



# Earnings Call Presentation Third Quarter 2021

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**November 2, 2021 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)

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# Q3 '21 Highlights

- **Reported Q3 revenue at the top end of the guidance on increased demand in Europe and U.S. and growth in emerging products and applications**
  - Total revenue increased 19% YoY despite soft demand in cutting in China
  - Higher sales in welding, marking and 3D printing applications
  - Significant growth in high power cutting outside of China
- **Growth in emerging products and applications continues to drive sales and to account for greater percentage of revenue**
- **Industry-leading gross margin increased to 49.0%** in the quarter helped by improved cost absorption, price discipline and focus on vertical integration and cost controls
- **Repurchased \$36 million of IPG stock in the quarter**

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COMPETITIVE  
EDGE

HIGH ELECTRICAL  
EFFICIENCY ENABLES  
LOWER CUSTOMER  
ENERGY USE

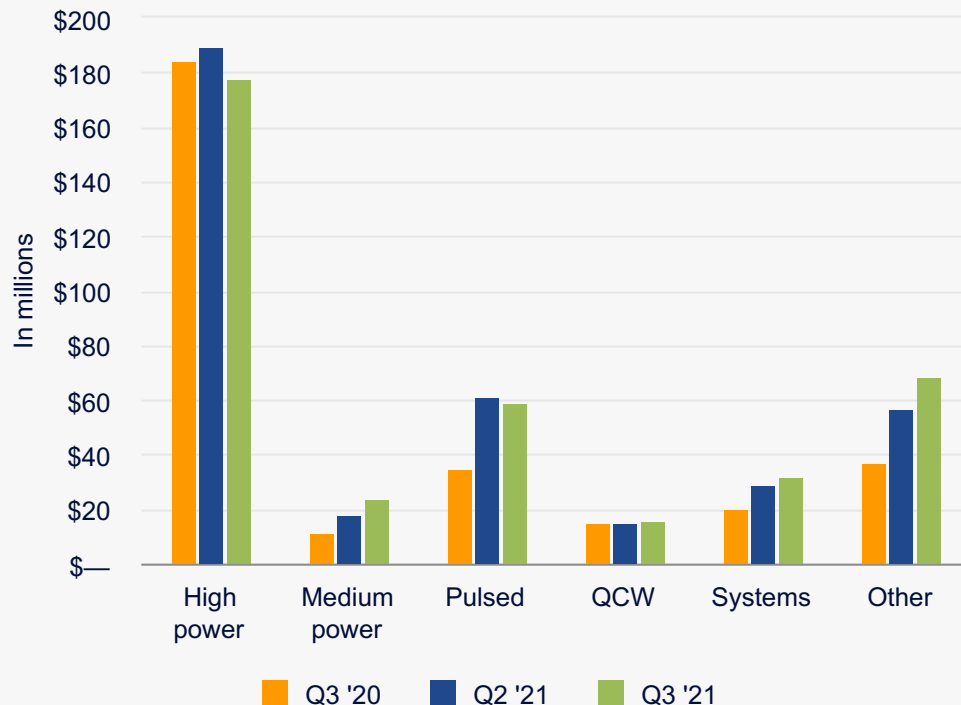
# Financial Review

In millions except per share	Q3 '21	Q3 '20	Y/Y	Q2 '21	Q/Q
Revenue	\$379.2	\$318.4	19%	\$371.7	2%
Gross Margin	49.0%	48.0%		48.6%	
Operating Income	\$102.0	\$41.4	146%	\$92.3	11%
Operating Margin	26.9%	13.0%		24.8%	
Net Income to IPG	\$75.4	\$35.6	112%	\$69.8	8%
Earnings per diluted share	\$1.40	\$0.66	112%	\$1.29	8%
Loss (gain) on FX per share	\$(0.04)	\$(0.15)		\$0.04	

- Gross margin increased, benefiting from lower inventory provisions and a reduction of unabsorbed manufacturing expenses as a percent of sales
- Operating expenses, excluding FX loss (gain), increased due to increased sales expenses and higher variable compensation
- Q3 '20 was impacted by goodwill impairment charge of \$45 million

**STRONG  
MARGINS,  
BALANCE  
SHEET &  
CASH FLOW**

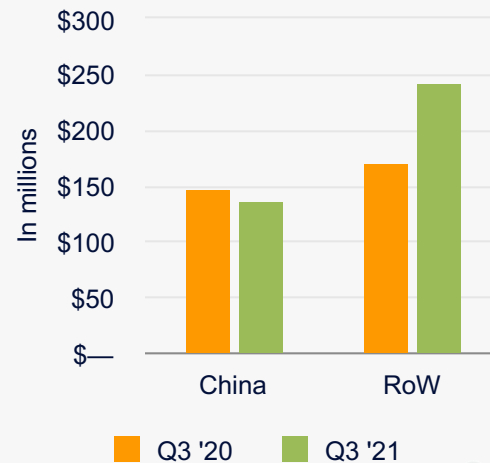
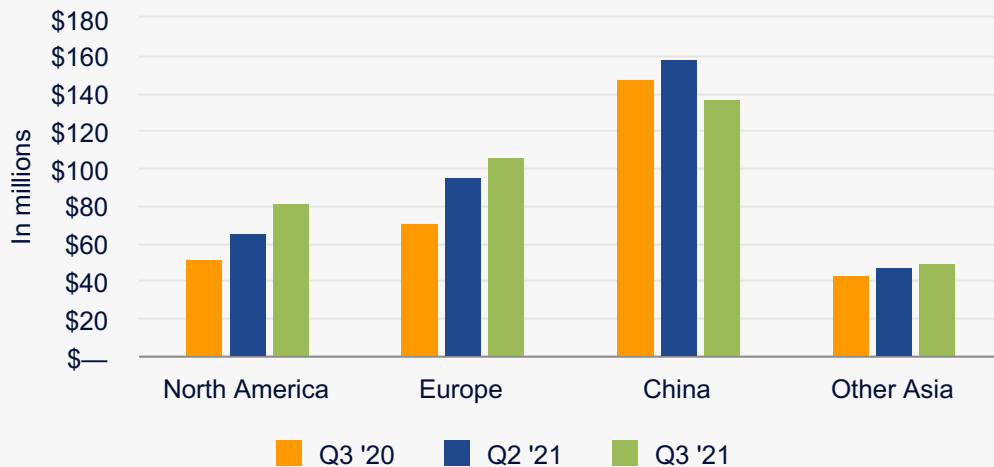
# Revenue by Power



- Revenue growth was driven by pulsed and medium power lasers, systems, medical and beam delivery
- High power (more than 1kW) sales declined as strong growth in welding and cutting applications in Europe and North America was offset by softer demand in cutting in China; sales of ultra-high power lasers (more than 6kW) represented 51% of high power lasers
- Medium power growth was driven by cutting, welding, additive manufacturing and semiconductor applications
- Pulsed lasers benefited from increased demand in foil cutting, marking, cleaning, drilling and solar cell manufacturing applications
- QCW benefited from growth in marking and drilling
- Systems sales grew due to higher revenue for laser and non-laser systems and a ramp-up in LightWELD sales

**ENABLING  
GREATER  
AUTOMATION**

# Revenue by Geography



- While China revenue declined, RoW revenue is showing accelerating improvement, accounting for 64% of sales
- Higher revenue in North America was driven by strong growth in welding, increased sales of high power lasers for cutting applications and record revenue in medical
- Europe saw strong demand in cutting, welding, marking and additive manufacturing applications
- Revenue declined in China due to softer demand in cutting, which was partially offset by strong growth in welding, marking and additive manufacturing applications
- Demand has been improving in Japan

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# Balance Sheet and Cash Flow Summary

In millions	Q3 '21
Cash and Short-term Investments	\$1,519
Inventories	\$435
Total Debt	\$35
Net Income to IPG	\$75
Cash from Operations	\$102
Depreciation and Amortization	\$24
Capital Expenditures	\$40
Stock Repurchases	\$36
Days Sales Outstanding	66

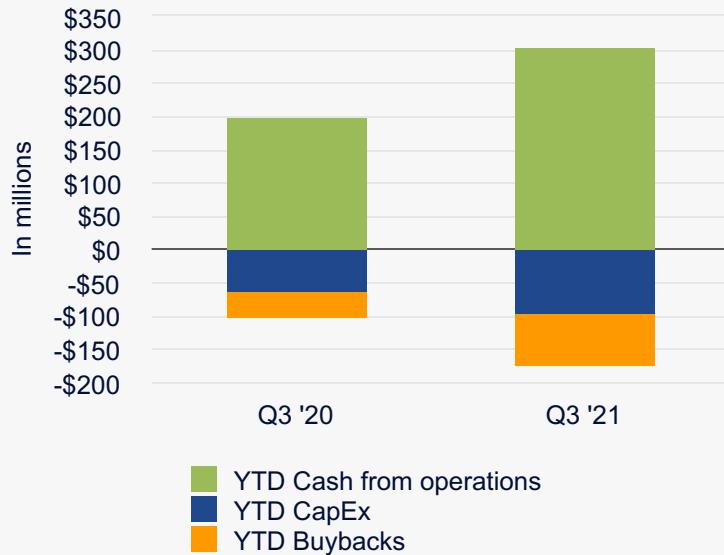
- Maintaining strong balance sheet and cash flow generation
- High cash conversion ratio\*
- Increased inventories to build a safety stock of critical components
- Capital Allocation
  - using cash to fund future growth opportunities by investing in capital expenditures and R&D
  - opportunistic share repurchases



\*cash conversion ratio is calculated as cash flow from operations less capital expenditures over net income

# Strong Balance Sheet and Cash Flow Generation

## Operating Cash Flow and Capital Allocated



## Exceptional Balance Sheet





# Financial Guidance

Q4 '21 Outlook	
Revenue	\$330M - \$360M
Gross Margin	47% - 49%
Operating Expenses	\$85M - \$87M
EPS	\$1.00 - \$1.30
Tax Rate	~25%
Diluted common shares	~54M

- Q3 book-to-bill was slightly above 1
- Expect growth in emerging products and applications to continue
- China cutting sales are expected to remain soft





**Thank you**