

**IPG Photonics Corporation**  
**Fourth Quarter 2025 Conference Call Prepared Remarks**

**Operator:**

Good morning, and welcome to IPG Photonics' fourth quarter 2025 conference call. Today's call is being recorded and webcast. At this time, I would like to turn the call over to Eugene Fedotoff, IPG's Senior Director, Investor Relations, for introductions. Please go ahead with your conference.

**Eugene Fedotoff:**

Thank you, and good morning everyone. With me today is IPG Photonics' CEO, Dr. Mark Gitin and Senior Vice President and CFO, Tim Mammen. On today's call, Mark will provide a summary of our fourth quarter and full-year results as well as the overall demand environment, and then walk you through the progress we're making on our long-term strategy. After that, he will turn it over to Tim to provide financial details. Let me remind you that statements made during this call that discuss our expectations or predictions of the future are forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause the company's actual results to differ materially from those projected in such forward-looking statements. These risks and uncertainties are detailed in our Form 10-K for the period ended December 31, 2024 and other reports on file with the Securities and Exchange Commission. Any forward-looking statements made on this call are the company's expectations or predictions as of today, February 12, 2026 only, and the company assumes no obligation to publicly release any updates or revisions to any such statements. During this call we will be referencing certain non-GAAP measures. For more information on how we define these non-GAAP measures and a reconciliation of such measures to the most directly comparable GAAP measures, as well as additional details on our reported results, please refer to the earnings

press release, earnings call presentation and the financial data workbook posted on our investor relations website. We will also post these prepared remarks on our website after this call. With that, I will now turn the call over to Mark.

**Mark Gitin:**

Thanks, Eugene. Good morning, everyone.

Fourth quarter revenue came in above our expectations, increasing 17% year over year and 9% sequentially. Revenue growth was driven by further stabilization in industrial demand, new opportunities, and a disciplined focus on our growth initiatives. This focus led to strong results in medical and advanced applications this quarter.

Materials processing revenue was up 6% sequentially and 17% year over year, driven by stable general industrial demand and increased demand in battery and additive manufacturing applications. Sequentially, welding revenue was stable, while demand for cutting applications increased. Cleaning was another strong performer, and we are starting to see increased revenue synergies with the cleanLASER acquisition. Medical sales had a solid finish to 2025, increasing sequentially and year over year as new products gained traction, and we also saw strong sequential and year-over-year growth in semiconductor applications, which drove higher revenue in advanced applications.

Turning to full-year results, revenue grew 3%, our first full-year revenue growth since 2021. Materials processing sales were flat, with lower cutting sales being fully offset by growth in other materials processing applications, including cleaning and additive manufacturing.

Our welding revenue was flat as lower demand in the general industrial and traditional automotive markets was offset by higher demand in battery manufacturing. In particular, we saw a strong increase in sales of our welding products in Asia as battery investments rebounded in China. Demand is shifting from electric vehicles to stationary storage, which is a positive shift for IPG as stationary storage batteries often require more sophisticated welding processes. In

addition, we are beginning to see increased demand for our solutions and process expertise in battery manufacturing for consumer and medical devices.

In 2025, we made meaningful progress expanding our business beyond materials processing applications. The portion of our business outside of materials processing accounted for approximately 14% of our total revenue and contributed strongly to our growth this year, with micromachining, medical, and advanced applications all increasing by double digits.

Turning to medical, sales grew by 21% to a new record level in 2025 as we benefited from a customer win that became a major contributor to our revenue growth. In the past year, we also received FDA clearance for our next-generation urology system with proprietary StoneSense™ and advanced modulation technologies. These solutions enable the surgeon to differentiate between kidney stones and soft tissue, improving precision and control during procedures. We started shipping this product in the fourth quarter.

Our solutions are delivering clinically meaningful outcomes and we continue to make advances with our innovation roadmap, with additional new product introductions planned for 2026. We also see the opportunity to continue growing medical sales through share gain and new product innovation, coupled with an ability to increase recurring revenue through the sale of consumable delivery fibers.

In 2025, we took an important step forward in directed energy by rolling out our first complete stand-alone system for defense applications. We developed, tested and introduced CROSSBOW™, a scalable and cost-effective laser defense system that can neutralize the threat of smaller Group I and Group II drones. In support of this initiative, we have established IPG Defense to drive product development and customer engagement and have recently opened a new office and manufacturing facility in Huntsville, Alabama.

Overall, 2025 was a positive year for IPG, affirming that our strategic approach is working. We are seeing sales growth increasingly driven by high-value applications where differentiation and technical capability are critical to addressing complex customer challenges. Looking ahead to 2026, strong bookings in Q4 resulted in book-to-bill firmly above one on strong revenue, signaling improving market conditions and strengthening customer demand. While we are encouraged by these trends, we remain cautiously optimistic as we recognize that macroeconomic uncertainty persists.

We continue to make progress with our growth strategy, with notable improvements across medical, micromachining and advanced applications, which have been key investment priorities for the company. We expect this momentum to continue into 2026.

The progress we are reporting today reflects disciplined execution, a sharper focus and a stronger alignment with our growth priorities. Over the past two years, we have strategically positioned the company to capitalize on the growth opportunities we see before us. The organization is evolving toward a team-led operating model that aims to preserve our entrepreneurial spirit while instilling the discipline and operating rigor required to scale effectively. We have made tremendous progress streamlining operations, strengthening decision making and accelerating product development, and these efforts have translated into better performance and greater consistency across the business. While there is still more work to be done, I am encouraged by our progress and confident in our ability to make further advances in pursuit of our growth objectives.

We view our growth opportunities across two primary categories. First, we are strengthening our position in core industrial applications. Second, we are penetrating new non-industrial applications and markets where laser-based solutions offer clear cost benefits and superior outcomes relative to incumbent approaches. Together, these areas allow us to expand existing

laser use cases, create new laser applications, and extend our reach into new high-growth applications such as medical, micromachining, and directed energy. These are exciting opportunities with great potential to significantly expand our addressable market and support long-term growth.

Within industrial applications, we are growing through new business and accelerating the adoption of lasers in large markets, displacing incumbent technology. By combining our laser technology with deep applications expertise, we are helping customers address complex challenges where precision and efficiency matter most. This requires the innovation to offer superior and differentiated products as well as the commercial acumen to provide outstanding customer service. We are also moving up the value chain by integrating our fiber lasers into differentiated systems and subsystems. This world-class laser applications capability enables us to address our customers' most challenging problems and deepen our long-term partnerships by expanding the value we deliver beyond the laser itself.

A good example of this approach is cleaning, where we have successfully converted applications from chemicals and abrasives to laser-based solutions. The cleanLASER acquisition, which completed its first full year with us in 2025, has helped our growth in this area by providing safe, effective, and environmentally friendly solutions that are truly differentiated from incumbent technologies. Our integration of cleanLASER went very well, with actual performance exceeding our expectations. We have also generated revenue synergies by leveraging our scale to reach larger customers, and we continue to identify new opportunities for our comprehensive laser cleaning solutions.

Beyond industrial solutions, we are building on the success we achieved in 2025, as discussed earlier in the call. Growth in these areas requires differentiated capabilities and applications expertise to address customer challenges, leveraging our laser technology and deep materials

knowledge to create solutions that deliver results with precision and accuracy. Innovation remains a core focus for IPG, with continued emphasis on product performance, lowering cost of ownership and delivering the service and applications support that customers value. This strength is gaining increased recognition from both our customers and the broader photonics community.

In that context, I am pleased to share that IPG received a prestigious Prism Award in the Lasers category for our new 8-kilowatt single-mode laser at the awards ceremony held last month during the 2026 SPIE Photonics West Exhibition in San Francisco. Often referred to as the “Oscars of Photonics,” the SPIE Prism Awards recognize innovative optics and photonics products that bring transformative technologies to market, with the winners selected by an international panel of academic, government, and industry experts. This honor further reinforces IPG’s position as a global leader in fiber laser innovation and single-mode laser technology. Throughout the exhibition, thought leaders from IPG presented on multiple laser technologies and industry topics. One such presentation highlighted a major technological milestone in the ultraviolet spectrum with the successful demonstration of a compact 148-nanometer vacuum ultraviolet, or VUV, laser source based on our proprietary crystal materials technology. This breakthrough has the potential to enable new opportunities in nuclear clocks, quantum computing, metrology, and other advanced applications.

In summary, the team delivered solid performance in 2025, driving growth while meeting the needs of our customers. We have made significant progress on our strategic objectives and enter 2026 focused on continued growth through innovation and disciplined execution.

With that, I will now turn the call over to Tim.

**Tim Mammen:**

Thank you Mark, and good morning everyone. My comments will generally follow the earnings call presentation which is available on our investor relations website.

I will start with revenue trends by application on slide 4.

Revenue from materials processing increased 17% year over year in the quarter, driven by higher sales in welding, marking, cleaning and additive manufacturing applications, partially offset by lower sales in micromachining, which was impacted by the timing of customer orders. Cutting revenue was slightly lower year over year but improved sequentially and was generally in line with the stable revenue we have seen over the last four quarters. Revenue from applications other than materials processing increased by 15%, driven by higher sales in medical and advanced applications.

Sales of our emerging growth products increased sequentially and year over year and accounted for 54% of total sales on higher revenue in the quarter - up from 52% in the prior quarter and matching our record-high achieved in the second quarter.

Moving to the revenue performance by region on slide 5.

Sales in North America increased by 21% sequentially and 23% year over year driven by higher revenue in cutting, cleaning, medical, and advanced applications.

Sales in Europe increased 8% sequentially, and 7% year over year, driven by higher revenue in additive manufacturing as well as cleaning, which saw strong growth resulting from the acquisition of cleanLASER. This growth was partially offset by decreased sales in cutting and welding applications.

Revenue in Asia continued to improve and increased 5% sequentially and 19% year over year driven by higher welding sales in China due to stronger demand and new business in battery applications. Revenue in Japan was relatively stable year over year but improved sequentially.

Moving to the financial performance review on slide 6.

Revenue was above our expectations at \$274 million, up 9% sequentially and 17% on a year-over-year basis. Foreign currency increased revenue by approximately \$6 million or 2% this quarter compared to the same period in the prior year. We saw very strong customer order activity at the end of the year and were able to respond quickly and ship in the quarter to satisfy this increased demand.

GAAP gross margin was 36.1% and adjusted gross margin was 37.6%, excluding accelerated depreciation on a long-lived asset and amortization expense. Adjusted gross margin came in at the midpoint of our guidance range but below what we would normally expect at this level of revenue, primarily due to planned inventory management that drove lower absorption of fixed costs. You may recall that third-quarter gross margin benefited from higher fixed cost absorption as we increased inventory.

The impact of tariffs remained a headwind, reducing gross margin by 200 basis points year over year, which was 50 basis points higher than our expectations due to the timing of recognizing tariff expenses. We continue to work on ways to offset their impact including cost reductions and pricing initiatives, but tariff impact will likely persist in 2026, albeit at a slightly moderated level. Year over year, the decrease in gross margin was driven by higher product costs and tariffs, partially offset by lower inventory provisions.

Excluding approximately \$4 million in one-time costs, operating expenses remained stable on a sequential basis but increased on a year-over-year basis due to investments we are making to

support our strategy and strengthen our organization. GAAP operating income was \$3 million, and our adjusted EBITDA was \$41 million for the fourth quarter, above the top end of our guidance. GAAP net income was \$13 million, or \$0.31 per diluted share. Adjusted net income was \$20 million, with earnings per diluted share of \$0.46.

Moving to a summary of our balance sheet and cash flow on slide 7, we ended the quarter with \$839 million in cash, cash equivalents, and short-term investments, \$77 million in long-term investments, and no debt. During the fourth quarter we spent \$18 million on capital expenditures and \$4 million on repurchasing IPG shares, supporting our balanced capital allocation framework of investing in growth and returning cash to shareholders. As expected, our cash flow from operations improved significantly in the second half of the year, driving positive free cash flow in the fourth quarter. Our 2025 capital expenditures came in well below our initial expectations due to the timing of expenditures for our major fiber manufacturing facility investment in Germany which moved approximately \$50 million into 2026. As a result, we now expect capex to be \$90 to \$100 million this year. Excluding the amount delayed into 2026, underlying capex is about 5% of revenue, and we expect to maintain this level going forward.

While maintaining a strong balance sheet, we have continued returning capital to shareholders with our ongoing stock repurchases. We repurchased shares for a total of over \$4 million in the fourth quarter and \$53 million in 2025. We have returned over \$1 billion to shareholders via share repurchases in the last four years. To enable us to continue with our balanced capital allocation strategy, the Board has authorized a new \$100 million share repurchase program, and we plan to continue repurchasing shares opportunistically.

Moving to our outlook on slide 8, orders remained strong with book-to-bill above one. However, it should be noted that some of the bookings we received in the fourth quarter include medical and systems orders that are scheduled to ship beyond the first quarter.

For the first quarter of 2026, we expect revenue of \$235 million to \$265 million, with some typical seasonality impacting revenue. We expect adjusted gross margin between 37% and 39%, including a potential impact from tariffs of about 150 basis points. We estimate operating expenses in the range of \$90 million to \$92 million in the first quarter and anticipate that these expenses will increase moderately during the year as we see opportunities to further accelerate our key growth initiatives. For the first quarter, we expect to deliver adjusted earnings per diluted share in the range of \$0.10 to \$0.40, with approximately 42.5 million diluted common shares outstanding. Our adjusted EBITDA is expected to be between \$25 million and \$40 million.

In summary, we are pleased to report such strong sales in the fourth quarter. Although margin improvement deviated from the expected trend due to underabsorption of fixed costs and the impact of tariffs, product margin remained stable, and we continue to believe that we have significant operating leverage in our model. We continue to invest for the future, and our strong balance sheet positions us well to navigate a dynamic operating environment.

I will now turn the call back over to Mark.

**Mark Gitin:**

Thanks, Tim.

In closing, we are pleased with the progress we made in 2025 and encouraged by the early results of our strategic initiatives as well as the scale of the longer-term opportunity ahead. We remain confident in our ability to generate robust revenue growth with our differentiated solutions, which have continued to drive demand even in a subdued industrial environment. As general industrial activity recovers, this puts us in a good position to outgrow the market. Our market leadership, deep applications expertise, and ability to deliver complete solutions enable us to accelerate laser adoption, supplant incumbent technologies, and expand our addressable market. Growth initiatives in medical, micromachining, and defense are already showing meaningful progress and driving incremental revenue. While we are cautiously optimistic about the demand environment in 2026, we are continuing to transform the company to create long-term value for our customers and shareholders.

With that, we will be happy to take your questions.

**Eugene Fedotoff:**

Thank you for joining us this morning and for your continued interest in IPG. We will be participating in several investor events this quarter and are looking forward to speaking with you again soon. Have a great day everyone.