



Earnings Presentation

Q3 2024

November 1, 2024



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 its most recent Annual Report on Form 10-K and subsequently filed Quarterly Reports on Form 10-Q. 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 provide additional information for investors to compare period to period 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.



2024 Priorities – Q3 Update



2024 Priorities – Q3 Update

1. Increase number of customers using the combined offer

- Customer contacts using combined offer in LTM up 35% YoY

2. Drive higher revenue per customer through larger orders

- Year-to-date, revenue per customer contact is up 5% YoY



Customer Example





Harley-Davidson Factory Racing teamed with Protolabs for quick-turn production parts, and also tapped into the manufacturer's global network of partners for larger, more complex parts.

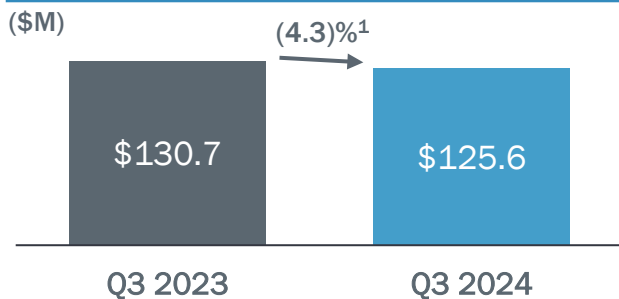


Q3 2024 Financial Overview



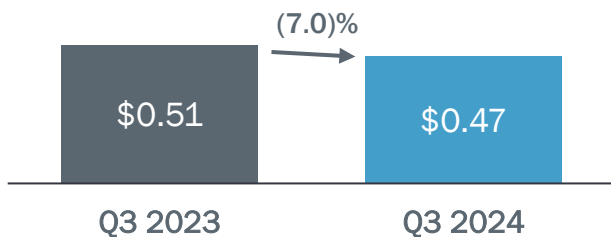
Financial Highlights | Q3 2024

Revenue



- Revenue of \$125.6 million, down 4.3%¹ YoY
- Protolabs Network generated revenue of \$25.3 million, up 11% YoY in constant currencies
- Q3 revenue flat sequentially

Non-GAAP EPS*



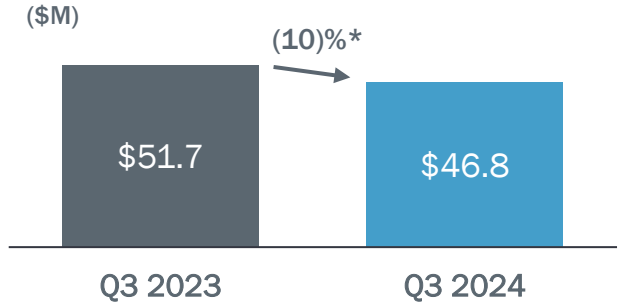
- Non-GAAP EPS of \$0.47, down \$0.04 YoY
- YoY decrease driven primarily by lower volume
- Sequentially, EPS up \$0.09 driven by gross margin improvements (both Factory and Network) and lower incentive compensation

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

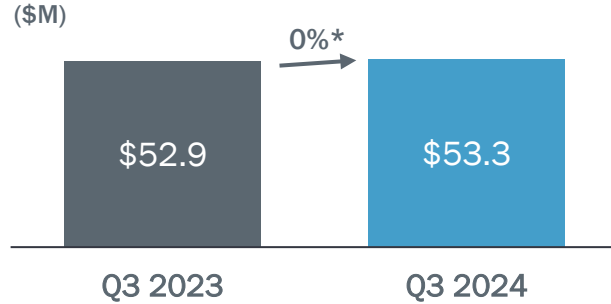


Revenue by Service | Q3 2024 YoY

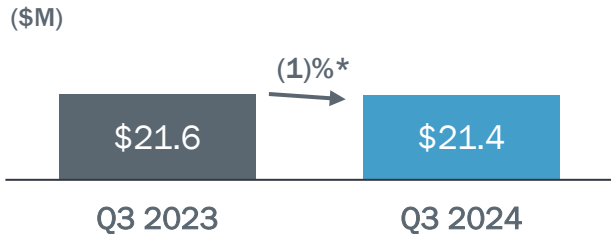
Injection Molding - Revenue



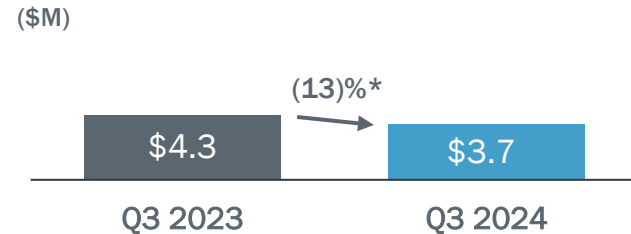
CNC Machining - Revenue



3D Printing - Revenue



Sheet Metal - Revenue



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



Financial Results | Q3 2024

	Q3 2024		Q2 2024	QoQ Change		Q3 2023	YoY Change
Revenue	\$125.6		\$125.6	0.0%		\$130.7	(3.9)%
Non-GAAP Gross Margin*	46.2%		45.7%	50 bps		46.0%	20 bps
Non-GAAP Operating Margin*	10.9%		8.9%	200 bps		12.5%	(160) bps
Non-GAAP Earnings Per Share*	\$0.47		\$0.38	25.7%		\$0.51	(7.0)%

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



Cash Flow and Balance Sheet | Q3 2024

\$M	Q3 2024	Q2 2024	Q3 2023
Operating Cash Flow	\$24.8	\$14.4	\$24.2
Capital Expenditures	\$1.6	\$4.2	\$3.1
Share Repurchases	\$19.0	\$10.9	\$9.0
Cash and Investments*	\$117.6	\$112.9	\$114.9
Debt*	\$0	\$0	\$0

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



Q4 2024

Financial Outlook



Outlook | Q4 2024

Q4 2024 Revenue

Revenue	\$115M - \$123M
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Q4 2024 Non-GAAP* EPS

Non-GAAP* EPS	\$0.28 - \$0.36
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Outlook Commentary

- Expect foreign currency to have an approximately \$1M favorable impact on Q4 2024 revenue
- Expect Q4 2024 Non-GAAP* effective tax rate of 20% +/- 50 bps
- Expect Q4 2024 diluted shares outstanding of approximately 25 million

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



Thank You!



Appendix



Q3 2024

Detailed Financial Information



YoY GAAP to Non-GAAP P&L | Q3 2024

\$ in thousands	Three Months Ended September 30, 2024			Three Months Ended September 30, 2023		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$ 125,619	—	\$ 125,619	\$ 130,705	—	\$ 130,705
Cost of revenue	68,389	(817)	67,572	71,423	(805)	70,618
Gross profit	\$ 57,230	\$ 817	\$ 58,047	\$ 59,282	\$ 805	\$ 60,087
Marketing and sales	22,619	(727)	21,892	21,682	(961)	20,721
Research and development	9,772	(671)	9,101	10,105	(675)	9,430
General and administrative	16,259	(2,869)	13,390	17,058	(3,461)	13,597
Closure of Japan business	—	—	—	22	(22)	—
Total operating expenses	48,650	(4,267)	44,383	48,867	(5,119)	43,748
Income from operations	\$ 8,580	\$ 5,084	\$ 13,664	\$ 10,415	\$ 5,924	\$ 16,339
Adjusted EBITDA	N/A	N/A	\$ 21,860	N/A	\$	\$ 23,938

% of Revenue

Gross Margin	45.6 %		46.2 %	45.4 %		46.0 %
Marketing and sales	18.0 %		17.4 %	16.6 %		15.9 %
Research and development	7.8 %		7.2 %	7.7 %		7.2 %
General and administrative	12.9 %		10.7 %	13.1 %		10.4 %
Closure of Japan business	— %		— %	— %		— %
Total operating expenses	38.7 %		35.3 %	37.4 %		33.5 %
Income from operations	6.8 %		10.9 %	8.0 %		12.5 %
Adjusted EBITDA	N/A		17.4 %	N/A		18.3 %

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



QoQ GAAP to Non-GAAP P&L | Q3 2024

\$ in thousands	Three Months Ended September 30, 2024			Three Months Ended June 30, 2024		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$ 125,619	—	\$ 125,619	\$ 125,631	—	\$ 125,631
Cost of revenue	68,389	(817)	67,572	69,085	(810)	68,275
Gross profit	\$ 57,230	\$ 817	\$ 58,047	\$ 56,546	\$ 810	\$ 57,356
Marketing and sales	22,619	(727)	21,892	23,291	(819)	22,472
Research and development	9,772	(671)	9,101	10,661	(667)	9,994
General and administrative	16,259	(2,869)	13,390	16,595	(2,869)	13,726
Closure of Japan business	—	—	—	—	—	—
Total operating expenses	48,650	(4,267)	44,383	50,547	(4,355)	46,192
Income from operations	\$ 8,580	\$ 5,084	\$ 13,664	\$ 5,999	\$ 5,165	\$ 11,164
Adjusted EBITDA	N/A	N/A	\$ 21,860	N/A	\$	19,339

% of Revenue

Gross Margin	45.6 %		46.2 %	45.0 %		45.7 %
Marketing and sales	18.0 %		17.4 %	18.5 %		17.9 %
Research and development	7.8 %		7.2 %	8.5 %		8.0 %
General and administrative	12.9 %		10.7 %	13.2 %		10.9 %
Closure of Japan business	— %		— %	— %		— %
Total operating expenses	38.7 %		35.3 %	40.2 %		36.8 %
Income from operations	6.8 %		10.9 %	4.8 %		8.9 %
Adjusted EBITDA	N/A		17.4 %	N/A		15.4 %

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

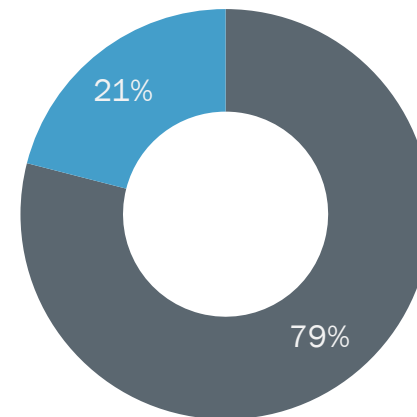


Revenue by Region | Q3 2024

	Q3 2024	Q3 2023	YoY Change Overall	YoY Change Constant Fx*
Americas	\$99.6	\$103.9	(4)%	(4)%
Europe	\$26.0	\$26.8	(3)%	(4)%
Total	\$125.6	\$130.7	(4)%	(4)%

Revenue % by Region

Q3 2024



■ Americas ■ Europe

**YoY change reflected in constant currencies;
see reconciliation in appendix*



GAAP to Non-GAAP Reconciliations



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 September 30, 2024			Three Months Ended September 30, 2023	% Change ²	% Change Organic ³
	GAAP	Foreign Currency ¹	Non-GAAP	GAAP		
Revenues						
United States	\$ 99,571	\$ -	\$ 99,571	\$ 103,940	(4.2%)	(4.2%)
Europe	26,048	(474)	25,574	26,765	(2.7%)	(4.4%)
Total revenue	<u>\$ 125,619</u>	<u>\$ (474)</u>	<u>\$ 125,145</u>	<u>\$ 130,705</u>	(3.9%)	(4.3%)

1. Revenue for the three months ended September 30, 2024 has been recalculated using 2023 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 months ended September 30, 2023 to GAAP revenue for the three months ended September 30, 2024.
3. This column presents the percentage change from GAAP revenue for the three months ended September 30, 2023 to non-GAAP revenue for the three months ended September 30, 2024 (as recalculated using the foreign currency exchange rates in effect during the three months ended September 30, 2023) 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 September 30, 2024			Three Months Ended September 30, 2023		% Change ²	% Change Organic ³
	GAAP	Foreign Currency ¹	Non-GAAP	GAAP			
Revenues							
Injection Molding	\$ 46,831	\$ (198)	\$ 46,633	\$ 51,688		(9.4%)	(9.8%)
CNC Machining	53,327	(160)	53,167	52,916		0.8	0.5
3D Printing	21,437	(108)	21,329	21,622		(0.9)	(1.4)
Sheet Metal	3,743	(4)	3,739	4,291		(12.8)	(12.9)
Other Revenue	281	(4)	277	188		49.5	47.3
Total Revenue	<u>\$ 125,619</u>	<u>\$ (474)</u>	<u>\$ 125,145</u>	<u>\$ 130,705</u>		(3.9%)	(4.3%)

1. Revenue for the three months ended September 30, 2024 has been recalculated using 2023 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 months ended September 30, 2023 to GAAP revenue for the three months ended September 30, 2024.
3. This column presents the percentage change from GAAP revenue for the three months ended September 30, 2023 to non-GAAP revenue for the three months ended September 30, 2024 (as recalculated using the foreign currency exchange rates in effect during the three months ended September 30, 2023) 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 September 30,	
	2024	2023
Revenue	\$ 125,619	\$ 130,705
Gross profit	57,230	59,282
GAAP gross margin	45.6%	45.4%
Add back:		
Stock-based compensation expense	474	462
Amortization expense	343	343
Total adjustments	817	805
Non-GAAP gross profit	\$ 58,047	\$ 60,087
Non-GAAP gross margin	46.2%	46.0%



GAAP to NON-GAAP Reconciliation | Operating Margin

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

	Three Months Ended	
	September 30,	
	2024	2023
Revenue	\$ 125,619	\$ 130,705
Income from operations	8,580	10,415
GAAP operating margin	6.8%	8.0%
Add back:		
Stock-based compensation expense	4,196	4,441
Amortization expense	888	1,461
Costs related to Japan closure activities	-	22
Total adjustments	5,084	5,924
Non-GAAP income from operations	\$ 13,664	\$ 16,339
Non-GAAP operating margin	10.9%	12.5%



GAAP to NON-GAAP Reconciliation | EBITDA

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

	Three Months Ended	
	September 30,	
	2024	2023
Revenue	\$ 125,619	\$ 130,705
GAAP net income	7,189	7,954
GAAP net income margin	5.7%	6.1%
Add back:		
Amortization expense	\$ 888	\$ 1,461
Depreciation expense	8,021	7,869
Interest income, net	(1,287)	(561)
Provision for income taxes	2,679	2,781
EBITDA	<u>17,490</u>	<u>19,504</u>
EBITDA Margin	13.9%	14.9%
Add back:		
Stock-based compensation expense	4,196	4,441
Unrealized (gain) loss on foreign currency	174	(29)
Costs related to Japan closure activities	-	22
Total adjustments	<u>4,370</u>	<u>4,434</u>
Adjusted EBITDA	<u>\$ 21,860</u>	<u>\$ 23,938</u>
Adjusted EBITDA Margin	17.4%	18.3%



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 September 30,	
	2024	2023
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	\$ 7,189	\$ 7,954
Add back:		
Stock-based compensation expense	4,196	4,441
Amortization expense	888	1,461
Unrealized (gain) loss on foreign currency	174	(29)
Costs related to Japan closure activities	—	22
Total adjustments ¹	5,258	5,895
Income tax benefits on adjustments ²	(627)	(633)
Non-GAAP net income	<u>\$ 11,820</u>	<u>\$ 13,216</u>
Non-GAAP net income per share:		
Basic	<u>\$ 0.47</u>	<u>\$ 0.51</u>
Diluted	<u>\$ 0.47</u>	<u>\$ 0.51</u>
Shares used to compute non-GAAP net income per share:		
Basic	24,980,536	26,023,830
Diluted	25,022,485	26,028,456

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 September 30,	
	2024	2023
Cost of revenue	\$ 817	\$ 805
Marketing and sales	727	961
Research and development	671	675
General and administrative	2,869	3,461
Closure of Japan business	—	22
Total operating expenses	4,267	5,119
Other income (loss), net	174	(29)
Total adjustments	<u>\$ 5,258</u>	<u>\$ 5,895</u>

2. For the three months ended September 30, 2024 and 2023, 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.



GAAP to NON-GAAP Reconciliation | Q4 2024 Outlook

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

	Q4 2024 Outlook	
	Low	High
GAAP diluted net income per share	\$ 0.10	\$ 0.18
Add back:		
Stock-based compensation expense	0.15	0.15
Amortization expense	0.03	0.03
Unrealized (gain) loss on foreign currency	<u>0.00</u>	<u>0.00</u>
Total adjustments	0.18	0.18
Non-GAAP diluted net income per share	\$ 0.28	\$ 0.36

