Earnings Call Presentation
Fourth Quarter 2024

February 11, 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, 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.

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.

We have not provided a quantitative reconciliation of forward-looking Non-GAAP net 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. These items include, but are not limited to, the amortization of acquired intangible assets, stock based compensation (excluded from the calculation of adjusted EBITDA only) and the income tax effect of these items.

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Q4 '24 Summary

- **Revenue improved slightly sequentially on higher sales in medical and advanced applications, but declined year over year due to lower revenue in materials processing**
  - Total revenue decreased 22% YoY with lower sales in welding and cutting applications, due to soft demand in general industrial and in e-mobility markets
  - Emerging growth products sales, which accounted for 48% of total revenue, improved sequentially due to higher sales in medical, high power pulsed and green lasers

- **Gross margin of 38.6% increased 40 basis points year over year driven by reduced product costs, lower tariffs and shipping costs and more stable inventory provisions, but was negatively impacted by lower absorption of manufacturing expenses**

- **Earning per diluted share (EPS) was $0.18 and benefited from increased gross margin and lower operating expenses, but was negatively impacted by unusual tax items which totaled $3.4 million and reduced EPS by $0.08 in the quarter.**

- **IPG made additional progress reducing inventory and continued to generate strong cash flow from operations**

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Financial Review

In millions except per share	Q4 '24	Q4 '23	Y/Y	Q3 '24	Q/Q
Revenue	$234.3	$298.9	(22)%	$233.1	1%
Gross margin	38.6%	38.2%		23.2%	
Operating income (loss)	$14.0	$28.8	(51)%	$(253.3)	NM
Operating margin	6.0%	9.6%		(108.7)%	
Net income (loss) to IPG	$7.8	$41.4	(81)%	$(233.6)	NM
Earnings (loss) per diluted share	$0.18	$0.89	(80)%	$(5.33)	NM
Loss (gain) on FX per share	$—	$0.01		$0.02	

NM - not meaningful.

- Lower sales reduced operating income, but were partially offset by improved gross margin and lower operating expenses
- FX transaction gain increased operating income by $1 million
- Operating expenses, excluding FX impact and impairment charges, decreased compared to the prior year and sequentially
- The effective tax rate was 64% due to unusual tax items which totaled $3.4 million and reduced EPS by $0.08 in the quarter

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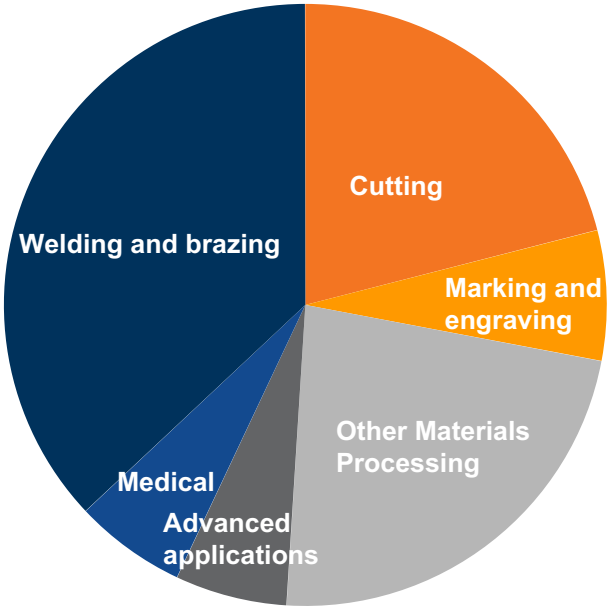
Summary by Application

- **Welding** – continues to be negatively impacted by lower sales to general industrial and e-mobility markets
- **Cutting** – revenue declined due to softer industrial demand and increased competition
- **Medical** – revenue grew sequentially in Q4, rebounding after weak sales in the prior quarter, but was down in 2024 due to divestitures and uneven demand
- **Cleaning*** – closed the acquisition of cleanLASER



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

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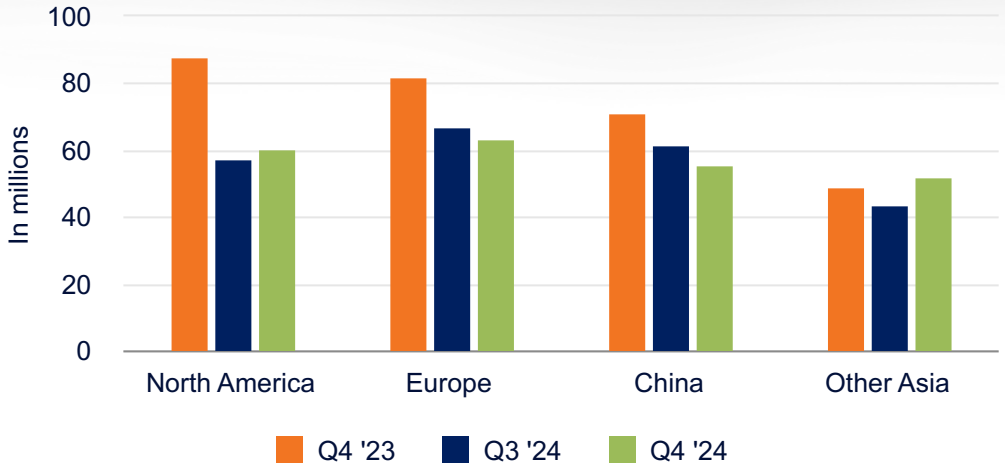
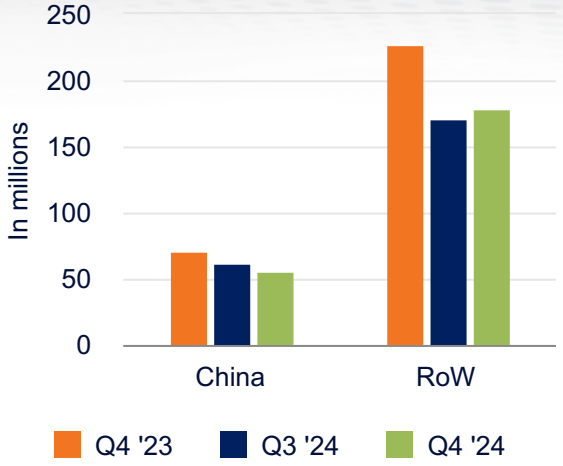
Revenue by Geography





- Sales declined YoY in North America due to lower revenue in welding applications
- European sales declined primarily due to lower demand in cutting applications and exit from Russia, partially offset by growth in additive manufacturing and advanced applications
- Revenue declined in China due to lower sales in cutting and welding applications as a result of weakness in general industrial and e-mobility demand, partially offset by growth in additive manufacturing
- Revenue increased in Japan, driven by improved demand in cutting applications and higher sales in advanced applications

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Balance Sheet and Cash Flow Summary

In millions	Q4 '24
Cash and Short-term Investments	$930
Inventories	$285
Total Debt	$—
Net Income to IPG	$8
Cash from Operations	$74
Depreciation and Amortization	$15
Capital Expenditures	$23
Stock Repurchases	$57
Days Sales Outstanding	67

- Strong balance sheet with $930 million in cash and short-term investments
- Continued to focus on inventory control
- Capital Allocation
  - Investing in business to drive future growth
  - Closed cleanLASER acquisition
  - Opportunistically executing share repurchases
    - Repurchased $57M in Q4 and $344M full year 2024

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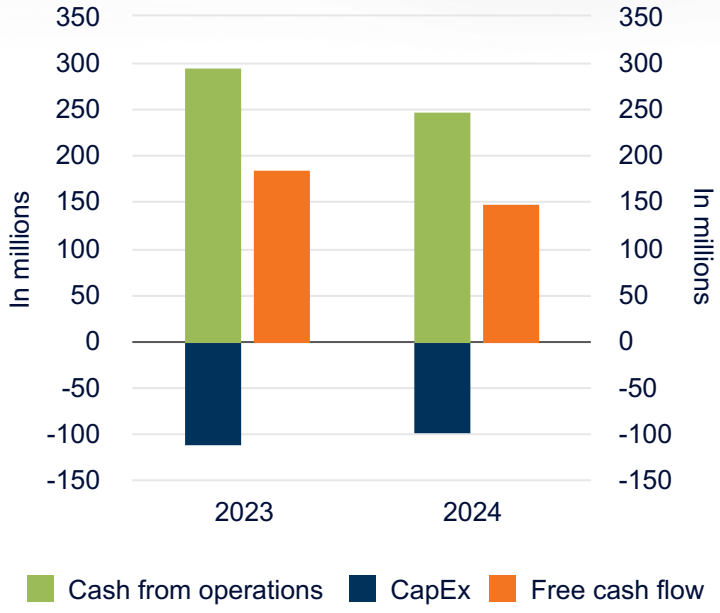
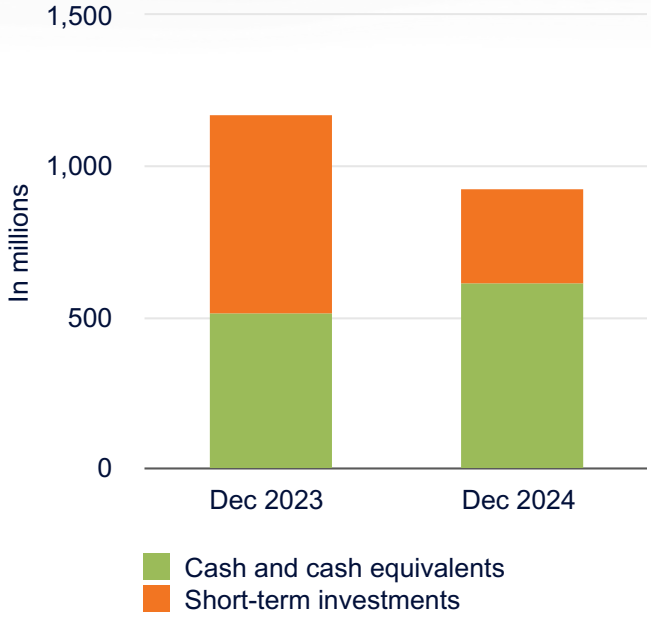
Balance Sheet and Cash Flow Generation





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

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

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Financial Guidance

Q1 '25 Outlook	
Revenue	$210M - $240M
Gross Margin	36% - 39%
Operating Expenses	$82M - $84M
Adjusted EPS	$0.05 - $0.35
Adjusted EBITDA	$19M - $35M
Tax Rate	~28%
Diluted common shares	~43M

- Q4 book-to-bill was slightly below 1

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Thank you