



Earnings Presentation

Q4 and FY 2020

February 12, 2021





SAFE HARBOR

These slides and accompanying oral presentation 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 Form 10-K for the year ended December 31, 2019 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.

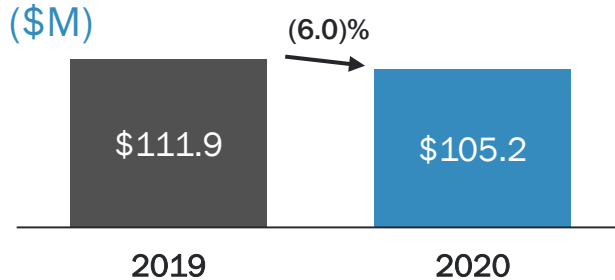


Q4 2020 OVERVIEW



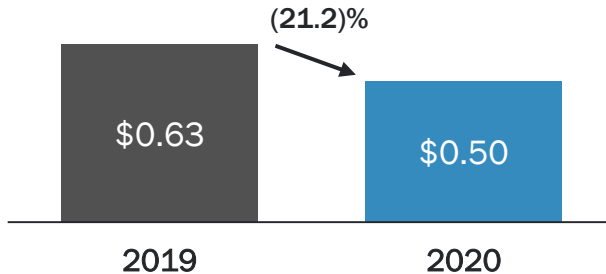
FINANCIAL HIGHLIGHTS | Q4 2020

Revenue



- Revenue of \$105.2 million, down (6.0)% YoY
 - Sequential revenue decrease of (2.1)%
 - 18,157 unique product developers served

Non-GAAP EPS*



- Non-GAAP EPS of \$0.50, down \$(0.13) YoY
 - YoY decline primarily due to:
 - Increased Protolabs 2.0 expenses
 - Lower volume

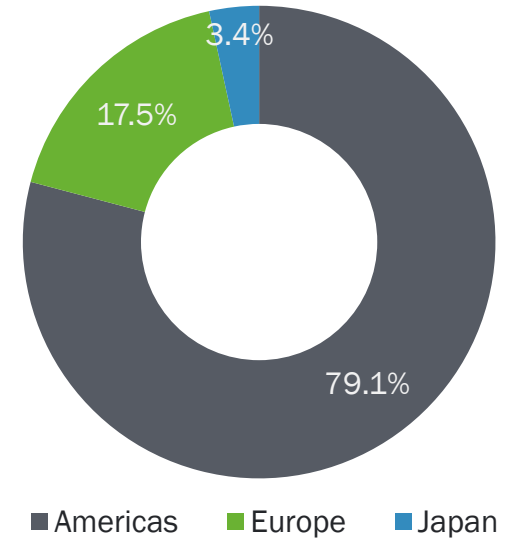
*Non-GAAP: adjusted for stock-based compensation, intangible amortization, transaction expenses, and unrealized (gain) loss on foreign currency. See reconciliation in Appendix.



REGIONAL REVENUE | Q4 2020

(\$M)	Q4 20	Q4 19	YoY CHANGE*
Americas	\$83.2	\$88.3	(6)%
Europe	\$18.4	\$19.9	(12)%
Japan	\$3.6	\$3.7	(5)%
TOTAL	\$105.2	\$111.9	(7)%

Revenue % by Region Q4 2020

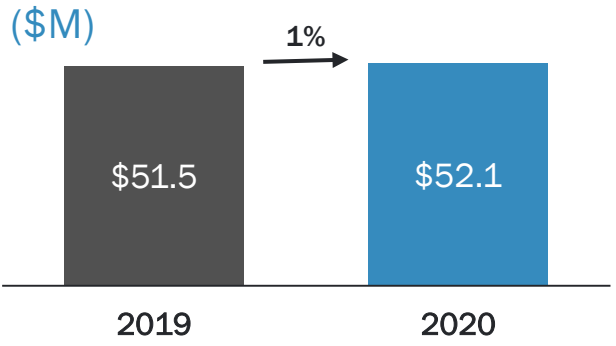


*YoY change reflected in constant currency
See reconciliation in Appendix.

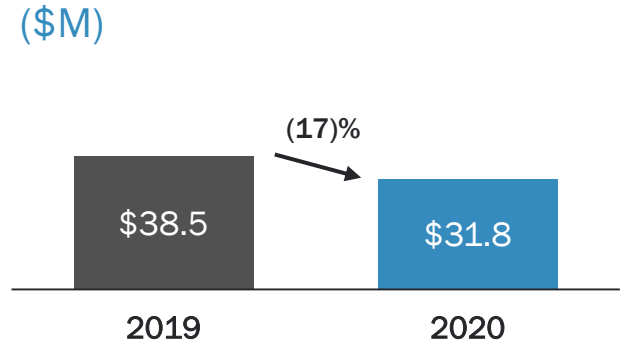


REVENUE BY SERVICE | Q4 2020

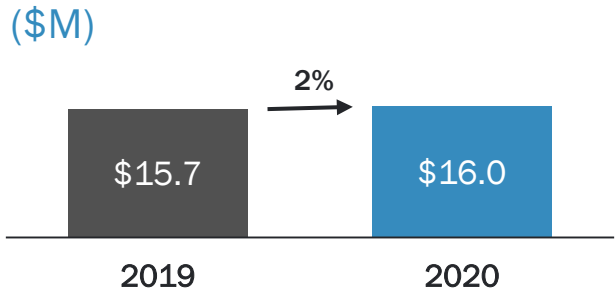
Injection Molding - Revenue



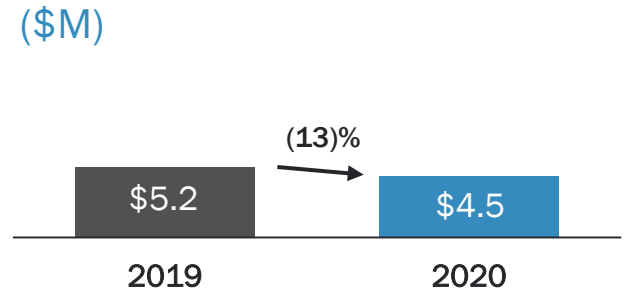
CNC Machining - Revenue



3D Printing - Revenue



Sheet Metal - Revenue



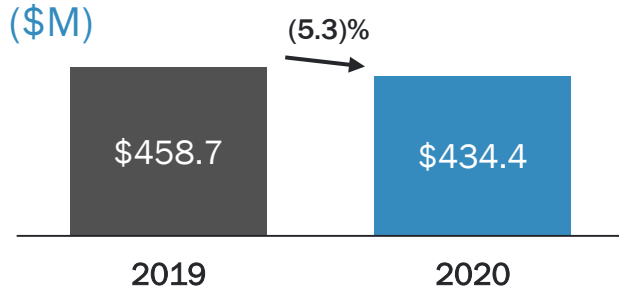


FY 2020 OVERVIEW



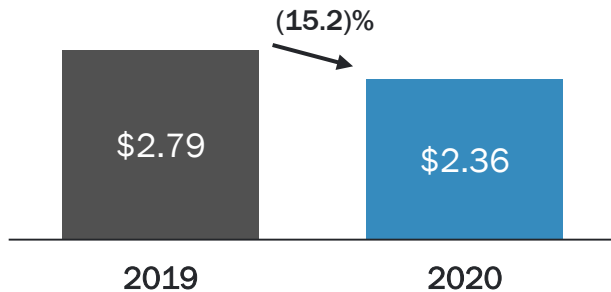
FINANCIAL HIGHLIGHTS | FY 2020

Revenue



- Revenue of \$434.4 million, down (5.3)% YoY
 - Customer demand declined due to the onset of the COVID-19 pandemic
 - \$18 million in COVID-related revenue
 - Over 40,267 unique product developers served

Non-GAAP EPS*



- Non-GAAP EPS of \$2.36, down \$(0.42) YoY
 - YoY decline due to:
 - Lower volume
 - Increased Protolabs 2.0 expenses
 - Offset by reduced discretionary spend

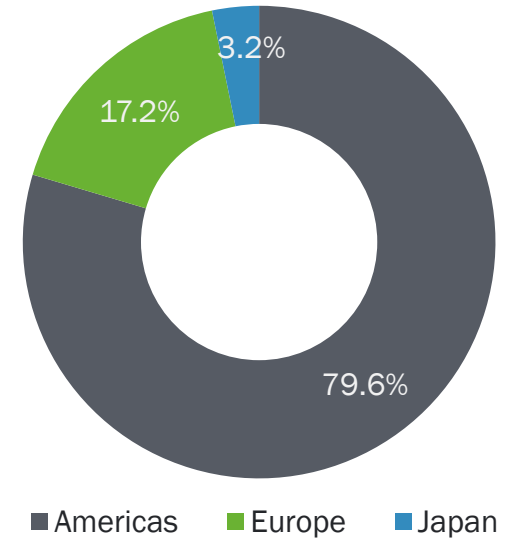
*Non-GAAP: adjusted for stock-based compensation, intangible amortization, transaction expenses, and unrealized (gain) loss on foreign currency. See reconciliation in Appendix.



REGIONAL REVENUE | FY 2020

(\$M)	FY 2020	FY 2019	YoY CHANGE*
Americas	\$345.7	\$360.2	(4)%
Europe	\$74.8	\$82.8	(11)%
Japan	\$13.9	\$15.7	(14)%
TOTAL	\$434.4	\$458.7	(6)%

Revenue % by Region
FY 2020



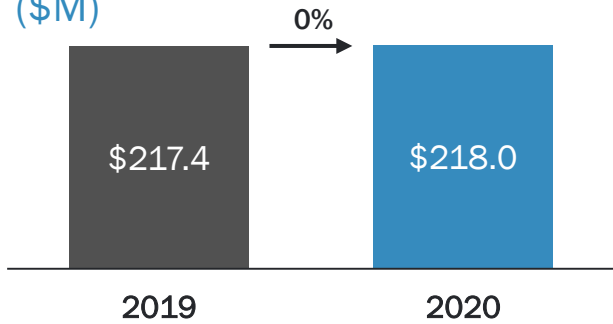
*YoY change reflected in constant currency
See reconciliation in Appendix.



REVENUE BY SERVICE | FY 2020

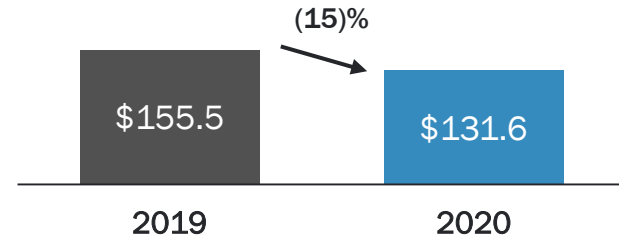
Injection Molding - Revenue

(\$M)



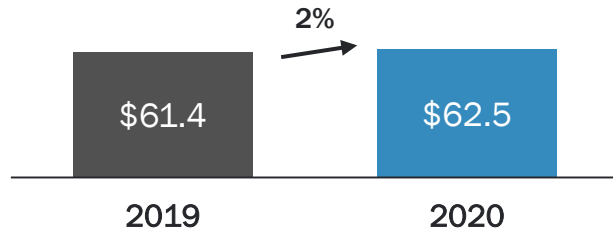
CNC Machining - Revenue

(\$M)



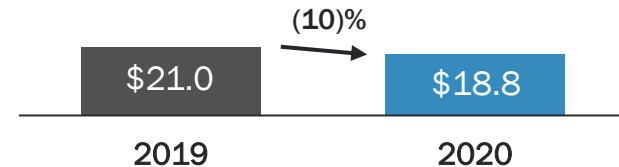
3D Printing - Revenue

(\$M)



Sheet Metal - Revenue

(\$M)





Q4 2020

DETAILED FINANCIAL INFORMATION



FINANCIAL RESULTS | Q4 2020

\$M, EXCEPT PER SHARE AMOUNTS	Q4 20	Q3 20	SEQ. CHANGE	Q4 19	YoY CHANGE
Revenue	\$105.2	\$107.5	(2.1)%	\$111.9	(6.0)%
Non-GAAP Gross Margin*	51.0%	51.7%	(70) bps	51.4%	(40) bps
Non-GAAP Operating Margin*	15.4%	20.8%	(540) bps	19.2%	(380) bps
Non-GAAP Earnings Per Share*	\$0.50	\$0.67	(25.3)%	\$0.63	(21.2)%

*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 | Q4 2020

\$ in thousands	Three Months Ended Dec. 31, 2020			Three Months Ended Sept. 30, 2020		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$105,208	-	\$105,208	\$107,504	-	\$107,504
Cost of Revenue	52,580	(1,032)	51,548	52,861	(989)	51,872
Gross Profit	\$52,628	\$1,032	\$53,660	\$54,643	\$989	\$55,632
Marketing and Sales	17,488	(888)	16,600	16,705	(865)	15,840
Research and Development	11,390	(675)	10,715	7,915	(638)	7,277
General and Administrative	12,759	(2,642)	10,117	12,354	(2,207)	10,147
Total Operating Expenses	41,637	(4,205)	37,432	36,974	(3,710)	33,264
Income from Operations	\$10,991	\$5,237	\$16,228	\$17,669	\$4,699	\$22,368
Adjusted EBITDA	N/A	N/A	\$24,235	N/A	N/A	\$30,039
<u>% of Revenue</u>						
Gross Profit	50.0%		51.0%	50.8%		51.7%
Marketing and Sales	16.6%		15.8%	15.5%		14.7%
Research and Development	10.8%		10.2%	7.4%		6.8%
General and Administrative	12.1%		9.6%	11.5%		9.4%
Total Operating Expenses	39.6%		35.6%	34.4%		30.9%
Income from Operations	10.4%		15.4%	16.4%		20.8%
Adjusted EBITDA	N/A		23.0%	N/A		27.9%

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



CASH FLOW and BALANCE SHEET | Q4 2020

\$M	Q4 20	Q3 20	Q4 19
Operating Cash Flow	\$24.6	\$29.0	\$32.3
Capital Expenditures	\$6.5	\$7.2	\$16.1
Share Repurchases	\$0	\$0	\$0
Cash and Investments*	\$221.0	\$200.6	\$173.6
Debt*	\$0	\$0	\$0

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



FY 2020

DETAILED FINANCIAL INFORMATION



FINANCIAL RESULTS | FY 2020

\$M, EXCEPT PER SHARE AMOUNTS	FY 2020	FY 2019	YoY CHANGE
Revenue	\$434.4	\$458.7	(5.3)%
Non-GAAP Gross Margin*	51.0%	52.0%	(100) bps
Non-GAAP Operating Margin*	17.9%	20.5%	(260) bps
Non-GAAP Earnings Per Share*	\$2.36	\$2.79	(15.2)%

*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 | FY 2020

\$ in thousands	Twelve Months Ended Dec. 31, 2020			Twelve Months Ended Dec. 31, 2019		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$434,395	-	\$434,395	\$458,728	-	\$458,728
Cost of Revenue	216,568	(3,820)	212,748	223,438	(3,335)	220,103
Gross Profit	\$217,827	\$3,820	\$221,647	\$235,290	\$3,335	\$238,625
Marketing and Sales	69,309	(3,121)	66,188	72,976	(2,631)	70,345
Research and Development	36,940	(2,441)	34,499	32,692	(1,851)	30,841
General and Administrative	51,742	(8,734)	43,008	49,766	(6,446)	43,320
Total Operating Expenses	157,991	(14,296)	143,695	155,434	(10,928)	144,506
Income from Operations	\$59,836	\$18,116	\$77,952	\$79,856	\$14,263	\$94,119
Adjusted EBITDA	N/A	N/A	\$107,934	N/A	N/A	\$121,421
<u>% of Revenue</u>						
Gross Profit	50.1%		51.0%	51.3%		52.0%
Marketing and Sales	16.0%		15.2%	15.9%		15.3%
Research and Development	8.5%		7.9%	7.1%		6.7%
General and Administrative	11.9%		9.9%	10.8%		9.4%
Total Operating Expenses	36.4%		33.1%	33.9%		31.5%
Income from Operations	13.8%		17.9%	17.4%		20.5%
Adjusted EBITDA	N/A		24.8%	N/A		26.5%

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



CASH FLOW and BALANCE SHEET | FY 2020

\$M	FY 2020	FY 2019
Operating Cash Flow	\$107.0	\$116.1
Capital Expenditures	\$47.0	\$62.2
Share Repurchases	\$14.7	\$33.5
Cash and Investments*	\$221.0	\$173.6
Debt*	\$0	\$0

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

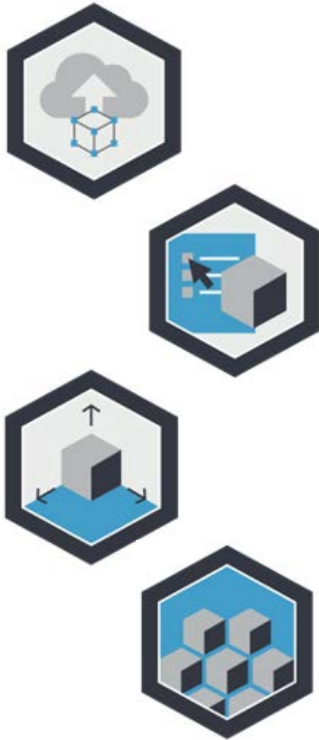


Long-Term Strategy & 2021 Priorities





LONG-TERM STRATEGY & 2021 PRIORITIES



Long-Term Strategic Objectives

- 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

2021 Priorities

- Successfully launch and acclimate to Protolabs 2.0
- Transition many of the project resources to internal roadmap projects to improve customer experience and expand our offer
- Develop and initiate a plan to effectively integrate with 3D Hubs; create immediate value where possible
- Support our employees and drive professional and personal growth



PROTOLABS 2.0 | OVERVIEW

Background

- Legacy systems evolved slowly and incrementally
 - Based on architecture from early 2000s
 - Inefficient to add new functionality
- Protolabs 2.0 is a different approach
 - Will allow our systems to scale and support evolving customer needs

Approach

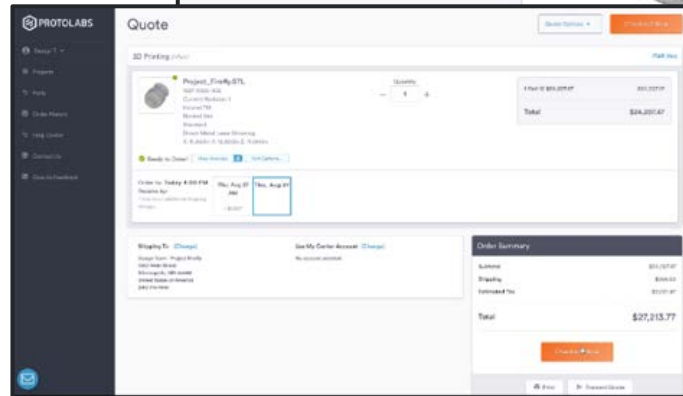
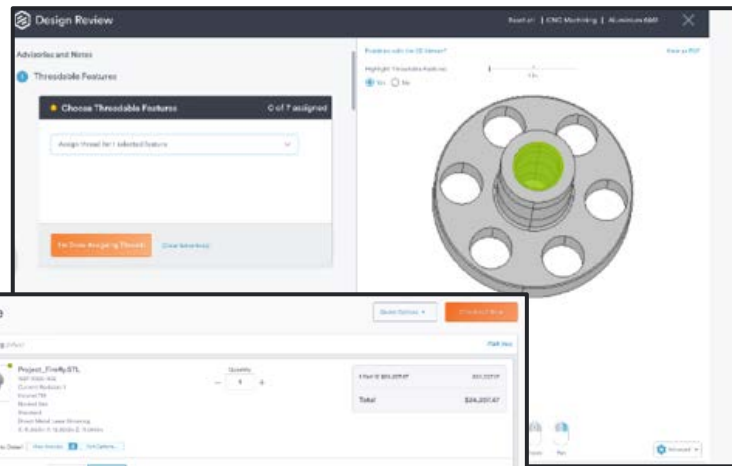
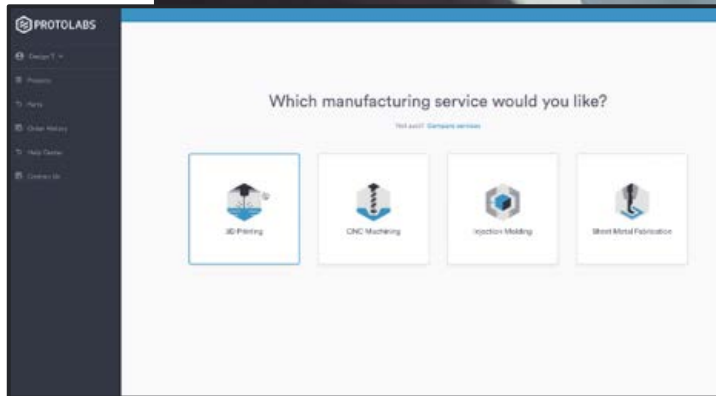
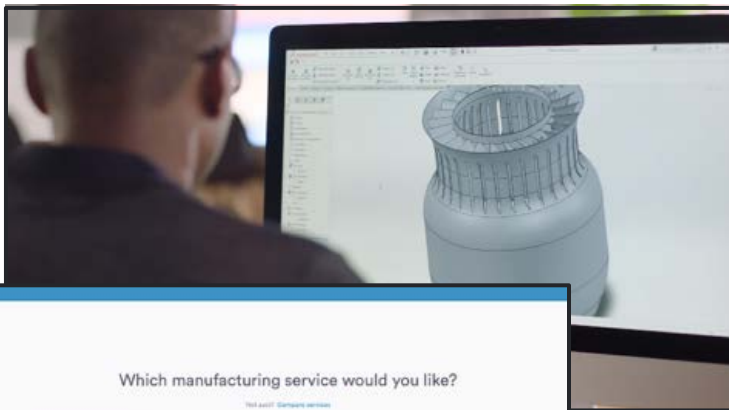
- Two components:
 - Customer-facing eCommerce platform
 - Back-end systems
- Moving to modern software architecture and development
 - Allows enhancements with more frequent releases without disrupting other business process

Future

- Better support our customers and strategy
- Enhanced functionality from external vendors
- Easier path from R&D to the eCommerce platform



PROTOLABS 2.0 | FEBRUARY 2021 UPDATE



Protolabs 2.0 is now live in the Americas and Europe

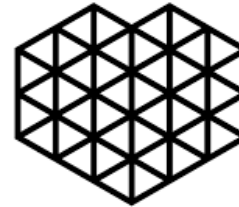
- Launch Dates – Americas: February 2021 // Europe: November 2020



ACQUISITION OF 3D HUBS



- 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



FINANCIAL OUTLOOK



Q1 2021 | OUTLOOK

Q1 2021 Revenue

Revenue	\$108M - \$118M
% Growth YoY	(6)% - 3%
% Growth QoQ	3% - 12%

Q1 2021 Revenue Details

- Includes 3D Hubs revenue of approximately \$5 million
- Expect foreign currency to have a \$1 million to \$1.5 million positive impact Q1 revenue

Additional Q1 2021 Outlook Commentary*

- Non-GAAP gross margin of ~48% +/- 50 bps
- Non-GAAP operating expenses of \$41 million to \$43 million
 - Includes ~\$4 million related to Protolabs 2.0
- Non-GAAP add-backs for the quarter will include incremental amortization and one-time transaction costs associated with the acquisition of 3D Hubs, as well as non-recurring equity compensation expense associated with our CEO transition
- Non-GAAP tax rate between 21% and 22%

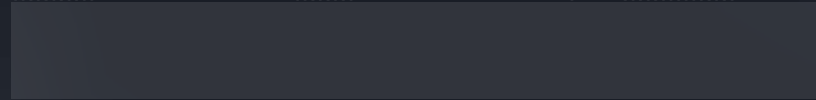
**Non-GAAP: adjusted for stock-based compensation, intangible amortization, transaction expenses, and unrealized gain/loss on foreign currency.*

THANK YOU



PROTOLABS[™]

Manufacturing. Accelerated.[®]





APPENDIX



GAAP to NON-GAAP RECONCILIATION | Revenue

(\$ in thousands)

	Three Months Ended			Three Months		% Change Constant Currencies ³
	December 31, 2020			Ended	%	
	GAAP	Adjustments ¹	Non-GAAP	Dec. 31, 2019		
				GAAP	Change ²	
Revenues						
United States	\$ 83,201	\$ -	\$ 83,201	\$ 88,329	(5.8%)	(5.8%)
Europe	18,383	(955)	17,428	19,889	(7.6%)	(12.4%)
Japan	3,624	(145)	3,479	3,671	(1.3%)	(5.2%)
Total Revenue	<u>\$ 105,208</u>	<u>\$ (1,100)</u>	<u>\$ 104,108</u>	<u>\$ 111,889</u>	(6.0%)	(7.0%)

	Year Ended			Year Ended		% Change Constant Currencies ³
	December 31, 2020			December 31, 2019	%	
	GAAP	Adjustments ¹	Non-GAAP	GAAP		
					Change ²	
Revenues						
United States	\$ 345,708	\$ -	\$ 345,708	\$ 360,205	(4.0%)	(4.0%)
Europe	74,796	(718)	74,078	82,805	(9.7%)	(10.5%)
Japan	13,891	(298)	13,593	15,718	(11.6%)	(13.5%)
Total Revenue	<u>\$ 434,395</u>	<u>\$ (1,016)</u>	<u>\$ 433,379</u>	<u>\$ 458,728</u>	(5.3%)	(5.5%)

¹ Revenue growth for the three-month and year-ended periods ended December 31, 2020 has been recalculated using 2019 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 growth for the three-month and year-ended periods ended December 31, 2019 to GAAP revenue growth for the three-month and year-ended periods ended December 31, 2020.

³ This column presents the percentage change from GAAP revenue for the three-month and year-ended periods ended December 31, 2019 to non-GAAP revenue for the three-month and year-ended periods ended December 31, 2020 (as recalculated using the foreign currency exchange rates in effect during the three-month and year-ended periods ended December 31, 2019) in order to provide a constant currency comparison.



GAAP to NON-GAAP RECONCILIATION | EBITDA

(\$ in thousands)

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
GAAP net income	\$ 9,579	\$ 15,186	\$ 50,867	\$ 63,655
Amortization expense	754	889	3,016	3,482
Depreciation expense	7,949	7,317	29,578	27,383
Interest income, net	(149)	(560)	(1,332)	(2,095)
Tax expense	1,972	4,147	12,078	17,538
EBITDA	20,105	26,979	94,207	109,963
Add back:				
Stock-based compensation expense	4,056	1,043	14,673	10,781
Unrealized (gain) loss on foreign currency	(353)	286	(1,373)	677
Transaction costs	427	-	427	-
Total adjustments	4,130	1,329	13,727	11,458
Adjusted EBITDA	\$ 24,235	\$ 28,308	\$ 107,934	\$ 121,421
Adjusted EBITDA % of Revenue	23.0%	25.3%	24.8%	26.5%



GAAP to NON-GAAP RECONCILIATION | EPS

(\$ in thousands, except share and per share amounts)

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Non-GAAP net income, adjusted for stock-based compensation expense, amortization expense, unrealized (gain) loss on foreign currency and transaction costs				
GAAP net income	\$ 9,579	\$ 15,186	\$ 50,867	\$ 63,655
Add back:				
Stock-based compensation expense	4,056	1,043	14,673	10,781
Amortization expense	754	889	3,016	3,482
Unrealized (gain) loss on foreign currency	(353)	286	(1,373)	677
Transaction costs	427	-	427	-
Total adjustments ¹	4,884	2,218	16,743	14,940
Income tax benefits on adjustments ²	(1,013)	(350)	(4,043)	(3,225)
Non-GAAP net income	\$ 13,450	\$ 17,054	\$ 63,567	\$ 75,370
Non-GAAP net income per share:				
Basic	\$ 0.50	\$ 0.64	\$ 2.38	\$ 2.81
Diluted	\$ 0.50	\$ 0.63	\$ 2.36	\$ 2.79
Shares used to compute non-GAAP net income per share:				
Basic	26,775,279	26,777,536	26,737,425	26,866,985
Diluted	26,976,582	26,945,927	26,896,357	27,049,423

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 December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Cost of revenue	\$ 1,032	\$ 933	\$ 3,820	\$ 3,335
Marketing and sales	888	708	3,121	2,631
Research and development	675	365	2,441	1,851
General and administrative	2,642	(74)	8,734	6,446
Total operating expenses	4,205	999	14,296	10,928
Other income, net	(353)	286	(1,373)	677
Total adjustments	\$ 4,884	\$ 2,218	\$ 16,743	\$ 14,940

² For the three-month and year-ended periods ended December 31, 2020 and 2019, 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.