



Earnings Presentation

Q2 2023

August 4, 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 – Q2 Update

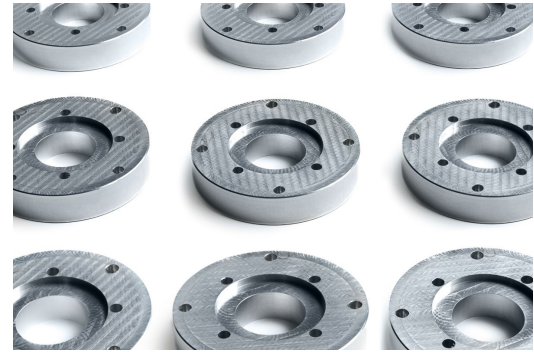


- ▶ **Focused Priority Growth Areas**
 - ▶ Injection Molding
 - ▶ Combined factory and network offer gaining traction
 - ▶ CNC Machining – integrated comprehensive offer powered by Hubs network
 - ▶ Strong growth in Q2 2023 driven by cross-selling between digital factory and digital network

- ▶ **Financial Strategy** – optimize value creation for shareholders through the following objectives:
 - ▶ Execute on business plan – outperformed Q2 2023 earnings expectations
 - ▶ Strong cash flow generation – \$9M in cash from operations in Q2 2023
 - ▶ Accelerated share repurchase program

Launch of Quick-Turn Anodizing

- ▶ We now offer accelerated anodizing and chromate plating on aluminum components in as fast as 4 days
- ▶ The added capability builds out our comprehensive CNC machining offer, which includes high-requirement plating options for AS9100 and ITAR needs, complex anodizing and plating, and specialized materials and colors
- ▶ Key industries served:
 - ▶ Aerospace
 - ▶ Automotive
 - ▶ Medical
 - ▶ Computer Electronics
- ▶ Officially launched on July 17



CUSTOMER VALUE

Prototyping to Production

CHALLENGE

- ▶ Supplier of innovative lighting solutions for the automotive industry needed a manufacturing partner that could support a program from **prototyping into production**
- ▶ Some parts were **too large and complex** to mold through digital factories

SOLUTION

- ▶ Prototyping components with 3D printing and injection molding at **digital factories**
- ▶ Large parts in need of family tools molded through our **digital network** due to expanded capabilities

VALUE DELIVERED

- ▶ Being a prototyping-to-production solution of **plastic components from design to delivery** allowed customer to **focus time and resources in other areas**

Quick Stats

Automotive
Supplier



Injection
Molding



3D Printing



CUSTOMER VALUE

Speed x Cost Efficiency

AIRBUS

CHALLENGE

- ▶ Airbus needed prototype kits manufactured to help validate design for transportation project
- ▶ The aerospace company needed **quick turn prototyped parts** for test trials, followed by **production parts** as the project developed

SOLUTION

- ▶ Initially vetted as a **digital network** customer with sample run of kits before shifting to our **digital factory** for rapid prototyping of test parts
- ▶ Once quick-turn parts were delivered, Airbus transitioned to our **digital network** to manufacture higher production volumes

VALUE DELIVERED

- ▶ Early rapid prototyping got components in the team's hands **fast so product development could continue as planned**, and then followed the order with a larger batch of more **cost-efficient production components**

Quick Stats

Aerospace



CNC
Machining



Protolabs Q2 Awards

2023 Frost & Sullivan Company of the Year for Digital Manufacturing

- ▶ Frost & Sullivan is a leading growth advisory and opportunity analytics firm
- ▶ Protolabs excelled across categories focused on visionary innovation, performance, and customer impact

Manufacturing Leadership Council's Manufacturing Leadership Award: Digital Supply Chain

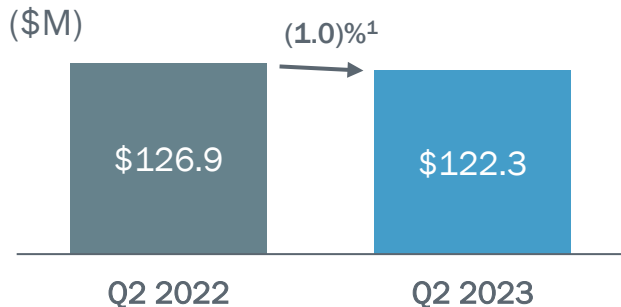
- ▶ National Association of Manufacturer's Manufacturing Leadership Council honors manufacturing excellence annually
- ▶ Honored for our "Factory-Network" offering in the "Digital Supply Chain" category highlighting resilient, agile, responsive supply networks that are flexible and responsive



Q2 2023 Overview

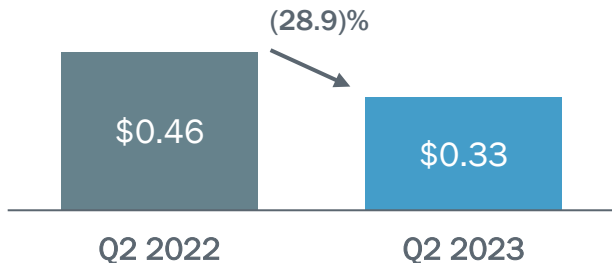


Revenue



- Revenue of **\$122.3 million**, down **(1.0)%¹** YoY
 - Growth in CNC machining and 3D printing offset by year-over-year declines in injection molding and sheet metal
 - Hubs generated growth of 79.7% YoY in constant currencies

Non-GAAP EPS*



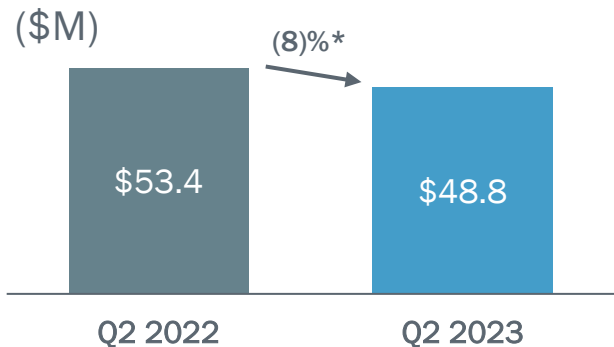
- Non-GAAP EPS of **\$0.33**, down **\$(0.13)** YoY
 - Second quarter non-GAAP EPS above mid-point of guidance range, driven by network growth and gross margin expansion
 - YoY decrease driven by lower volume and customer order preference mix shift
 - Non-GAAP EPS up \$0.03, or 11.7% sequentially

**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.*

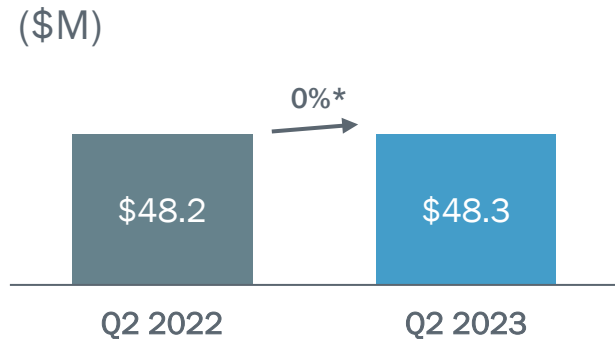
¹ YoY revenue growth in constant currencies and excluding Japan



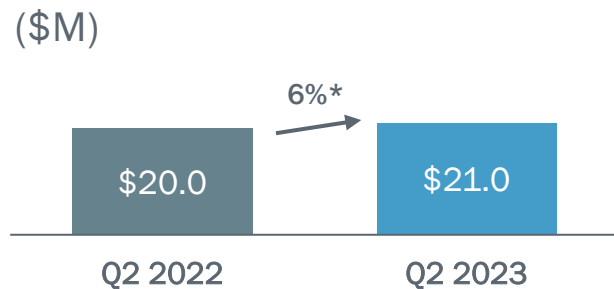
Injection Molding - Revenue



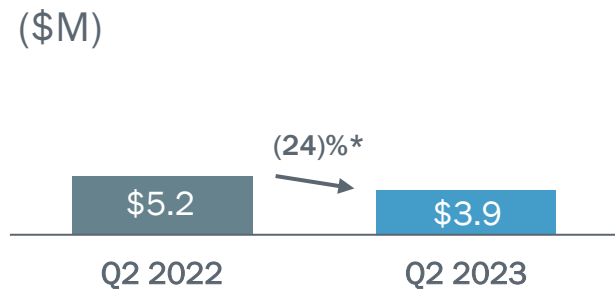
CNC Machining - Revenue



3D Printing - Revenue



Sheet Metal - Revenue

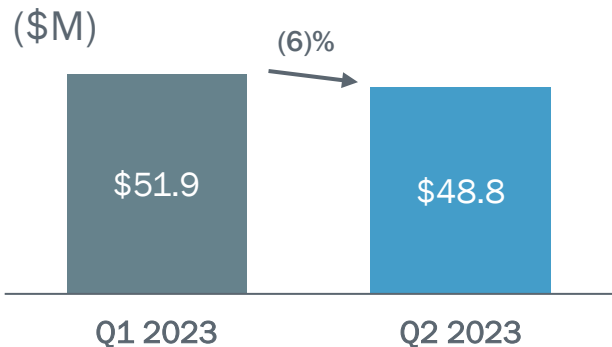


*YoY change reflected in constant currencies

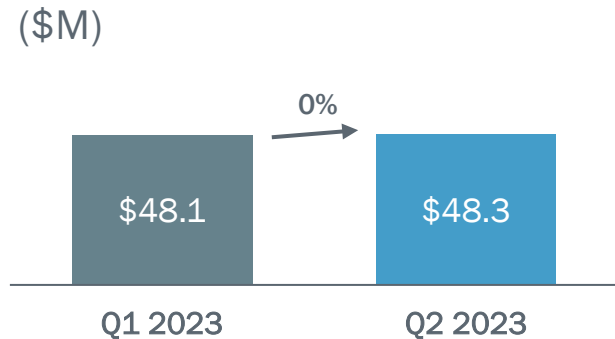
See reconciliation in Appendix.



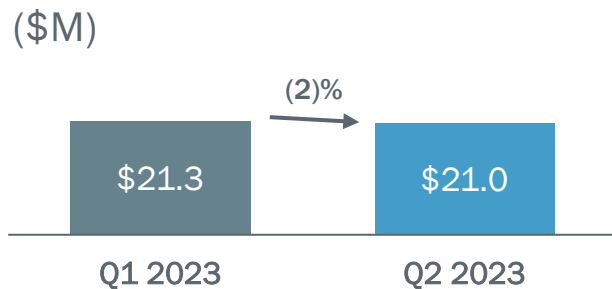
Injection Molding - Revenue



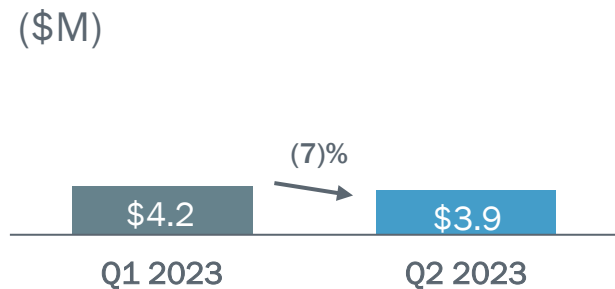
CNC Machining - Revenue



3D Printing - Revenue



Sheet Metal - Revenue

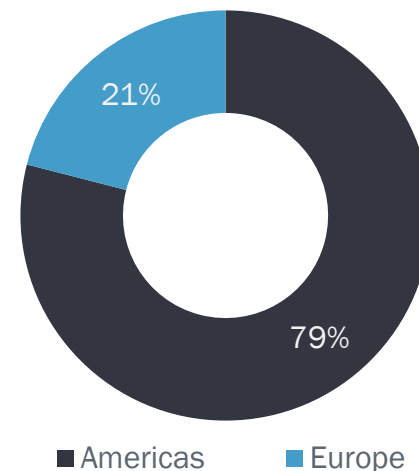


Revenue by Region | Q2 2023



\$M	Q2 23	Q2 22	YoY Change Overall	YoY Change Constant Fx*	YoY Change Constant Fx* Excl. Japan
Americas	\$96.3	\$100.7	(4)%	(4)%	
Europe	\$25.9	\$23.4	11%	13%	
Japan	-	\$2.9	(100)%	(100)%	
TOTAL	\$122.3	\$126.9	(4)%	(3)%	(1)%

Revenue % by Region Q2 2023



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

Q2 2023

Detailed Financial Information

Financial Results | Q2 2023



\$M, Except per share amounts	Q2 23	Q1 23	QoQ Change	Q2 22	YoY Change
Revenue	\$122.3	\$125.9	(2.9)%	\$126.9	(3.7)%
Non-GAAP Gross Margin*	44.1%	43.4%	70 bps	45.9%	(180) bps
Non-GAAP Operating Margin*	8.9%	7.2%	170 bps	12.6%	(370) bps
Non-GAAP Earnings Per Share*	\$0.33	\$0.30	11.7%	\$0.46	(28.9)%

*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.

YoY GAAP to Non-GAAP P&L | Q2 2023



\$ in thousands	Three Months Ended Jun. 30, 2023			Three Months Ended Jun. 30, 2022		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$122,265	-	\$122,265	\$126,902	-	\$126,902
Cost of Revenue	<u>69,142</u>	<u>(803)</u>	<u>68,339</u>	<u>69,480</u>	<u>(870)</u>	<u>68,610</u>
Gross Profit	\$53,123	\$803	\$53,926	\$57,422	\$870	\$58,292
Marketing and Sales	21,730	(855)	20,875	21,055	(813)	20,242
Research and Development	9,865	(641)	9,224	9,450	(471)	8,979
General and Administrative	15,822	(2,861)	12,961	16,522	(3,404)	13,118
Disposal of Japan Business	<u>98</u>	<u>(98)</u>	-	<u>5,194</u>	<u>(5,194)</u>	-
Total Operating Expenses	<u>47,515</u>	<u>(4,455)</u>	<u>43,060</u>	<u>52,221</u>	<u>(9,882)</u>	<u>42,339</u>
Income from Operations	\$5,608	\$5,258	\$10,866	\$5,201	\$10,752	\$15,953
Adjusted EBITDA	N/A	N/A	\$19,229	N/A	N/A	\$24,591

% of Revenue

Gross Margin	43.4%		44.1%	45.2%		45.9%
Marketing and Sales	17.8%		17.1%	16.6%		16.0%
Research and Development	8.1%		7.5%	7.4%		7.1%
General and Administrative	12.9%		10.6%	13.0%		10.3%
Disposal of Japan Business	<u>0.1%</u>		<u>0.0%</u>	<u>4.1%</u>		<u>0.0%</u>
Total Operating Expenses	<u>38.9%</u>		<u>35.2%</u>	<u>41.2%</u>		<u>33.4%</u>
Income from Operations	4.6%		8.9%	4.1%		12.6%
Adjusted EBITDA	N/A		15.7%	N/A		19.4%

*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.

QoQ GAAP to Non-GAAP P&L | Q2 2023



\$ in thousands	Three Months Ended Jun. 30, 2023			Three Months Ended Mar. 31, 2023		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$122,265	-	\$122,265	\$125,859	-	\$125,859
Cost of Revenue	<u>69,142</u>	<u>(803)</u>	<u>68,339</u>	<u>72,083</u>	<u>(808)</u>	<u>71,275</u>
Gross Profit	\$53,123	\$803	\$53,926	\$53,776	\$808	\$54,584
Marketing and Sales	21,730	(855)	20,875	22,451	(692)	21,759
Research and Development	9,865	(641)	9,224	10,677	(572)	10,105
General and Administrative	15,822	(2,861)	12,961	16,833	(3,149)	13,684
Disposal of Japan Business	<u>98</u>	<u>(98)</u>	-	<u>66</u>	<u>(66)</u>	-
Total Operating Expenses	<u>47,515</u>	<u>(4,455)</u>	<u>43,060</u>	<u>50,027</u>	<u>(4,479)</u>	<u>45,548</u>
Income from Operations	\$5,608	\$5,258	\$10,866	\$3,749	\$5,287	\$9,036
Adjusted EBITDA	N/A	N/A	\$19,229	N/A	N/A	\$17,767
% of Revenue						
Gross Margin	43.4%		44.1%	42.7%		43.4%
Marketing and Sales	17.8%		17.1%	17.8%		17.3%
Research and Development	8.1%		7.5%	8.5%		8.0%
General and Administrative	12.9%		10.6%	13.4%		10.9%
Disposal of Japan Business	<u>0.1%</u>		<u>0.0%</u>	<u>0.1%</u>		<u>0.0%</u>
Total Operating Expenses	<u>38.9%</u>		<u>35.2%</u>	<u>39.7%</u>		<u>36.2%</u>
Income from Operations	4.6%		8.9%	3.0%		7.2%
Adjusted EBITDA	N/A		15.7%	N/A		14.1%

*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 | Q2 2023



\$M	Q2 23	Q1 23	Q2 22
Operating Cash Flow	\$9.3	\$22.6	\$13.3
Capital Expenditures	\$3.4	\$3.4	\$3.0
Share Repurchases	\$8.9	\$21.1	\$5.2
Cash and Investments*	\$102.8	\$104.7	\$110.1
Debt*	\$0	\$0	\$0

Q3 2023

Financial Outlook



Q3 2023 Revenue

Revenue \$118M - \$126M

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

Q3 2023 Non-GAAP* EPS

Non-GAAP EPS \$0.26 - \$0.34

% Growth YoY (34)% - (14)%

Q3 2023 Outlook Commentary*

- ▶ Expect foreign currency to have a \$1.5 to \$2.0 million favorable impact on Q3 2023 revenue
- ▶ Japan closure expected to have a \$1.3 million unfavorable impact on Q3 2023 revenue
- ▶ Expect Non-GAAP tax rate of 24% +/- 50 bps
- ▶ Expect Q3 2023 diluted shares outstanding of approximately 25.9 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



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

	Three Months Ended June 30, 2023			Three Months Ended June 30, 2022		%	% Change Organic ³
	GAAP	Foreign Currency ¹	Non-GAAP	GAAP	Change ²		
	Revenues						
United States	\$ 96,321	\$ -	\$ 96,321	\$ 100,655	(4.3) %	(4.3) %	
Europe	25,944	512	26,456	23,391	10.9	13.1	
Japan	-	-	-	2,856	(100.0)	(100.0)	
Total Revenue	\$ 122,265	\$ 512	\$ 122,777	\$ 126,902	(3.7) %	(3.3) %	

¹ Revenue for the three month period ended June 30, 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 June 30, 2022 to GAAP revenue for the three month period ended June 30, 2023.

³ This column presents the percentage change from GAAP revenue for the three month period ended June 30, 2022 to non-GAAP revenue for the three month period ended June 30, 2023 (as recalculated using the foreign currency exchange rates in effect during the three-month period ended June 30, 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 June 30, 2023			Three Months Ended June 30, 2022		%	%	
	GAAP	Foreign Currency ¹	Non-GAAP	GAAP	Change ²			Change ³
	Revenues							
Injection Molding	\$ 48,819	\$ 257	\$ 49,076	\$ 53,355	(8.5) %	(8.0) %		
CNC Machining	48,297	125	48,422	48,222	0.2	0.4		
3D Printing	21,005	131	21,136	19,963	5.2	5.9		
Sheet Metal	3,939	1	3,940	5,160	(23.7)	(23.6)		
Other	205	(2)	203	202	1.5	0.5		
Total Revenue	<u>\$ 122,265</u>	<u>\$ 512</u>	<u>\$ 122,777</u>	<u>\$ 126,902</u>	(3.7) %	(3.3) %		

¹ Revenue for the three-month period ended June 30, 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 June 30, 2022 to GAAP revenue for the three-month period ended June 30, 2023.

³ This column presents the percentage change from GAAP revenue for the three-month period ended June 30, 2022 to non-GAAP revenue for the three-month period ended June 30, 2023 (as recalculated using the foreign currency exchange rates in effect during the three-month period ended June 30, 2022) 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	
	June 30,	
	<u>2023</u>	<u>2022</u>
Revenue	\$ 122,265	\$ 126,902
Gross Profit	<u>53,123</u>	<u>57,422</u>
GAAP gross margin	43.4%	45.2%
Add back:		
Stock-based compensation expense	461	528
Amortization expense	<u>342</u>	<u>342</u>
Total adjustments	803	870
Non-GAAP gross profit	<u>\$ 53,926</u>	<u>\$ 58,292</u>
Non-GAAP gross margin	44.1%	45.9%

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

	Three Months Ended	
	June 30,	
	<u>2023</u>	<u>2022</u>
Revenue	\$ 122,265	\$ 126,902
Revenue excluding Japan	\$ 122,265	\$ 124,046
Gross Profit	<u>53,123</u>	<u>57,422</u>
GAAP gross margin	43.4%	45.2%
Less: Japan gross profit	<u>-</u>	<u>1,063</u>
Gross Profit excluding Japan	53,123	56,359
GAAP gross margin excluding Japan	43.4%	45.4%
Add back:		
Stock-based compensation expense	461	528
Amortization expense	342	342
Less:		
Japan stock-based compensation expense	-	22
Japan amortization expense	<u>-</u>	<u>-</u>
Total adjustments	803	848
Non-GAAP gross profit excluding Japan	<u>\$ 53,926</u>	<u>\$ 57,207</u>
Non-GAAP gross margin excluding Japan	44.1%	46.1%

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,	
	2023	2022
Revenue	\$ 122,265	\$ 126,902
Income from operations	<u>5,608</u>	<u>5,201</u>
GAAP operating margin	4.6%	4.1%
Add back:		
Stock-based compensation expense	3,675	4,031
Amortization expense	1,484	1,527
Costs related to Japan closure activities	<u>98</u>	<u>5,194</u>
Total adjustments	5,257	10,752
Non-GAAP income from operations	<u>\$ 10,865</u>	<u>\$ 15,953</u>
Non-GAAP operating margin	8.9%	12.6%

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

	Three Months Ended June 30,	
	2023	2022
Revenue	\$ 122,265	\$ 126,902
Revenue excluding Japan	\$ 122,265	\$ 124,046
Income from operations	<u>5,608</u>	<u>5,201</u>
GAAP operating margin	4.6%	4.1%
Less: Japan (loss) income from operations	<u>(128)</u>	<u>(542)</u>
Income from operations excluding Japan	5,736	5,743
GAAP operating margin excluding Japan	4.7%	4.6%
Add back:		
Stock-based compensation expense	3,675	4,031
Amortization expense	1,484	1,527
Costs related to Japan closure activities	98	5,194
Less:		
Japan stock-based compensation expense	7	147
Japan amortization expense	<u>-</u>	<u>-</u>
Total adjustments	5,250	10,605
Non-GAAP income from operations excluding Japan	<u>\$ 10,986</u>	<u>\$ 16,348</u>
Non-GAAP operating margin excluding Japan	9.0%	13.2%



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

	Three Months Ended	
	June 30,	
	2023	2022
Revenue	\$ 122,265	\$ 126,902
GAAP net (loss) income	(383)	2,557
GAAP net (loss) income margin	-0.3%	2.0%
Add back:		
Amortization expense	\$ 1,484	\$ 1,527
Depreciation expense	8,011	8,515
Interest income, net	(372)	(149)
Provision for income taxes	2,623	2,645
EBITDA	11,363	15,095
EBITDA Margin	9.3%	11.9%
Add back:		
Stock-based compensation expense	3,675	4,031
Unrealized (gain) loss on foreign currency	187	271
Costs related to Japan closure activities	4,004	5,194
Total adjustments	7,866	9,496
Adjusted EBITDA	\$ 19,229	\$ 24,591
Adjusted EBITDA Margin	15.7%	19.4%

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 June 30,	
	<u>2023</u>	<u>2022</u>
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 (loss) income	\$ (383)	\$ 2,557
Add back:		
Stock-based compensation expense	3,675	4,031
Amortization expense	1,484	1,527
Unrealized (gain) loss on foreign currency	187	271
Costs related to Japan closure activities	4,004	5,194
Total adjustments ¹	9,350	11,023
Income tax benefits on adjustments ²	(296)	(776)
Non-GAAP net income	<u>\$ 8,671</u>	<u>\$ 12,804</u>
Non-GAAP net income per share:		
Basic	<u>\$ 0.33</u>	<u>\$ 0.47</u>
Diluted	<u>\$ 0.33</u>	<u>\$ 0.46</u>
Shares used to compute non-GAAP net income per share:		
Basic	26,210,478	27,530,739
Diluted	26,224,562	27,536,823

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 June 30,	
	<u>2023</u>	<u>2022</u>
Cost of revenue	\$ 803	\$ 870
Marketing and sales	855	813
Research and development	641	471
General and administrative	2,861	3,404
Closure of Japan business	98	5,194
Total operating expenses	4,455	9,882
Other (income) expense, net	4,092	271
Total adjustments	<u>\$ 9,350</u>	<u>\$ 11,023</u>

² For the three months ended June 30, 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)

	Q3 2023 Guidance	
	Low	High
GAAP diluted earnings per share	\$ 0.07	\$ 0.15
Add back:		
Stock-based compensation expense	0.14	0.14
Amortization expense	0.05	0.05
Unrealized (gain) loss on foreign currency	<u>0.00</u>	<u>0.00</u>
Total adjustments	<u>0.19</u>	<u>0.19</u>
Non-GAAP diluted earnings per share	<u>\$ 0.26</u>	<u>\$ 0.34</u>