# Earnings Call Presentation
# Third Quarter 2024

**October 29, 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

# Note Regarding Forward Looking Statements and Use of Non-GAAP Financials

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.

Readers are encouraged to refer to the risk factors described in IPG's Annual Report on Form 10-K (filed with the SEC on February 21, 2024) and IPG's reports filed with the SEC, as applicable. Actual results, events and performance may differ materially. Readers are cautioned not to rely on the forward-looking statements, which speak only as of the date hereof. IPG undertakes no obligation to update the forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

IPG’s financial results in this presentation are provided in accordance with accounting principles generally accepted in the United States of America (GAAP). IPG has also included certain supplemental non-GAAP financial information regarding adjusted gross profit, adjusted net income and adjusted diluted earnings per share (each, a non-GAAP financial measure). The non-GAAP financial measures provided are a supplement to, and not a substitute for, the IPG’s financial results presented in accordance with U.S. GAAP. These non-GAAP financial measures are provided to enhance the investor's understanding and aid in their analysis of IPG's ongoing operations. Specifically, IPG believes the non-recurring impact of certain inventory provisions, long-lived asset impairment, loss on divestiture and foreign currency losses, are not indicative of its core operating results and may obscure trends useful in evaluating IPG's continuing operating activities. The presentation of non-GAAP financial measures is not meant to be considered in isolation or as a substitute for results prepared and presented in accordance with U.S. GAAP. Also, these non-GAAP financial measures, as determined and presented by IPG, may not be comparable to related or similarly titled measures reported by other companies. Reconciliations of non-GAAP measures to their most comparable GAAP measures are included in Appendix portion of this presentation.

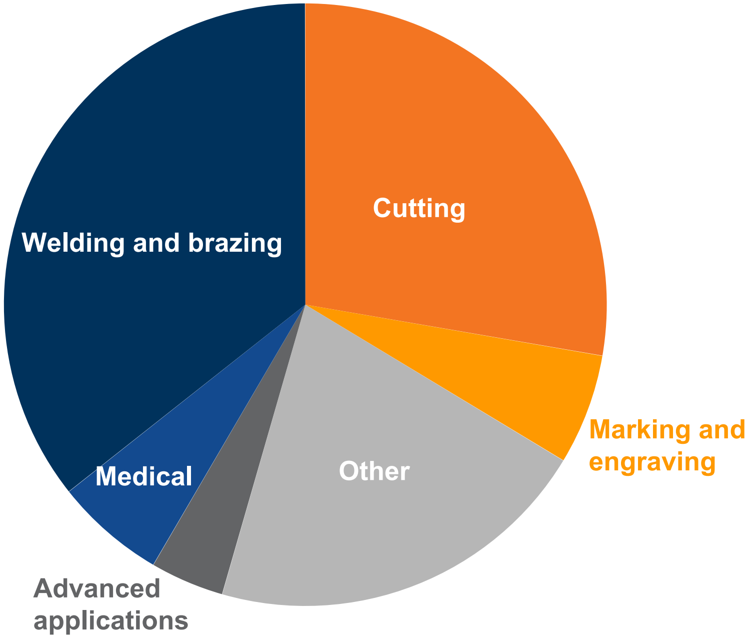
# Q3 '24 Summary

- **Revenue declined year over year due to lower demand in general industrial and in e-mobility markets, but sequential performance was more stable**
  - Total revenue decreased 23% YoY mostly due to lower sales in cutting applications in North America and Europe and lower welding sales in China
  - Emerging growth products sales, which accounted for 45% of total revenue, declined sequentially due to lower e-mobility sales and lumpiness in medical revenue
- **Gross margin of 23.2% decreased due to higher inventory provisions and underabsorption of manufacturing costs, partially offset by lower import duties and shipping costs. Adjusted gross margin[1] was 36.0%.**
  - Inventory provision of $30 million reduced gross margin by 12.8%, and reduced diluted EPS by $0.49.
- **Loss per diluted share (EPS) was $5.33 and adjusted EPS was $0.29[1]**
  - Reported EPS included loss on divestitures and asset impairment charges, which reduced EPS by $5.16 and foreign exchange transaction loss, which reduced EPS by $0.02.
- **Made additional progress reducing inventory and managing operating expenses; continued to generate strong cash flow from operations and returned $74M million to stockholders through share repurchases**
- **Acquired cleanLASER to increase penetration into high-growth industrial cleaning applications**

(1) Refer to supplemental schedule of non-GAAP measures for reconciliation details.

# Summary by Application

- **Welding** – was more stable sequentially, but YoY performance was still negatively impacted by lower sales to general industrial and e-mobility applications
- **Cutting** – continued to decline due to softer industrial demand and OEM customers managing inventories in North America and Europe
- **Medical** – remains uneven with weak sales in Q3, but is expected to grow in Q4
- **Cleaning*** – strengthened our position with acquisition of cleanLASER




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

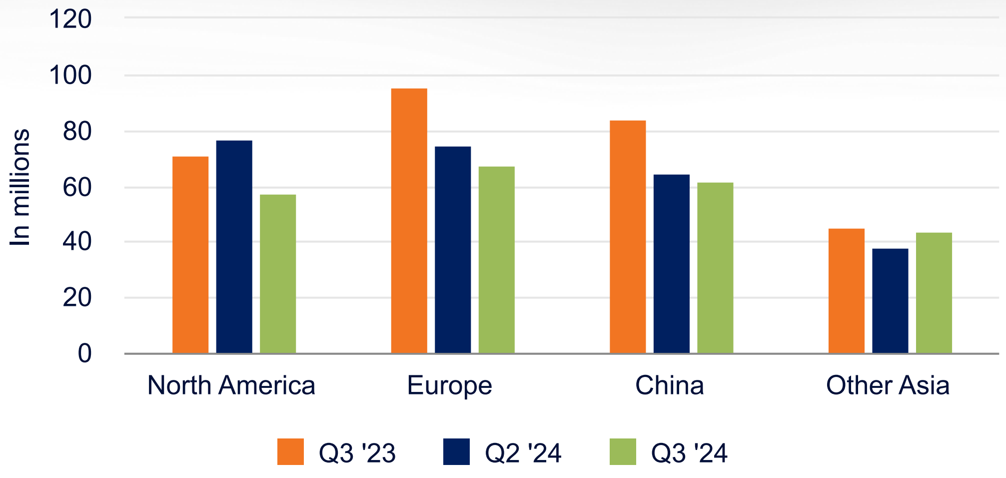
# Financial Review

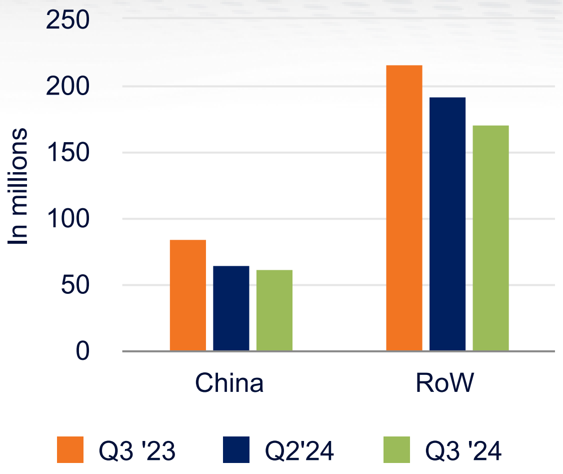
| In millions except per share | Q3 '24 | Q3 '23 | Y/Y | Q2 '24 | Q/Q |
|---|---|---|---|---|---|
| Revenue | $233.1 | $301.4 | (23)% | $257.6 | (10)% |
| Gross Margin | 23.2% | 44.1% | | 37.3% | |
| Operating (loss) Income | $(253.3) | $55.7 | NM | $12.0 | NM |
| Operating Margin | (108.7)% | 18.5% | | 4.7% | |
| Net (Loss) Income to IPG | $(233.6) | $55.0 | NM | $20.2 | NM |
| Earnings (loss) per diluted share | $(5.33) | $1.16 | NM | $0.45 | NM |
| Loss (gain) on FX per share | $0.02 | $(0.01) | | $0.05 | |

- Lower sales, lower gross margin, inventory provision of $30 million, loss on divestitures of $198 million and asset impairment charges of $27 million reduced operating income
- FX transaction loss decreased operating income by $1 million
- Operating expenses, excluding FX loss, loss on sale of assets and impairment charges, increased compared to the prior year but were flat sequentially

NM - not meaningful.

# Revenue by Geography



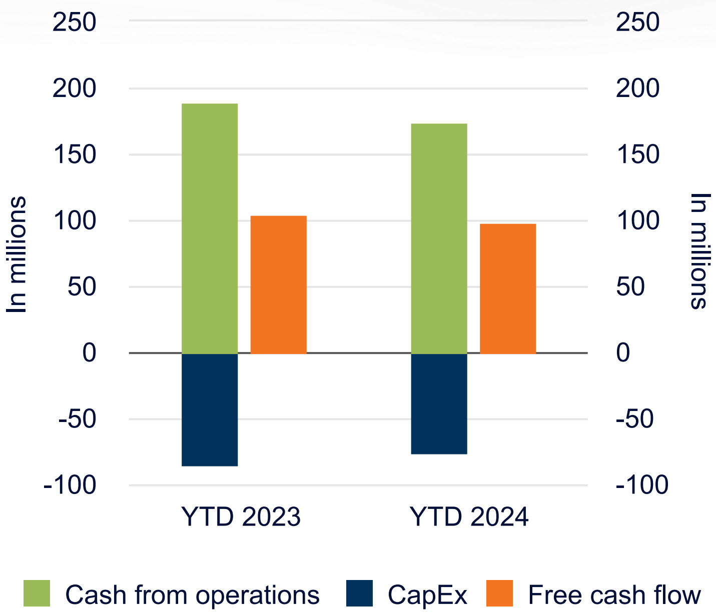

- Sales declined in North America due to lower revenue in cutting and medical applications, partially offset by growth in welding and marking and engraving applications
- European sales declined primarily due to soft demand in cutting applications as the business remained challenged with a decline in industrial demand due to macroeconomic headwinds
- Revenue declined in China YoY due to lower sales in cutting and welding applications as a result of weakness in general industrial demand and delayed investments EV battery capacity
- Revenue in Japan decreased slightly YoY, but was up sequentially

# Balance Sheet and Cash Flow Summary

| In millions | Q3 '24 |
|---|---|
| Cash and Short-term Investments | $1,019 |
| Inventories | $321 |
| Total Debt | $— |
| Net (Loss) Income to IPG | $(234) |
| Cash from Operations | $66 |
| Depreciation and Amortization | $15 |
| Capital Expenditures | $23 |
| Stock Repurchases | $74 |
| Days Sales Outstanding | 65 |

- Strong balance sheet with over $1 billion in cash and short-term investments
- Continued to focus on inventory control
- Capital Allocation
  - Investing in business to drive future growth
  - Signed an agreement to acquire cleanLASER
  - Opportunistically execute share repurchases
    - Repurchased $74M in Q3

# 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

| Q4 '24 Outlook | |
|---|---|
| Revenue | $210M - $240M |
| Gross Margin | 35% - 38% |
| Operating Expenses | $78M - $80M |
| EPS | $0.05 - $0.35 |
| Tax Rate | ~25% |
| Diluted common shares | ~44M |

- Q3 book-to-bill was 1
- This guidance excludes Russian operations which were sold in Q3

THE WORLD LEADER IN FIBER LASERS

VERTICAL INTEGRATION PROVIDES COMPETITIVE EDGE

EXPANDING LASER & DISPLACING NON-LASER APPLICATIONS

ENABLING GREATER AUTOMATION

HIGH ELECTRICAL EFFICIENCY ENABLES LOWER CUSTOMER ENERGY USE

STRONG MARGINS, BALANCE SHEET & CASH FLOW

# Appendix: Reconciliation of Non-GAAP Financial Measures

**Use of Non-GAAP Adjusted Financial Information**

The following information provides the definition of adjusted gross profit, adjusted gross margin, adjusted net income and adjusted earnings per share (EPS) as presented by the Company, which are financial measures that are not calculated or presented in accordance with GAAP, and reconciliation to the most directly comparable financial measures calculated and presented in accordance with GAAP. The Company has provided adjusted gross profit, adjusted gross margin, adjusted net income and adjusted EPS as supplemental information and in addition to the financial measures presented by the Company that are calculated and presented in accordance with GAAP. Such non-GAAP financial measures should not be considered superior to, as a substitute for or alternative to, and should be considered in conjunction with, the GAAP financial measure presented by the Company.

Management believes that these non-GAAP financial measures provide additional means of evaluating period-over-period operating performance. Specifically, these non-GAAP financial measures provide management with additional means to understand and evaluate the operating results and trends in our ongoing business by eliminating certain non-cash expenses and other items that management believes might otherwise make comparisons of our ongoing business with prior periods more difficult, obscure trends in ongoing operations, or reduce management's ability to make useful forecasts.

In addition, management understands that some investors and financial analysts find this information helpful in analyzing our financial and operational performance and comparing this performance to our peers and competitors. However, these non-GAAP financial measures have limitations as an analytical tool and are not intended to be an alternative to financial measures prepared in accordance with GAAP. In addition, it should be noted that these non-GAAP financial measures may be different from non-GAAP measures used by other companies. Management may, however, utilize other measures to illustrate performance in the future. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures. A reconciliation of our non-GAAP financial measures to their most directly comparable GAAP measures has been provided below. These non-GAAP measures exclude (a) a one-time adjustment to our inventory provision related to a change in estimate of recoverability due to the current demand environment and (b) one-time adjustments relating to the disposition of our Russian operations, impairment of long-lived assets, loss on foreign currency exchange and tax impacts in the third quarter of 2024.

# Appendix: Reconciliation of Non-GAAP Financial Measures

| (In thousands, except percentages) | Q3 2024 | |
|---|---|---|
| Gross profit | $54,089 | **23.2%** |
| Add: Inventory provision | 29,884 | |
| **Adjusted gross profit** | **$83,973** | **36.0%** |

We define adjusted gross profit as gross profit as reported, adjusted for non-recurring, infrequent, or unusual changes, including a one-time inventory provision related to a change in estimate of recoverability due to the current demand environment.

We define adjusted gross margin as adjusted gross profit divided by total revenue.

# Appendix: Reconciliation of Non-GAAP Financial Measures

| | Q3 2024 | | | |
|---|---|---|---|---|
| (In thousands, except per share data) | Before Tax | Tax Impact | After Tax | Per Diluted Share |
| Net (loss) income attributable to IPG Photonics Corporation and diluted EPS | | | $(233,594) | $(5.33) |
| Adjustments to reconcile to adjusted net income: | | | | |
| Inventory provision | $29,884 | $(8,407) | 21,477 | 0.49 |
| Long-lived asset impairment | 26,566 | — | 26,566 | 0.61 |
| Loss on divestitures | 197,651 | 1,824 | 199,475 | 4.55 |
| Loss on foreign exchange | 1,148 | (190) | 958 | 0.02 |
| Discrete tax impacts | | (1,981) | (1,981) | (0.05) |
| Total adjustments | $255,249 | $(8,754) | $246,495 | $5.62 |
| **Adjusted net income and adjusted EPS** | | | **$12,901** | **$0.29** |

We define adjusted net income as net income as reported, adjusted for non-recurring, infrequent, or unusual changes, including one-time charges incurred in connection with the disposition of our Russian operations, impairment of long-lived assets, loss on foreign currency exchange, tax impacts and a one-time adjustment to inventory provision related to a change in estimate of recoverability due to the current demand environment, and other adjustments that the Company believes appropriate.

We define adjusted EPS as adjusted net income divided by the weighted-average diluted shares outstanding.

# Thank you