



# Earnings Call Presentation Second Quarter 2024

**July 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](http://investor.ipgphotonics.com)



# Safe Harbor Statement

Information and statements provided by IPG and its employees, including statements in this presentation, that relate to future plans, events or performance are forward-looking statements. These statements involve risks and uncertainties. Any statements in this presentation that are not statements of historical fact are forward-looking statements, including, but not limited to, quarterly guidance. Factors that could cause actual results to differ materially include risks and uncertainties, including risks associated with the strength or weakness of the business conditions in industries and geographic markets that IPG serves, particularly the effect of downturns in the markets IPG serves; uncertainties and adverse changes in the general economic conditions of markets; IPG's ability to penetrate new applications for fiber lasers and increase market share; the rate of acceptance and penetration of IPG's products; inability to manage risks associated with international customers and operations; changes in trade controls and trade policies; foreign currency fluctuations; high levels of fixed costs from IPG's vertical integration; the appropriateness of IPG's manufacturing capacity for the level of demand; competitive factors, including declining average selling prices; the effect of acquisitions and investments; inventory write-downs; asset impairment charges; intellectual property infringement claims and litigation; interruption in supply of key components; manufacturing risks; government regulations and trade sanctions; and other risks identified in IPG's SEC filings.

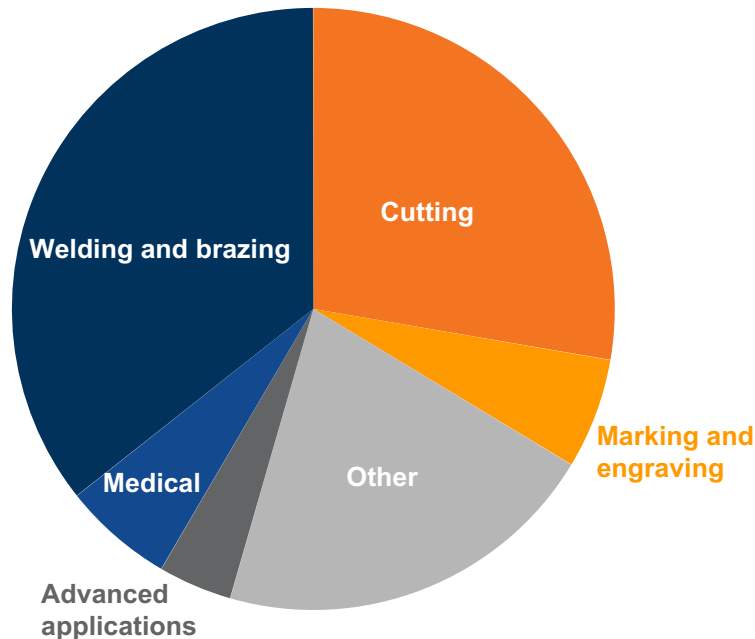
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# Q2 '24 Summary

- **Revenue declined year over year due to lower demand in general industrial and in e-mobility markets as well as inventory management by OEM customers, but sequential performance was more stable**
  - Total revenue decreased 24% YoY mostly due to lower sales in cutting and welding applications, partially offset by growth in 3D printing, medical and advanced applications
  - Emerging growth products sales, which accounted for 46% of total revenue, improved sequentially driven by growth in handheld welding, medical and advanced applications
- **Gross margin of 37.3% decreased YoY as lower manufacturing expenses were more than offset by under absorption and higher inventory reserves, partially offset by lower import duties and shipping costs**
- **Earning per diluted share (EPS) was \$0.45 and included gain on sale of assets which benefited EPS by \$0.01 and foreign exchange transaction loss, which reduced EPS by \$0.05**
- **Made additional progress reducing inventory and managing operating expenses; continued to generate strong cash flow from operations and returned \$122M million to stockholders through share repurchases**

# Summary by Application

- **Welding** – was more stable sequentially, but YoY performance was still negatively impacted by lower sales in e-mobility and flat sales to general industrial applications, offset by strong growth in handheld applications
- **Cutting** – continued to decline due to softer industrial demand and OEM customers managing inventories
- **Medical** – returned to strong growth in Q2
- **Cleaning\*** – gaining traction across many industrial applications, but negatively impacted by soft demand in e-mobility
- **Heating\*** – working with additional customers across a number of industries



Based on full year 2023 revenue by application  
\*included in Other

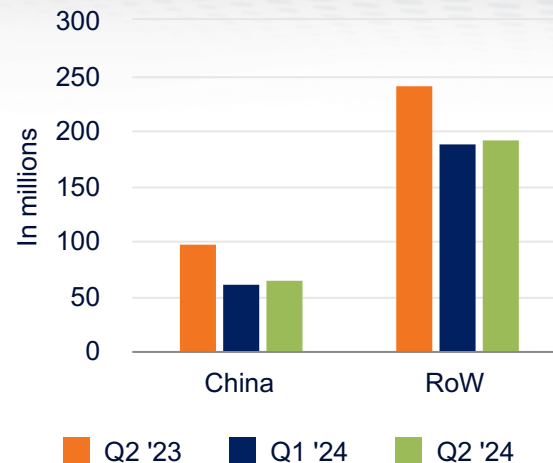
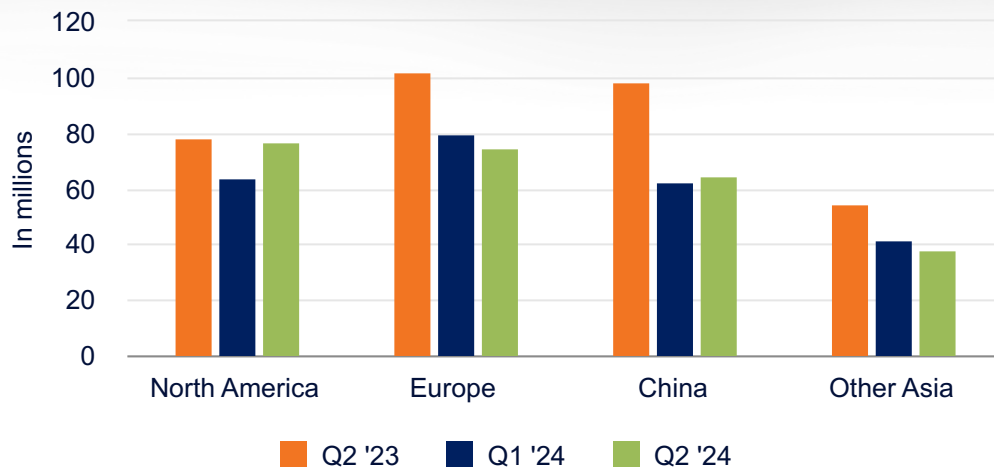
# Financial Review

In millions except per share	Q2 '24	Q2 '23	Y/Y	Q1 '24	Q/Q
Revenue	\$257.6	\$340.0	(24)%	\$252.0	2%
Gross Margin	37.3%	43.4%		38.7%	
Operating Income	\$12.0	\$72.1	(83)%	\$19.1	(37)%
Operating Margin	4.7%	21.2%		7.6%	
Net Income to IPG	\$20.2	\$62.3	(68)%	\$24.1	(16)%
Earnings per diluted share	\$0.45	\$1.31	(66)%	\$0.52	(13)%
Loss (gain) on FX per share	\$0.05	\$—		\$0.03	

- Lower sales and lower gross margin reduced operating income
- FX transaction loss decreased operating income by \$3 million while gain on sale of assets increased operating income by \$1 million
- Operating expenses, excluding FX loss and gain on sale of assets, increased compared to the prior year and declined sequentially



# Revenue by Geography



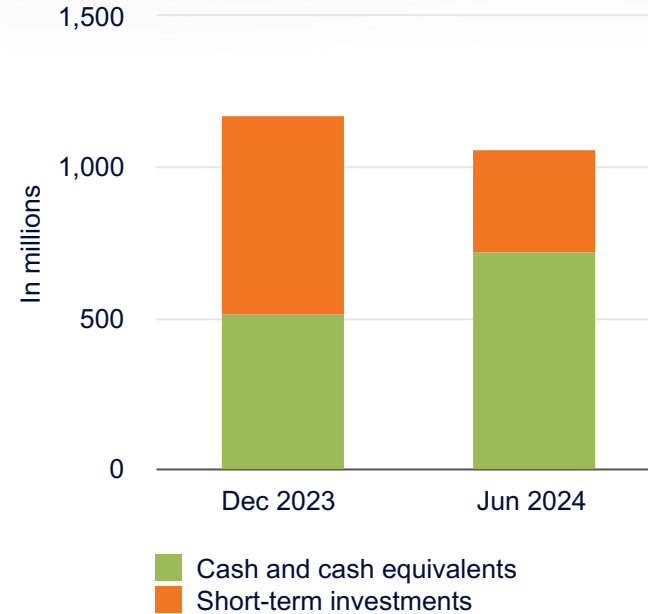
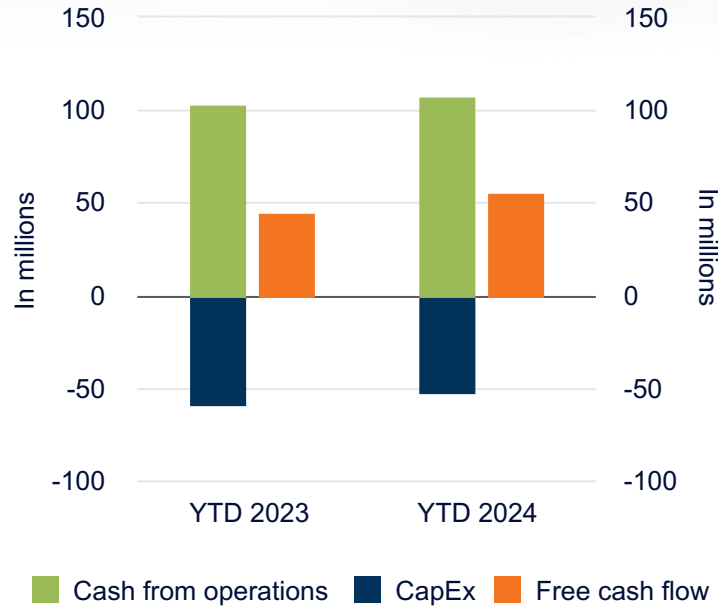
- Sales declined slightly YoY in North America due to lower revenue in welding, cleaning and cutting applications, but increased sequentially due to growth in medical, 3D printing and advanced applications as well as higher sales of parts and services
- European sales declined primarily in cutting applications due to soft demand and cutting OEM customers managing inventory
- Revenue declined in China YoY due to significantly lower sales in cutting and welding applications as a result of weakness in general industrial demand and reduced investment in the e-mobility market, although revenue was more stable on a sequential basis
- Revenue decreased in Japan on weak sales in cutting applications

# Balance Sheet and Cash Flow Summary

In millions	Q2 '24
Cash and Short-term Investments	\$1,064
Inventories	\$401
Total Debt	\$—
Net Income to IPG	\$20
Cash from Operations	\$53
Depreciation and Amortization	\$15
Capital Expenditures	\$24
Stock Repurchases	\$122
Days Sales Outstanding	62

- Strong balance sheet with over \$1 billion in cash and short-term investments
- Continued to focus on inventory control, reducing it by \$31M in the quarter
- Capital Allocation
  - Investing in business to drive future growth
  - Opportunistically execute share repurchases
    - Repurchased \$122M in Q2

# Balance Sheet and Cash Flow Generation



- Continued to generate strong cash flow and are maintaining exceptional balance sheet with no debt

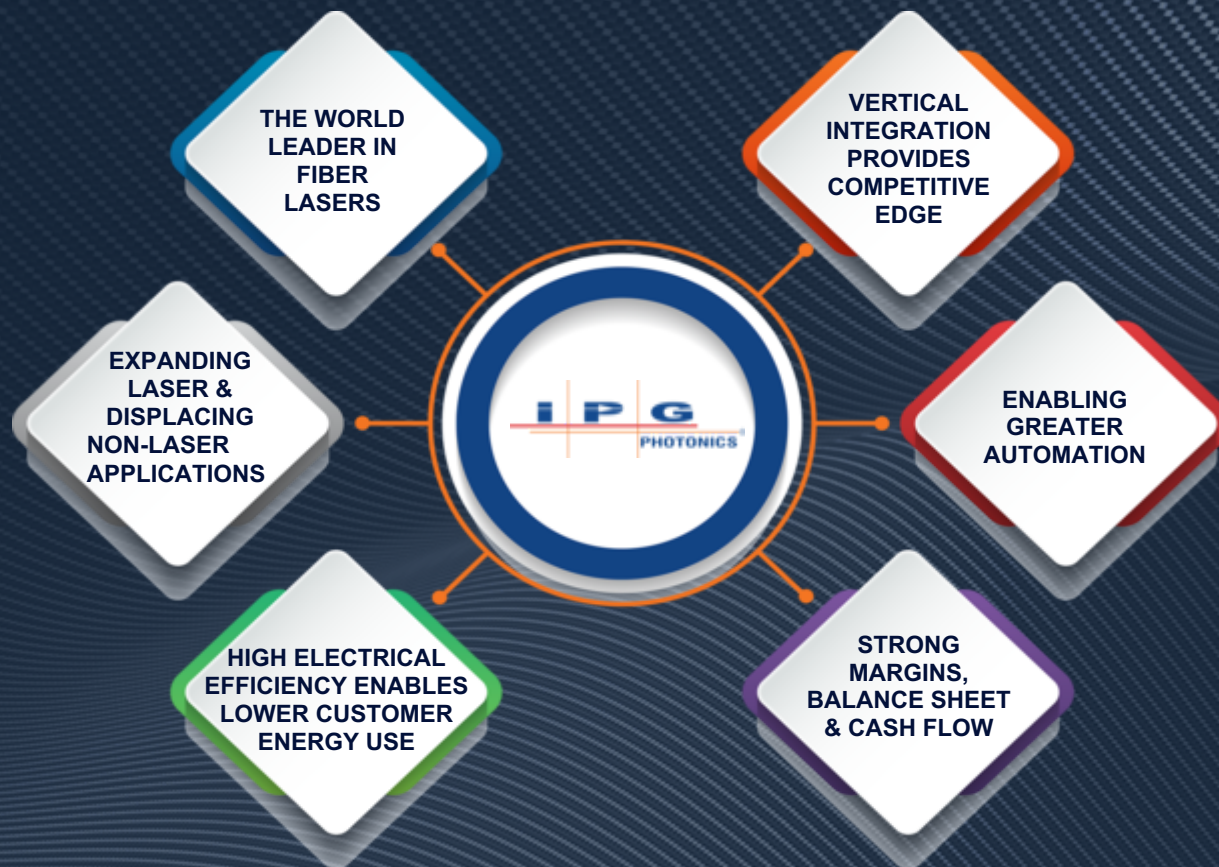
Free cash flow is defined as cash flow from operations less capital expenditures



# Financial Guidance

Q3 '24 Outlook	
Revenue	\$210M - \$240M
Gross Margin	34% - 37%
Operating Expenses	\$82M - \$84M
EPS	\$0.00 - \$0.30
Tax Rate	~25%
Diluted common shares	~45M

- Q2 book-to-bill was below 1
- Expect soft demand to continue into 2H24







**Thank you**