Cognex Q2 2024 Financial Results

July 31, 2024

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A COMPANY WITH
VISION

Forward Looking Statements

Certain statements made in this presentation, as well as oral statements made by the Company from time to time, constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Readers can identify these forward-looking statements by our use of the words “expects,” “anticipates,” “estimates,” "potential," “believes,” “projects,” “intends,” “plans,” “will,” “may,” “shall,” “could,” “should,” "opportunity," "goal" and similar words and other statements of a similar sense. These statements are based on our current estimates and expectations as to prospective events and circumstances, which may or may not be in our control and as to which there can be no firm assurances given. These forward-looking statements, which include statements regarding business and market trends, future financial performance and financial targets, customer demand and order rates and timing of related revenue, managing supply challenges, delivery lead times, future product or revenue mix, research and development activities, sales and marketing activities (including our 'Emerging Customer' sales initiative), new product offerings and product development activities, customer acceptance of our products, capital expenditures, cost management activities, investments, liquidity, dividends and stock repurchases, strategic and growth plans and opportunities, acquisitions, and estimated tax benefits and expenses and other tax matters, involve known and unknown risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include: (1) the technological obsolescence of current products and the inability to develop new products, particularly in connection with emerging artificial intelligence technologies; (2) the impact of competitive pressures; (3) the inability to attract and retain skilled employees and maintain our unique corporate culture; (4) the failure to properly manage the distribution of products and services; (5) economic, political, and other risks associated with international sales and operations, including the impact of trade disputes, the economic climate in China, and the wars in Ukraine and Israel; (6) the challenges in integrating and achieving expected results from acquired businesses, including our acquisition of Moritex Corporation; (7) information security breaches and other cybersecurity risks; (8) the failure to comply with laws or regulations relating to data privacy or data protection; (9) the inability to protect our proprietary technology and intellectual property; (10) the failure to manufacture and deliver products in a timely manner; (11) the inability to obtain, or the delay in obtaining, components for our products at reasonable prices; (12) the failure to effectively manage product transitions or accurately forecast customer demand; (13) the inability to manage disruptions to our distribution centers or to our key suppliers; (14) the inability to design and manufacture high-quality products; (15) the loss of, or curtailment of or delays in purchases by, large customers in the logistics, consumer electronics, or automotive industries; (16) potential impairment charges with respect to our investments or acquired intangible assets; (17) exposure to additional tax liabilities, increases and fluctuations in our effective tax rate, and other tax matters; (18) fluctuations in foreign currency exchange rates and the use of derivative instruments; (19) unfavorable global economic conditions, including high interest rates and fluctuating inflation rates; (20) business disruptions from natural or man-made disasters, such as fire, or public health issues; (21) exposure to potential liabilities, increased costs (including regulatory compliance costs), reputational harm, and other potential impacts associated with expectations relating to environmental, social, and governance considerations; (22) stock price volatility; and (23) our involvement in time-consuming and costly litigation or activist shareholder activities. The foregoing list should not be construed as exhaustive and we encourage readers to refer to the detailed discussion of risk factors included in Part I - Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, as updated by Part II - Item 1A of this Quarterly Report on Form 10-Q. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company disclaims any obligation to subsequently revise forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date such statements are made.

Q2 2024 Highlights

- Continue to operate in a challenging, yet stable environment, while making progress on strategic initiatives
- Revenue declined (1%) Y/Y as reported or (7%) Y/Y excluding Moritex and FX. Logistics & Semi grew. Auto, Consumer Electronics and Packaging were down
- Adj. EBITDA Margin lower Y/Y due to unfavorable mix and investment in our Emerging Customer initiative
- Progressed product innovation to infuse AI into more product launches
- Emerging Customer initiative on track for 80,000+ customer visits and >75% gross margin in 2024

Q2 2024 Revenue
$239 Million

Q2 2024 Adj. Gross Margin
70.3%

Q2 2024 Adj. EBITDA Margin
19.9%

Q2 2024 Adj. Operating Margin
17.8%

Q2 2024 Adj. Diluted EPS
$0.23

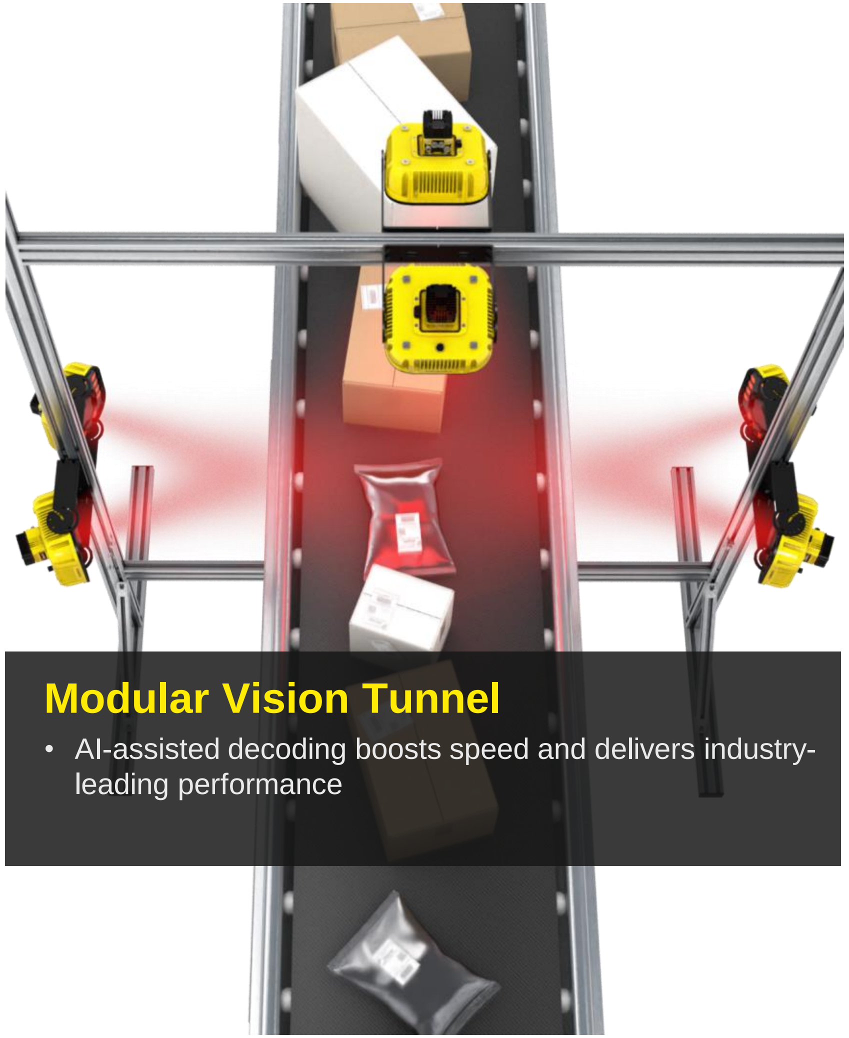
Q2 2024 Free Cash Flow
$23 Million

Please see the appendix of this presentation for a description of certain Non-GAAP measures and a full GAAP to Non-GAAP reconciliation

AI Driving Product Innovation

In-Sight L38

- World's First AI-Embedded 3D Industrial Vision System
- L38 win rate is >2x the win rate of previous 3D products



Modular Vision Tunnel

- AI-assisted decoding boosts speed and delivers industry-leading performance

ID Products and Sensors

- New tuning algorithm in ID products that automatically selects settings for optimal code reading
- AI-driven counting functionality within In-Sight SnAPP

Emerging Customer Initiative

Expanding Salesforce to Reach Underpenetrated Customers

- Simplicity of new products driven by AI-enabled Edge Learning leading to served market expansion
- Growing customer base of 30,000 customers to address up to 200,000 - 300,000 potential customers

Attractive Financial Profile

- Gross margin accretive immediately
- Expect in-line with 30% adjusted operating margin target over long-term

2024 EXPECTATIONS

~80K CUSTOMER VISITS	>$50m INCREMENTAL REVENUE	~$25m Y/Y OPEX INCREASE	>75% GROSS MARGIN
On target to make or exceed 80,000 customer visits in 2024.	Monthly bookings ramping each month and growing referrals to other Salesnoids. End markets impacted by weak industrial macro, slowing initial ramp.	Full-year of 2023 Emerging Customer cohort plus ramping of 2024 cohort.	High margin value-add suite of products, smaller average deal size and attractive end market mix.

STATUS AS OF Q2 2024

✓	Expect ramp up to take longer	✓	✓

Q2 2024 End Market Results (excluding Moritex)

END MARKET	% OF REVENUE as of FY2023	DRIVERS	FULL YEAR 2024 EXPECTATIONS
Automotive	25%	↓ Headwinds in both base auto and EV Battery	▪ Decline driven by EV battery project delays and base Auto weakness
Logistics	20%	↑ Broad-based momentum	▪ Strong double-digit growth in H1, expect continued growth in H2
Consumer Electronics	20%	↓ Weakness in China ↓ Light 2024 capex investment from large customers	▪ Continued uncertainty of project size and timing
Other	35%	↑ Semi ↓ Medical-related ↓ Other Packaging end markets[1]	▪ Growth in Semi ▪ Other factory automation market trends likely influenced by PMI

1) Includes Consumer Products and Food & Beverage.

Q2 2024 Financial Highlights

All figures in $ million, except per share amounts	Q2 2024	Q1 2024	Q2 2023
Revenue	**239**	**211**	**243**
Adjusted Gross Profit	**168**	**145**	**180**
Adjusted Gross Margin	70.3%	68.8%	74.3%
Adjusted Operating Expenses	126	125	116
Adjusted EBITDA	**48**	**25**	**68**
Adjusted EBITDA Margin	19.9%	11.9%	28.1%
Adjusted Net Income	**39**	**19**	**57**
Adjusted Diluted EPS	**0.23**	**0.11**	**0.33**
Free Cash Flow	**23**	**10**	**25**

1. Reported revenue declined (1%) Y/Y. FX was a 1% headwind and Moritex added +7% Y/Y
2. By geography, excluding Moritex, revenue growth was mostly stable across all regions except China. Americas grew slightly (Logistics), Europe and Other Asia declined slightly, and China continued to decline
3. Adjusted gross margin contracted by 4 percentage points Y/Y. Decline driven by Moritex and negative mix
4. Adjusted EBITDA margin contracted by 8 percentage points Y/Y. Decline driven by lower adjusted gross margin and strategic investment in the Emerging Customer initiative
5. Adjusted EPS declined ($0.10) or (31%) Y/Y driven by lower gross and operating margins
6. Generated $23 million of Free Cash Flow in the quarter and maintained a strong Balance Sheet with $555 million of cash and investments and no debt

Please see the appendix of this presentation for a description of certain Non-GAAP measures and a full GAAP to Non-GAAP reconciliation

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Q3 2024 Outlook

All figures in $ million, unless specified	Q3 2024 Guidance	Q2 2024	Q3 2023
Revenue	**225 – 240**	**239**	**197**
Adjusted Gross Margin %	**Slightly below 70%**	**70.3%**	**72.7%**
Adjusted EBITDA Margin %	**16% – 19%**	**19.9%**	**17.4%**
Adjusted Effective Tax Rate	16%	15%	18%

Cognex has provided the forward-looking non-GAAP measures of adjusted gross margin, adjusted EBITDA, and adjusted effective tax rate, but cannot, without unreasonable effort, forecast such items to present or provide a reconciliation to corresponding forecasted GAAP measures. These include special items such as restructuring charges, acquisition and integration charges, and amortization of acquisition-related intangible assets, all of which are subject to limitations in predictability of timing, ultimate outcome and numerous conditions outside of Cognex's control. Additionally, these items are outside of Cognex's normal business operations and not used by management to assess Cognex's operating results. Cognex believes these limitations would result in a range of projected values so broad as to not be meaningful to investors. For these reasons, Cognex believes that the probable significance of such information is low. Please see the appendix of this presentation for a description of certain Non-GAAP measures and a full GAAP to Non-GAAP reconciliation

FULL YEAR 2024 EXPECTATIONS

1. Expect typical seasonality with step down in Consumer Electronics revenue from Q3 2024 to Q4 2024
2. Moritex expected to contribute 10–12% of revenue in Q3; higher than typical 6-8% as Q3 includes four months of Moritex financials
3. Emerging Customers: expect +$25 million Y/Y opex increase and >75% gross margin
4. Estimated incentive compensation Y/Y headwind of $15-20 million

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CFO Priorities

Creating shareholder value by driving three focus areas

	1. Drive Profitability	2. Increase Capital Efficiency	3. Enhance Investor Communication
STRATEGIC	• Long-term revenue growth at 15% CAGR • >30% Adj Operating Margin	• Formalize ROIC hurdle across investment decisions	• Message path to achieve financial framework
EXPECTED TACTICS	• Cost-out initiatives	• Refine capital allocation framework • Optimize working capital	• Investor Day 1H/2025 • Increase transparency on executive compensation

BUILD HIGH PERFORMING, COST EFFECTIVE, BUSINESS PARTNERSHIP AND CUSTOMER-ORIENTED CFO ORGANIZATION

Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures, including adjusted gross margin, adjusted operating expense, adjusted operating income, adjusted EBITDA, adjusted net income, adjusted earnings per share of common stock, diluted, adjusted effective tax rate, and free cash flow. Cognex defines its non-GAAP metrics as follows:

- *Adjusted gross margin*: Gross margin adjusted for amortization of acquisition-related intangible assets, as well as, if applicable, restructuring charges, acquisition and integration costs and other one-time discrete events, such as loss or recovery related to a fire.
- *Adjusted operating expense*: Operating expense adjusted for amortization of acquisition-related intangible assets, as well as, if applicable, restructuring charges, acquisition and integration costs and other one-time discrete events, such as loss or recovery related to a fire.
- *Adjusted operating income*: Operating income adjusted for amortization of acquisition-related intangible assets, as well as, if applicable, restructuring charges, acquisition and integration costs and other one-time discrete events, such as loss or recovery related to a fire.
- *Adjusted EBITDA*: Operating income adjusted for amortization of acquisition-related intangible assets and depreciation, as well as, if applicable, restructuring charges, acquisition and integration costs and other one-time discrete events, such as loss or recovery related to a fire.
- *Adjusted net income:* Net income adjusted for amortization of acquisition-related intangible assets, as well as, if applicable, restructuring charges, acquisition and integration costs and other one-time discrete events, such as loss or recovery related to a fire or a foreign currency (gain) loss on a forward contract to hedge the Moritex purchase price.
- *Adjusted earnings per share of common stock, diluted:* Adjusted net income divided by diluted weighted average common and common-equivalent shares.
- *Adjusted effective tax rate:* Effective tax rate adjusted for discrete tax items and the net impact of the other non-GAAP adjustments.
- *Free cash flow:* Cash provided by operating activities less cash for capital expenditures.

Beginning in the fourth quarter of 2023, we updated the calculation of our non-GAAP measures to exclude acquisition and integration costs and amortization of acquisition-related intangible assets. These changes have been applied retrospectively to the first quarter of 2023. Cognex also uses results on a constant-currency basis as one measure to evaluate its performance and compares results between periods as if the exchange rates had remained constant period-over-period.

Cognex believes these non-GAAP financial measures are helpful because they allow investors to more accurately compare results over multiple periods using the same methodology that management employs in its budgeting process, in its review of operating results, and for forecasting and planning for future periods. Cognex's definitions may differ from the definitions used by other companies and therefore comparability may be limited. In addition, other companies may not publish these or similar metrics. Furthermore, these measures have certain limitations in that they do not include the impact of certain non-recurring expenses that are reflected in our consolidated statement of operations that are necessary to run our business. Thus, our non-GAAP financial measures should be considered in addition to, not as substitutes for, or in isolation from, measures prepared in accordance with GAAP.

GAAP to Non-GAAP Tables

USD $ in 000s unless noted as per share

	Three-months Ended			Six-months Ended	
	June 30, 2024	March 31, 2024	July 2, 2023	**June 30, 2024**	July 2, 2023
Gross margin (GAAP)	**$ 166,599**	$ 141,937	$ 179,683	**$ 308,536**	$ 323,423
Acquisition and integration costs	**233**	1,568	-	**1,801**	-
Amortization of acquisition-related intangible assets	**1,388**	1,429	550	**2,817**	1,299
Adjusted gross margin	**$ 168,220**	$ 144,934	$ 180,233	**$ 313,154**	$ 324,722
Adjusted gross margin percentage	**70.3%**	68.8%	74.3%	**69.6%**	73.2%
Operating expense (GAAP)	**$ 128,142**	$ 127,733	$ 114,508	**$ 255,875**	$ 236,087
(Loss) recovery from fire	**-**	-	2,500	**-**	2,500
Acquisition and integration costs	**(1,203)**	(1,303)	(622)	**(2,506)**	(738)
Amortization of acquisition-related intangible assets	**(1,339)**	(1,384)	(193)	**(2,723)**	(386)
Adjusted operating expense	**$ 125,600**	$ 125,046	$ 116,193	**$ 250,646**	$ 237,463
Operating income (GAAP)	**$ 38,457**	$ 14,204	$ 65,175	**$ 52,661**	$ 87,336
Loss (recovery) from fire	**-**	-	(2,500)	**-**	(2,500)
Acquisition and integration costs	**1,436**	2,871	622	**4,307**	738
Amortization of acquisition-related intangible assets	**2,727**	2,813	743	**5,540**	1,685
Adjusted operating income	**$ 42,620**	$ 19,888	$ 64,040	**$ 62,508**	$ 87,259
Adjusted operating margin percentage	**17.8%**	9.4%	26.4%	**13.9%**	19.7%
Depreciation (adjusted for amounts included in Acquisition and integration costs)	**4,948**	5,279	4,191	**10,227**	8,177
Adjusted EBITDA	**$ 47,568**	$ 25,167	$ 68,231	**$ 72,735**	$ 95,436
Adjusted EBITDA margin percentage	**19.9%**	11.9%	28.1%	**16.2%**	21.5%

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GAAP to Non-GAAP Tables

USD $ in 000s unless noted as per share

	Three-months Ended			Six-months Ended	
	June 30, 2024	March 31, 2024	July 2, 2023	**June 30, 2024**	July 2, 2023
Net income (GAAP)	**$ 36,212**	$ 12,022	$ 57,474	**$ 48,234**	$ 83,089
Loss (recovery) from fire	**-**	-	(2,500)	**-**	(2,500)
Acquisition and integration costs	**1,436**	2,871	622	**4,307**	738
Amortization of acquisition-related intangible assets	**2,727**	2,813	743	**5,540**	1,685
Discrete tax (benefit) expense	**(463)**	3,085	399	**2,622**	(3,195)
Tax impact of reconciling items	**(1,033)**	(1,354)	149	**(2,387)**	(35)
Adjusted net income	**$ 38,879**	$ 19,437	$ 56,887	**$ 58,316**	$ 79,782
Earnings per share of common stock, diluted (GAAP)	**$ 0.21**	$ 0.07	$ 0.33	**$ 0.28**	$ 0.48
Loss (recovery) from fire	**-**	-	(0.01)	**-**	(0.01)
Acquisition and integration costs	**0.01**	0.02	0.00	**0.02**	0.00
Amortization of acquisition-related intangible assets	**0.02**	0.02	0.00	**0.03**	0.01
Discrete tax (benefit) expense	**(0.00)**	0.02	0.00	**0.02**	(0.02)
Tax impact of reconciling items	**(0.01)**	(0.01)	0.00	**(0.01)**	(0.00)
Adjusted earnings per share of common stock, diluted	**$ 0.23**	$ 0.11	$ 0.33	**$ 0.34**	$ 0.46
Effective tax rate (GAAP)	**12.9%**	31.6%	15.2%	**18.4%**	11.6%
Discrete tax benefit (expense)	**1.1%**	-17.6%	-0.6%	**-4.4%**	3.4%
Net Impact of other reconciling items	**1.0%**	2.4%	0.0%	**1.5%**	0.0%
Adjusted effective tax rate	**15.0%**	16.4%	14.6%	**15.5%**	15.0%
Cash provided by operating activities (GAAP)	**$ 27,763**	$ 13,643	$ 29,849	**$ 41,406**	$ 57,402
Capital expenditures	**(4,510)**	(4,061)	(4,700)	**(8,571)**	(10,207)
Free cash flow	**$ 23,253**	$ 9,582	$ 25,149	**$ 32,835**	$ 47,195

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Description of Certain Adjustments

Depreciation:
The company incurs expense related to its normal use of property, plant and equipment

Loss (recovery) from fire:
On June 7, 2022, the Company's primary contract manufacturer experienced a fire at its plant in Indonesia. In the second quarter of 2023 the Company recorded a recovery of $2,500,000 for proceeds received as part of a financial settlement for lost inventory and other losses incurred as a result of the fire. Management does not anticipate additional recoveries.

Acquisition and integration costs:
The Company has incurred charges related to the purchase and integration of acquired businesses. In the second quarter of 2024, these costs were primarily related to the ongoing integration of Moritex Corporation.

Amortization of acquisition-related intangible assets:

The Company excludes the amortization of acquired intangible assets from non-GAAP expense and income measures. These items are inconsistent in amount and frequency and are significantly impacted by the timing and size of acquisitions, and include the amortization of customer relationships, completed technologies, and trademarks that originated from prior acquisitions. The largest driver of intangible asset amortization was the acquisition of Moritex Corporation.

Discrete tax (benefit) expense:

Items unrelated to current period ordinary income or (loss) that generally relate to changes in tax laws, adjustments to prior period's actual liability determined upon filing tax returns, and adjustments to previously recorded reserves for uncertain tax positions, initially recording or fully reversing valuation allowances.

We estimate the tax effect of items identified in the reconciliation by applying the effective tax rate to the pre-tax amount. However, if a specific tax rate or tax treatment is required because of the nature of the item and/or the tax jurisdiction where the item was recorded, we estimate the tax effect by applying the relevant specific tax rate or tax treatment, rather than the effective tax rate.