



Earnings Call Presentation First Quarter 2025

May 6, 2025 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 those statements related to being confident that our strategy will further differentiate our products, unlock new market opportunities, and fuel the long-term expansion of laser applications, actively taking advantage of our global manufacturing footprint and our in-house supply chain to mitigate potential impacts from tariffs, potential delays in shipping product rather than order cancellations, and statements related to revenue, gross margin and operating expenses outlook, adjusted earnings per share and adjusted EBITDA guidance, and the impact of the U.S. dollar on our guidance for second quarter of 2025. 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; inability to manage risks associated with international customers and operations; changes in trade controls and trade and tariff policies; IPG's ability to penetrate new applications for fiber lasers and increase market share; the rate of acceptance and penetration of IPG's products; 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 20, 2025) 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.

Q1 '25 Summary

- **Revenue increased in key areas that are central to our strategy, including micromachining, medical and advanced applications**
 - Total revenue decreased 10% YoY with lower sales in cutting and welding applications offsetting growth in other materials processing applications, medical and advanced applications
 - Emerging growth products sales accounted for 51% of total revenue
- **GAAP gross margin of 39.4% increased 70 basis points year over year driven by reduced inventory provisions and a decrease in unabsorbed expenses, partially offset by higher product cost**
 - **Adjusted gross margin was 40.0%**
- **GAAP Operating income was \$1.8 million and adjusted EBITDA was \$32.7 million**
- **Earning per diluted share (EPS) were \$0.09 and adjusted EPS was \$0.31**

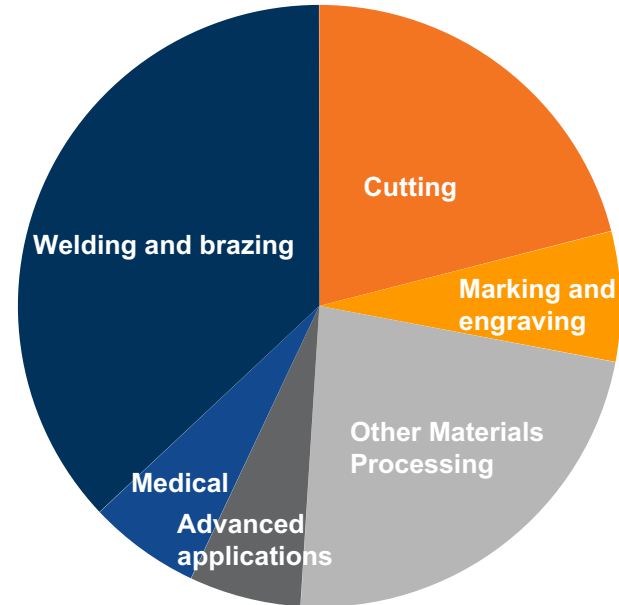
Financial Review

In millions except per share	Q1 '25	Q1 '24	Y/Y
Revenue	\$227.8	\$252.0	(10)%
Gross margin	39.4%	38.7%	
Operating income	\$1.8	\$19.1	(91)%
Net income	\$3.8	\$24.1	(84)%
Earnings per diluted share	\$0.09	\$0.52	(83)%
Adjusted EBITDA	\$32.7	\$40.3	(19)%
Adjusted EPS	\$0.31	\$0.50	(38)%

- Lower sales and higher operating expenses reduced operating income
 - Q1 '24 operating income benefitted from a \$6.8 million gain on disposal of fixed assets
- Operating expenses, excluding FX impact and other gain/loss, increased slightly YoY driven by investments in growth opportunities

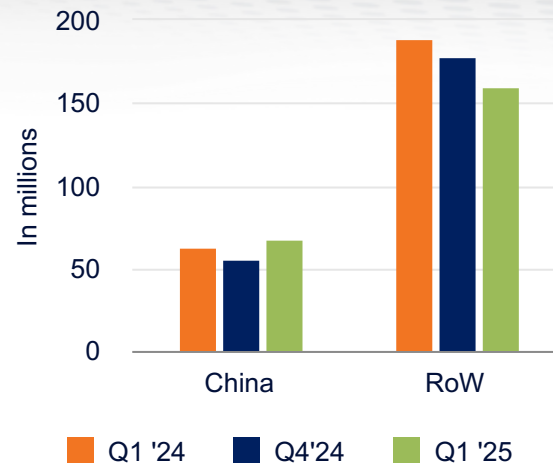
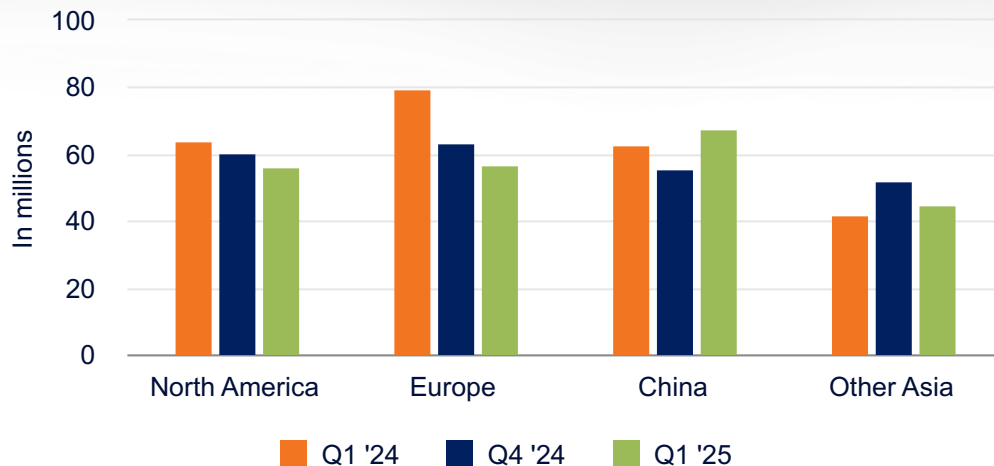
Summary by Application

- **Welding** – was more stable sequentially with share gains and some demand improvement in handheld and e-mobility
- **Cutting** – revenue continued to decline due to softer industrial demand and increased competition, but saw some strength in certain geographies
- **Medical** – revenue grew, benefiting from shipments to the new customer
- **Cleaning*** – benefited from acquisition of cleanLASER



Based on full year 2024 revenue by application
*included in Other Materials Processing

Revenue by Geography



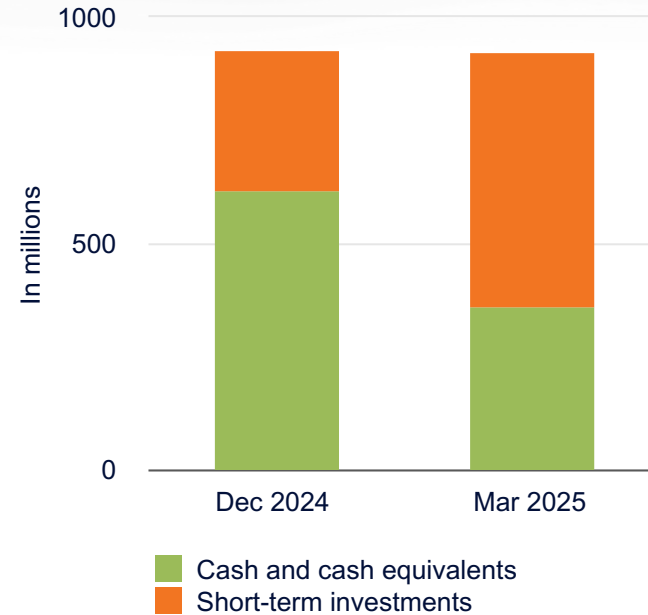
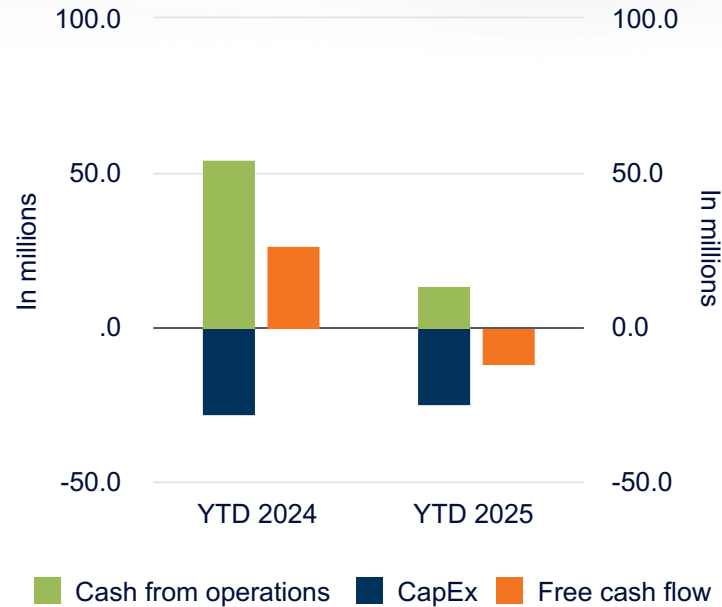
- Sales declined YoY in North America due to lower revenue in cutting and welding applications
- European sales declined primarily due to lower demand in cutting and welding applications and exit from Russia, partially offset by growth in additive manufacturing and cleanLaser acquisition
- Revenue increased in Asia driven by growth in additive manufacturing, micromachining, advanced applications and medical

Balance Sheet and Cash Flow Summary

In millions	Q1 '25
Cash and Short-term Investments	\$927
Inventories	\$288
Total Debt	\$—
Net Income to IPG	\$4
Cash from Operations	\$13
Depreciation and Amortization	\$15
Capital Expenditures	\$25
Stock Repurchases	\$—
Days Sales Outstanding	70

- Strong balance sheet with \$927 million in cash and short-term investments
- Continued to focus on inventory control
- Capital Allocation
 - Investing in business to drive future growth
 - Actively pursuing acquisitions
 - Strategic execution of share repurchases

Balance Sheet and Cash Flow Generation

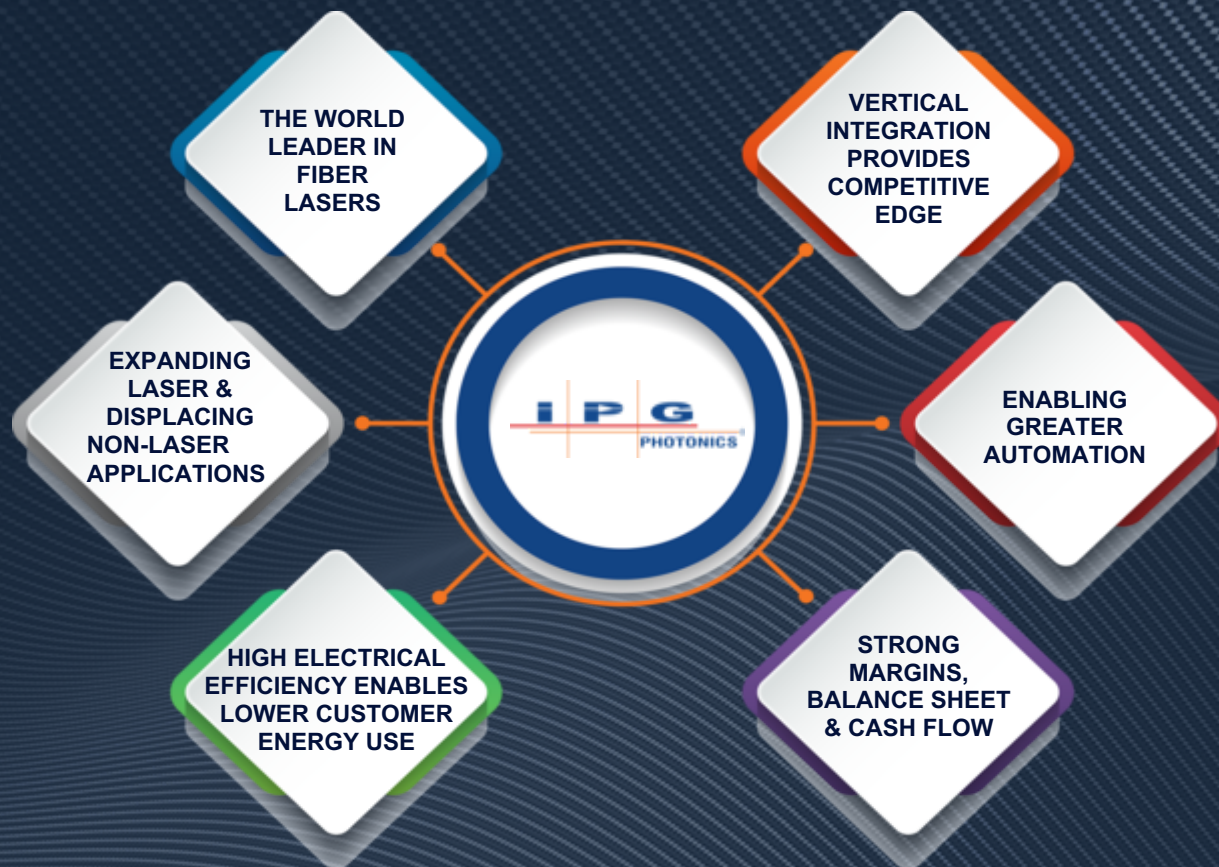


- Maintaining an exceptional balance sheet with no debt
- Free cash flow is defined as cash flow from operations less capital expenditures

Financial Guidance

Q2 '25 Outlook	
Revenue	\$210M - \$240M
Adjusted Gross Margin	36% - 38%
Operating Expenses	\$86M - \$88M
Adjusted EPS	-\$0.05 - \$0.25
Adjusted EBITDA	\$16M - \$31M
Tax Rate	~25%
Diluted common shares	~43M

- Q1 book-to-bill was above 1
- Revenue outlook includes approximately \$15 million tariff-related impact due to delays in shipping product as we optimize our manufacturing footprint to serve different regions
- Q2 gross margin includes 150-200 basis points of tariff-related impact



Appendix: Reconciliation of Non-GAAP Financial Measures

Use of Non-GAAP Adjusted Financial Information

We refer to certain financial measures that are not recognized under United States generally accepted accounting principles (“GAAP”) and are provided as supplemental information to enhance understanding of the Company’s financial performance. These measures should not be considered as a substitute for, or superior to, GAAP financial measures. The following information provides the definition of adjusted gross profit, adjusted gross margin, adjusted operating income, EBITDA, adjusted EBITDA, adjusted net income, adjusted earnings per share (EPS), and adjusted tax rate as presented, 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 operating income, EBITDA, adjusted EBITDA, adjusted net income, adjusted EPS, and adjusted tax rate 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.

We have not provided a quantitative reconciliation of forward-looking Non-GAAP adjusted earnings per diluted share and Adjusted EBITDA to their most directly comparable GAAP financial measures because we are unable to estimate with reasonable certainty the ultimate timing or amount of certain significant items without unreasonable efforts. This is due to the inherent difficulty of forecasting the timing and/or amount of various items that would impact adjusted earnings per diluted share and Adjusted EBITDA. This includes items that have not yet occurred, are out of the Company’s control, cannot be reasonably predicted and/or for which there would not be any meaningful adjustment or difference. For the same reasons, the Company is unable to address the probable significance of the unavailable information.

Appendix: Reconciliation of Non-GAAP Financial Measures

(In thousands, except per share data)	Three Months Ended March 31,	
	2025	2024
Gross profit	\$ 89,812	\$ 97,536
Gross margin	39.4 %	38.7 %
Amortization of acquisition-related intangibles	1,016	488
Acquisition and integration charges	222	—
Adjusted gross profit	<u>\$ 91,050</u>	<u>\$ 98,024</u>
Adjusted gross margin	<u>40.0 %</u>	<u>38.9 %</u>

We define adjusted gross profit as reported gross profit, adjusted for non-recurring, infrequent, or unusual changes.

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

Appendix: Reconciliation of Non-GAAP Financial Measures

(In thousands, except per share data)	Three Months Ended March 31,	
	2025	2024
Operating income	\$ 1,827	\$ 19,100
Amortization of acquisition-related intangibles	2,502	1,425
Acquisition and integration charges	991	—
Loss on foreign exchange	2,411	1,675
Gain on sale of assets	—	(6,776)
Adjusted operating income	\$ 7,731	\$ 15,424

We define adjusted operating income as reported income from operations, adjusted for non-recurring, infrequent, or unusual charges.

Appendix: Reconciliation of Non-GAAP Financial Measures

(In thousands, except per share data)	Three Months Ended March 31,	
	2025	2024
Net income	\$ 3,758	\$ 24,099
Interest income, net	(7,444)	(14,177)
Provision for income taxes	6,857	9,503
Depreciation	11,556	13,927
Amortization	3,785	2,287
EBITDA	18,512	35,639
Stock based compensation	10,767	9,732
Acquisition and integration charges	991	—
Loss on foreign exchange	2,411	1,675
Gain on sale of assets	—	(6,776)
Adjusted EBITDA	\$ 32,681	\$ 40,270

We define EBITDA as net income plus interest expense (income), provision for income taxes, depreciation expense, and amortization expense.

We define Adjusted EBITDA as EBITDA adjusted for non-recurring, infrequent, or unusual charges, and other adjustments that the Company believes appropriate.

Appendix: Reconciliation of Non-GAAP Financial Measures

(In thousands, except per share data)	Three Months Ended March 31,	
	2025	2024
Net income	\$ 3,758	\$ 24,099
Amortization of acquisition-related intangibles	2,502	1,425
Acquisition and integration charges	991	—
Loss on foreign exchange	2,411	1,675
Gain on sale of assets	—	(6,776)
Certain discrete tax items	4,614	1,997
Tax impact of non-GAAP adjustments	(1,148)	739
Adjusted net income	<u>\$ 13,128</u>	<u>\$ 23,159</u>
Adjusted net earnings per diluted share	<u>\$ 0.31</u>	<u>\$ 0.50</u>
Weighted average diluted shares outstanding	42,832	46,175

We define adjusted net income as reported net income, adjusted for non-recurring, infrequent, or unusual changes, and other adjustments that the Company believes appropriate.

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

Appendix: Reconciliation of Non-GAAP Financial Measures

	Three Months Ended March 31,	
	2025	2024
Tax Rate	65 %	28 %
Discrete tax items	(43)%	(6)%
Net impact of non-GAAP adjustments	(1)%	1 %
Adjusted tax Rate	21 %	23 %

We define adjusted tax rate as the GAAP tax rate, adjusted for discrete tax items and the net impact of non-GAAP adjustments.



Thank you