



IPG PHOTONICS ANNOUNCES THIRD QUARTER 2022 FINANCIAL RESULTS

Strong Demand from E-Mobility and Medical were Offset by Currency Headwinds and Softer General Industrial Demand in China and Europe

OXFORD, Mass. – November 1, 2022 - [IPG Photonics Corporation](#) (NASDAQ: IPGP) today reported financial results for the third quarter ended September 30, 2022.

| <i>(In millions, except per share data and percentages)</i> | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|-------------------------------------|----------|--------|------------------------------------|------------|--------|
| | 2022 | 2021 | Change | 2022 | 2021 | Change |
| Revenue | \$ 349.0 | \$ 379.2 | (8)% | \$ 1,096.0 | \$ 1,096.4 | — % |
| Gross margin | 43.1 % | 49.0 % | | 45.1 % | 48.4 % | |
| Operating income | \$ 93.2 | \$ 102.0 | (9)% | \$ 258.0 | \$ 283.1 | (9)% |
| Operating margin | 26.7 % | 26.9 % | | 23.5 % | 25.8 % | |
| Net income attributable to IPG Photonics Corporation | \$ 76.3 | \$ 75.4 | 1 % | \$ 202.8 | \$ 213.3 | (5)% |
| Earnings per diluted share | \$ 1.47 | \$ 1.40 | 5 % | \$ 3.93 | \$ 3.95 | (1)% |

Management Comments

"We continued to see upward momentum in our emerging growth products with strength in welding, primarily in e-mobility applications, cleaning, solar cell manufacturing, medical and 3D printing applications in the third quarter," said Dr. Eugene Scherbakov, IPG Photonics' Chief Executive Officer. "The operating environment remains challenging, including currency headwinds, softer general industrial demand in Europe and Covid-related restrictions in China. At the same time, we are seeing accelerating investments in lithium-ion batteries used in electric vehicles globally and expect to benefit from continued higher sales to EV applications in the next several years. Additionally, our medical sales nearly doubled compared to the same period last year as we are focusing on diversifying revenues across end markets and applications and reducing cyclical sensitivity of the business."

Financial Highlights

Third quarter revenue of \$349 million decreased 8% year over year. The strong U.S. dollar reduced revenue by approximately \$26 million or 7% compared to the same period last year. Materials processing sales accounted for 90% of total revenue and decreased 10% year over year with higher sales in welding, cleaning and solar cell applications offset by lower revenue in cutting applications in China and Europe. Sales into Other applications increased 10% year over year, driven by the strength in medical, partially offset by lower revenue following the divestiture of the telecom transmission product lines and lower sales in advanced applications. Emerging growth products sales accounted for 43% of total revenue.

Revenue in high power continuous wave (CW) lasers declined 14% year over year due to lower demand in high power cutting applications, which was partially offset by strong growth in welding. Sales of pulsed lasers declined 6% compared with the prior year due to lower demand in cutting and marking applications, partially offset by growth in solar cell manufacturing and cleaning applications. By region, sales increased 1% in North America and decreased 13% in Europe, 14% in China and 21% in Japan on a year-over-year basis.

Earnings per diluted share (EPS) of \$1.47 increased 5% year over year. The gain on sale of the telecom transmission business increased operating income by \$22 million and benefited diluted EPS by \$0.32, which was slightly offset by a restructuring charge of \$1 million or \$0.01 per diluted share, also related to the telecom business. Foreign exchange transaction gains increased operating income by less than \$1 million. The effective tax rate in the quarter was 21%, benefiting from certain discrete items. During the third quarter, IPG generated \$76 million in cash from operations. Capital expenditures were \$25 million and stock repurchases were \$71 million in the quarter.

Business Outlook and Financial Guidance

“Third quarter book-to-bill was slightly above one as higher bookings for emerging growth products across most geographies helped to offset some of the weaknesses in European and Chinese cutting markets. Despite increased global economic uncertainty, we believe that macro trends such as e-mobility, investments in renewable energy and automation as well as focus on energy efficiency due to increased energy costs should continue to drive higher demand for our lasers,” concluded Dr. Scherbakov.

For the fourth quarter of 2022, IPG expects revenue of \$300 to \$330 million. The Company expects the fourth quarter tax rate to be approximately 25%. IPG anticipates delivering earnings per diluted share in the range of \$0.70 to \$1.00. The fourth quarter guidance range is reduced by approximately \$28 million due to foreign currency headwinds that are related to the current strength of the U.S. dollar as compared to the fourth quarter of 2021.

As discussed in more detail in the "Safe Harbor" passage of this news release, actual results may differ from this guidance due to various factors including, but not limited to, trade policy changes and trade restrictions with Russia, the COVID-19 pandemic, product demand, order cancellations and delays, competition, tariffs, currency fluctuations and general economic conditions. This guidance is based upon current market conditions and expectations, and is subject to the risks outlined in the Company's reports filed with the SEC, and assumes exchange rates relative to the U.S. dollar of Euro 1.02, Russian ruble 57, Japanese yen 145 and Chinese yuan 7.10, respectively.

Supplemental Financial Information

Additional supplemental financial information is provided in the unaudited Third Quarter 2022 Financial Data Workbook and Earnings Call Presentation available on the investor relations section of the Company's website at investor.ipgphotonics.com.

Conference Call Reminder

The Company will hold a conference call today, November 1, 2022 at 10:00 am ET. To access the call, please dial 877-407-6184 in the US or 201-389-0877 internationally. A live webcast of the call will also be available and archived on the investor relations section of the Company's website at investor.ipgphotonics.com.

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About IPG Photonics Corporation

IPG Photonics Corporation is the leader in high-power fiber lasers and amplifiers used primarily in materials processing and other diverse applications. The Company's mission is to make its fiber laser technology the tool of choice in mass production. IPG accomplishes this mission by delivering superior performance, reliability and usability at a lower total cost of ownership compared with other types of lasers and non-laser tools, allowing end users to increase productivity and decrease costs. IPG is headquartered in Oxford, Massachusetts and has more than 30 facilities worldwide. For more information, visit www.ipgphotonics.com.

Safe Harbor Statement

Information and statements provided by IPG and its employees, including statements in this press release, that relate to future plans, events or performance are forward-looking statements. These statements involve risks and uncertainties. Any statements in this press release that are not statements of historical fact are forward-looking statements, including, but not limited to macro trends such as e-mobility, investments in renewable energy and automation as well as focus on energy efficiency due to increased energy costs should continue to drive higher demand for our lasers, as well as revenue, tax rate and earnings guidance, and the impact of the U.S. dollar on our guidance for fourth quarter of 2022. 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 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 22, 2022) 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 PHOTONICS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---------------------------------------|------------------|---------------------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | (In thousands, except per share data) | | | |
| Net sales | \$ 349,006 | \$ 379,150 | \$ 1,096,008 | \$ 1,096,393 |
| Cost of sales | 198,582 | 193,276 | 601,419 | 566,000 |
| Gross profit | 150,424 | 185,874 | 494,589 | 530,393 |
| Operating expenses: | | | | |
| Sales and marketing | 19,383 | 20,688 | 58,767 | 58,764 |
| Research and development | 25,436 | 34,277 | 89,494 | 102,807 |
| General and administrative | 33,813 | 32,557 | 97,888 | 93,715 |
| Gain on divestiture | (21,748) | — | (21,748) | — |
| Impairment of long-lived assets and other restructuring charges | 919 | — | 919 | — |
| (Gain) loss on foreign exchange | (541) | (3,634) | 11,289 | (7,973) |
| Total operating expenses | 57,262 | 83,888 | 236,609 | 247,313 |
| Operating income | 93,162 | 101,986 | 257,980 | 283,080 |
| Other income (expense), net: | | | | |
| Interest income (expense), net | 3,625 | (288) | 4,732 | (1,190) |
| Other income (expense), net | 301 | (211) | 683 | 70 |
| Total other income (expense) | 3,926 | (499) | 5,415 | (1,120) |
| Income before provision of income taxes | 97,088 | 101,487 | 263,395 | 281,960 |
| Provision for income taxes | 20,390 | 26,788 | 59,738 | 69,362 |
| Net income | 76,698 | 74,699 | 203,657 | 212,598 |
| Less: net income (loss) attributable to non-controlling interests | 434 | (703) | 853 | (731) |
| Net income attributable to IPG Photonics Corporation | <u>\$ 76,264</u> | <u>\$ 75,402</u> | <u>\$ 202,804</u> | <u>\$ 213,329</u> |
| Net income attributable to IPG Photonics Corporation per share: | | | | |
| Basic | \$ 1.48 | \$ 1.41 | \$ 3.94 | \$ 3.99 |
| Diluted | \$ 1.47 | \$ 1.40 | \$ 3.93 | \$ 3.95 |
| Weighted average shares outstanding: | | | | |
| Basic | 51,629 | 53,387 | 51,449 | 53,501 |
| Diluted | 51,737 | 53,834 | 51,626 | 54,053 |

IPG PHOTONICS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| | September 30, 2022 | December 31, 2021 |
|---|--|----------------------|
| | (In thousands, except share and per share data) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 869,274 | \$ 709,105 |
| Short-term investments | 365,409 | 805,400 |
| Accounts receivable, net | 195,194 | 262,121 |
| Inventories | 555,537 | 460,747 |
| Prepaid income taxes | 49,496 | 36,990 |
| Prepaid expenses and other current assets | 84,177 | 73,320 |
| Total current assets | 2,119,087 | 2,347,683 |
| Deferred income taxes, net | 69,323 | 47,761 |
| Goodwill | 37,963 | 38,609 |
| Intangible assets, net | 36,171 | 52,678 |
| Property, plant and equipment, net | 661,510 | 635,302 |
| Other assets | 38,466 | 48,507 |
| Total assets | <u>\$ 2,962,520</u> | <u>\$ 3,170,540</u> |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 16,328 | \$ 18,126 |
| Accounts payable | 55,072 | 55,839 |
| Accrued expenses and other current liabilities | 199,636 | 230,826 |
| Income taxes payable | 24,752 | 8,642 |
| Total current liabilities | 295,788 | 313,433 |
| Other long-term liabilities and deferred income taxes | 86,223 | 93,855 |
| Long-term debt, net of current portion | — | 16,031 |
| Total liabilities | 382,011 | 423,319 |
| Commitments and contingencies | | |
| IPG Photonics Corporation equity: | | |
| Common stock, \$0.0001 par value, 175,000,000 shares authorized; 55,974,063 and 49,393,642 shares issued and outstanding, respectively, at September 30, 2022; 55,788,246 and 53,010,265 shares issued and outstanding, respectively, at December 31, 2021. | 6 | 6 |
| Treasury stock, at cost, 6,580,421 and 2,777,981 shares held at September 30, 2022 and December 31, 2021, respectively. | (821,388) | (438,503) |
| Additional paid-in capital | 939,040 | 908,423 |
| Retained earnings | 2,669,411 | 2,466,607 |
| Accumulated other comprehensive loss | (206,560) | (189,951) |
| Total IPG Photonics Corporation equity | 2,580,509 | 2,746,582 |
| Non-controlling interests | — | 639 |
| Total equity | 2,580,509 | 2,747,221 |
| Total liabilities and equity | <u>\$ 2,962,520</u> | <u>\$ 3,170,540</u> |

IPG PHOTONICS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| | Nine Months Ended September 30, | |
|--|---------------------------------|------------------|
| | 2022 | 2021 |
| (In thousands) | | |
| Cash flows from operating activities: | | |
| Net income | \$ 203,657 | \$ 212,598 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 69,852 | 72,127 |
| Impairment of long-lived assets and other restructuring charges | 919 | — |
| Provisions for inventory, warranty & bad debt | 58,990 | 50,364 |
| Gain on divestiture | (21,748) | — |
| Other | 20,201 | 25,294 |
| Changes in assets and liabilities that used cash, net of acquisitions: | | |
| Accounts receivable and accounts payable | 39,680 | 14,015 |
| Inventories | (148,959) | (105,384) |
| Other | (51,566) | 36,142 |
| Net cash provided by operating activities | <u>171,026</u> | <u>305,156</u> |
| Cash flows from investing activities: | | |
| Purchases of and deposits on property, plant and equipment | (84,552) | (93,857) |
| Proceeds from sales of property, plant and equipment | 837 | 859 |
| Purchases of short-term investments | (914,598) | (1,437,193) |
| Proceeds from short-term investments | 1,355,883 | 1,226,445 |
| Acquisitions of businesses, net of cash acquired | (2,000) | — |
| Proceeds from divestiture, net of cash sold | 52,141 | — |
| Other | (246) | (1,078) |
| Net cash provided by (used in) investing activities | <u>407,465</u> | <u>(304,824)</u> |
| Cash flows from financing activities: | | |
| Principal payments on long-term borrowings | (17,829) | (2,851) |
| Proceeds from issuance of common stock under employee stock option and purchase plans less payments for taxes related to net share settlement of equity awards | 2,353 | 11,427 |
| Purchase of treasury stock, at cost | (382,885) | (78,071) |
| Payment of purchase price holdback from business combination | — | (2,624) |
| Purchase of non-controlling interests | (2,500) | — |
| Net cash used in financing activities | <u>(400,861)</u> | <u>(72,119)</u> |
| Effect of changes in exchange rates on cash and cash equivalents and restricted cash | <u>(17,461)</u> | <u>(11,862)</u> |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 160,169 | (83,649) |
| Cash, cash equivalents and restricted cash — Beginning of period | 709,105 | 878,553 |
| Cash and cash equivalents — End of period | <u>869,274</u> | <u>794,904</u> |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | \$ 2,766 | \$ 1,932 |
| Cash paid for income taxes | \$ 83,771 | \$ 35,982 |

IPG PHOTONICS CORPORATION
SUPPLEMENTAL SCHEDULE OF AMORTIZATION OF INTANGIBLE ASSETS (UNAUDITED)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|----------|---------------------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| | (In thousands) | | | |
| Amortization of intangible assets: | | | | |
| Cost of sales | \$ 796 | \$ 1,202 | \$ 3,024 | \$ 3,643 |
| Sales and marketing | 1,651 | 1,849 | 5,353 | 5,744 |
| Total amortization of intangible assets | \$ 2,447 | \$ 3,051 | \$ 8,377 | \$ 9,387 |

IPG PHOTONICS CORPORATION
SUPPLEMENTAL SCHEDULE OF STOCK-BASED COMPENSATION (UNAUDITED)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|-----------------|---------------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | (In thousands) | | | |
| Cost of sales | \$ 2,961 | \$ 2,866 | \$ 9,234 | \$ 8,335 |
| Sales and marketing | 1,191 | 1,244 | 3,709 | 3,651 |
| Research and development | 986 | 2,465 | 5,889 | 7,055 |
| General and administrative | 3,640 | 3,256 | 10,370 | 9,554 |
| Total stock-based compensation | 8,778 | 9,831 | 29,202 | 28,595 |
| Tax effect of stock-based compensation | (1,894) | (2,110) | (6,279) | (6,102) |
| Net stock-based compensation | <u>\$ 6,884</u> | <u>\$ 7,721</u> | <u>\$ 22,923</u> | <u>\$ 22,493</u> |
| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| | 2022 | 2021 | 2022 | 2021 |
| | (In thousands) | | | |
| Excess tax (detriment) benefit on stock-based compensation | \$ (114) | \$ 103 | \$ (2,254) | \$ 6,200 |