



**PROTOLABS**  
Manufacturing. Accelerated.



# Earnings Presentation

Q1 2019

April 25, 2019



# SAFE HARBOR

These slides and accompanying oral presentation 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, 2018 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.

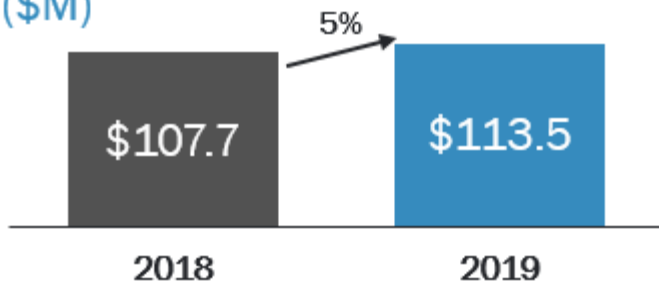
Non-GAAP Financial Measures: Protolabs management believes that presenting certain non-GAAP financial measures provides meaningful information to investors in understanding operating results and may enhance investors' ability to analyze financial and business trends. Non-GAAP measures are not a substitute 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.



# FINANCIAL HIGHLIGHTS | Q1

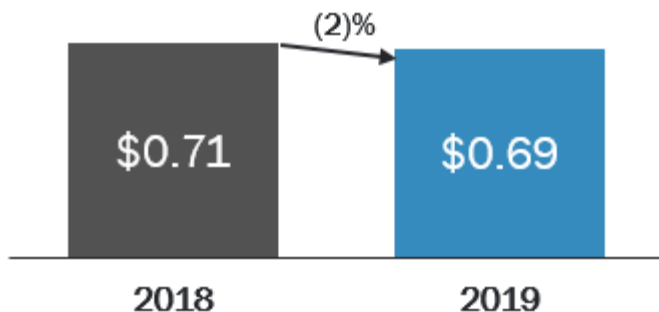
## Revenue

(\$M)



- Revenue of **\$113.5 million**, up 5% YoY
- Constant currency growth of 7%
- Sheet Metal service revenue declined YoY
- Record quarterly revenue in Europe and Japan

## Non-GAAP EPS\*



- Non-GAAP EPS of **\$0.69**, down **\$(0.02)** YoY
- Gross margins impacted by lower than anticipated volumes
- Investing in sales and marketing and R&D

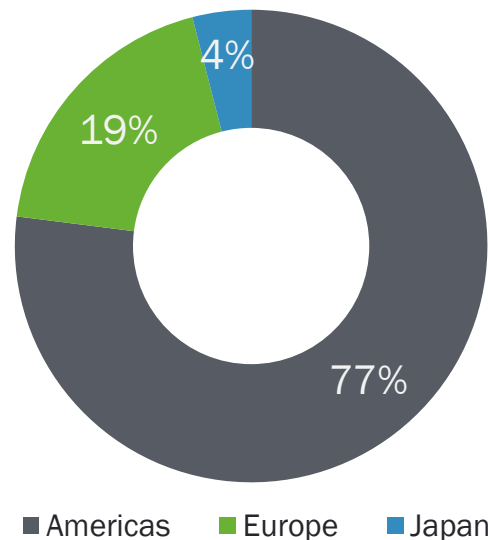
*\*Non-GAAP: adjusted for stock-based compensation, intangible amortization, and unrealized loss on foreign currency. See reconciliation in Appendix.*



# REGIONAL REVENUE | Q1

(\$M)	Q1 19	Q1 18	YoY CHANGE*
Americas	\$87.8	\$84.2	4%
Europe	\$21.3	\$19.9	15%
Japan	\$4.4	\$3.6	23%
<b>TOTAL</b>	<b>\$113.5</b>	<b>\$107.7</b>	<b>7%</b>

Revenue % by Region  
Q1 2019



\*YoY CHANGE reflected in constant currency

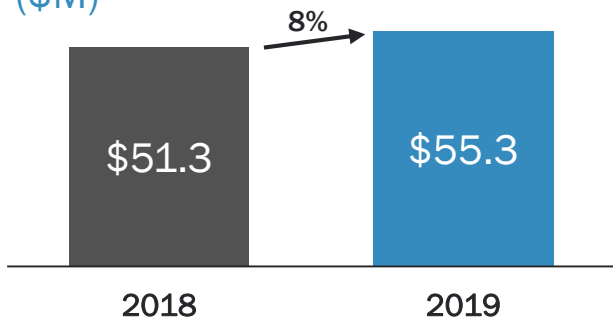
See reconciliation in Appendix.



# REVENUE BY SERVICE | Q1

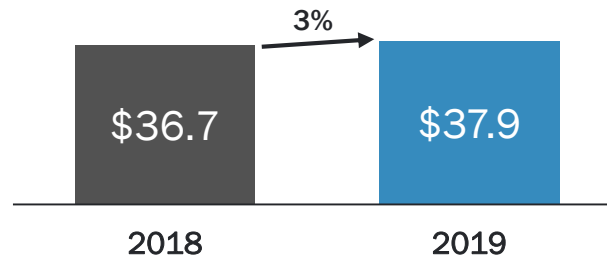
## Injection Molding - Revenue

(\$M)



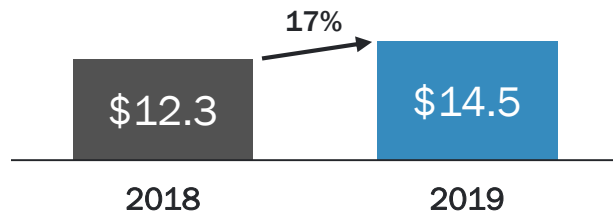
## CNC Machining - Revenue

(\$M)



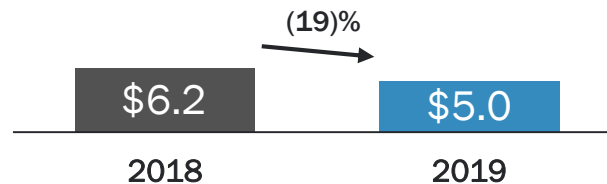
## 3D Printing - Revenue

(\$M)



## Sheet Metal - Revenue

(\$M)





# BUSINESS HIGHLIGHTS | Q1

- **National Association of Manufacturers (NAM) award for outstanding achievement in engineering and production technology**
  - Fifth consecutive year Protolabs has received a Manufacturing Leadership Award.
  - Recognized for a project that involved a multi-toolpath engine that helped automate programming efforts in order to reduce customer lead times and lower production costs.
- **Partnership with Wohlers Associates for Immersive Course on Design for Additive Manufacturing (DfAM).**
  - Will offer an immersive course created to help engineers and designers develop practical methods and strategies to get the most from different 3D printing technologies.
  - Another step towards Protolabs' larger goal of advancing industrial 3D printing as a legitimate production option in the manufacturing industry.



# UPDATE ON 2019 PRIORITIES | Q1

1. Continue to evolve go-to-market model
2. Enhance the customer experience
3. Improve overall efficiency
4. Improve financial performance of acquired operations



# FINANCIAL RESULTS | Q1

\$M, EXCEPT PER SHARE AMOUNTS	Q1 19	Q4 18	SEQ. CHANGE	Q1 18	YoY CHANGE
Revenue	\$113.5	\$112.8	1%	\$107.7	5%
Gross Margin	51.9%	52.5%	(60) bps	53.7%	(190) bps
Non-GAAP Operating Margin*	20.6%	21.2%	(70) bps	23.0%	(240) bps
Non-GAAP Earnings Per Share*	\$0.69	\$0.74	(7)%	\$0.71	(2)%

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





# CASH FLOW and BALANCE SHEET | Q1

(\$M)	Q1 19	Q4 18	Q1 18
Operating Cash Flow	\$18.0	\$38.0	\$26.1
Capital Expenditures	\$12.7	\$25.2	\$25.5
Share Repurchases	\$17.3	\$12.2	\$0
Cash and Investments*	\$138.7	\$155.4	\$129.2
Debt*	\$0	\$0	\$0



# OUTLOOK | Q2 2019

## Q2 Revenue

Revenue	\$114M - \$120M
% Growth YoY	4% - 9%

## Q2 Non-GAAP EPS\*

Non-GAAP EPS*	\$0.66 - \$0.74
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## Q2 Revenue Details

- Estimate \$1 million negative impact of foreign currency

## Q2 Non-GAAP EPS Details

- Tax rate of 21-22%
- Stock compensation and amortization expenses of \$3.5 million and \$900k, respectively

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



# THANK YOU

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# Appendix



# GAAP to Non-GAAP Reconciliation | EPS

(\$ in thousands;  
except per share figures)

	Three Months Ended		Three Months Ended	
	March 31, 2018	June 30, 2018	March 31, 2019	June 30, 2019
<b>Revenue</b>	<b>\$ 107,745</b>	<b>\$ 109,652</b>	<b>\$ 113,452</b>	<b>\$114,000 - \$120,000</b>
GAAP operating income as a % of revenue	20.2%	20.0%	17.1%	16.0%-17.2%
Add back:				
Stock-based compensation expense	2.1%	2.5%	2.7%	2.9%-3.1%
Amortization expense	0.7%	0.7%	0.8%	-0.7%
Non-GAAP operating income as a % of revenue	23.0%	23.3%	20.6%	19.8%-20.8%
GAAP net income per diluted share	\$ 0.66	\$ 0.67	\$ 0.57	\$0.53-\$0.60
Add back:				
Stock-based compensation expense	0.08	0.10	0.11	0.13
Amortization expense	0.03	0.03	0.03	0.03
Unrealized loss on foreign currency	0.01	0.00	0.01	-
Disposal of business	-	(0.02)	-	-
Total adjustments	\$ 0.12	\$ 0.11	\$ 0.15	\$ 0.16
Income tax benefit on adjustments	(0.08)	(0.05)	(0.03)	(0.03)
<b>Non-GAAP net income per diluted share</b>	<b>\$ 0.71</b>	<b>\$ 0.73</b>	<b>\$ 0.69</b>	<b>\$0.66-\$0.74</b>
Diluted Shares	27,197,099	27,274,882	27,177,039	27,100,000



# GAAP to Non-GAAP Reconciliation | Revenue

	Three Months Ended			Three Months	%	% Change Constant Currencies <sup>3</sup>
	March 31, 2019			Ended		
	GAAP	Adjustments <sup>1</sup>	Non-GAAP	March 31, 2018		
Revenues						
United States	\$ 87,811	\$ -	\$ 87,811	\$ 84,167	4.3%	4.3%
Europe	21,254	1,634	22,888	19,945	6.6%	14.8%
Japan	4,387	88	4,475	3,633	20.8%	23.2%
Total Revenue	<u>\$ 113,452</u>	<u>\$ 1,722</u>	<u>\$ 115,174</u>	<u>\$ 107,745</u>	5.3%	6.9%

<sup>1</sup> Revenue for the three-month period ended March 31, 2019 has been recalculated using 2018 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.

<sup>2</sup> This column presents the percentage change from GAAP revenue for the three-month period ended March 31, 2018 to GAAP revenue for the three-month period ended March 31, 2019.

<sup>3</sup> This column presents the percentage change from GAAP revenue for the three-month period ended March 31, 2018 to non-GAAP revenue for the three-month period ended March 31, 2019 (as recalculated using the foreign currency exchange rates in effect during the three-month period ended March 31, 2018) in order to provide a constant-currency comparison.