



Earnings Presentation

Q4 & FY 2022

February 10, 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.

2022 Highlights



Digital Manufacturing

End-to-end digital manufacturing service from quoting to production to shipping



Digital Factory

Digital Network



Our in-house digital manufacturing factories in the U.S. and Europe

Our global network of manufacturing partners powered by Hubs

Protolabs is the world's leading **digital platform** that delivers a connected network of **proprietary in-house digital manufacturing capabilities augmented by highly skilled partners** that together produce the highest-quality parts, *rapidly and profitably*.

Customer Examples



CUSTOMER VALUE

Supply Chain Simplification

CHALLENGE

- ▶ Prominent medical company looking to accelerate development of new product with multiple components
- ▶ Team needed **12 injection molding tools** from **single manufacturing supplier**

SOLUTION

- ▶ Paired **digital factory** and **digital network** together for speed, advanced mold production capabilities, and quality parts
- ▶ 9 quick-turn molds from factory, 3 high-requirement molds from network for 12 molds from one supplier

CUSTOMER VALUE DELIVERED

- ▶ Provided **advanced capabilities, production quality, and speed** needed to produce all molds and parts of project
- ▶ **Reduced supply chain complexity** by being one-stop solution for order

Quick Stats

Medical
Industry



Injection
Molding





CUSTOMER VALUE

Speed x Production

CHALLENGE

- ▶ Global technology company developing advanced energy solutions needed help on fuel-cell project that will both aid in powering and heating transportation
- ▶ Project had complex part designs with **high-requirements and tight deadlines** that required iterative development

SOLUTION

- ▶ Leveraged **digital factory** capabilities for quick-turn sample parts made via 3D printing and CNC machining
- ▶ Ordered high-requirement production housings with tight tolerances and plating machined through **digital network**


CUSTOMER VALUE DELIVERED

- ▶ **Met stringent deadlines** on both sample runs (8 weeks faster than competing quotes) and production order
- ▶ Provided **high-quality parts with post-process finishing** on production units

Quick Stats

Technology Company 

3D Printing 

CNC Machining 



2023 Priorities



- ▶ **Focus on Priority Growth Areas** – narrow our focus and investments to drive growth in two priority areas
 - ▶ Injection molding
 - ▶ Integrated comprehensive CNC offer powered by the Hubs network
- ▶ **Financial Strategy** – optimize value creation for shareholders through the following objectives:
 - ▶ Build on best-in-class operating model in the industry
 - ▶ Strong cash flows and flexible balance sheet
 - ▶ Drive both growth and operating margin improvement
 - ▶ Continue to return capital to shareholders through share repurchase program



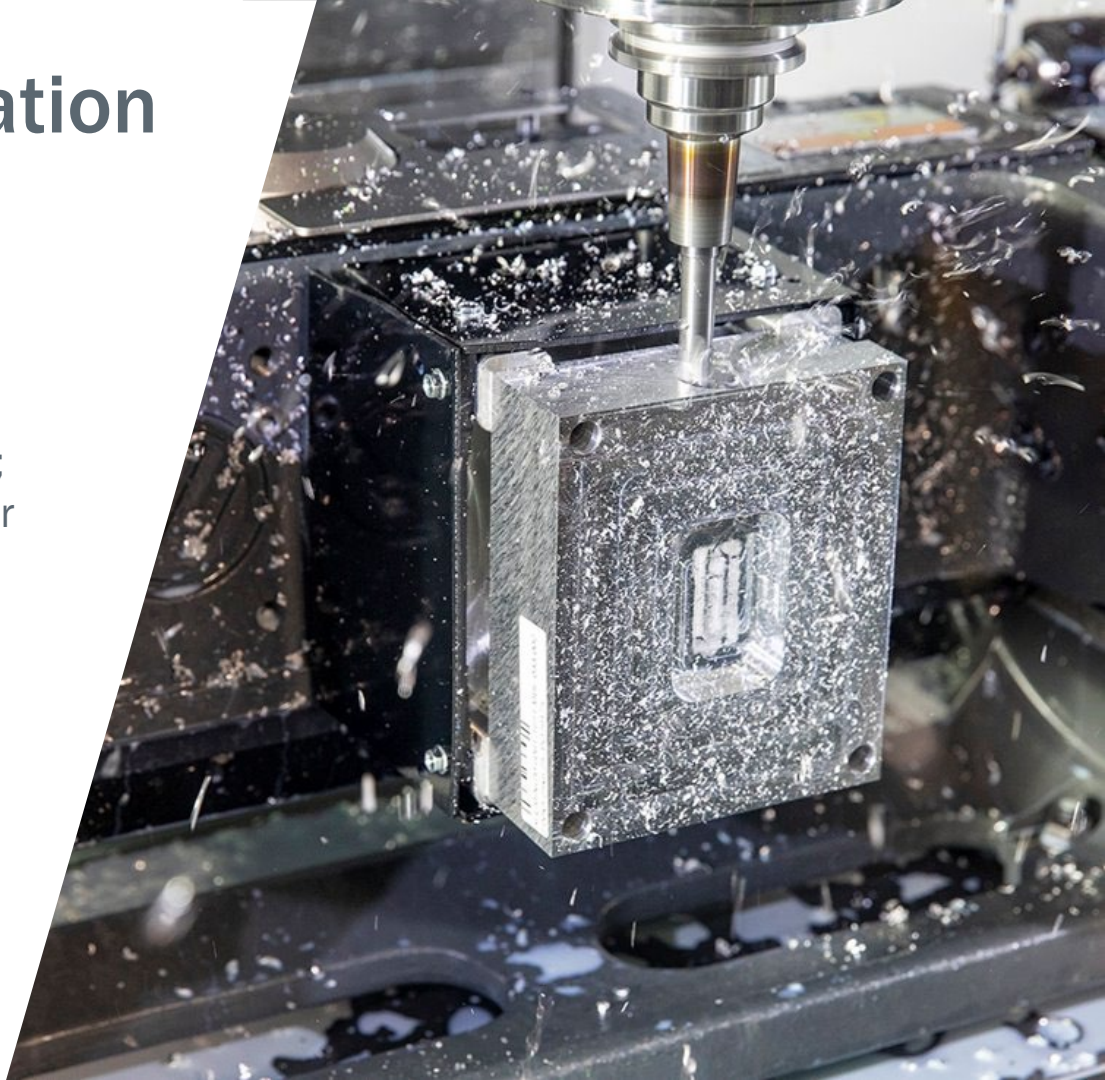
- ▶ **7-day injection molding offer**
 - ▶ Cuts Protolabs' industry-leading molding lead times in half
- ▶ **Advanced CNC machining**
 - ▶ Through the combination of our internal digital factories and our digital network of manufacturing partners
- ▶ **Expanded 5-day domestic offer through the digital network of manufacturing partners**
 - ▶ Broadens range of lead time and price options available to customers
- ▶ **Enhanced 3D printing DFM capabilities**
 - ▶ With enhanced design for manufacturability capabilities, our 3DP quotes now offer best-in-class breadth, accuracy, and detail, a great new differentiator for Protolabs



Optimize Value Creation for Shareholders

Optimize Value Creation for Shareholders

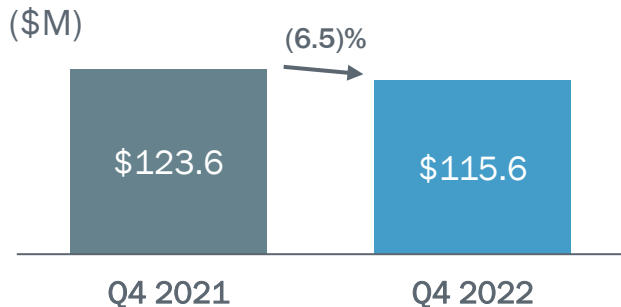
- ▶ Expand operating margin
- ▶ Align resources and ensure adequate investment in two priority growth areas; shift investments away from other lower priority areas of our business
- ▶ Return capital to shareholders through accelerated share repurchase program at current market levels
- ▶ Continually evaluate strategic opportunities for underperforming businesses



Q4 2022 Overview

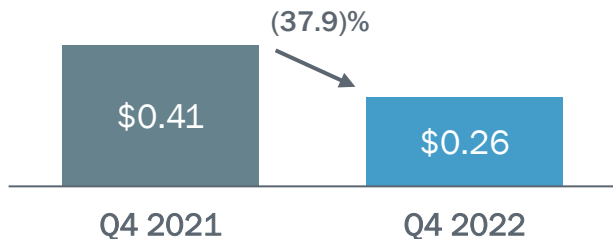


Revenue



- Revenue of **\$115.6 million**, down **6.5% YoY**
 - Down (1.0)% YoY in constant currencies and excluding Japan
 - Strong growth in CNC machining and 3D printing
 - Working to drive growth in injection molding
 - Hubs contributed \$14.8 million of revenue in the fourth quarter

Non-GAAP EPS*

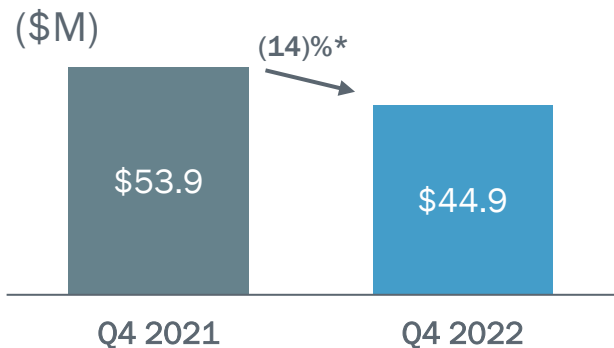


- Non-GAAP EPS of **\$0.26**, down **\$0.15 YoY**
 - Fourth quarter non-GAAP EPS in our guidance range
 - YoY decrease driven primarily by lower overall volume and lower digital factory gross margin

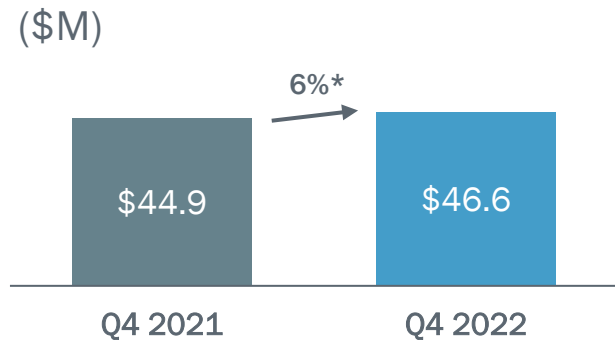
*Non-GAAP: adjusted for stock-based compensation, intangible amortization, transaction expenses, goodwill impairment, costs related to Japan closure activities, and unrealized gain/loss on foreign currency. See reconciliation in Appendix.



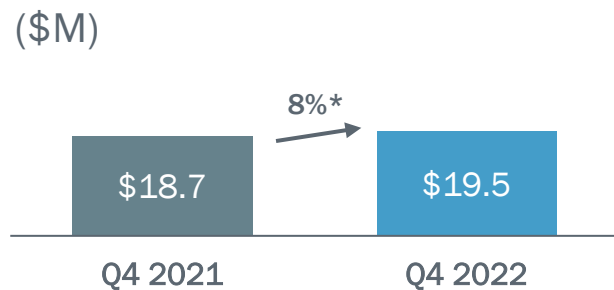
Injection Molding - Revenue



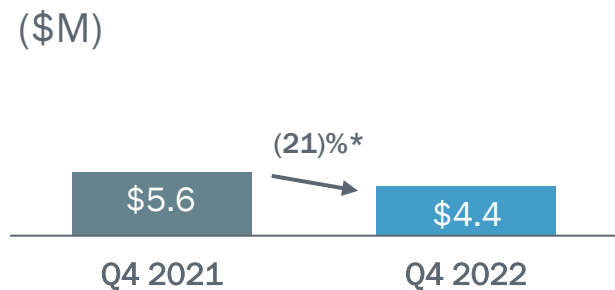
CNC Machining - Revenue



3D Printing - Revenue



Sheet Metal - Revenue



*YoY change reflected in constant currencies

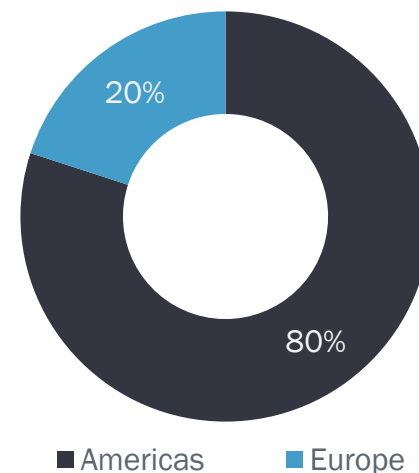
See reconciliation in Appendix.

Revenue by Region | Q4 2022



\$M	Q4 22	Q4 21	YoY Change Overall	YoY Change Constant Fx*	YoY Change Constant Fx* Excl. Japan
Americas	\$92.3	\$97.9	(6)%	(6)%	
Europe	\$23.3	\$22.1	5%	20%	
Japan	-	\$3.5	(100)%	(100)%	
TOTAL	\$115.6	\$123.6	(6)%	(4)%	(1)%

Revenue % by Region Q4 2022



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

Q4 2022

Detailed Financial Information

Financial Results | Q4 2022



\$M, Except per share amounts	Q4 22	Q3 22	QoQ Change	Q4 21	YoY Change
Revenue	\$115.6	\$121.7	(5.0)%	\$123.6	(6.5)%
Non-GAAP Gross Margin*	42.8%	44.8%	(200) bps	45.6%	(290) bps
Non-GAAP Operating Margin*	6.2%	11.2%	(510) bps	10.9%	(470) bps
Non-GAAP Earnings Per Share*	\$0.26	\$0.40	(35.2)%	\$0.41	(37.9)%

*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.

YoY GAAP to Non-GAAP P&L | Q4 2022



\$ in thousands	Three Months Ended Dec. 31, 2022			Three Months Ended Dec. 31, 2021		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$115,607	-	\$115,607	\$123,582	-	\$123,582
Cost of Revenue	<u>67,000</u>	<u>(840)</u>	<u>66,160</u>	<u>68,170</u>	<u>(990)</u>	<u>67,180</u>
Gross Profit	\$48,607	\$840	\$49,447	\$55,412	\$990	\$56,402
Marketing and Sales	20,517	(816)	19,701	20,229	(895)	19,334
Research and Development	8,906	(488)	8,418	10,386	(689)	9,697
General and Administrative	17,774	(3,580)	14,194	11,747	2,171	13,918
Goodwill Impairment	118,008	(118,008)	-	-	-	-
Disposal of Japan Business	<u>534</u>	<u>(534)</u>	-	-	-	-
Total Operating Expenses	<u>165,739</u>	<u>(123,426)</u>	<u>42,313</u>	<u>42,362</u>	<u>587</u>	<u>42,949</u>
Income from Operations	\$(117,132)	\$124,266	\$7,134	\$13,050	\$403	\$13,453
Adjusted EBITDA	N/A	N/A	\$14,494	N/A	N/A	\$22,232
% of Revenue						
Gross Margin	42.0%		42.8%	44.8%		45.6%
Marketing and Sales	17.7%		17.0%	16.4%		15.6%
Research and Development	7.7%		7.3%	8.4%		7.8%
General and Administrative	15.4%		12.3%	9.5%		11.3%
Goodwill Impairment	102.1%		0.0%	0.0%		0.0%
Disposal of Japan Business	<u>0.5%</u>		<u>0.0%</u>	<u>0.0%</u>		<u>0.0%</u>
Total Operating Expenses	<u>143.4%</u>		<u>36.6%</u>	<u>34.3%</u>		<u>34.8%</u>
Income from Operations	(101.3)%		6.2%	10.6%		10.9%
Adjusted EBITDA	N/A		12.5%	N/A		18.0%

*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 | Q4 2022



\$ in thousands	Three Months Ended Dec. 31, 2022			Three Months Ended Sept. 30, 2022		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$115,607	-	\$115,607	\$121,721	-	\$121,721
Cost of Revenue	<u>67,000</u>	<u>(840)</u>	<u>66,160</u>	<u>68,089</u>	<u>(902)</u>	<u>67,187</u>
Gross Profit	\$48,607	\$840	\$49,447	\$53,632	\$902	\$54,534
Marketing and Sales	20,517	(816)	19,701	20,594	(929)	19,665
Research and Development	8,906	(488)	8,418	9,309	(602)	8,707
General and Administrative	17,774	(3,580)	14,194	16,477	(3,984)	12,493
Goodwill Impairment	118,008	(118,008)	-	-	-	-
Disposal of Japan Business	<u>534</u>	<u>(534)</u>	-	<u>1,194</u>	<u>(1,194)</u>	-
Total Operating Expenses	<u>165,739</u>	<u>(123,426)</u>	<u>42,313</u>	<u>47,574</u>	<u>(6,709)</u>	<u>40,865</u>
Income from Operations	\$(117,132)	\$124,266	\$7,134	\$6,058	\$7,611	\$13,669
Adjusted EBITDA	N/A	N/A	\$14,494	N/A	N/A	\$21,959
% of Revenue						
Gross Margin	42.0%		42.8%	44.1%		44.8%
Marketing and Sales	17.7%		17.0%	16.9%		16.2%
Research and Development	7.7%		7.3%	7.6%		7.2%
General and Administrative	15.4%		12.3%	13.5%		10.3%
Goodwill Impairment	102.1%		0.0%	0.0%		0.0%
Disposal of Japan Business	<u>0.5%</u>		<u>0.0%</u>	<u>1.0%</u>		<u>0.0%</u>
Total Operating Expenses	<u>143.4%</u>		<u>36.6%</u>	<u>39.1%</u>		<u>33.6%</u>
Income from Operations	(101.3)%		6.2%	5.0%		11.2%
Adjusted EBITDA	N/A		12.5%	N/A		18.0%

*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 | Q4 2022



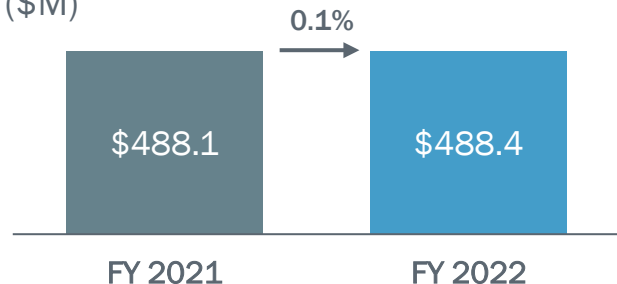
\$M	Q4 22	Q3 22	Q4 21
Operating Cash Flow	\$10.5	\$20.5	\$23.0
Capital Expenditures	\$5.3	\$10.4	\$6.3
Share Repurchases	\$16.6	\$7.8	\$10.2
Cash and Investments*	\$106.5	\$113.9	\$91.8
Debt*	\$0	\$0	\$0

FY 2022 Overview

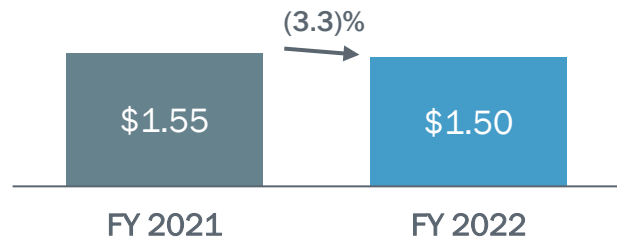


Revenue

(\$M)



Non-GAAP EPS*

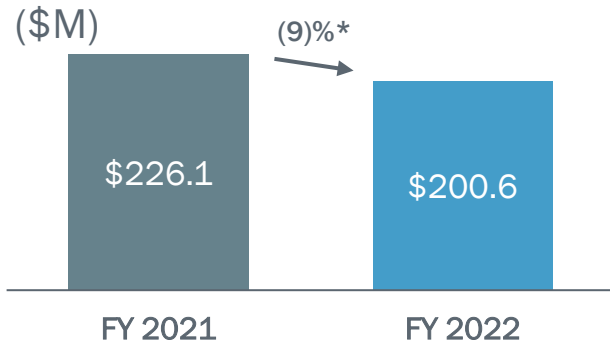


- Revenue of \$488.4 million, up 0.1% YoY
 - YoY growth of 3% in constant currencies and excluding Japan
 - Strong growth in CNC machining and 3D printing
 - Working to drive growth in injection molding
 - Hubs contributed \$48.5 million of revenue in FY 2022, growth of over 50% in constant currencies
- Non-GAAP EPS of \$1.50, down \$0.05 YoY
 - YoY decrease driven primarily by lower digital factory gross margin, partially offset by a lower operating expenses as a percent of revenue and a lower tax rate

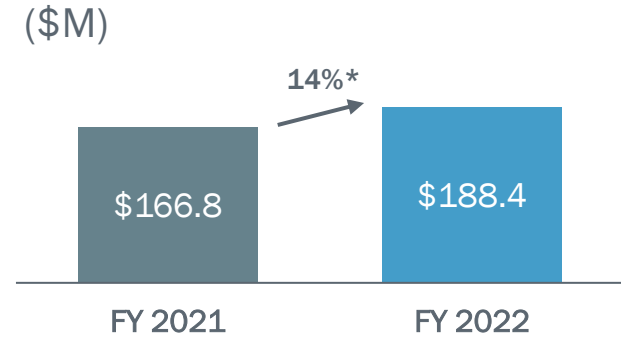
*Non-GAAP: adjusted for stock-based compensation, intangible amortization, transaction expenses, goodwill impairment, costs related to Japan closure activities, and unrealized gain/loss on foreign currency. See reconciliation in Appendix.



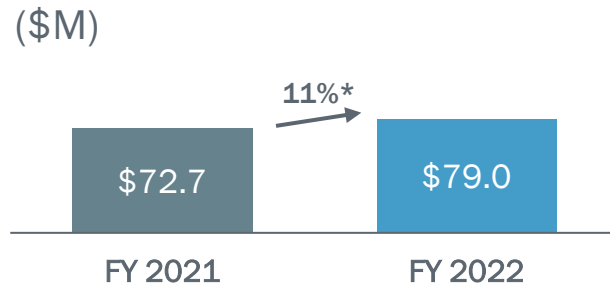
Injection Molding - Revenue



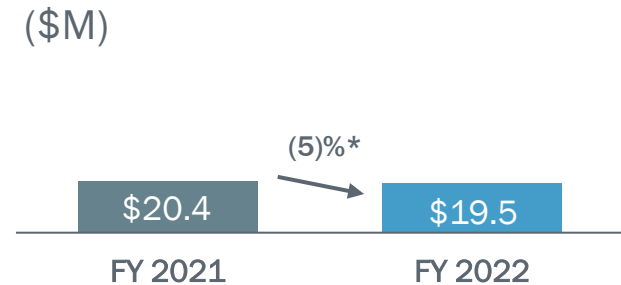
CNC Machining - Revenue



3D Printing - Revenue



Sheet Metal - Revenue



*YoY change reflected in constant currencies

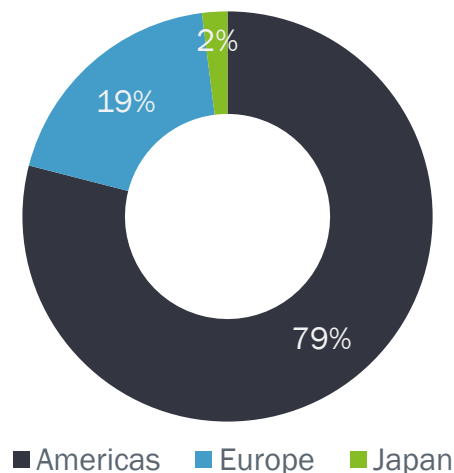
See reconciliation in Appendix.

Revenue by Region | FY 2022



\$M	FY 22	FY 21	YoY Change Overall	YoY Change Constant Fx*	YoY Change Constant Fx* Excl. Japan
Americas	\$387.4	\$384.5	1%	1%	
Europe	\$92.8	\$90.4	3%	13%	
Japan	\$8.2	\$13.2	(38)%	(29)%	
TOTAL	\$488.4	\$488.1	0%	2%	3%

Revenue % by Region FY 2022



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

FY 2022

Detailed Financial Information



\$M, Except per share amounts	FY 2022	FY 2021	YoY Change
Revenue	\$488.4	\$488.1	0.1%
Non-GAAP Gross Margin*	44.8%	46.4%	(160) bps
Non-GAAP Operating Margin*	10.4%	11.3%	(90) bps
Non-GAAP Earnings Per Share*	\$1.50	\$1.55	(3.3)%

*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 | FY 2022



\$ in thousands	Twelve Months Ended Dec. 31, 2022			Twelve Months Ended Dec. 31, 2021		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$488,398	-	\$488,398	\$488,098	-	\$488,098
Cost of Revenue	<u>272,933</u>	<u>(3,541)</u>	<u>269,392</u>	<u>265,407</u>	<u>(3,964)</u>	<u>261,443</u>
Gross Profit	\$215,465	\$3,541	\$219,006	\$222,691	\$3,964	\$226,655
Marketing and Sales	82,752	(3,295)	79,457	82,175	(3,736)	78,439
Research and Development	38,222	(2,190)	36,032	44,241	(2,833)	41,408
General and Administrative	67,544	(14,615)	52,929	55,933	(4,140)	51,793
Goodwill Impairment	118,008	(118,008)	-	-	-	-
Disposal of Japan Business	<u>6,922</u>	<u>(6,922)</u>	-	-	-	-
Total Operating Expenses	<u>313,448</u>	<u>(145,030)</u>	<u>168,418</u>	<u>182,349</u>	<u>(10,709)</u>	<u>171,640</u>
Income from Operations	\$(97,983)	\$148,571	\$50,588	\$40,342	\$14,673	\$55,015
Adjusted EBITDA	N/A	N/A	\$83,307	N/A	N/A	\$89,518
% of Revenue						
Gross Margin	44.1%		44.8%	45.6%		46.4%
Marketing and Sales	16.9%		16.3%	16.8%		16.1%
Research and Development	7.8%		7.4%	9.1%		8.5%
General and Administrative	13.8%		10.8%	11.5%		10.6%
Goodwill Impairment	24.2%		0.0%	0.0%		0.0%
Disposal of Japan Business	<u>1.4%</u>		<u>0.0%</u>	<u>0.0%</u>		<u>0.0%</u>
Total Operating Expenses	<u>64.2%</u>		<u>34.5%</u>	<u>37.4%</u>		<u>35.2%</u>
Income from Operations	(20.1)%		10.4%	8.3%		11.3%
Adjusted EBITDA	N/A		17.1%	N/A		18.3%

*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 | FY 2022



\$M	FY 2022	FY 2021
Operating Cash Flow	\$62.1	\$55.2
Capital Expenditures	\$21.7	\$34.2
Share Repurchases	\$29.7	\$23.3
Cash and Investments*	\$106.5	\$91.8
Debt*	\$0	\$0

Q1 2023

Financial Outlook



Q1 2023 Revenue

Revenue \$114M - \$122M

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

Q1 2023 Non-GAAP* EPS

Non-GAAP EPS \$0.18 - \$0.26

% Growth YoY (53)% - (32)%

Q1 2023 Outlook Commentary*

- ▶ Expect foreign currency to have a ~\$2.2 million unfavorable impact on Q1 2023 revenue
- ▶ Japan closure expected to have a ~\$4.1 million unfavorable impact on Q1 2023 revenue
- ▶ Expect Non-GAAP tax rate between 21% and 22%
- ▶ Expect Q1 2023 diluted shares outstanding of approximately 27 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 December 31, 2022				Three Months Ended December 31, 2021		%	% Change Organic ⁴
	GAAP	Foreign Currency ¹	Hubs Acquisition	Non-GAAP	GAAP	Change ³		
	Revenues							
United States	\$ 92,278	\$ -	\$ -	\$ 92,278	\$ 97,934	(5.8) %	(5.8) %	
Europe	23,329	3,216	-	26,545	22,140	5.4	19.9	
Japan	-	-	-	-	3,508	(100.0)	(100.0)	
Total Revenue	<u>\$ 115,607</u>	<u>\$ 3,216</u>	<u>\$ -</u>	<u>\$ 118,823</u>	<u>\$ 123,582</u>	(6.5) %	(3.9) %	

	Year Ended December 31, 2022				Year Ended December 31, 2021		%	% Change Organic ⁴
	GAAP	Foreign Currency ¹	Hubs Acquisition ²	Non-GAAP	GAAP	Change ³		
	Revenues							
United States	\$ 387,399	\$ -	\$ (1,049)	\$ 386,350	\$ 384,458	0.8 %	0.5 %	
Europe	92,770	10,381	(1,279)	101,872	90,399	2.6	12.7	
Japan	<u>8,229</u>	<u>1,226</u>	<u>-</u>	<u>9,455</u>	<u>13,241</u>	(37.9)	(28.6)	
Total Revenue	<u>\$ 488,398</u>	<u>\$ 11,607</u>	<u>\$ (2,328)</u>	<u>\$ 497,677</u>	<u>\$ 488,098</u>	0.1 %	2.0 %	

¹ Revenue for the three-month and year-ended periods ended December 31, 2022 has been recalculated using 2021 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 year-ended period ended December 31, 2022 has been recalculated to exclude revenue earned from the Company's acquisition of Hubs, Inc. for the period from January 1, 2022 to January 21, 2022 to provide information useful in evaluating the underlying business trends excluding the impact of acquisitions. The Hubs, Inc. acquisition occurred on January 22, 2021 and was included in 2021 revenue after that date.

³ This column presents the percentage change from GAAP revenue for the three-month and year-ended periods ended December 31, 2021 to GAAP revenue for the three-month and year-ended periods ended December 31, 2022.

⁴ This column presents the percentage change from GAAP revenue for the three-month and year-ended periods ended December 31, 2021 to non-GAAP revenue for the three-month and year-ended periods ended December 31, 2022 (as recalculated using the foreign currency exchange rates in effect during the three-month and year-ended periods ended December 31, 2021, excluding the impact of Hubs, Inc. acquisition) 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 December 31, 2022				Three Months Ended December 31, 2021		%	% Change Organic ⁴
	GAAP	Foreign Currency ¹	Hubs Acquisition	Non-GAAP	GAAP	Change ³		
	Revenues							
Injection Molding	\$ 44,885	\$ 1,383	\$ -	\$ 46,268	\$ 53,905	(16.7)	%	(14.2)
CNC Machining	46,563	1,083	-	47,646	44,858	3.8		6.2
3D Printing	19,530	726	-	20,256	18,727	4.3		8.2
Sheet Metal	4,432	24	-	4,456	5,607	(21.0)		(20.5)
Other	197	-	-	197	485	(59.4)		(59.4)
Total Revenue	<u>\$ 115,607</u>	<u>\$ 3,216</u>	<u>\$ -</u>	<u>\$ 118,823</u>	<u>\$ 123,582</u>	(6.5)	%	(3.9)

	Year Ended December 31, 2022				Year Ended December 31, 2021		%	% Change Organic ⁴
	GAAP	Foreign Currency ¹	Hubs Acquisition ²	Non-GAAP	GAAP	Change ³		
	Revenues							
Injection Molding	\$ 200,578	\$ 5,485	\$ (189)	\$ 205,874	\$ 226,117	(11.3)	%	(9.0)
CNC Machining	188,372	3,776	(1,637)	190,511	166,811	12.9		14.2
3D Printing	78,988	2,279	(408)	80,859	72,721	8.6		11.2
Sheet Metal	19,498	63	(84)	19,477	20,397	(4.4)		(4.5)
Other	962	4	(10)	956	2,052	(53.1)		(53.4)
Total Revenue	<u>\$ 488,398</u>	<u>\$ 11,607</u>	<u>\$ (2,328)</u>	<u>\$ 497,677</u>	<u>\$ 488,098</u>	0.1	%	2.0

¹ Revenue for the three-month and year-ended periods ended December 31, 2022 has been recalculated using 2021 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 year-ended period ended December 31, 2022 has been recalculated to exclude revenue earned from the Company's acquisition of Hubs, Inc. for the period from January 1, 2022 to January 21, 2022 to provide information useful in evaluating the underlying business trends excluding the impact of acquisitions. The Hubs, Inc. acquisition occurred on January 22, 2021 and was included in 2021 revenue after that date.

³ This column presents the percentage change from GAAP revenue for the three-month and year-ended periods ended December 31, 2021 to GAAP revenue for the three-month and year-ended periods ended December 31, 2022.

⁴ This column presents the percentage change from GAAP revenue for the three-month and year-ended periods ended December 31, 2021 to non-GAAP revenue for the three-month and year-ended periods ended December 31, 2022 (as recalculated using the foreign currency exchange rates in effect during the three-month and year-ended periods ended December 31, 2021, excluding the impact of Hubs, Inc. acquisition) 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 December 31,		Year Ended December 31,		Three Months Ended September 30,	
	2022	2021	2022	2021	2022	2021
Revenue	\$ 115,607	\$ 123,582	\$ 488,398	\$ 488,098	\$ 121,721	\$ 125,342
Gross Profit	<u>48,607</u>	<u>55,412</u>	<u>215,465</u>	<u>222,691</u>	<u>53,632</u>	<u>55,324</u>
GAAP gross margin	42.0%	44.8%	44.1%	45.6%	44.1%	44.1%
Add back:						
Stock-based compensation expense	498	648	2,172	2,595	560	644
Amortization expense	<u>342</u>	<u>342</u>	<u>1,369</u>	<u>1,369</u>	<u>342</u>	<u>342</u>
Total adjustments	840	990	3,541	3,964	902	986
Non-GAAP gross profit	<u>\$ 49,447</u>	<u>\$ 56,402</u>	<u>\$ 219,006</u>	<u>\$ 226,655</u>	<u>\$ 54,534</u>	<u>\$ 56,310</u>
Non-GAAP gross margin	42.8%	45.6%	44.8%	46.4%	44.8%	44.9%

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

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Revenue	\$ 115,607	\$ 123,582	\$ 488,398	\$ 488,098
Revenue excluding Japan	\$ 115,607	\$ 120,074	\$ 480,169	\$ 474,857
Gross Profit	<u>48,607</u>	<u>55,412</u>	<u>215,465</u>	<u>222,691</u>
GAAP gross margin	42.0%	44.8%	44.1%	45.6%
Less: Japan gross profit	<u>(93)</u>	<u>1,568</u>	<u>3,057</u>	<u>5,413</u>
Gross Profit excluding Japan	48,700	53,844	212,408	217,278
GAAP gross margin excluding Japan	42.1%	44.8%	44.2%	45.8%
Add back:				
Stock-based compensation expense	498	648	2,172	2,595
Amortization expense	342	342	1,369	1,369
Less:				
Japan stock-based compensation expense	-	26	61	96
Japan amortization expense	-	-	-	-
Total adjustments	840	964	3,480	3,868
Non-GAAP gross profit excluding Japan	<u>\$ 49,540</u>	<u>\$ 54,808</u>	<u>\$ 215,888</u>	<u>\$ 221,146</u>
Non-GAAP gross margin excluding Japan	42.9%	45.6%	45.0%	46.6%

GAAP to NON-GAAP Reconciliation | Operating Margin



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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2022	2021	2022	2021
Revenue	\$ 115,607	\$ 123,582	\$ 488,398	\$ 488,098
(Loss) income from operations	(117,132)	13,050	(97,983)	40,342
GAAP operating margin	-101.3%	10.6%	-20.1%	8.3%
Add back:				
Stock-based compensation expense	4,210	3,556	17,545	19,095
Amortization expense	1,514	1,552	6,096	6,153
Transaction costs ¹	-	(4,705)	-	(10,575)
Goodwill impairment	118,008	-	118,008	-
Costs related to Japan closure activities	534	-	6,922	-
Total adjustments	124,266	403	148,571	14,673
Non-GAAP income from operations	\$ 7,134	\$ 13,453	\$ 50,588	\$ 55,015
Non-GAAP operating margin	6.2%	10.9%	10.4%	11.3%

¹ Transaction costs include direct costs incurred in the Company's acquisition of Hubs, Inc. and the impact of changes in the fair value of acquisition-related contingent consideration obligations.

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2022	2021	2022	2021
Revenue	\$ 115,607	\$ 123,582	\$ 488,398	\$ 488,098
Revenue excluding Japan	\$ 115,607	\$ 120,074	\$ 480,169	\$ 474,857
(Loss) income from operations	(117,132)	13,050	(97,983)	40,342
GAAP operating margin	-101.3%	10.6%	-20.1%	8.3%
Less: Japan (loss) income from operations	(594)	154	(1,424)	(1,020)
(Loss) income from operations excluding Japan	(116,538)	12,896	(96,559)	41,362
GAAP operating margin excluding Japan	-100.8%	10.7%	-20.1%	8.7%
Add back:				
Stock-based compensation expense	4,210	3,556	17,545	19,095
Amortization expense	1,514	1,552	6,096	6,153
Transaction costs ¹	-	(4,705)	-	(10,575)
Goodwill impairment	118,008	-	118,008	-
Costs related to Japan closure activities	534	-	6,922	-
Less:				
Japan stock-based compensation expense	20	163	406	626
Japan amortization expense	-	-	-	-
Total adjustments	124,246	240	148,165	14,047
Non-GAAP income from operations excluding Japan	\$ 7,708	\$ 13,136	\$ 51,606	\$ 55,409
Non-GAAP operating margin excluding Japan	6.7%	10.9%	10.7%	11.7%

¹ Transaction costs include direct costs incurred in the Company's acquisition of Hubs, Inc. and the impact of changes in the fair value of acquisition-related contingent consideration obligations.

GAAP to NON-GAAP Reconciliation | EBITDA



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

	<u>Three Months Ended</u> <u>December 31,</u>		<u>Year Ended</u> <u>December 31,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue	\$ 115,607	\$ 123,582	\$ 488,398	\$ 488,098
GAAP net (loss) income	(115,065)	11,910	(103,462)	33,372
GAAP net (loss) income margin	-99.5%	9.6%	-21.2%	6.8%
Add back:				
Amortization expense	\$ 1,514	\$ 1,552	\$ 6,096	\$ 6,153
Depreciation expense	7,930	8,705	33,329	34,335
Interest income, net	(509)	(23)	(968)	(230)
Tax expense	(1,638)	1,022	5,585	6,812
EBITDA	<u>(107,768)</u>	<u>23,166</u>	<u>(59,420)</u>	<u>80,442</u>
EBITDA Margin	-93.2%	18.7%	-12.2%	16.5%
Add back:				
Stock-based compensation expense	4,210	3,556	17,545	19,095
Unrealized (gain) loss on foreign currency	(490)	215	252	556
Costs related to Japan closure activities	534	-	6,922	-
Goodwill impairment	118,008	-	118,008	-
Transaction costs ¹	-	(4,705)	-	(10,575)
Total adjustments	122,262	(934)	142,727	9,076
Adjusted EBITDA	<u>\$ 14,494</u>	<u>\$ 22,232</u>	<u>\$ 83,307</u>	<u>\$ 89,518</u>
Adjusted EBITDA Margin	12.5%	18.0%	17.1%	18.3%

¹ Transaction costs include direct costs incurred in the Company's acquisition of Hubs, Inc. and the impact of changes in the fair value of acquisition-related contingent consideration obligations.

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 December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Non-GAAP net (loss) income, adjusted for stock-based compensation expense, amortization expense, unrealized (gain) loss on foreign currency, goodwill impairment, costs related to Japan closure activities and transaction costs				
GAAP net (loss) income	\$ (115,065)	\$ 11,910	\$ (103,462)	\$ 33,372
Add back:				
Stock-based compensation expense	4,210	3,556	17,545	19,095
Amortization expense	1,514	1,552	6,096	6,153
Unrealized (gain) loss on foreign currency	(490)	215	252	556
Goodwill impairment	118,008	-	118,008	-
Costs related to Japan closure activities	534	-	6,922	-
Transaction costs ¹	-	(4,705)	-	(10,575)
Total adjustments ²	123,776	618	148,823	15,229
Income tax benefits on adjustments ³	(1,753)	(1,150)	(4,271)	(5,789)
Non-GAAP net income	<u>\$ 6,958</u>	<u>\$ 11,378</u>	<u>\$ 41,090</u>	<u>\$ 42,812</u>
Non-GAAP net income per share:				
Basic	<u>\$ 0.26</u>	<u>\$ 0.41</u>	<u>\$ 1.50</u>	<u>\$ 1.55</u>
Diluted	<u>\$ 0.26</u>	<u>\$ 0.41</u>	<u>\$ 1.50</u>	<u>\$ 1.55</u>
Shares used to compute non-GAAP net income per share:				
Basic	27,136,821	27,555,357	27,409,838	27,617,627
Diluted	27,151,991	27,562,694	27,433,257	27,653,099

¹ Transaction costs include direct costs incurred in the Company's acquisition of Hubs, Inc. and the impact of changes in the fair value of acquisition-related contingent consideration obligations.

² Stock-based compensation expense, amortization expense, unrealized (gain) loss on foreign currency, goodwill impairment, costs related to Japan closure activities and transaction costs were included in the following GAAP consolidated statement of operations categories:

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Cost of revenue	\$ 840	\$ 990	\$ 3,541	\$ 3,964
Marketing and sales	816	895	3,295	3,736
Research and development	488	689	2,190	2,833
General and administrative	3,580	(2,171)	14,615	4,140
Goodwill impairment	118,008	-	118,008	-
Closure of Japan business	534	-	6,922	-
Total operating expenses	123,426	(587)	145,030	10,709
Other (income) expense, net	(490)	215	252	556
Total adjustments	<u>\$ 123,776</u>	<u>\$ 618</u>	<u>\$ 148,823</u>	<u>\$ 15,229</u>

³ For the three-month and year-ended periods ended December 31, 2022 and 2021, 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)

	Q1 2023 Guidance	
	Low	High
GAAP diluted earnings per share	\$ (0.02)	\$ 0.06
Add back:		
Stock-based compensation expense	0.13	0.13
Amortization expense	0.05	0.05
Unrealized (gain) loss on foreign currency	0.00	0.00
Costs related to Japan closure activities	<u>0.02</u>	<u>0.02</u>
Total adjustments	<u>0.20</u>	<u>0.20</u>
Non-GAAP diluted earnings per share	<u>\$ 0.18</u>	<u>\$ 0.26</u>