



# Fourth Quarter 2014 Earnings Conference Call

March 26, 2015

**This presentation contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. These statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. With respect to the transaction with Zhenfa New Energy, such forward-looking statements include, but are not limited to, statements regarding market and growth opportunities, anticipated synergies and other benefits associated with the transaction and other statements that are not historical fact. In some cases, you can identify forward-looking statements by the use of words such as “may,” “could,” “expect,” “intend,” “plan,” “seek,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” or “continue” or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond our control and that could materially affect actual results, levels of activity, performance, or achievements.**

**Other factors that could materially affect actual results, levels of activity, performance and achievements and the transaction with Zhenfa are described under “Risk Factors” in our Definitive Proxy Statement filed on October 8, 2014 and under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Form 10-K filed on March 13, 2014, and in our subsequent periodic reports on our Form 10-Q and Current Reports on Form 8-K which contain and identify other important factors that could cause actual results to differ materially from those contained in any projections or forward-looking statements. You are urged to carefully review and consider the disclosure found in our filings which are available on <http://www.sec.gov> or <http://www.strsolar.com>. We undertake no obligation to publicly update any forward-looking statement contained in this release, whether as a result of new information, future developments or otherwise, except as may be required by law.**



## **Zhenfa Transaction Update and Q4 Business Overview**

Robert S. Yorgensen,  
Chairman, President and Chief Executive Officer



# Zhenfa Transaction Update



- Transaction valued STR at \$42.5MM
  - STR sold approximately 9.2MM shares to Zhenfa, representing a 51% ownership interest in STR, for approximately \$21.7MM
  - Proceeds from sale substantially funded \$22.6 million special dividend to stockholders other than Zhenfa
- Transaction closed on December 15, 2014
- Special dividend paid on January 2, 2015
- Executed a one-for-three reverse stock split effective January 30, 2015
- Regained NYSE compliance on March 16, 2015
- No operational involvement from Zhenfa during 2014





## ■ Leverage Zhenfa Relationships

- Signed 1-year renewable contract with Huhui to provide 500 MW annually
- 13 Other module manufacturers currently performing certification testing

## ■ Strengthen China Presence

- Appointed Mr. Kong Weijie as Sales Director of China

## ■ Assess Other Strategic Synergies

- Complementary Products & Services
- Complementary Geographic Presence
- Leverage STR R&D capabilities



## Materials

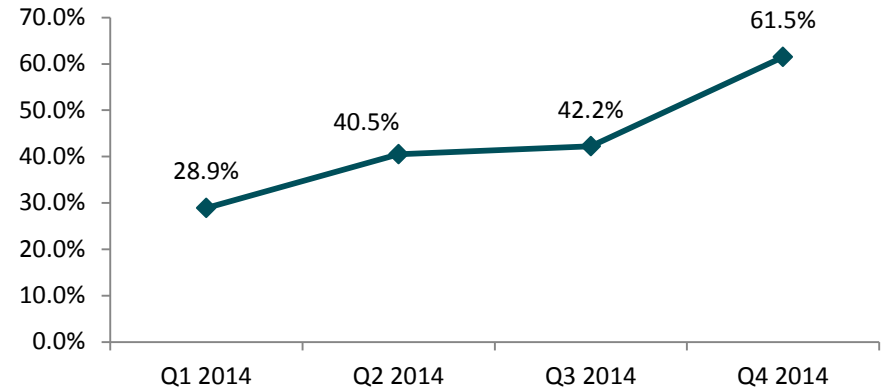
### Paperless Encapsulants

- Paper now represents ~3-5% of COGS
- 2 paperless lines came on line during Q3 2014
- Additional expansion through Q2 2015

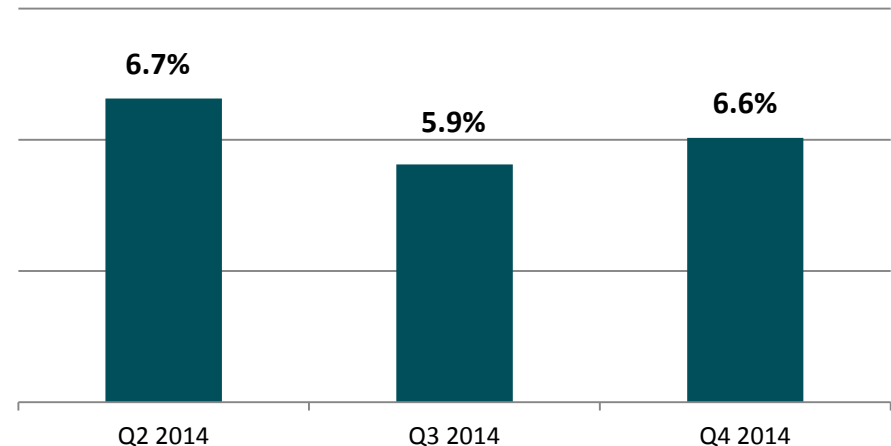
### Yield

- Q4 2014 yield loss of 6.6%
- Yield improvement program completed in Spain
- Deployment to other facilities in first half 2015

## Paperless Sales Mix



## Yield Loss



## Overhead

### Sale of East Windsor, CT Facility

- Received \$4.4MM of net cash proceeds in Q4 2014
- Recorded \$4.4MM income tax receivable in Q4 2014
- Expected annual pre-tax savings of ~\$0.4MM



## Q4 Financial Performance

Joseph C. Radziewicz,  
Vice President and Chief Financial Officer



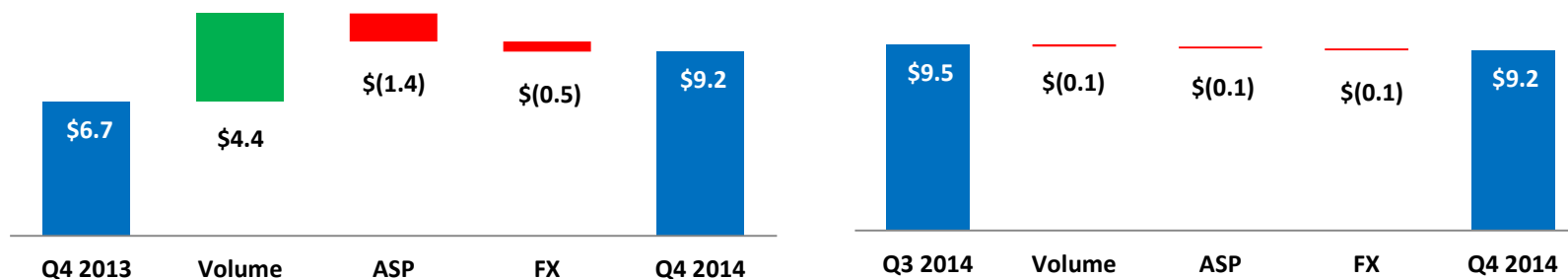


## Year over Year

## Sequential Quarter

+38%

-3%



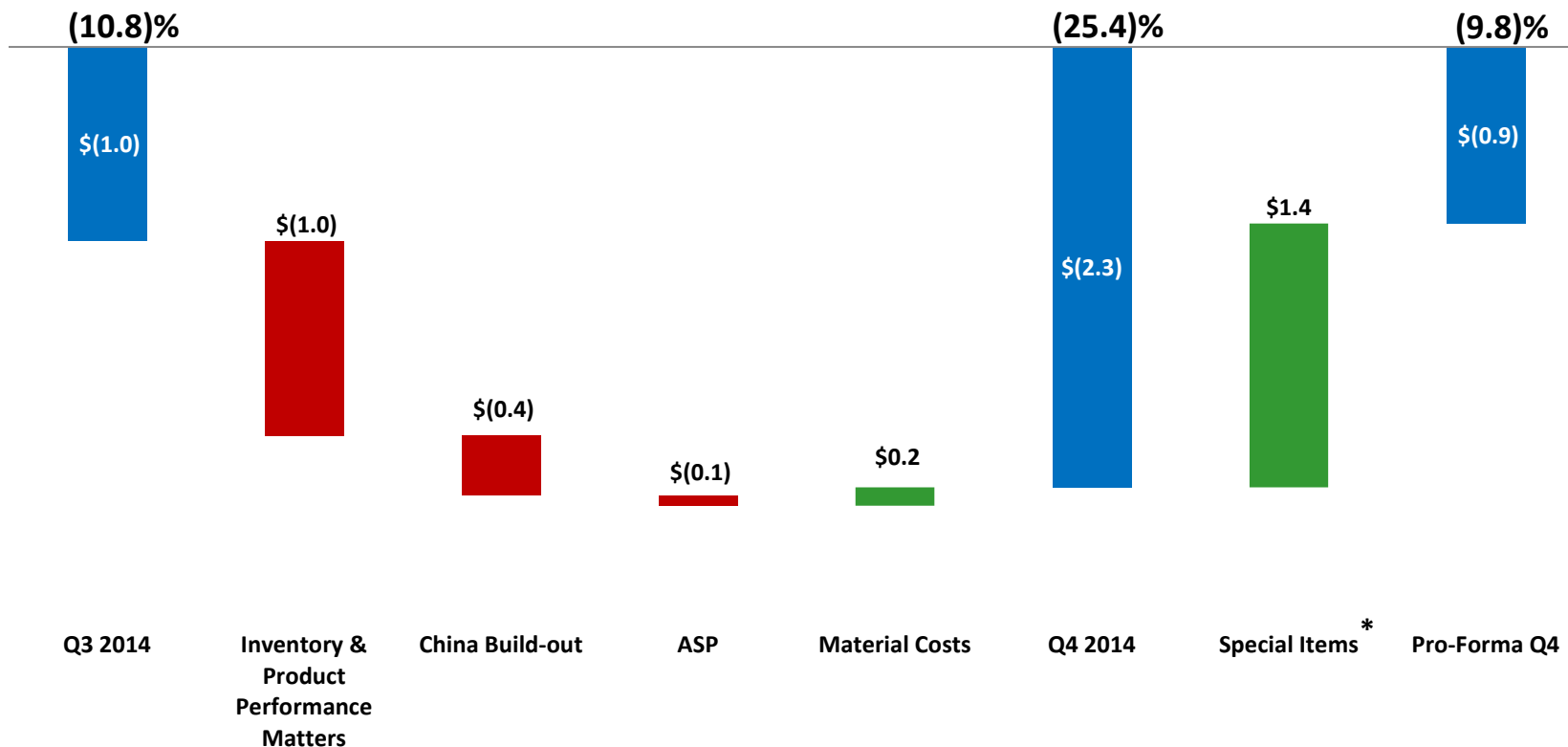
All amounts in millions except percentages.

- Volume increased 66% Year over Year and decreased 1% Sequentially -  
 - ASP decreased 17% Year over Year and 2% Sequentially -

# Gross Loss



All amounts in millions except percentages.



\*Special Items: \$1.0MM inventory & product performance matters; \$0.4MM China build-out.

**Change in ASP/SM= -2%**  
**Change in COS/SM= 11%**

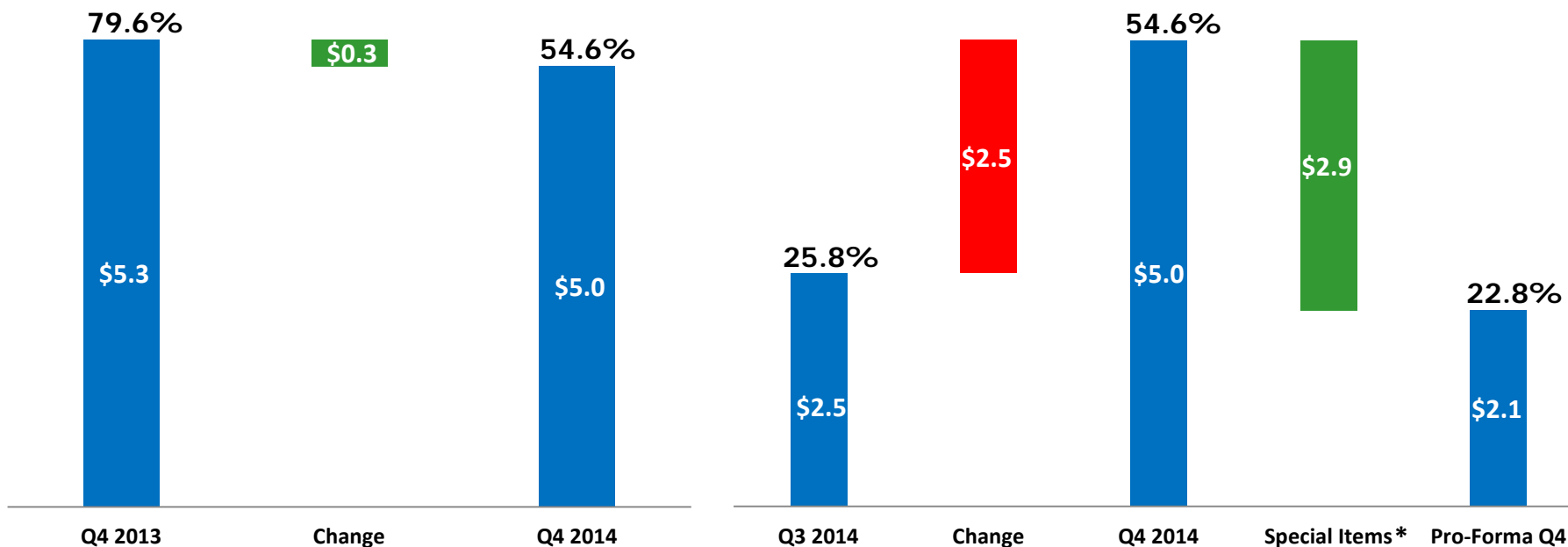
# SG&A Expense and % of Net Sales



## Year over Year

## Sequential Quarter

All amounts in millions except percentages.



\*Special Items: \$1.0MM of accelerated stock comp; \$1.2MM of Zhenfa transaction professional fees; \$0.5MM in CT franchise fee expense; \$0.2MM of Enfield, CT facility relocation.

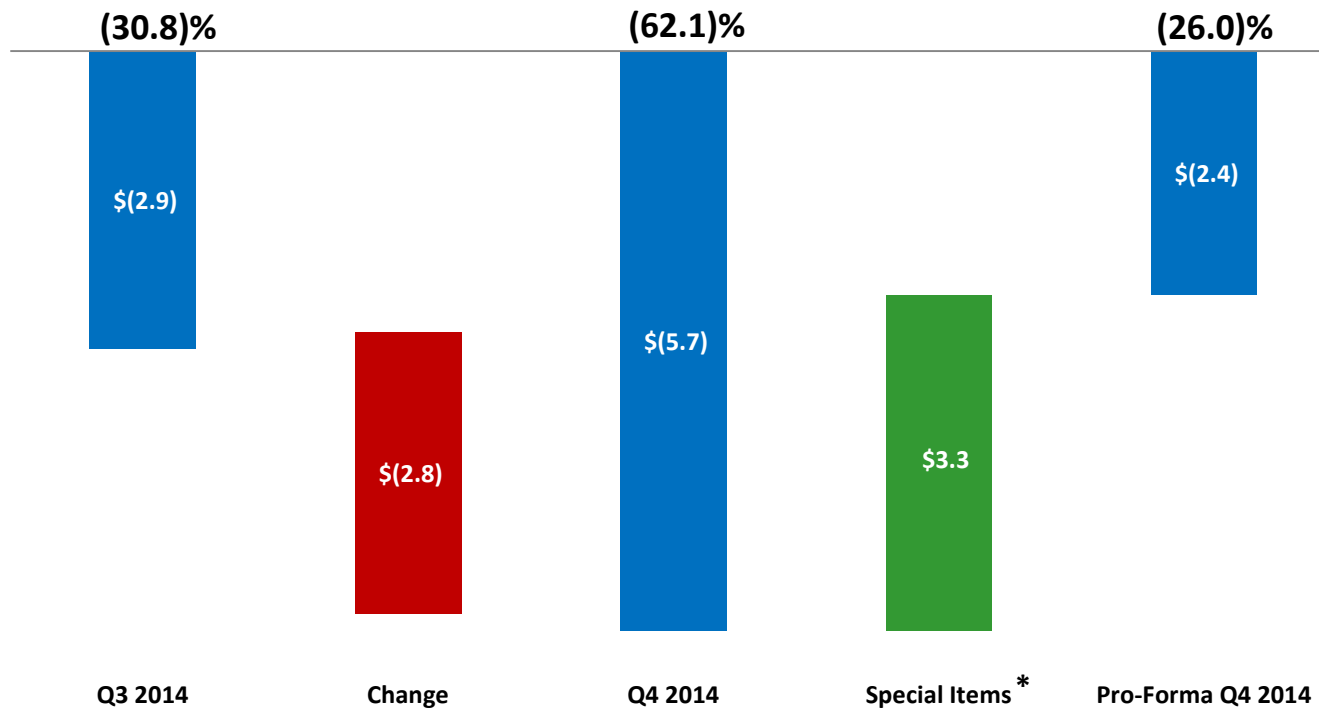
Positive Impact	Negative Impact
Labor & benefits	Accelerated stock-based compensation
Professional Fees	Zhenfa Transaction fees
Restructuring	Franchise taxes

Positive Impact	Negative Impact
Restructuring	Accelerated stock-based compensation
	Zhenfa Transaction fees
	Franchise taxes

# Sequential Adjusted EBITDA



All amounts in millions except percentages.



\*Special Items: \$1.0MM inventory & product performance matters; \$0.4MM China build-out; \$1.2MM of Zhenfa transaction professional fees; \$0.5MM in CT franchise fee expense; \$0.2MM of Enfield, CT facility relocation

# Non-operating Items and EPS

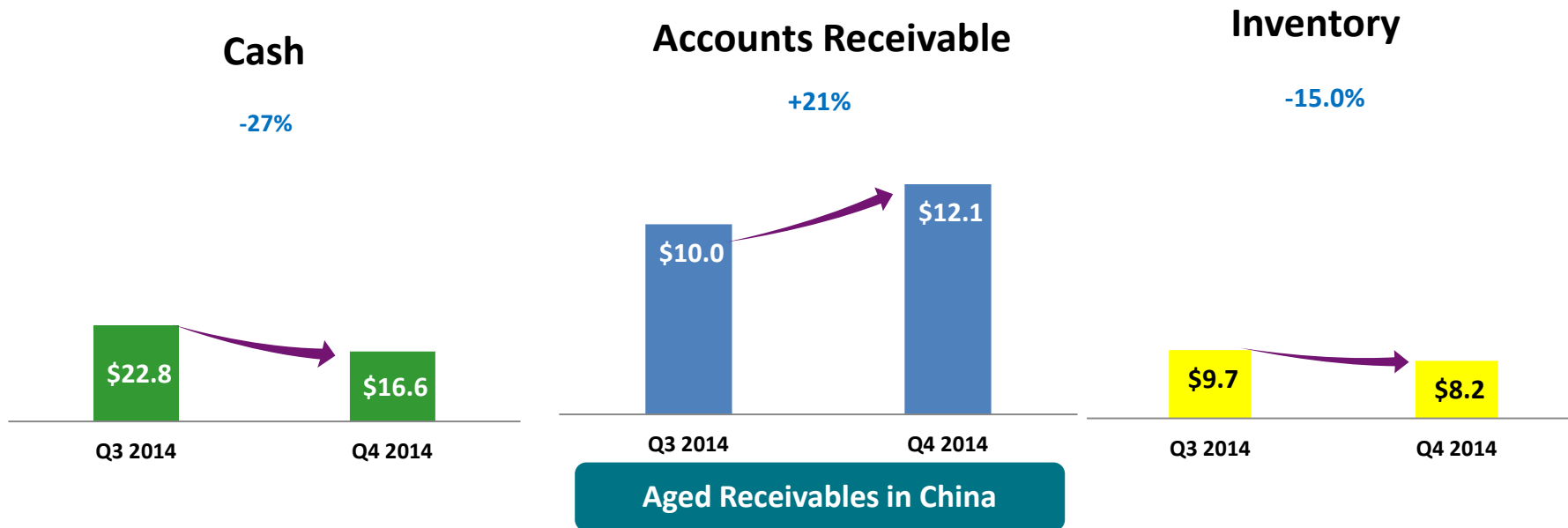


Non-operating Items and EPS	Q4 2014	Q3 2014	Q4 2013
FX Gain (Loss)	\$0.2MM	\$0.3MM	\$(0.1)MM
Effective Tax Rate Expense (Benefit) from Continuing Operations	92.5%	(14.8%)	(45.1%)
Net Loss from Continuing Operations	\$(13.2)MM	\$(3.2)MM	\$(3.7)MM
Diluted EPS from Continuing Operations	\$(1.36)	\$(0.37)	\$(0.26)
Non-GAAP Net Loss from Continuing Operations <sup>(1)</sup>	\$(12.8)MM	\$(3.0)MM	\$(1.9)MM
Non-GAAP Diluted EPS from Continuing Operations <sup>(1)</sup>	\$(1.32)	\$(0.34)	\$(0.14)

(1) Please see appendix for reconciliation of non-GAAP measures.

# Balance Sheet & Liquidity

All amounts in millions except percentages.



## Other Liquidity Items

- \$8.3MM income tax receivable at 12/31/14
- Sale of East Windsor, CT facility in Q4 2014
  - \$4.4MM net cash proceeds
- Zhenfa Transaction
  - \$22.6MM special dividend
  - \$21.7MM equity issuance

**Net Book Value at the Close of Q4 = \$3.19 Per Common Share**



## Appendix

# Non-GAAP Reconciliation



**STR Holdings, Inc.**  
**RECONCILIATION OF NON-GAAP MEASURES**  
 All amounts in thousands except shares and per share amounts

	Three Months Ended September 30,	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2014	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Non-GAAP Loss Per Share from Continuing Operations</b>					
Net loss from continuing operations	\$ (3,224)	\$ (13,227)	\$ (3,651)	\$ (22,733)	\$ (18,286)
Adjustments to net loss from continuing operations:					
Amortization of deferred financing costs	-	-	-	-	189
Stock-based compensation expense	322	1,357	225	2,380	1,902
Restructuring	-	374	2,176	(356)	4,331
Tax impact of option cancellation due to restructuring	-	-	-	1,058	-
Loss on reclassification on held for sale assets	-	(144)	-	1,179	-
Spanish grant reversal	-	(974)	-	(974)	-
Non-cash reversal of loss contingency	-	-	-	(4,089)	-
Asset Impairment	-	-	194	-	194
Tax effect of non-GAAP adjustments	(110)	(206)	(826)	677	(2,154)
<b>Non-GAAP net loss from Continuing operations</b>	<u>\$ (3,012)</u>	<u>\$ (12,820)</u>	<u>\$ (1,882)</u>	<u>\$ (22,858)</u>	<u>\$ (13,824)</u>
<b>Non-GAAP Loss Per Share from Discontinued Operations</b>					
Net loss from discontinued operations	\$ (685)	\$ (199)	\$ -	\$ (884)	\$ -
Tax effect of non-GAAP adjustments	-	-	-	-	-
<b>Non-GAAP net loss from Discontinued operations</b>	<u>\$ (685)</u>	<u>\$ (199)</u>	<u>\$ -</u>	<u>\$ (884)</u>	<u>\$ -</u>
<b>Non-GAAP net loss per share from Continuing Operations:</b>					
Basic from continuing operations	\$ (0.34)	\$ (1.32)	\$ (0.14)	\$ (2.09)	\$ (1.00)
Diluted from continuing operations	<u>\$ (0.34)</u>	<u>\$ (1.32)</u>	<u>\$ (0.14)</u>	<u>\$ (2.09)</u>	<u>\$ (1.00)</u>
<b>Non-GAAP net loss per share from Discontinued Operations:</b>					
Basic from discontinued operations	\$ (0.08)	\$ (0.02)	\$ -	\$ (0.08)	\$ -
Diluted from discontinued operations	<u>\$ (0.08)</u>	<u>\$ (0.02)</u>	<u>\$ -</u>	<u>\$ (0.08)</u>	<u>\$ -</u>
Weighted-average common shares outstanding:					
Basic	8,795,542	9,737,187	13,914,183	10,920,200	13,873,289
(1) Diluted	<u>8,795,542</u>	<u>9,737,187</u>	<u>13,914,183</u>	<u>10,920,200</u>	<u>13,873,289</u>

(1) Please refer to slide 16 for the reconciliation of diluted shares outstanding for non-GAAP net (loss) earnings per share.

Please refer to slide 18 for further discussion and limiting factors relating to non-GAAP measures.



# Reconciliation of Diluted Shares Outstanding for Non-GAAP EPS



## STR Holdings, Inc. RECONCILIATION OF NON-GAAP SHARES OUTSTANDING

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted-average shares outstanding				
Basic shares outstanding GAAP	9,737,187	13,914,183	10,920,200	13,873,289
Diluted shares outstanding GAAP	9,737,187	13,914,183	10,920,200	13,873,289
Stock options	-	-	-	-
Restricted common stock	-	-	-	-
Diluted shares outstanding non-GAAP	9,737,187	13,914,183	10,920,200	13,873,289

**Diluted non-GAAP Shares Outstanding:** Due to the loss from continuing operations for the three and twelve months ended December 31, 2014, diluted weighted-average common shares outstanding does not include 18 and 11 shares of unvested restricted common stock respectively, as these potential awards do not share in any net loss generated by the Company and are anti-dilutive.

Due to a loss from continuing operations during the quarter and year ended December 31, 2013, the diluted weighted-average common shares outstanding for purposes of its diluted GAAP loss per share does not include 5 and 107 shares of unvested restricted common stock, as these potential awards do not share in any loss generated by the Company and are anti-dilutive.

# Adjusted EBITDA Reconciliation



## STR Holdings, Inc.

### ADJUSTED EBITDA

All amounts in thousands

	Three Months Ended September 30,	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2014	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Adjusted EBITDA	\$ (2,930)	\$ (5,724)	\$ (3,599)	\$ (15,559)	\$ (17,150)
Depreciation expense	(514)	(538)	(521)	(2,078)	(2,024)
Amortization of deferred financing costs	-	-	-	-	(189)
Interest income (expense), net	3	4	(24)	27	(30)
Income tax benefit (expense)	559	(6,356)	3,003	(6,532)	7,349
Asset Impairment	-	-	(194)	-	(194)
Spain grant reversal	-	974	-	974	-
Loss on reclassification on held for sale assets	-	144	-	(1,179)	-
Non-cash reversal of loss contingency	-	-	-	4,089	-
Restructuring	-	(374)	(2,176)	356	(4,331)
Stock-based compensation	(322)	(1,357)	(225)	(2,380)	(1,902)
(Loss) gain on disposal of fixed assets	(20)	-	85	(451)	185
Net loss from continuing operations	\$ (3,224)	\$ (13,227)	\$ (3,651)	\$ (22,733)	\$ (18,286)

To supplement the Company's condensed consolidated financial statements, which statements are prepared and presented in accordance with generally accepted accounting principles in the United States of America (GAAP), the Company uses non-GAAP financial measures to facilitate better understanding of its operating results. In this press release, there are two non-GAAP financial metrics mentioned: (1) Non-GAAP loss per share from continuing operations (EPS) and (2) free cash flow from continuing operations as defined below.

**Non-GAAP EPS:** The Company believes that non-GAAP EPS from continuing operations provides meaningful supplemental information regarding its performance by excluding certain expenses that may not be indicative of the core business operating results and may help in comparing current period results with those of prior periods as well as with its peers.

Non-GAAP EPS from continuing operations is defined as net loss from continuing operations not including the tax effected impact of deferred financing costs, stock-based compensation, and restructuring divided by the weighted-average common shares outstanding. Please refer to the Company's Form 10-Q filed with the Securities and Exchange Commission (SEC) on November 13, 2014, as well as prior SEC filings, for detailed discussion on some of these adjustments that have been recorded in previous periods. During the current period, there was one new item included as defined below:

- Non-cash reversal of Spanish grants: During 2014, the Company received notification that it fulfilled the necessary grant requirements provided by the government. The Company is excluding this positive benefit as it is non-cash in nature and the initial charge recorded in prior periods was also excluded. As such, the Company does not believe this benefit is reflective of the operational conditions of its core business and may aid in comparing its current period results with those of prior periods.

Although the Company uses non-GAAP EPS as a measure to assess the operating performance of its business, non-GAAP EPS has significant limitations as an analytical tool because it excludes certain material costs. Because non-GAAP EPS does not account for these expenses, its utility as a measure of its operating performance has material limitations. The omission of restructuring and stock-based compensation expense limits the usefulness of this measure. Non-GAAP EPS also adjusts for the related tax effects of the adjustments and the payment of taxes is a necessary element of the Company's operations. Because of these limitations, management does not view non-GAAP EPS in isolation and uses other measures, such as Adjusted EBITDA, net loss from continuing operations, net sales, gross loss and operating loss, to measure operating performance.



## Question & Answer Session