



Earnings Presentation

Q1 2022

► May 6, 2022





- ▶ These slides and accompanying oral presentation may contain forward-looking statements. These statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as “may,” “could,” “expect,” “intend,” “plan,” “seek,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” or “continue” or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond our control and that could materially affect actual results, levels of activity, performance, or achievements.
- ▶ Other factors that could materially affect actual results, levels of activity, performance or achievements can be found in Protolabs’ SEC filings, including the Form 10-K for the year ended December 31, 2021 and the quarterly Form 10-Q filings. If any of these risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected. Any forward-looking statement you see or hear during this presentation reflects our current views with respect to future events and is subject to these and other risks, uncertainties, and assumptions relating to our operations, results of operations, growth strategy, and liquidity. We assume no obligation to publicly update or revise these forward-looking statements for any reason, whether as a result of new information, future events, or otherwise.
- ▶ Non-GAAP Financial Measures: Protolabs management believes that presenting certain non-GAAP financial measures provides meaningful information to investors in understanding operating results and may enhance investors’ ability to analyze financial and business trends. Non-GAAP measures are not a substitute for GAAP measures and should be considered together with the GAAP financial measures. As calculated, our non-GAAP measures may not be comparable to other similarly titled measures of other companies. In addition, Protolabs management believes that these non-GAAP financial measures allow investors to compare period to period more easily by excluding items that could have a disproportionately negative or positive impact on results in any particular period. GAAP to non-GAAP reconciliations are included in this presentation.

Q1 2022

Highlights



1 Accelerate our Growth

- ▶ Integrate Hubs
- ▶ Continue to optimize pricing
- ▶ Expand production business

2 Delight our Customers

- ▶ Customer NPS scores trending higher
- ▶ Continue our strong lead times and on-time delivery rates
- ▶ Continue to further enhance customer experience

3 Be the Digital Leader at Scale

- ▶ Continuous improvement / factory and back-office automation
- ▶ Sequential margin improvement

4 Be a Great Place to Work

- ▶ Diversity, equity, and inclusion
- ▶ Continue to advance ESG initiatives



2022 National Association of Manufacturers
Leadership Award (Collaborative Ecosystems)

- ▶ 2022 is the eighth straight year in which Protolabs has won a NAM Leadership Award
- ▶ Recognizes companies that use Manufacturing 4.0 technologies to enhance internal and external cross-functional collaboration to boost productivity, satisfy customer requirements, accelerate innovation, and achieve greater speed and agility

Plastics News Excellence Award

Plastics News Excellence Award
for Technological Innovation

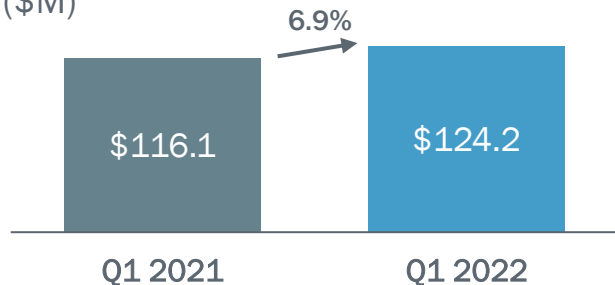
- ▶ Recognizes Protolabs' unique technology capabilities in its core injection molding service
- ▶ Protolabs was also one of five finalists for the Plastics News 2021 Processor of the Year award

Q1 2022 Overview

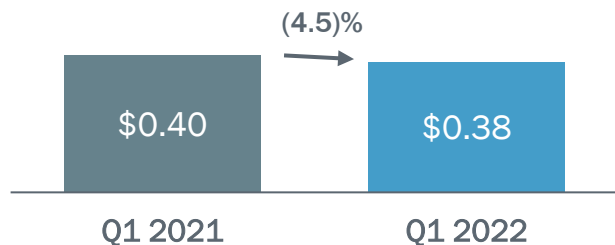


Revenue

(\$M)



Non-GAAP EPS*



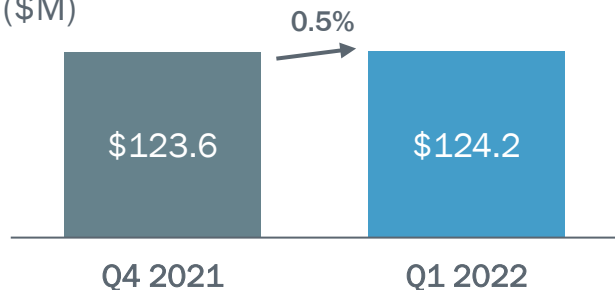
- Revenue of \$124.2 million, up 6.9% YoY
 - In guidance range
 - 23,492 unique product developers served
 - Hubs contributed \$10.3 million of revenue in the first quarter
- Non-GAAP EPS of \$0.38, down \$(0.02) YoY
 - Lower legacy gross margins as labor and material cost inflation continues
 - Offset by higher volume and the absence of Protolabs 2.0 launch costs incurred in Q1 2021

*Non-GAAP: adjusted for stock-based compensation, intangible amortization, transaction expenses, and unrealized (gain) loss on foreign currency. See reconciliation in Appendix.



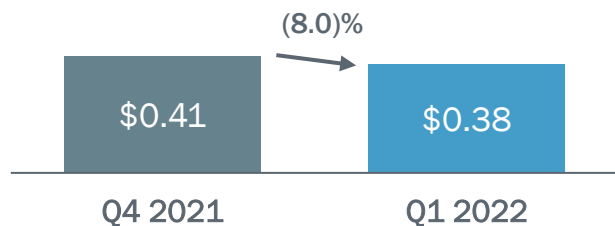
Revenue

(\$M)



- Revenue of \$124.2 million, up 0.5% QoQ
 - In guidance range
 - Slow start to the quarter due to Omicron variant wave
 - Demand strengthened in February and March

Non-GAAP EPS*

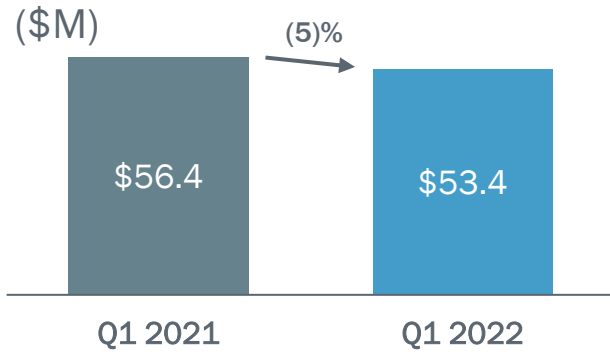


- Non-GAAP EPS of \$0.38, down \$(0.03) QoQ
 - Sequential decline largely due to higher Non-GAAP tax rate due to one-time release of uncertain tax position reserves in Q4 2021

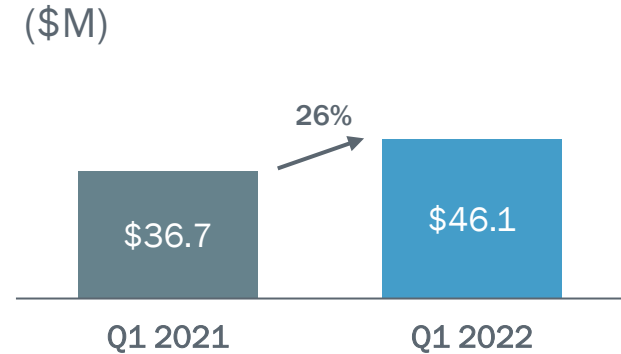
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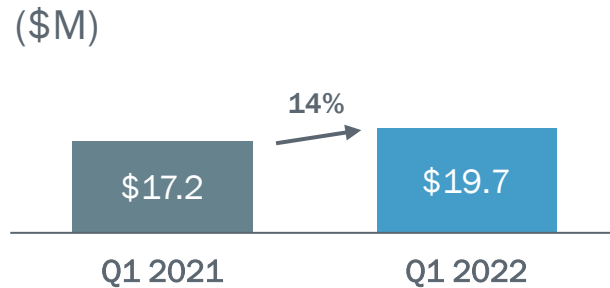
Injection Molding - Revenue



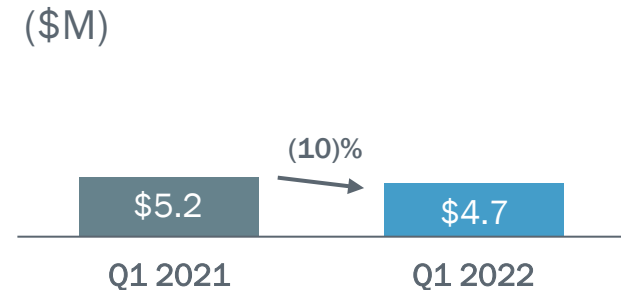
CNC Machining - Revenue



3D Printing - Revenue

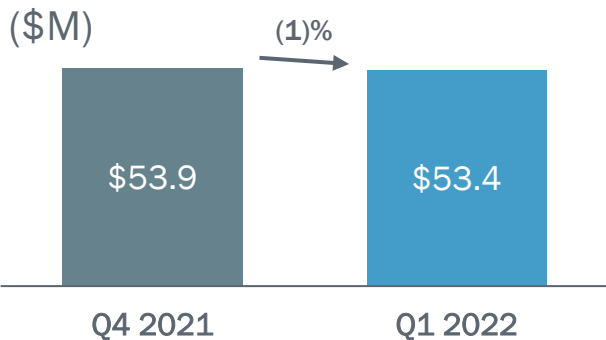


Sheet Metal - Revenue

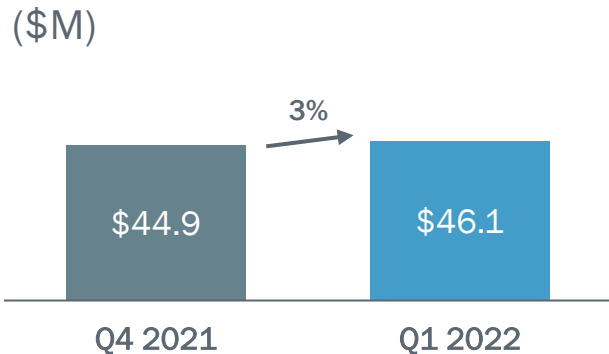




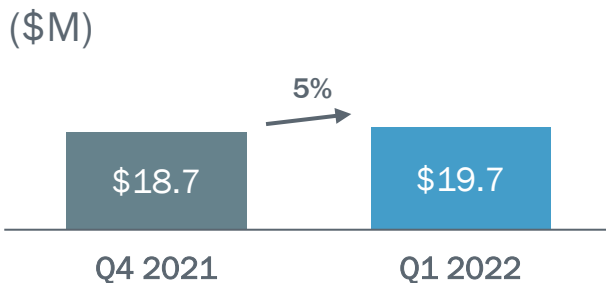
Injection Molding - Revenue



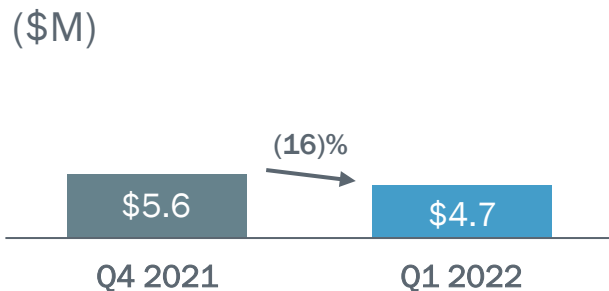
CNC Machining - Revenue



3D Printing - Revenue



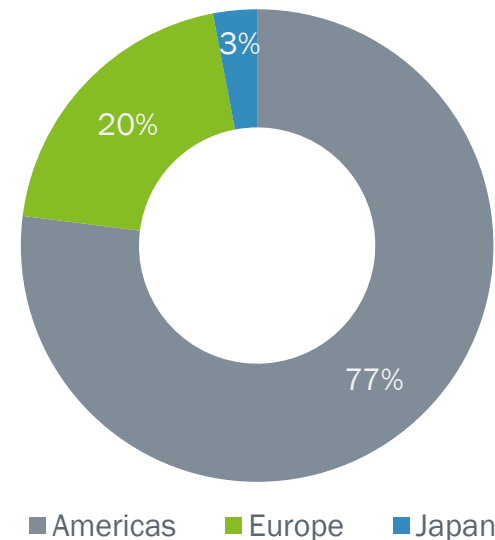
Sheet Metal - Revenue





\$M	Q1 22	Q1 21	YoY Change Overall	YoY Change Organic, Constant Fx*
Americas	\$95.5	\$91.1	5%	4%
Europe	\$24.6	\$21.4	15%	14%
Japan	\$4.1	\$3.6	13%	24%
TOTAL	\$124.2	\$116.1	7%	6%

Revenue % by Region Q1 2022



*YoY change reflected in constant currency, and excluding Hubs
See reconciliation in Appendix.

Q1 2022

Detailed Financial Information



\$M, Except per share amounts	Q1 22	Q4 21	QoQ Change	Q1 21	YoY Change
Revenue	\$124.2	\$123.6	0.5%	\$116.1	6.9%
Non-GAAP Gross Margin*	45.7%	45.6%	10 bps	48.5%	(280) bps
Non-GAAP Operating Margin*	11.1%	10.9%	30 bps	12.0%	(90) bps
Non-GAAP Earnings Per Share*	\$0.38	\$0.41	(8.0)%	\$0.40	(4.5)%

*Non-GAAP: adjusted for stock-based compensation, intangible amortization, transaction expenses, and unrealized gain/loss on foreign currency. See reconciliation in Appendix.

YoY GAAP to Non-GAAP P&L | Q1 2022



\$ in thousands	Three Months Ended Mar. 31, 2022			Three Months Ended Mar. 31, 2021		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$124,168	-	\$124,168	\$116,126	-	\$116,126
Cost of Revenue	<u>68,364</u>	<u>(929)</u>	<u>67,435</u>	<u>60,796</u>	<u>(977)</u>	<u>59,819</u>
Gross Profit	\$55,804	\$929	\$56,733	\$55,330	\$977	\$56,307
Marketing and Sales	20,586	(737)	19,849	19,480	(853)	18,627
Research and Development	10,557	(629)	9,928	12,181	(624)	11,557
General and Administrative	<u>16,771</u>	<u>(3,647)</u>	<u>13,124</u>	<u>19,408</u>	<u>(7,224)</u>	<u>12,184</u>
Total Operating Expenses	<u>47,914</u>	<u>(5,013)</u>	<u>42,901</u>	<u>51,069</u>	<u>(8,701)</u>	<u>42,368</u>
Income from Operations	\$7,890	\$5,942	\$13,832	\$4,261	\$9,678	\$13,939
Adjusted EBITDA	N/A	N/A	\$22,263	N/A	N/A	\$22,677
% of Revenue						
Gross Margin	44.9%		45.7%	47.6%		48.5%
Marketing and Sales	16.6%		16.0%	16.8%		16.0%
Research and Development	8.5%		8.0%	10.5%		10.0%
General and Administrative	<u>13.5%</u>		<u>10.6%</u>	<u>16.7%</u>		<u>10.5%</u>
Total Operating Expenses	<u>38.6%</u>		<u>34.6%</u>	<u>44.0%</u>		<u>36.5%</u>
Income from Operations	6.4%		11.1%	3.7%		12.0%
Adjusted EBITDA	N/A		17.9%	N/A		19.5%

*Non-GAAP: adjusted for stock-based compensation, intangible amortization, transaction expenses, and unrealized gain/loss on foreign currency. See reconciliation in Appendix.

QoQ GAAP to Non-GAAP P&L | Q1 2022



\$ in thousands	Three Months Ended Mar. 31, 2022			Three Months Ended Dec. 31, 2021		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$124,168	-	\$124,168	\$123,582	-	\$123,582
Cost of Revenue	<u>68,364</u>	<u>(929)</u>	<u>67,435</u>	<u>68,170</u>	<u>(990)</u>	<u>67,180</u>
Gross Profit	\$55,804	\$929	\$56,733	\$55,412	\$990	\$56,402
Marketing and Sales	20,586	(737)	19,849	20,229	(895)	19,334
Research and Development	10,557	(629)	9,928	10,386	(689)	9,697
General and Administrative	<u>16,771</u>	<u>(3,647)</u>	<u>13,124</u>	<u>11,747</u>	<u>2,171</u>	<u>13,918</u>
Total Operating Expenses	<u>47,914</u>	<u>(5,013)</u>	<u>42,901</u>	<u>42,362</u>	<u>587</u>	<u>42,949</u>
Income from Operations	\$7,890	\$5,942	\$13,832	\$13,050	\$403	\$13,453
Adjusted EBITDA	N/A	N/A	\$22,263	N/A	N/A	\$22,232
% of Revenue						
Gross Margin	44.9%		45.7%	44.8%		45.6%
Marketing and Sales	16.6%		16.0%	16.4%		15.6%
Research and Development	8.5%		8.0%	8.4%		7.8%
General and Administrative	<u>13.5%</u>		<u>10.6%</u>	<u>9.5%</u>		<u>11.3%</u>
Total Operating Expenses	<u>38.6%</u>		<u>34.6%</u>	<u>34.3%</u>		<u>34.8%</u>
Income from Operations	6.4%		11.1%	10.6%		10.9%
Adjusted EBITDA	N/A		17.9%	N/A		18.0%

*Non-GAAP: adjusted for stock-based compensation, intangible amortization, transaction expenses, and unrealized gain/loss on foreign currency. See reconciliation in Appendix.



\$M	Q1 22	Q4 21	Q1 21
Operating Cash Flow	\$17.8	\$23.0	\$6.4
Capital Expenditures	\$3.1	\$6.3	\$6.5
Share Repurchases	\$0	\$10.2	\$0
Cash and Investments*	\$105.3	\$91.8	\$93.1
Debt*	\$0	\$0	\$0

Q2 2022

Financial Outlook



Q2 2022 Revenue

Revenue	\$123M - \$131M
% Growth YoY ¹	2% - 8%

Q2 2022 Non-GAAP* EPS

NG EPS	\$0.35 - \$0.43
% Growth YoY	(9)% - 11%

Q2 2022 Commentary*

- ▶ Expect foreign currency to have a ~\$2.5 million unfavorable impact on Q2 2022 revenue
- ▶ Expect Non-GAAP tax rate of approximately 24% to 25%
- ▶ Expect Q2 fully diluted shares outstanding of approximately 28 million

*Non-GAAP: adjusted for stock-based compensation, intangible amortization, transaction expenses, and unrealized gain/loss on foreign currency.

¹YoY growth rates shown in constant currencies

Thank You



Appendix

GAAP to NON-GAAP Reconciliation | Revenue



\$ in thousands

	Three Months Ended March 31, 2022				Three Months Ended March 31, 2021		%	% Change Organic ⁴
	GAAP	Foreign Currency ¹	Hubs Acquisition ²	Non-GAAP	GAAP	Change ³		
	Revenues							
United States	\$ 95,496	\$ -	\$ (1,049)	\$ 94,447	\$ 91,053	4.9 %	3.7 %	
Europe	24,586	1,151	(1,279)	24,458	21,449	14.6	14.0	
Japan	4,086	392	-	4,478	3,624	12.7	23.6	
Total Revenue	<u>\$ 124,168</u>	<u>\$ 1,543</u>	<u>\$ (2,328)</u>	<u>\$ 123,383</u>	<u>\$ 116,126</u>	6.9 %	6.2 %	

¹ Revenue for the three-month period ended March 31, 2022 has been recalculated using 2021 foreign currency exchange rates in effect during comparable periods to provide information useful in evaluating the underlying business trends excluding the impact of changes in foreign currency exchange rates.

² Revenue for the three-month period ended March 31, 2022 has been recalculated to exclude revenue earned from the Company's acquisition of Hubs, Inc. for the period from January 1, 2022 to January 21, 2022 to provide information useful in evaluating the underlying business trends excluding the impact of acquisitions. The Hubs, Inc. acquisition occurred on January 22, 2021 and was included in 2021 revenue after that date.

³ This column presents the percentage change from GAAP revenue for the three-month period ended March 31, 2021 to GAAP revenue for the three-month period ended March 31, 2022.

⁴ This column presents the percentage change from GAAP revenue for the three-month period ended March 31, 2021 to non-GAAP revenue for the three-month period ended March 31, 2022 (as recalculated using the foreign currency exchange rates in effect during the three-month period ended March 31, 2021, excluding the impact of Hubs, Inc. acquisition) in order to provide a constant-currency comparison.



	Three Months Ended	
	March 31,	
	<u>2022</u>	<u>2021</u>
<i>\$ in thousands</i>		
Revenue	\$ 124,168	\$ 116,126
Gross Profit	<u>55,804</u>	<u>55,330</u>
GAAP gross margin	44.9%	47.6%
Add back:		
Stock-based compensation expense	587	635
Amortization expense	<u>342</u>	<u>342</u>
Total adjustments	929	977
Non-GAAP gross profit	<u>\$ 56,733</u>	<u>\$ 56,307</u>
Non-GAAP gross margin	45.7%	48.5%



\$ in thousands

	Three Months Ended March 31,	
	<u>2022</u>	<u>2021</u>
Revenue	\$ 124,168	\$ 116,126
Income from operations	<u>7,890</u>	<u>4,261</u>
GAAP operating margin	6.4%	3.7%
Add back:		
Stock-based compensation expense	4,397	5,620
Amortization expense	1,545	1,543
Transaction costs ¹	<u>-</u>	<u>2,515</u>
Total adjustments	5,942	9,678
Non-GAAP income from operations	<u>\$ 13,832</u>	<u>\$ 13,939</u>
Non-GAAP operating margin	11.1%	12.0%

¹ Transaction costs include direct costs incurred in our acquisition of Hubs, Inc.

GAAP to NON-GAAP Reconciliation | EBITDA



<i>\$ in thousands</i>	Three Months Ended	
	March 31,	
	<u>2022</u>	<u>2021</u>
Revenue	\$ 124,168	\$ 116,126
GAAP net income	5,095	3,712
GAAP net income margin	4.1%	3.2%
GAAP net income	\$ 5,095	\$ 3,712
Amortization expense	1,545	1,543
Depreciation expense	8,687	8,516
Interest income, net	(45)	(87)
Tax expense	<u>2,495</u>	<u>236</u>
EBITDA	<u>17,777</u>	<u>13,920</u>
EBITDA Margin	14.3%	12.0%
Add back:		
Stock-based compensation expense	4,397	5,620
Unrealized loss on foreign currency	89	622
Transaction costs ¹	<u>-</u>	<u>2,515</u>
Total adjustments	4,486	8,757
Adjusted EBITDA	<u>\$ 22,263</u>	<u>\$ 22,677</u>
Adjusted EBITDA Margin	17.9%	19.5%

¹ Transaction costs include direct costs incurred in our acquisition of Hubs, Inc.

GAAP to NON-GAAP Reconciliation | EPS



\$ in thousands, except share and per share amounts

	Three Months Ended	
	March 31,	
	2022	2021
Non-GAAP net income, adjusted for stock-based compensation expense, amortization expense, unrealized loss on foreign currency and transaction costs		
GAAP net income	\$ 5,095	\$ 3,712
Add back:		
Stock-based compensation expense	4,397	5,620
Amortization expense	1,545	1,543
Unrealized loss on foreign currency	89	622
Transaction costs ¹	-	2,515
Total adjustments ²	6,031	10,300
Income tax benefits on adjustments ³	(682)	(3,001)
Non-GAAP net income	\$ 10,444	\$ 11,011
Non-GAAP net income per share:		
Basic	\$ 0.38	\$ 0.40
Diluted	\$ 0.38	\$ 0.40
Shares used to compute non-GAAP net income per share:		
Basic	27,502,941	27,464,136
Diluted	27,510,477	27,698,195

¹ Transaction costs include direct costs incurred in our acquisition of Hubs, Inc.

² Stock-based compensation expense, amortization expense, unrealized loss on foreign currency and transaction costs were included in the following GAAP consolidated statement of operations categories:

	Three Months Ended	
	March 31,	
	2022	2021
Cost of revenue	\$ 929	\$ 977
Marketing and sales	737	853
Research and development	629	624
General and administrative	3,647	7,224
Total operating expenses	5,013	8,701
Other (income) expense, net	89	622
Total adjustments	\$ 6,031	\$ 10,300

³ For the three-month periods ended March 31, 2022 and 2021, income tax effects were calculated using the effective tax rate for the relevant jurisdictions. Our non-GAAP tax rates differ from our GAAP tax rates due primarily to the mix of activity incurred in domestic and foreign tax jurisdictions and removing effective tax rate benefits from stock-based compensation activity in the quarter.