



Earnings Presentation

Q1 2023

May 5, 2023



Forward-looking Statements and Non-GAAP Measures

- ▶ These slides 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 annual Form 10-K filings 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.

2023 Priorities – Q1 Update



- ▶ Focused Priority Growth Areas
 - ▶ **Injection Molding**
 - ▶ Sequential and YoY* growth in Q1 2023
 - ▶ Combined factory and network offer gaining traction
 - ▶ **Integrated comprehensive CNC offer powered by the Hubs network**
 - ▶ Strong growth in Q1 2023 driven by cross-selling between the digital factory and digital network
- ▶ Financial Strategy – optimize value creation for shareholders through the following objectives:
 - ▶ Executing on business plan – outperformed Q1 2023 revenue and earnings expectations
 - ▶ Strong cash flow generation – \$23M in cash from operations in Q1 2023, up from \$11M in Q4 2022
 - ▶ Accelerated share repurchase program



CUSTOMER VALUE

Speed x Part Complexity

CHALLENGE

- ▶ Philips Domestic Appliances required both **quick-turn and complex, high-requirement plastic parts**
- ▶ Looking for **one supplier to handle both prototyping and production injection molding tools**

SOLUTION

- ▶ Leveraged **digital factory** for quick-turn, high-quality plastic prototypes
- ▶ **Digital network** unlocked capabilities to produce more complex, high-requirement parts for gear components

CUSTOMER VALUE DELIVERED

- ▶ Automated quoting with interactive analysis and quick-turn prototyping helped Philips **accelerate product development** while being able to also tap into more **complex part production** and remain at **one supplier for all molding needs**

PHILIPS

Quick Stats

Consumer Appliances



Injection Molding

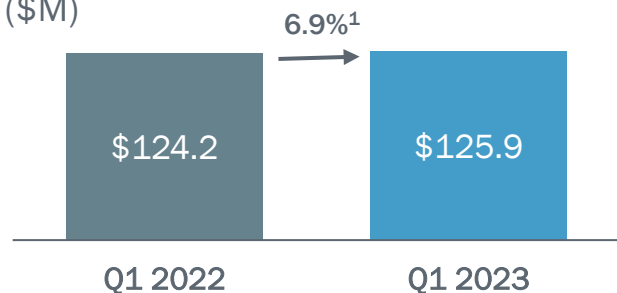


Q1 2023 Overview



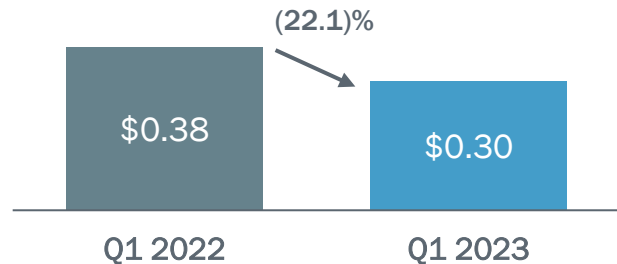
Revenue

(\$M)



- Revenue of \$125.9 million, up 6.9%¹ YoY
 - Sequential growth of 8.9% over Q4 2022
 - Returned to growth in injection molding (excl. Japan)
 - Strong growth in CNC machining and 3D printing
 - Hubs generated growth of 70.7% YoY in constant currencies

Non-GAAP EPS*



- Non-GAAP EPS of \$0.30, down \$0.08 YoY
 - First quarter non-GAAP EPS above guidance range
 - YoY decrease driven primarily by gross margin mix
 - Non-GAAP EPS up \$0.04 sequentially

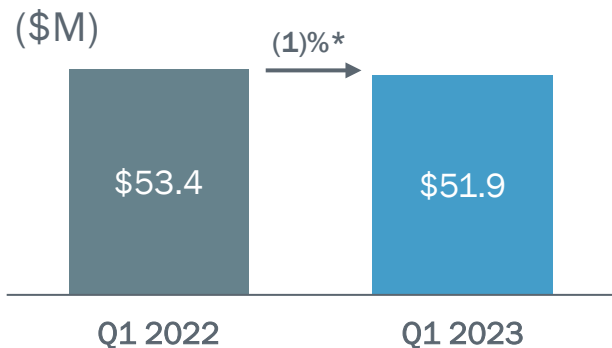
*Non-GAAP: adjusted for stock-based compensation, intangible amortization, transaction expenses, goodwill impairment, costs related to Japan closure activities, and unrealized gain/loss on foreign currency. See reconciliation in Appendix.

¹ YoY revenue growth in constant currencies and excluding Japan

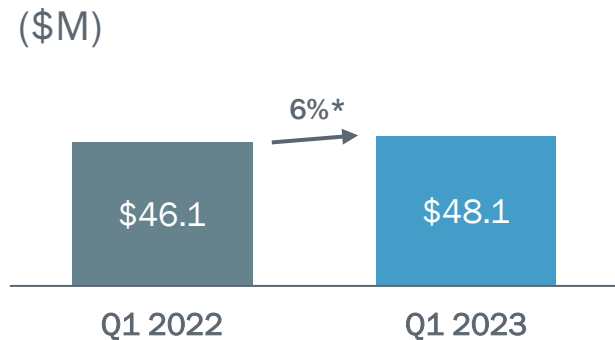
Revenue by Service | Q1 2023 YoY



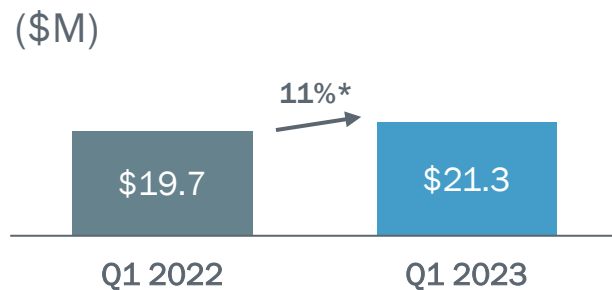
Injection Molding - Revenue



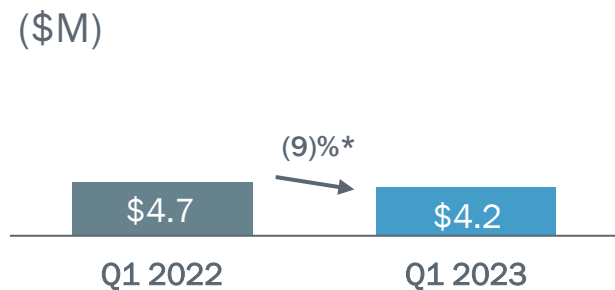
CNC Machining - Revenue



3D Printing - Revenue



Sheet Metal - Revenue



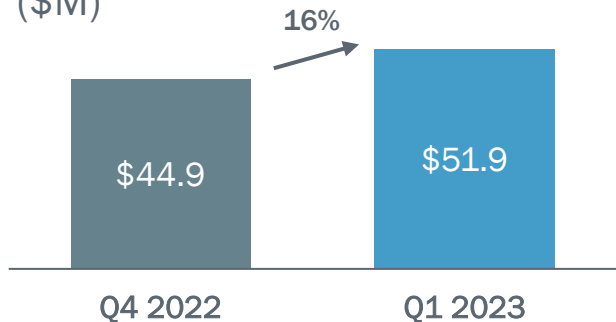
*YoY change reflected in constant currencies

See reconciliation in Appendix.



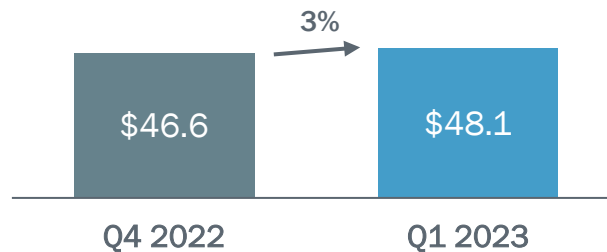
Injection Molding - Revenue

(\$M)



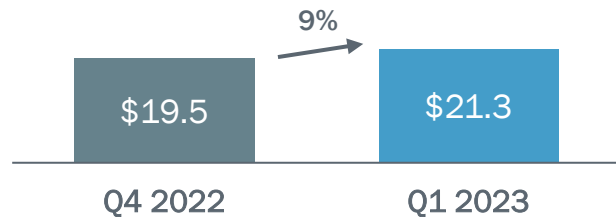
CNC Machining - Revenue

(\$M)



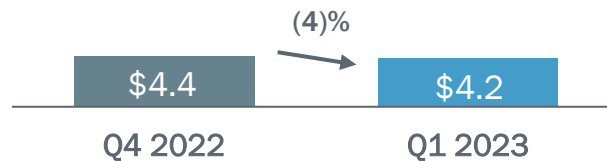
3D Printing - Revenue

(\$M)



Sheet Metal - Revenue

(\$M)

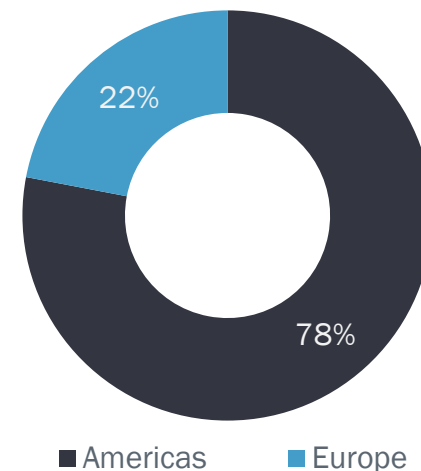


Revenue by Region | Q1 2023



\$M	Q1 23	Q1 22	YoY Change Overall	YoY Change Constant Fx*	YoY Change Constant Fx* Excl. Japan
Americas	\$97.7	\$95.5	2%	2%	
Europe	\$28.1	\$24.6	14%	24%	
Japan	-	\$4.1	(100)%	(100)%	
TOTAL	\$125.9	\$124.2	1%	3%	7%

Revenue % by Region Q1 2023



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

Q1 2023

Detailed Financial Information

Financial Results | Q1 2023



\$M, Except per share amounts	Q1 23	Q4 22	QoQ Change	Q1 22	YoY Change
Revenue	\$125.9	\$115.6	8.9%	\$124.2	1.4%
Non-GAAP Gross Margin*	43.4%	42.8%	60 bps	45.7%	(230) bps
Non-GAAP Operating Margin*	7.2%	6.2%	100 bps	11.1%	(400) bps
Non-GAAP Earnings Per Share*	\$0.30	\$0.26	15.5%	\$0.38	(22.1)%

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

YoY GAAP to Non-GAAP P&L | Q1 2023



\$ in thousands	Three Months Ended Mar. 31, 2023			Three Months Ended Mar. 31, 2022		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$125,859	-	\$125,859	\$124,168	-	\$124,168
Cost of Revenue	<u>72,083</u>	<u>(808)</u>	<u>71,275</u>	<u>68,364</u>	<u>(929)</u>	<u>67,435</u>
Gross Profit	\$53,776	\$808	\$54,584	\$55,804	\$929	\$56,733
Marketing and Sales	22,451	(692)	21,759	20,586	(737)	19,849
Research and Development	10,677	(572)	10,105	10,557	(629)	9,928
General and Administrative	16,833	(3,149)	13,684	16,771	(3,647)	13,124
Goodwill Impairment	-	-	-	-	-	-
Disposal of Japan Business	<u>66</u>	<u>(66)</u>	-	-	-	-
Total Operating Expenses	<u>50,027</u>	<u>(4,479)</u>	<u>45,548</u>	<u>47,914</u>	<u>(5,013)</u>	<u>42,901</u>
Income from Operations	\$3,749	\$5,287	\$9,036	\$7,890	\$5,942	\$13,832
Adjusted EBITDA	N/A	N/A	\$17,767	N/A	N/A	\$22,263
% of Revenue						
Gross Margin	42.7%		43.4%	44.9%		45.7%
Marketing and Sales	17.8%		17.3%	16.6%		16.0%
Research and Development	8.5%		8.0%	8.5%		8.0%
General and Administrative	13.4%		10.9%	13.5%		10.6%
Goodwill Impairment	0.0%		0.0%	0.0%		0.0%
Disposal of Japan Business	<u>0.1%</u>		<u>0.0%</u>	<u>0.0%</u>		<u>0.0%</u>
Total Operating Expenses	<u>39.7%</u>		<u>36.2%</u>	<u>38.6%</u>		<u>34.6%</u>
Income from Operations	3.0%		7.2%	6.4%		11.1%
Adjusted EBITDA	N/A		14.1%	N/A		17.9%

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

QoQ GAAP to Non-GAAP P&L | Q1 2023



\$ in thousands	Three Months Ended Mar. 31, 2023			Three Months Ended Dec. 31, 2022		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$125,859	-	\$125,859	\$115,607	-	\$115,607
Cost of Revenue	<u>72,083</u>	<u>(808)</u>	<u>71,275</u>	<u>67,000</u>	<u>(840)</u>	<u>66,160</u>
Gross Profit	\$53,776	\$808	\$54,584	\$48,607	\$840	\$49,447
Marketing and Sales	22,451	(692)	21,759	20,517	(816)	19,701
Research and Development	10,677	(572)	10,105	8,906	(488)	8,418
General and Administrative	16,833	(3,149)	13,684	17,774	(3,580)	14,194
Goodwill Impairment	-	-	-	118,008	(118,008)	-
Disposal of Japan Business	<u>66</u>	<u>(66)</u>	-	<u>534</u>	<u>(534)</u>	-
Total Operating Expenses	<u>50,027</u>	<u>(4,479)</u>	<u>45,548</u>	<u>165,739</u>	<u>(123,426)</u>	<u>42,313</u>
Income from Operations	\$3,749	\$5,287	\$9,036	\$(117,132)	\$124,266	\$7,134
Adjusted EBITDA	N/A	N/A	\$17,767	N/A	N/A	\$14,494
% of Revenue						
Gross Margin	42.7%		43.4%	42.0%		42.8%
Marketing and Sales	17.8%		17.3%	17.7%		17.0%
Research and Development	8.5%		8.0%	7.7%		7.3%
General and Administrative	13.4%		10.9%	15.4%		12.3%
Goodwill Impairment	0.0%		0.0%	102.1%		0.0%
Disposal of Japan Business	<u>0.1%</u>		<u>0.0%</u>	<u>0.5%</u>		<u>0.0%</u>
Total Operating Expenses	<u>39.7%</u>		<u>36.2%</u>	<u>143.4%</u>		<u>36.6%</u>
Income from Operations	3.0%		7.2%	(101.3)%		6.2%
Adjusted EBITDA	N/A		14.1%	N/A		12.5%

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

Cash Flow and Balance Sheet | Q1 2023



\$M	Q1 23	Q4 22	Q1 22
Operating Cash Flow	\$22.6	\$10.5	\$17.8
Capital Expenditures	\$3.4	\$5.3	\$3.1
Share Repurchases	\$21.1	\$16.6	\$0.0
Cash and Investments*	\$104.7	\$106.5	\$105.3
Debt*	\$0	\$0	\$0

*Balance Sheet items as of the end of the period.

Q2 2023

Financial Outlook



Q2 2023 Revenue

Revenue \$119M - \$127M

% Growth YoY (*constant Fx ex. Japan*) (4)% - 3%

Q2 2023 Non-GAAP* EPS

Non-GAAP EPS \$0.26 - \$0.34

% Growth YoY (44)% - (27)%

Q2 2023 Outlook Commentary*

- ▶ Expect foreign currency to have a ~\$0.5 million unfavorable impact on Q2 2023 revenue
- ▶ Japan closure expected to have a ~\$2.9 million unfavorable impact on Q2 2023 revenue
- ▶ Expect Non-GAAP tax rate between 22.5% and 23.5%
- ▶ Expect Q2 2023 diluted shares outstanding of approximately 26.6 million

*Non-GAAP: adjusted for stock-based compensation, intangible amortization, transaction expenses, goodwill impairment, 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 by Region



Proto Labs, Inc.
Comparison of GAAP to Non-GAAP Revenue Growth by Region
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2023			Three Months Ended March 31, 2022		%	%		
	GAAP	Foreign Currency ¹		Non-GAAP	GAAP			Change ²	Change Organic ³
		Non-GAAP	Non-GAAP						
Revenues									
United States	\$ 97,746	\$ -	\$ 97,746	\$ 95,496	2.4	%	2.4 %		
Europe	28,113	2,465	30,578	24,586	14.3		24.4		
Japan	-	-	-	4,086	(100.0)		(100.0)		
Total Revenue	<u>\$ 125,859</u>	<u>\$ 2,465</u>	<u>\$ 128,324</u>	<u>\$ 124,168</u>	1.4	%	3.3 %		

¹ Revenue for the three-month period ended March 31, 2023 has been recalculated using 2022 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 This column presents the percentage change from GAAP revenue for the three-month period ended March 31, 2022 to GAAP revenue for the three-month period ended December 31, 2023.

³ This column presents the percentage change from GAAP revenue for the three-month period ended December 31, 2022 to non-GAAP revenue for the three-month period ended December 31, 2023 (as recalculated using the foreign currency exchange rates in effect during the three-month period ended December 31, 2022) in order to provide a constant-currency comparison.

GAAP to NON-GAAP Reconciliation | Revenue by Service



Proto Labs, Inc.
Comparison of GAAP to Non-GAAP Revenue Growth by Service Line
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2023			Three Months Ended March 31, 2022		%	%	
	GAAP	Foreign		GAAP	Change ²			Change Organic ³
		Currency ¹	Non-GAAP					
Revenues								
Injection Molding	\$ 51,948	\$ 1,179	\$ 53,127	\$ 53,398	(2.7)	%	(0.5) %	
CNC Machining	48,104	735	48,839	46,098	4.4		5.9	
3D Printing	21,325	536	21,861	19,672	8.4		11.1	
Sheet Metal	4,248	10	4,258	4,687	(9.4)		(9.2)	
Other	234	5	239	313	(25.2)		(23.6)	
Total Revenue	<u>\$ 125,859</u>	<u>\$ 2,465</u>	<u>\$ 128,324</u>	<u>\$ 124,168</u>	1.4	%	3.3 %	

¹ Revenue for the three-month period ended March 31, 2023 has been recalculated using 2022 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 This column presents the percentage change from GAAP revenue for the three-month period ended March 31, 2022 to GAAP revenue for the three-month period ended December 31, 2023.

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GAAP to NON-GAAP Reconciliation | Gross Margin



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

	Three Months Ended March 31,	
	<u>2023</u>	<u>2022</u>
Revenue	\$ 125,859	\$ 124,168
Gross Profit	<u>53,776</u>	<u>55,804</u>
GAAP gross margin	42.7%	44.9%
Add back:		
Stock-based compensation expense	466	587
Amortization expense	<u>342</u>	<u>342</u>
Total adjustments	808	929
Non-GAAP gross profit	<u>\$ 54,584</u>	<u>\$ 56,733</u>
Non-GAAP gross margin	43.4%	45.7%

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

	Three Months Ended March 31,	
	<u>2023</u>	<u>2022</u>
Revenue	\$ 125,859	\$ 124,168
Revenue excluding Japan	\$ 125,859	\$ 120,082
Gross Profit	<u>53,776</u>	<u>55,804</u>
GAAP gross margin	42.7%	44.9%
Less: Japan gross profit	<u>-</u>	<u>2,040</u>
Gross Profit excluding Japan	53,776	53,764
GAAP gross margin excluding Japan	42.7%	44.8%
Add back:		
Stock-based compensation expense	466	587
Amortization expense	342	342
Less:		
Japan stock-based compensation expense	-	25
Japan amortization expense	<u>-</u>	<u>-</u>
Total adjustments	808	904
Non-GAAP gross profit excluding Japan	<u>\$ 54,584</u>	<u>\$ 54,668</u>
Non-GAAP gross margin excluding Japan	43.4%	45.5%

GAAP to NON-GAAP Reconciliation | Operating Margin



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

	Three Months Ended	
	March 31,	
	<u>2023</u>	<u>2022</u>
Revenue	\$ 125,859	\$ 124,168
Income from operations	<u>3,749</u>	<u>7,890</u>
GAAP operating margin	3.0%	6.4%
Add back:		
Stock-based compensation expense	3,695	4,397
Amortization expense	1,526	1,545
Costs related to Japan closure activities	<u>66</u>	<u>-</u>
Total adjustments	5,287	5,942
Non-GAAP income from operations	<u>\$ 9,036</u>	<u>\$ 13,832</u>
Non-GAAP operating margin	7.2%	11.1%

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

	Three Months Ended	
	March 31,	
	<u>2023</u>	<u>2022</u>
Revenue	\$ 125,859	\$ 124,168
Revenue excluding Japan	\$ 125,859	\$ 120,082
Income from operations	<u>3,749</u>	<u>7,890</u>
GAAP operating margin	3.0%	6.4%
Less: Japan (loss) income from operations	<u>(346)</u>	<u>546</u>
Income from operations excluding Japan	4,095	7,344
GAAP operating margin excluding Japan	3.3%	6.1%
Add back:		
Stock-based compensation expense	3,695	4,397
Amortization expense	1,526	1,545
Costs related to Japan closure activities	66	-
Less:		
Japan stock-based compensation expense	10	150
Japan amortization expense	<u>-</u>	<u>-</u>
Total adjustments	5,277	5,792
Non-GAAP income from operations excluding Japan	<u>\$ 9,372</u>	<u>\$ 13,136</u>
Non-GAAP operating margin excluding Japan	7.4%	10.9%



Proto Labs, Inc.
Reconciliation of GAAP Net Income to EBITDA and Adjusted EBITDA
(In thousands)
(Unaudited)

	Three Months Ended	
	March 31,	
	<u>2023</u>	<u>2022</u>
Revenue	\$ 125,859	\$ 124,168
GAAP net income	2,659	5,095
GAAP net income margin	2.1%	4.1%
Add back:		
Amortization expense	\$ 1,526	\$ 1,545
Depreciation expense	7,862	8,687
Interest income, net	(350)	(45)
Tax expense	2,380	2,495
EBITDA	<u>14,077</u>	<u>17,777</u>
EBITDA Margin	11.2%	14.3%
Add back:		
Stock-based compensation expense	3,695	4,397
Unrealized (gain) loss on foreign currency	(71)	89
Costs related to Japan closure activities	66	-
Total adjustments	3,690	4,486
Adjusted EBITDA	<u>\$ 17,767</u>	<u>\$ 22,263</u>
Adjusted EBITDA Margin	14.1%	17.9%

GAAP to NON-GAAP Reconciliation | EPS



Proto Labs, Inc.
Reconciliation of GAAP to Non-GAAP Net Income per Share
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended	
	March 31,	
	2023	2022
Non-GAAP net income, adjusted for stock-based compensation expense, amortization expense, unrealized (gain) loss on foreign currency and costs related to Japan closure activities		
GAAP net income	\$ 2,659	\$ 5,095
Add back:		
Stock-based compensation expense	3,695	4,397
Amortization expense	1,526	1,545
Unrealized (gain) loss on foreign currency	(71)	89
Costs related to Japan closure activities	66	-
Total adjustments ¹	5,216	6,031
Income tax benefits on adjustments ²	(2)	(682)
Non-GAAP net income	\$ 7,873	\$ 10,444
Non-GAAP net income per share:		
Basic	\$ 0.30	\$ 0.38
Diluted	\$ 0.30	\$ 0.38
Shares used to compute non-GAAP net income per share:		
Basic	26,580,279	27,502,941
Diluted	26,605,787	27,510,477

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

	Three Months Ended	
	March 31,	
	2023	2022
Cost of revenue	\$ 808	\$ 929
Marketing and sales	692	737
Research and development	572	629
General and administrative	3,149	3,647
Closure of Japan business	66	-
Total operating expenses	4,479	5,013
Other (income) expense, net	(71)	89
Total adjustments	\$ 5,216	\$ 6,031

² For the three-month periods ended March 31, 2023 and 2022, 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.



Proto Labs, Inc.
Reconciliation of GAAP to Non-GAAP Guidance
(In thousands, except share and per share amounts)
(Unaudited)

	Q2 2023 Guidance	
	Low	High
GAAP diluted earnings per share	\$ 0.05	\$ 0.13
Add back:		
Stock-based compensation expense	0.16	0.16
Amortization expense	0.05	0.05
Unrealized (gain) loss on foreign currency	0.00	0.00
Costs related to Japan closure activities	<u>0.00</u>	<u>0.00</u>
Total adjustments	<u>0.20</u>	<u>0.20</u>
Non-GAAP diluted earnings per share	<u>\$ 0.26</u>	<u>\$ 0.34</u>