



Earnings Presentation

Q2 2022

► August 5, 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.

Q2 2022

Highlights



Manufacturer of the Year Award

- ▶ Awarded by Manufacturing Leadership Council, a division of the National Association of Manufacturers
- ▶ Protolabs joins Manufacturer of the Year winner alumni including Universal Robotics, InBev, IBM, and Merck

Dan Schumacher Named CFO

- ▶ Dan has been with Protolabs for five years, most recently serving as interim CFO for six months
- ▶ Brings strong pedigree of leadership experience and operational excellence to leadership team
- ▶ Prior experience includes financial leadership roles at Rockwell Automation and Stratasys

Japan Exit

- ▶ Announced plan to exit Japan in May
- ▶ Entered Japan in 2009 – Japan represented 3% of total revenue in 2021; during 13 years of operation in Japan, achieved profitability in four years
- ▶ Focusing our efforts and investments on opportunities with the highest potential return, including Hubs integration and other roadmap efforts in US/Europe



1 Accelerate our Growth

- ▶ Integrate Hubs
- ▶ Accelerate injection molding growth

2 Delight our Customers

- ▶ Deliver on industry-leading lead times and strong on-time delivery rates
- ▶ Continue to further enhance online customer experience

3 Be the Digital Leader at Scale

- ▶ Sequential margin improvement
- ▶ Increasing automation in factory and back office, enabling growth without adding labor

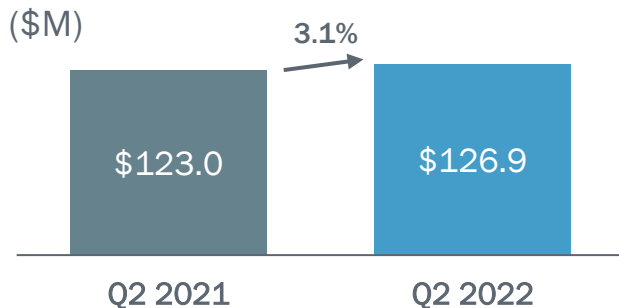
4 Be a Great Place to Work

- ▶ Diversity, equity, and inclusion
- ▶ Community and team-building
- ▶ Flexible, dynamic work environment

Q2 2022 Overview

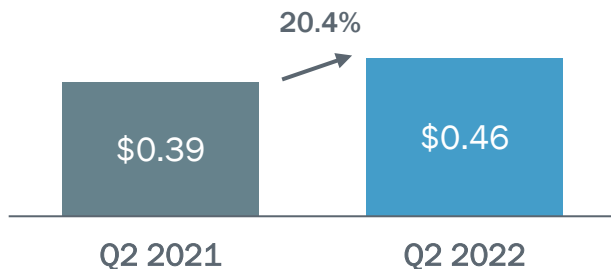


Revenue



- Revenue of **\$126.9 million, up 3.1% YoY**
 - Strong growth in CNC machining, 3D printing, and sheet metal
 - Working to drive additional growth in injection molding
 - Hubs contributed \$11.3 million of revenue in the second quarter

Non-GAAP EPS*



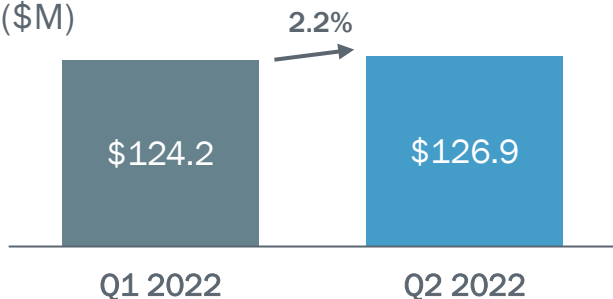
- Non-GAAP EPS of **\$0.46, up \$0.07 YoY**
 - Second quarter non-GAAP EPS above our guidance range due to improved cost management and a lower non-GAAP effective tax rate

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



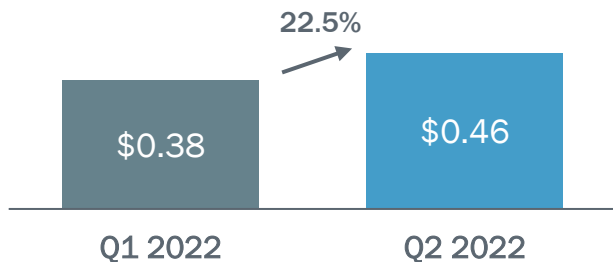
Revenue

(\$M)



- Revenue of \$126.9 million, up 2.2% QoQ
 - In guidance range
 - 24,058 unique product developers served
 - Strong growth in CNC machining, 3D printing, and sheet metal

Non-GAAP EPS*

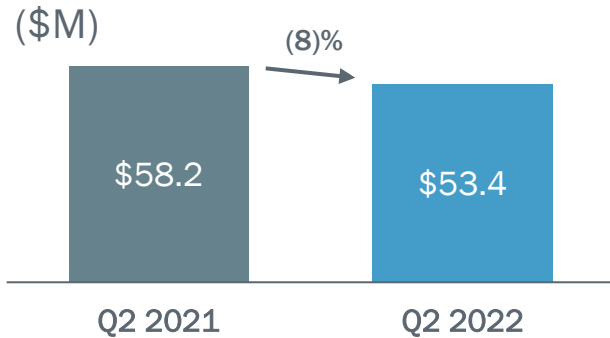


- Non-GAAP EPS of \$0.46, up \$0.08 QoQ
 - QoQ increase driven by additional volume, slight sequential gross margin improvement, and lower operating expenses as a percent of revenue

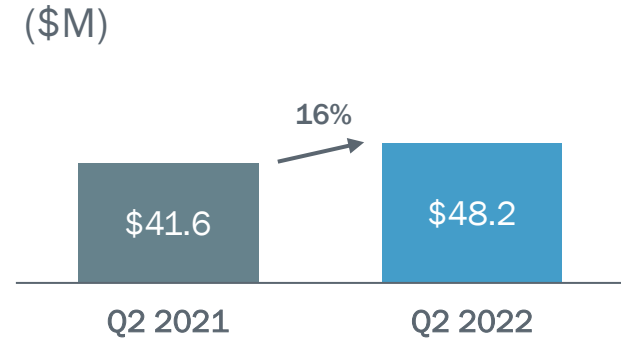
*Non-GAAP: adjusted for stock-based compensation, intangible amortization, transaction expenses, costs related to Japan closure activities, and unrealized gain/loss on foreign currency. See reconciliation in Appendix.



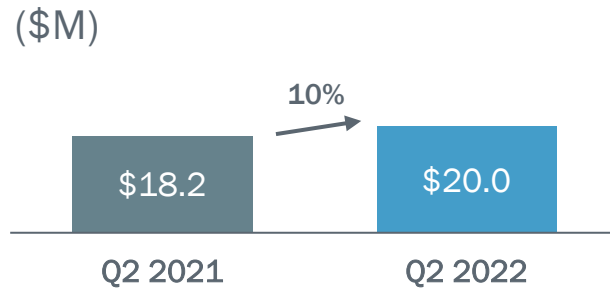
Injection Molding - Revenue



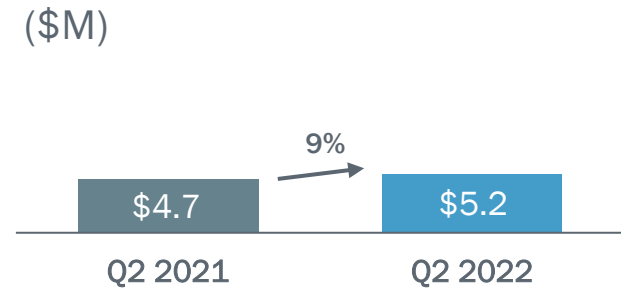
CNC Machining - Revenue



3D Printing - Revenue



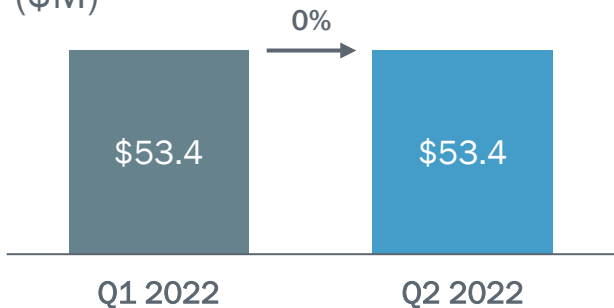
Sheet Metal - Revenue





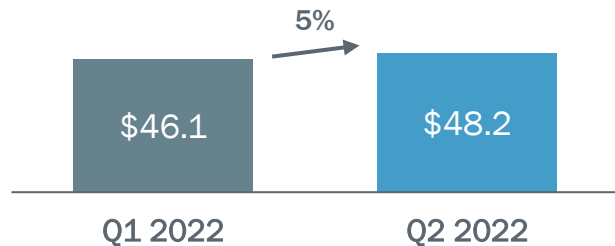
Injection Molding - Revenue

(\$M)



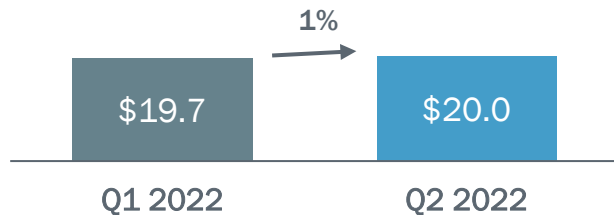
CNC Machining - Revenue

(\$M)



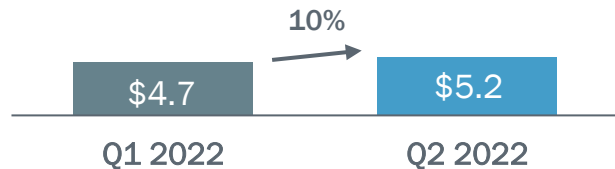
3D Printing - Revenue

(\$M)



Sheet Metal - Revenue

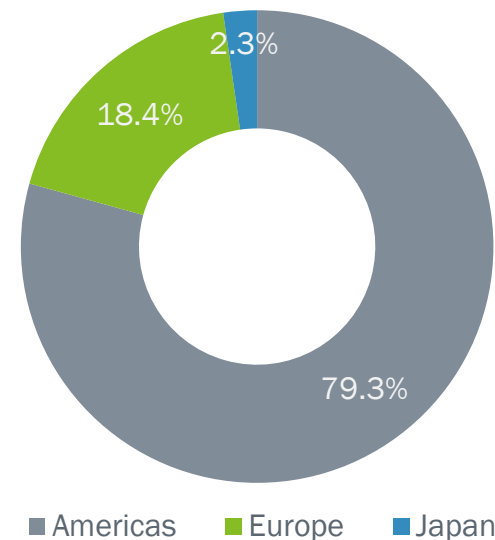
(\$M)





\$M	Q2 22	Q2 21	YoY Change Overall	YoY Change Constant Fx*
Americas	\$100.7	\$95.3	6%	6%
Europe	\$23.4	\$24.7	(5)%	4%
Japan	\$2.9	\$3.0	(6)%	11%
TOTAL	\$126.9	\$123.0	3%	5%

Revenue % by Region Q2 2022



*YoY change reflected in constant currencies
See reconciliation in Appendix.

Q2 2022

Detailed Financial Information



\$M, Except per share amounts	Q2 22	Q1 22	QoQ Change	Q2 21	YoY Change
Revenue	\$126.9	\$124.2	2.2%	\$123.0	3.1%
Non-GAAP Gross Margin*	45.9%	45.7%	20 bps	46.8%	(90) bps
Non-GAAP Operating Margin*	12.6%	11.1%	140 bps	12.1%	50 bps
Non-GAAP Earnings Per Share*	\$0.46	\$0.38	22.5%	\$0.39	20.4%

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

YoY GAAP to Non-GAAP P&L | Q2 2022



\$ in thousands	Three Months Ended Jun. 30, 2022			Three Months Ended Jun. 30, 2021		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$126,902	-	\$126,902	\$123,048	-	\$123,048
Cost of Revenue	<u>69,480</u>	<u>(870)</u>	<u>68,610</u>	<u>66,423</u>	<u>(1,011)</u>	<u>65,412</u>
Gross Profit	\$57,422	\$870	\$58,292	\$56,625	\$1,011	\$57,636
Marketing and Sales	21,055	(813)	20,242	21,044	(929)	20,115
Research and Development	9,450	(471)	8,979	11,060	(744)	10,316
General and Administrative	16,522	(3,404)	13,118	8,417	3,908	12,325
Disposal of Japan Business	<u>5,194</u>	<u>(5,194)</u>	-	-	-	-
Total Operating Expenses	<u>52,221</u>	<u>(9,882)</u>	<u>42,339</u>	<u>40,521</u>	<u>2,235</u>	<u>42,756</u>
Income from Operations	\$5,201	\$10,752	\$15,953	\$16,104	\$(1,224)	\$14,880
Adjusted EBITDA	N/A	N/A	\$24,591	N/A	N/A	\$23,128
% of Revenue						
Gross Margin	45.2%		45.9%	46.0%		46.8%
Marketing and Sales	16.6%		16.0%	17.1%		16.3%
Research and Development	7.4%		7.1%	9.0%		8.4%
General and Administrative	13.0%		10.3%	6.8%		10.0%
Disposal of Japan Business	<u>4.1%</u>		<u>0.0%</u>	<u>0.0%</u>		<u>0.0%</u>
Total Operating Expenses	<u>41.2%</u>		<u>33.4%</u>	<u>32.9%</u>		<u>34.7%</u>
Income from Operations	4.1%		12.6%	13.1%		12.1%
Adjusted EBITDA	N/A		19.4%	N/A		18.8%

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

QoQ GAAP to Non-GAAP P&L | Q2 2022



\$ in thousands	Three Months Ended Jun. 30, 2022			Three Months Ended Mar. 31, 2022		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$126,902	-	\$126,902	\$124,168	-	\$124,168
Cost of Revenue	<u>69,480</u>	<u>(870)</u>	<u>68,610</u>	<u>68,364</u>	<u>(929)</u>	<u>67,435</u>
Gross Profit	\$57,422	\$870	\$58,292	\$55,804	\$929	\$56,733
Marketing and Sales	21,055	(813)	20,242	20,586	(737)	19,849
Research and Development	9,450	(471)	8,979	10,557	(629)	9,928
General and Administrative	16,522	(3,404)	13,118	16,771	(3,647)	13,124
Disposal of Japan Business	<u>5,194</u>	<u>(5,194)</u>	-	-	-	-
Total Operating Expenses	<u>52,221</u>	<u>(9,882)</u>	<u>42,339</u>	<u>47,914</u>	<u>(5,013)</u>	<u>42,901</u>
Income from Operations	\$5,201	\$10,752	\$15,953	\$7,890	\$5,942	\$13,832
Adjusted EBITDA	N/A	N/A	\$24,591	N/A	N/A	\$22,263
% of Revenue						
Gross Margin	45.2%		45.9%	44.9%		45.7%
Marketing and Sales	16.6%		16.0%	16.6%		16.0%
Research and Development	7.4%		7.1%	8.5%		8.0%
General and Administrative	13.0%		10.3%	13.5%		10.6%
Disposal of Japan Business	<u>4.1%</u>		<u>0.0%</u>	<u>0.0%</u>		<u>0.0%</u>
Total Operating Expenses	<u>41.2%</u>		<u>33.4%</u>	<u>38.6%</u>		<u>34.6%</u>
Income from Operations	4.1%		12.6%	6.4%		11.1%
Adjusted EBITDA	N/A		19.4%	N/A		17.9%

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



\$M	Q2 22	Q1 22	Q2 21
Operating Cash Flow	\$13.3	\$17.8	\$14.3
Capital Expenditures	\$3.0	\$3.1	\$17.4
Share Repurchases	\$5.2	\$0	\$1.2
Cash and Investments*	\$110.1	\$105.3	\$89.0
Debt*	\$0	\$0	\$0

Q3 2022

Financial Outlook



Q3 2022 Revenue

Revenue \$121M - \$129M

% Growth YoY (*constant Fx ex. Japan*) 0% - 7%

Q3 2022 Non-GAAP* EPS

Non-GAAP EPS \$0.36 - \$0.44

% Growth YoY 3% - 26%

Q3 2022 Outlook Commentary*

- ▶ Expect foreign currency to have a ~\$2.9 million unfavorable impact on Q3 2022 revenue
- ▶ Japan closure expected to have a ~\$1.8 million unfavorable impact on Q3 2022 revenue
- ▶ Expect Non-GAAP tax rate between 23% and 24%
- ▶ Expect Q3 fully diluted shares outstanding of approximately 27.5 million

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

Thank You



Appendix

GAAP to NON-GAAP Reconciliation | Revenue



\$ in thousands

	Three Months Ended June 30, 2022				Three Months Ended June 30, 2021		%	% Change Organic ⁴
	GAAP	Foreign Currency ¹	Hubs Acquisition	Non-GAAP	GAAP	Change ³		
	Revenues							
United States	\$ 100,655	\$ -	\$ -	\$ 100,655	\$ 95,344	5.6 %	5.6 %	
Europe	23,391	2,225	-	25,616	24,655	(5.1)	3.9	
Japan	2,856	524	-	3,380	3,049	(6.3)	10.9	
Total Revenue	<u>\$ 126,902</u>	<u>\$ 2,749</u>	<u>\$ -</u>	<u>\$ 129,651</u>	<u>\$ 123,048</u>	3.1 %	5.4 %	

¹ Revenue for the three- and six-month periods ended June 30, 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 six-month period ended June 30, 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- and six-month periods ended June 30, 2021 to GAAP revenue for the three- and six-month periods ended June 30, 2022.

⁴ This column presents the percentage change from GAAP revenue for the three- and six-month periods ended June 30, 2021 to non-GAAP revenue for the three- and six-month periods ended June 30, 2022 (as recalculated using the foreign currency exchange rates in effect during the three-month period ended June 30, 2021, excluding the impact of Hubs, Inc. acquisition) in order to provide a constant-currency comparison.

GAAP to NON-GAAP Reconciliation | Gross Margin



Proto Labs, Inc.
Reconciliation of GAAP to Non-GAAP Gross Margin
(In thousands)
(Unaudited)

	Three Months Ended		Six Months Ended		Three Months Ended	
	June 30,		June 30,		March 31,	
	2022	2021	2022	2021	2022	2021
Revenue	\$ 126,902	\$ 123,048	\$ 251,070	\$ 239,174	\$ 124,168	\$ 116,126
Gross Profit	<u>57,422</u>	<u>56,625</u>	<u>113,226</u>	<u>111,955</u>	<u>55,804</u>	<u>55,330</u>
GAAP gross margin	45.2%	46.0%	45.1%	46.8%	44.9%	47.6%
Add back:						
Stock-based compensation expense	528	668	1,115	1,303	587	635
Amortization expense	<u>342</u>	<u>343</u>	<u>684</u>	<u>685</u>	<u>342</u>	<u>342</u>
Total adjustments	870	1,011	1,799	1,988	929	977
Non-GAAP gross profit	<u>\$ 58,292</u>	<u>\$ 57,636</u>	<u>\$ 115,025</u>	<u>\$ 113,943</u>	<u>\$ 56,733</u>	<u>\$ 56,307</u>
Non-GAAP gross margin	45.9%	46.8%	45.8%	47.6%	45.7%	48.5%

Proto Labs, Inc.
Reconciliation of GAAP to Non-GAAP Gross Margin Excluding Japan
(In thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Revenue	\$ 126,902	\$ 123,048	\$ 251,070	\$ 239,174
Revenue excluding Japan	\$ 124,046	\$ 119,999	\$ 244,128	\$ 232,501
Gross Profit	<u>57,422</u>	<u>56,625</u>	<u>113,226</u>	<u>111,955</u>
GAAP gross margin	45.2%	46.0%	45.1%	46.8%
Less: Japan gross profit	<u>1,063</u>	<u>1,125</u>	<u>3,102</u>	<u>2,694</u>
Gross Profit excluding Japan	56,359	55,500	110,124	109,261
GAAP gross margin excluding Japan	45.4%	46.3%	45.1%	47.0%
Add back:				
Stock-based compensation expense	528	668	1,115	1,303
Amortization expense	<u>342</u>	<u>343</u>	<u>684</u>	<u>685</u>
Less:				
Japan stock-based compensation expense	22	22	47	45
Japan amortization expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total adjustments	848	989	1,752	1,943
Non-GAAP gross profit excluding Japan	<u>\$ 57,207</u>	<u>\$ 56,489</u>	<u>\$ 111,876</u>	<u>\$ 111,204</u>
Non-GAAP gross margin excluding Japan	46.1%	47.1%	45.8%	47.8%

GAAP to NON-GAAP Reconciliation | Operating Margin



Proto Labs, Inc.
Reconciliation of GAAP to Non-GAAP Operating Margin
(In thousands)
(Unaudited)

	Three Months Ended	
	June 30,	
	<u>2022</u>	<u>2021</u>
Revenue	\$ 126,902	\$ 123,048
Income from operations	<u>5,201</u>	<u>16,104</u>
GAAP operating margin	4.1%	13.1%
Add back:		
Stock-based compensation expense	4,031	4,941
Amortization expense	1,527	1,490
Transaction costs ¹	-	(7,655)
Costs related to Japan closure activities	<u>5,194</u>	<u>-</u>
Total adjustments	10,752	(1,224)
Non-GAAP income from operations	<u>\$ 15,953</u>	<u>\$ 14,880</u>
Non-GAAP operating margin	12.6%	12.1%

¹ Transaction costs include direct costs incurred in the Company's acquisition of Hubs, Inc.

Proto Labs, Inc.
Reconciliation of GAAP to Non-GAAP Operating Margin Excluding Japan
(In thousands)
(Unaudited)

	Three Months Ended	
	June 30,	
	<u>2022</u>	<u>2021</u>
Revenue	\$ 126,902	\$ 123,048
Revenue excluding Japan	\$ 124,046	\$ 119,999
Income from operations	<u>5,201</u>	<u>16,104</u>
GAAP operating margin	4.1%	13.1%
Less: Japan income from operations	<u>(542)</u>	<u>(696)</u>
Income from operations excluding Japan	5,743	16,800
GAAP operating margin excluding Japan	4.6%	14.0%
Add back:		
Stock-based compensation expense	4,031	4,941
Amortization expense	1,527	1,490
Transaction costs ¹	-	(7,655)
Costs related to Japan closure activities	5,194	-
Less:		
Japan stock-based compensation expense	147	160
Japan amortization expense	<u>-</u>	<u>-</u>
Total adjustments	10,605	(1,384)
Non-GAAP income from operations excluding Japan	<u>\$ 16,348</u>	<u>\$ 15,416</u>
Non-GAAP operating margin excluding Japan	13.2%	12.8%

¹ Transaction costs include direct costs incurred in the Company's acquisition of Hubs, Inc.

GAAP to NON-GAAP Reconciliation | EBITDA



<i>\$ in thousands</i>	Three Months Ended	
	June 30,	
	<u>2022</u>	<u>2021</u>
Revenue	\$ 126,902	\$ 123,048
GAAP net income	2,557	12,915
GAAP net income margin	2.0%	10.5%
Add back:		
Amortization expense	\$ 1,527	\$ 1,490
Depreciation expense	8,515	8,578
Interest income, net	(149)	(65)
Tax expense	<u>2,645</u>	<u>3,326</u>
EBITDA	<u>15,095</u>	<u>26,244</u>
EBITDA Margin	11.9%	21.3%
Add back:		
Stock-based compensation expense	4,031	4,941
Unrealized (gain) loss on foreign currency	271	(402)
Costs related to Japan closure activities	5,194	-
Transaction costs ¹	<u>-</u>	<u>(7,655)</u>
Total adjustments	9,496	(3,116)
Adjusted EBITDA	<u>\$ 24,591</u>	<u>\$ 23,128</u>
Adjusted EBITDA Margin	19.4%	18.8%

¹ Transaction costs include direct costs incurred in the Company's acquisition of Hubs, Inc.

GAAP to NON-GAAP Reconciliation | EPS



\$ in thousands, except share and per share amounts

	Three Months Ended June 30,	
	2022	2021
Non-GAAP net income, adjusted for stock-based compensation expense, amortization expense, unrealized (gain) loss on foreign currency, costs related to disposal/exit activities and transaction costs		
GAAP net income	\$ 2,557	\$ 12,915
Add back:		
Stock-based compensation expense	4,031	4,941
Amortization expense	1,527	1,490
Unrealized (gain) loss on foreign currency	271	(402)
Costs related to Japan closure activities	5,194	-
Transaction costs ¹	-	(7,655)
Total adjustments ²	11,023	(1,626)
Income tax benefits on adjustments ³	(776)	(575)
Non-GAAP net income	\$ 12,804	\$ 10,714
Non-GAAP net income per share:		
Basic	\$ 0.47	\$ 0.39
Diluted	\$ 0.46	\$ 0.39
Shares used to compute non-GAAP net income per share:		
Basic	27,530,739	27,735,732
Diluted	27,536,823	27,744,870

¹ Transaction costs include direct costs incurred in the Company's acquisition of Hubs, Inc.

² Stock-based compensation expense, amortization expense, unrealized (gain) loss on foreign currency, costs related to disposal/exit activities and transaction costs were included in the following GAAP consolidated statement of operations categories:

	Three Months Ended June 30,	
	2022	2021
Cost of revenue	\$ 870	\$ 1,011
Marketing and sales	813	929
Research and development	471	744
General and administrative	3,404	(3,908)
Closure of Japan business	5,194	-
Total operating expenses	9,882	(2,235)
Other (income) expense, net	271	(402)
Total adjustments	\$ 11,023	\$ (1,626)

³ For the three- and six-month periods ended June 30, 2022 and 2021, income tax effects were calculated using the effective tax rate for the relevant jurisdictions. The Company's non-GAAP tax rates differ from its 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.