



Earnings Presentation

Q1 2021

► May 6, 2021



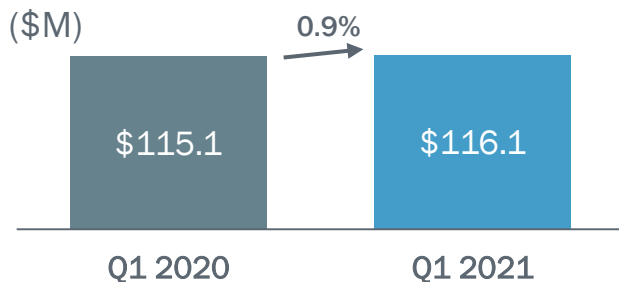


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Q1 2021 Overview

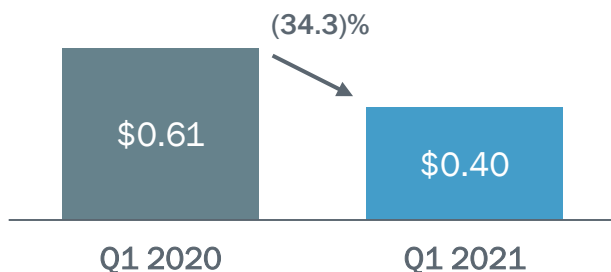


Revenue



- Revenue of **\$116.1 million, up 0.9% YoY**
 - 22,605 unique product developers served
 - 3D Hubs contributed \$5.8 million of revenue in Q1

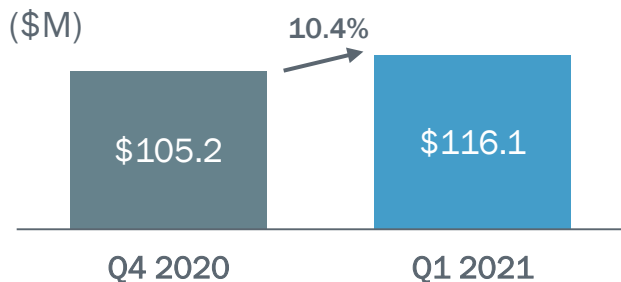
Non-GAAP EPS*



- Non-GAAP EPS of **\$0.40, down \$(0.21) YoY**
 - Increased expenses related to launch of Protolabs 2.0 systems platform
 - 3D Hubs operating losses

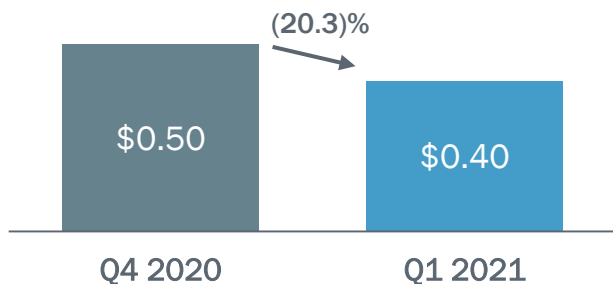


Revenue



- Revenue of **\$116.1 million**, up **10.4% QoQ**
 - Follows normal seasonality patterns
 - 3D Hubs contributed \$5.8 million of revenue in Q1

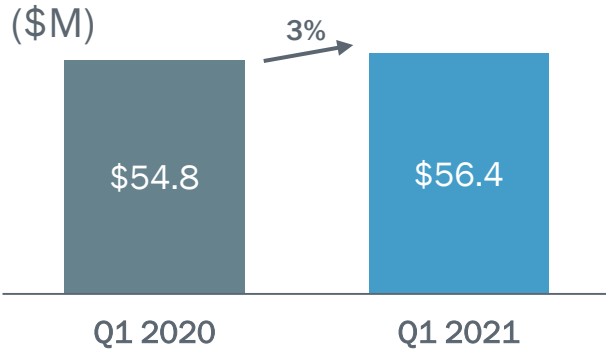
Non-GAAP EPS*



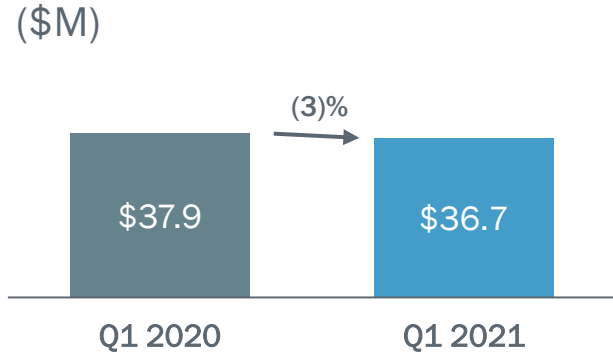
- Non-GAAP EPS of **\$0.40**, down **\$(0.10) QoQ**
 - Increased expenses related to first quarter launch of Protolabs 2.0 in Americas
 - 3D Hubs operating losses



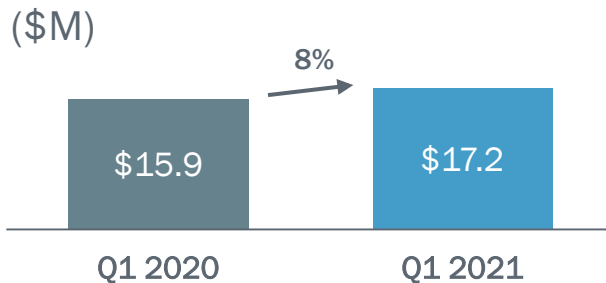
Injection Molding - Revenue



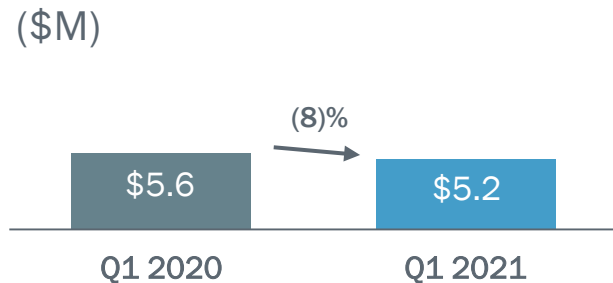
CNC Machining - Revenue



3D Printing - Revenue

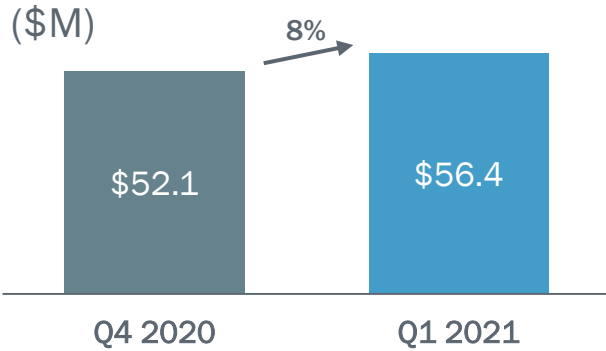


Sheet Metal - Revenue

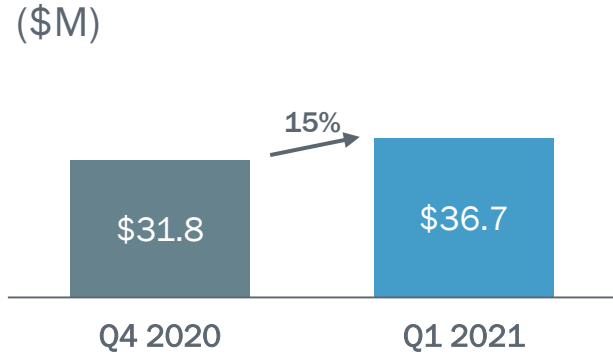




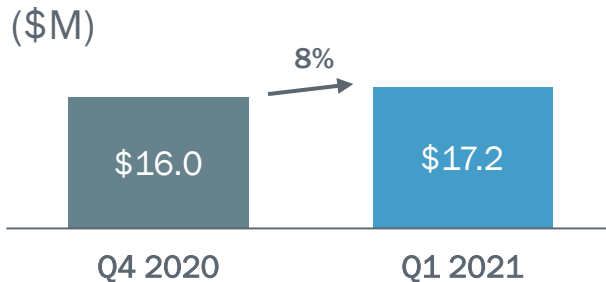
Injection Molding - Revenue



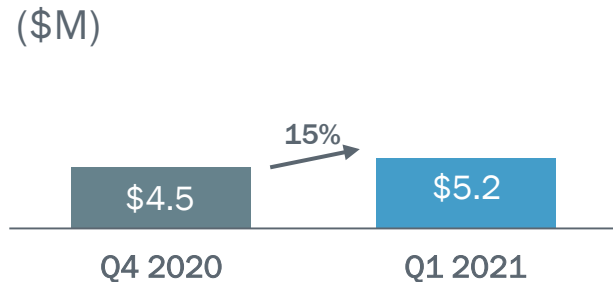
CNC Machining - Revenue



3D Printing - Revenue



Sheet Metal - Revenue

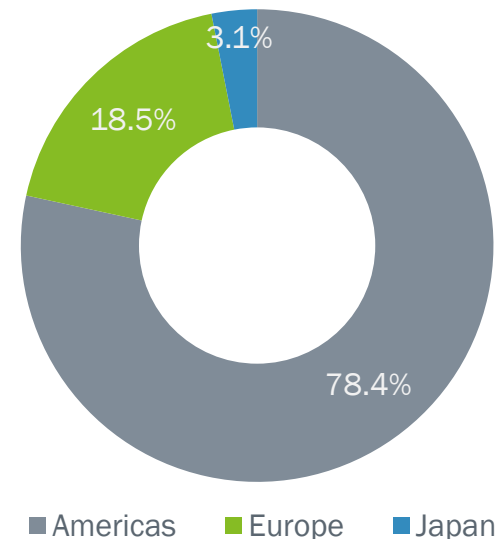


Revenue by Region | Q1 2021



\$M	Q1 21	Q1 20	YoY Change Overall	YoY Change Organic, Constant Fx*
Americas	\$91.1	\$90.1	1%	(2)%
Europe	\$21.4	\$20.8	3%	(17)%
Japan	\$3.6	\$4.2	(15)%	(17)%
TOTAL	\$116.1	\$115.1	1%	(6)%

Revenue % by Region Q1 2021

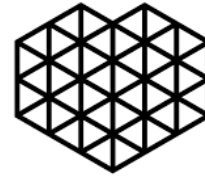


*YoY change reflected in constant currency, and excluding 3D Hubs
See reconciliation in Appendix.

Update on 2021 Priorities and ESG Initiatives



- Achieve and maintain a best-in-class digital manufacturing customer experience
- Expand our offer to provide customers the broadest solution for custom parts
- Further invest in employees



3D HUBS

- Safety and wellness of employees is top priority
- Implemented a customized Learning Management System
- Launched customized leadership development programs for managers



“

Recent enhancements have made the platform the best in the sector. The ability to group, compare, and manage several files and projects at once is one thing that makes it better than every other website for rapid machining, molding, and additive manufacturing. Also, the feedback in real time of material changes in the quote has made the selection process much easier and faster.

Daniel Eads,
Engineering Technician at Boston Scientific

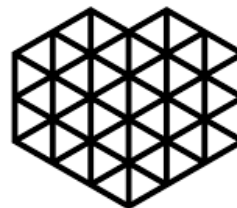
**Boston
Scientific**

Protolabs 2.0 is now live in the Americas and Europe

- Launch Dates – Americas: February 2021 // Europe: November 2020



- Rapid prototyping
- Best-in-class lead times w/in our current envelope
- Focus on reliability & quality
- Expert technical consultation
- World class customer support



3D HUBS

- Broad services offer
 - Higher tolerances
 - More complex parts
 - Additional technologies
 - More secondary operations
- Wide variety of lead time and pricing options
- Instant market-based pricing

Our customers will be able to access the most comprehensive digital manufacturing offer in the world



Environment

- ▶ **2021 NAM Sustainability Award for continued efforts**
 - ✓ Implemented solar power at Plymouth, MN injection molding facility
- ▶ **Implementing actions to reduce Protolabs' carbon footprint**
 - ✓ Reducing energy and power outputs through a number of energy efficiency changes across all facilities



Social

- ▶ **Diversity, Equity, & Inclusion and Human Capital Management**
 - ✓ DEI Leadership Council, anti-bias training, employee resource groups
- ▶ **Protolabs Foundation**
 - ✓ Employee-led group supports STEM education for underprivileged demographics in our communities

Governance

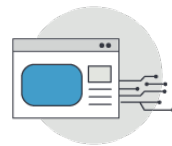
- ▶ **Independent and Diverse Board of Directors**
- ▶ **Code of Ethics and Business Conduct**
 - ✓ All employees required to review and acknowledge compliance with internal policies
- ▶ **Ethics Hotline**
 - ✓ Monitored by BOD and communicated at all-employee meetings



Compelling Investment Thesis



Large and growing market



Recently upgraded eCommerce platform



Strong and experienced management team



Diverse and expanding customer set



Creator of digital manufacturing industry with world's broadest offer



Highly attractive financial profile

Q1 2021

Detailed Financial Information



\$M, Except per share amounts	Q1 21	Q4 20	QoQ Change	Q1 20	YoY Change
Revenue	\$116.1	\$105.2	10.4%	\$115.1	0.9%
Non-GAAP Gross Margin*	48.5%	51.0%	(250) bps	51.2%	(270) bps
Non-GAAP Operating Margin*	12.0%	15.4%	(340) bps	17.9%	(590) bps
Non-GAAP Earnings Per Share*	\$0.40	\$0.50	(20.3)%	\$0.61	(34.3)%

*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 2021



\$ in thousands	Three Months Ended Mar. 31, 2021			Three Months Ended Dec. 31, 2020		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$116,126	-	\$116,126	\$105,208	-	\$105,208
Cost of Revenue	<u>60,796</u>	<u>(977)</u>	<u>58,819</u>	<u>52,580</u>	<u>(1,032)</u>	<u>51,548</u>
Gross Profit	\$55,330	\$977	\$56,307	\$52,628	\$1,032	\$53,660
Marketing and Sales	19,480	(853)	18,627	17,488	(888)	16,600
Research and Development	12,181	(624)	11,557	11,390	(675)	10,715
General and Administrative	<u>19,408</u>	<u>(7,224)</u>	<u>12,184</u>	<u>12,759</u>	<u>(2,642)</u>	<u>10,117</u>
Total Operating Expenses	<u>51,069</u>	<u>(8,701)</u>	<u>42,368</u>	<u>41,637</u>	<u>(4,205)</u>	<u>37,432</u>
Income from Operations	\$4,261	\$9,678	\$13,939	\$10,991	\$5,237	\$16,228
Adjusted EBITDA	N/A	N/A	\$22,677	N/A	N/A	\$24,235
<u>% of Revenue</u>						
Gross Profit	47.6%		48.5%	50.0%		51.0%
Marketing and Sales	16.8%		16.0%	16.6%		15.8%
Research and Development	10.5%		10.0%	10.8%		10.2%
General and Administrative	<u>16.7%</u>		<u>10.5%</u>	<u>12.1%</u>		<u>9.6%</u>
Total Operating Expenses	<u>44.0%</u>		<u>36.5%</u>	<u>39.6%</u>		<u>35.6%</u>
Income from Operations	3.7%		12.0%	10.4%		15.4%
Adjusted EBITDA	N/A		19.5%	N/A		23.0%

*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 2021



\$ in thousands	Three Months Ended Mar. 31, 2021			Three Months Ended Mar. 31, 2020		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$116,126	-	\$116,126	\$115,108	-	\$115,108
Cost of Revenue	<u>60,796</u>	<u>(977)</u>	<u>58,819</u>	<u>57,008</u>	<u>(863)</u>	<u>56,145</u>
Gross Profit	\$55,330	\$977	\$56,307	\$58,100	\$863	\$58,963
Marketing and Sales	19,480	(853)	18,627	18,180	(618)	17,562
Research and Development	12,181	(624)	11,557	8,987	(521)	8,466
General and Administrative	<u>19,408</u>	<u>(7,224)</u>	<u>12,184</u>	<u>14,108</u>	<u>(1,785)</u>	<u>12,323</u>
Total Operating Expenses	<u>51,069</u>	<u>(8,701)</u>	<u>42,368</u>	<u>41,275</u>	<u>(2,924)</u>	<u>38,351</u>
Income from Operations	\$4,261	\$9,678	\$13,939	\$16,825	\$3,787	\$20,612
Adjusted EBITDA	N/A	N/A	\$22,677	N/A	N/A	\$27,513
% of Revenue						
Gross Profit	47.6%		48.5%	50.5%		51.2%
Marketing and Sales	16.8%		16.0%	15.8%		15.3%
Research and Development	10.5%		10.0%	7.8%		7.4%
General and Administrative	<u>16.7%</u>		<u>10.5%</u>	<u>12.3%</u>		<u>10.7%</u>
Total Operating Expenses	<u>44.0%</u>		<u>36.5%</u>	<u>35.9%</u>		<u>33.3%</u>
Income from Operations	3.7%		12.0%	14.6%		17.9%
Adjusted EBITDA	N/A		19.5%	N/A		23.9%

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



\$M	Q1 21	Q4 20	Q1 20
Operating Cash Flow	\$6.4	\$24.6	\$22.4
Capital Expenditures	\$6.5	\$6.5	\$13.4
Share Repurchases	\$0	\$0	\$11.2
Cash and Investments*	\$93.1	\$221.0	\$167.2
Debt*	\$0	\$0	\$0

Q2 2021

Financial Outlook



Q2 2021 Revenue

Revenue	\$117M - \$127M
% Growth YoY	10% - 19%
% Growth QoQ	1% - 9%

Q2 2021 Outlook Commentary*

- ▶ Expect foreign currency to have a ~\$2 million positive impact on Q2 revenue
- ▶ Estimated Non-GAAP gross margin of ~48% +/- 50 bps
- ▶ Projected Non-GAAP operating expenses of \$43 million to \$45 million
- ▶ Anticipate a sequential reduction in interest income of approximately \$250,000 (due to lower average cash balance after 3D Hubs acquisition)
- ▶ Expect Non-GAAP tax rate of approximately 23%
- ▶ 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.*

Thank You



Appendix

GAAP to NON-GAAP Reconciliation | Revenue



\$ in thousands

	Three Months Ended March 31, 2021				Three Months Ended March 31, 2020		
	Foreign		3D Hubs	Non-GAAP	GAAP	% Change ³	% Change Organic ⁴
	GAAP	Currency ¹	Acquisition ²				
Revenues							
United States	\$ 91,053	\$ -	\$ (3,157)	\$ 87,896	\$ 90,076	1.1 %	(2.4) %
Europe	21,449	(1,560)	(2,606)	17,283	20,787	3.2	(16.9)
Japan	3,624	(85)	-	3,539	4,245	(14.6)	(16.6)
Total Revenue	<u>\$ 116,126</u>	<u>\$ (1,645)</u>	<u>\$ (5,763)</u>	<u>\$ 108,718</u>	<u>\$ 115,108</u>	0.9 %	(5.6) %

¹ Revenue for the three-month period ended March 31, 2021 has been recalculated using 2020 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, 2021 has been recalculated to exclude revenue earned from our acquisition of 3D Hubs to provide information useful in evaluating the underlying business trends excluding the impact of acquisitions.

³ This column presents the percentage change from GAAP revenue for the three-month period ended March 31, 2020 to GAAP revenue for the three-month period ended March 31, 2021.

⁴ This column presents the percentage change from GAAP revenue for the three-month period ended March 31, 2020 to non-GAAP revenue for the three-month period ended March 31, 2021 (as recalculated using the foreign currency exchange rates in effect during the three-month period ended March 31, 2020, excluding the impact of 3D Hubs acquisition) in order to provide a constant-currency comparison.



\$ in thousands

	Three Months Ended	
	March 31,	
	<u>2021</u>	<u>2020</u>
GAAP net income	\$ 3,712	\$ 13,984
Amortization expense	1,543	754
Depreciation expense	8,516	7,204
Interest income, net	(87)	(560)
Tax expense	<u>236</u>	<u>3,895</u>
EBITDA	<u>13,920</u>	<u>25,277</u>
Add back:		
Stock-based compensation expense	5,620	3,033
Unrealized (gain) loss on foreign currency	622	(797)
Transaction costs	<u>2,515</u>	<u>-</u>
Total adjustments	8,757	2,236
Adjusted EBITDA	<u>\$ 22,677</u>	<u>\$ 27,513</u>
Adjusted EBITDA % of Revenue	19.5%	23.9%

GAAP to NON-GAAP Reconciliation | EPS



\$ in thousands, except share and per share amounts

	Three Months Ended	
	March 31,	
	2021	2020
Non-GAAP net income, adjusted for stock-based compensation expense, amortization expense, unrealized (gain) loss on foreign currency and transaction costs		
GAAP net income	\$ 3,712	\$ 13,984
Add back:		
Stock-based compensation expense	5,620	3,033
Amortization expense	1,543	754
Unrealized (gain) loss on foreign currency	622	(797)
Transaction costs	2,515	-
Total adjustments ¹	10,300	2,990
Income tax benefits on adjustments ²	(3,001)	(675)
Non-GAAP net income	\$ 11,011	\$ 16,299
Non-GAAP net income per share:		
Basic	\$ 0.40	\$ 0.61
Diluted	\$ 0.40	\$ 0.61
Shares used to compute non-GAAP net income per share:		
Basic	27,464,136	26,776,806
Diluted	27,698,195	26,929,640

¹ Stock-based compensation expense, amortization expense, unrealized (gain) loss on foreign currency and transaction costs were included in the following GAAP consolidated statement of operations categories:

	Three Months Ended	
	March 31,	
	2021	2020
Cost of revenue	\$ 977	\$ 863
Marketing and sales	853	618
Research and development	624	521
General and administrative	7,224	1,785
Total operating expenses	8,701	2,924
Other income, net	622	(797)
Total adjustments	\$ 10,300	\$ 2,990

² For the three-month periods ended March 31, 2021 and 2020, 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.