



Earnings Call Presentation First Quarter 2024

April 30, 2024 10:00 am ET

- By phone: 877-407-6184 in the US or 201-389-0877 internationally
- A live webcast of the call will be available and archived on the investor relations section of the Company's website at investor.ipgphotonics.com

Safe Harbor Statement

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Q1 '24 Summary

- **Continued to focus on costs and efficiencies, reduced inventory and returned \$90M million to stockholders through share repurchases**
- **Revenue declined across most geographies and most applications due to delayed investments in e-mobility, soft industrial demand and inventory management by OEM customers**
 - Total revenue decreased 27% YoY due to lower sales in cutting, welding, marking, cleaning and microprocessing applications, partially offset by growth in 3D printing and heating applications and flat parts and services sales
 - Emerging growth products sales, which accounted for 45% of total revenue, declined due to lower sales to e-mobility applications, softer handheld welder revenue, reduced demand in solar cell manufacturing applications, and customer destocking in medical applications
 - FX rates negatively impacted revenue growth by \$8 million or 2%
- **Gross margin of 38.7% decreased YoY due to unabsorbed manufacturing costs and higher inventory reserves, partially offset by lower product and shipping costs**
- **Earning per diluted share (EPS) was \$0.52 and included gain on sale of assets which benefited EPS by \$0.11 and foreign exchange transaction loss, which reduced EPS by \$0.03**

Summary by Application

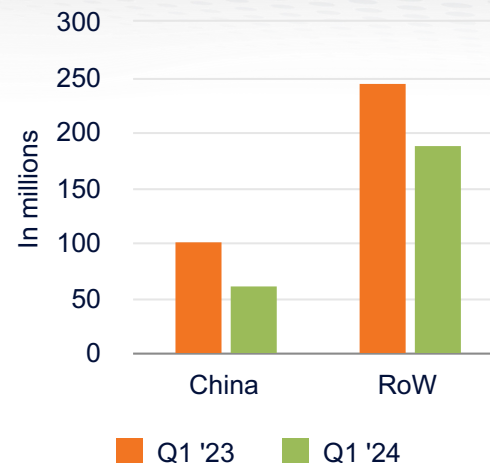
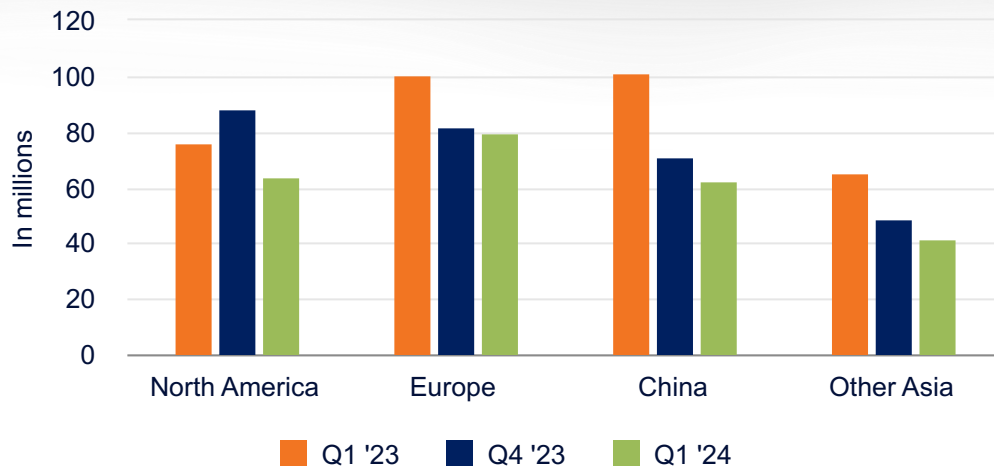
- **Welding** – continued growth in general automotive and increased demand in electronics, but was negatively impacted by lower sales in e-mobility and handheld applications
- **Cutting** – declined due to softer industrial and e-mobility demand, and OEM customers managing inventories, partially offset by growth in system sales in the U.S.
- **Medical** – large customer destocking inventory in Q1, but expect to return to growth in Q2
- **Cleaning** – gaining traction across many industrial applications, but negatively impacted by lower demand in e-mobility
- **Heating** – shipped another order and working with additional customers across a number of industries

Financial Review

In millions except per share	Q1 '24	Q1 '23	Y/Y	Q4 '23	Q/Q
Revenue	\$252.0	\$347.2	(27)%	\$298.9	(16)%
Gross Margin	38.7%	42.3%		38.2%	
Operating Income	\$19.1	\$75.4	(75)%	\$28.8	(34)%
Operating Margin	7.6%	21.7%		9.6%	
Net Income to IPG	\$24.1	\$60.1	(60)%	\$41.4	(42)%
Earnings per diluted share	\$0.52	\$1.26	(59)%	\$0.89	(42)%
Loss (gain) on FX per share	\$0.03	\$(0.06)		\$0.01	

- Gross margin decreased due to lower absorption of manufacturing costs and higher inventory reserves, partially offset by lower product and shipping costs
- FX transaction loss decreased operating income by \$2 million while gain on sale of assets increased operating income by \$7 million
- Operating expenses, excluding FX loss and gain on sale of assets, increased compared to the prior year and prior quarter due to higher R&D and S&M expenses

Revenue by Geography



- Sales declined in North America due to lower revenue in medical, welding, cleaning and advanced applications, which were partially offset by growth in cutting systems and higher sales of parts and services
- European sales decreased on soft demand in cutting and lower sales in 3D printing applications, partially offset by growth in welding
- Revenue declined in China due to significantly lower sales in cutting and welding applications as a result of weakness in general industrial demand and reduced investment in e-mobility market
- Revenue decreased in Japan on weak sales in cutting applications

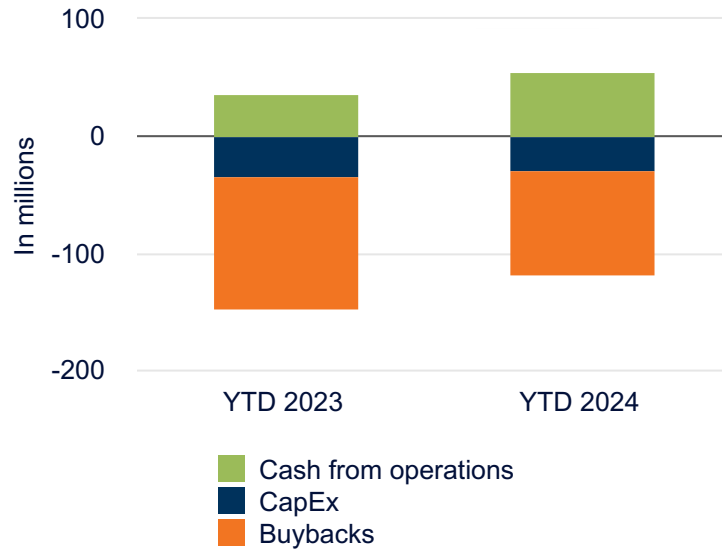
Balance Sheet and Cash Flow Summary

In millions	Q1 '24
Cash and Short-term Investments	\$1,140
Inventories	\$432
Total Debt	\$—
Net Income to IPG	\$24
Cash from Operations	\$55
Depreciation and Amortization	\$16
Capital Expenditures	\$28
Stock Repurchases	\$90
Days Sales Outstanding	66

- Maintaining a strong balance sheet
- Continue to focus on inventory control and reducing the value of inventory on hand
- Capital Allocation
 - Using cash to fund future growth opportunities by investing in R&D and capital expenditures
 - Opportunistically execute share repurchases
 - Repurchased \$90M in Q1

Balance Sheet and Cash Flow Generation

Operating Cash Flow and Capital Allocated



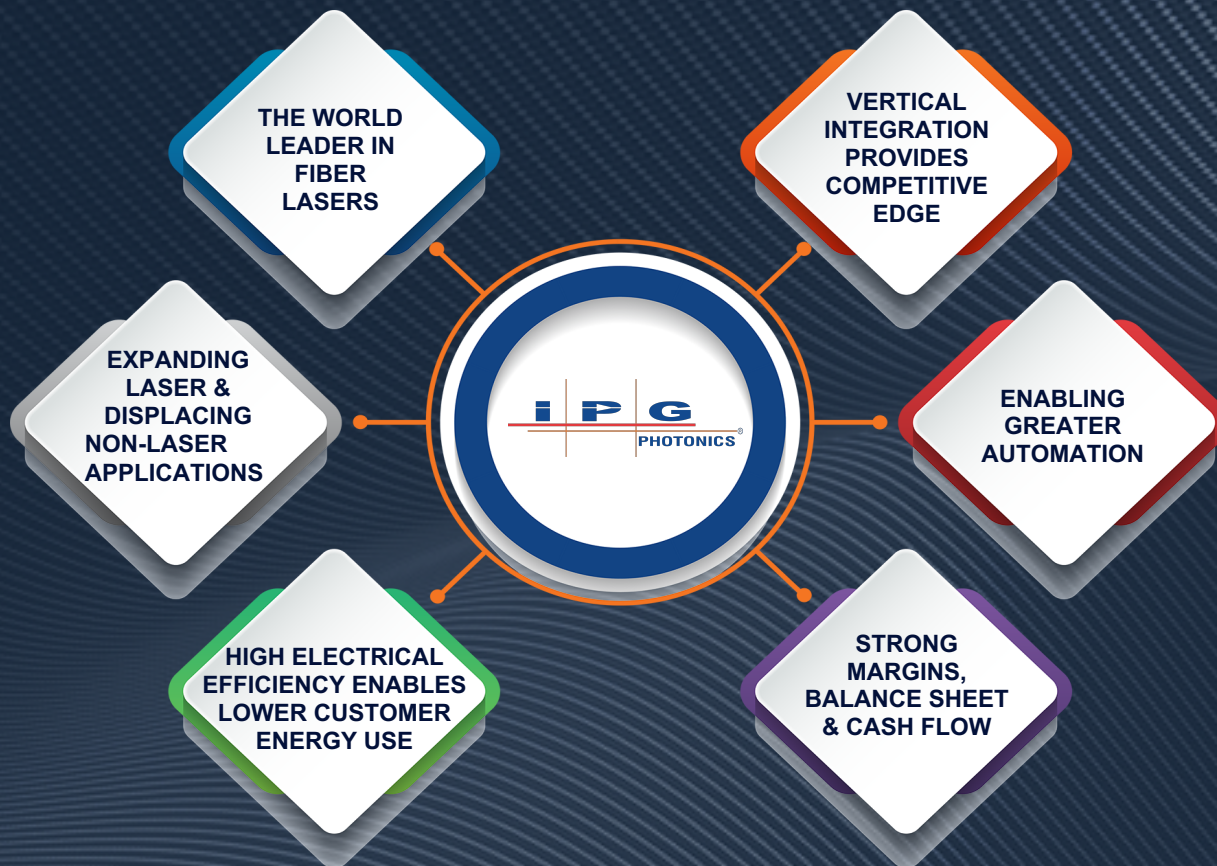
Exceptional Balance Sheet



Financial Guidance

Q2 '24 Outlook	
Revenue	\$240M - \$270M
Gross Margin	37% - 40%
Operating Expenses	\$82M - \$85M
EPS	\$0.30 - \$0.60
Tax Rate	~25%
Diluted common shares	~46M

- Q1 book-to-bill was slightly above 1
- Expect to see more stable demand in Q2





Thank you