling from Q2. Combined with elevated R&D and marketing expenses totaling $95.7 million, sustained cost pressures threaten future margin expansion and profitability stability.

- Despite solid top-line growth, free cash flow fell to $5.9 million, while rising inventories indicate working capital strain.

- Q3 performance was heavily supported by $70.9 million in one-time safe harbor revenue; excluding this, earnings would have missed expectations. Management's guidance for weaker Q4 shipments and declining Q1 2026 revenue post-tax credit expiration raises short-term caution.

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OUR INSIGHT

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Enphase Energy's Q3 2025 results reflected solid top-line momentum, with record breaking revenue growth. Profitability improved, with operating margin expanding to 16.1% from 10.2% and ROE rising to 6.7%, underscoring operational efficiency. However, underlying performance relied heavily on $70.9 million in one-time safe harbor sales, masking softer core demand. European revenue fell 38% QoQ, while elevated inventory and working capital strain signal near-term headwinds.

In the short term, we expect muted to slightly decline in performance amid Q4 shipment softness and Q1 2026 tax credit expiration, as analysts trim forecasts and valuations. Over the long term, Enphase's expanding US capacity, advanced energy storage lineup, and integration into smart grid ecosystems may position it favorably for sustained growth once market normalization resumes.

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