



# Earnings Presentation

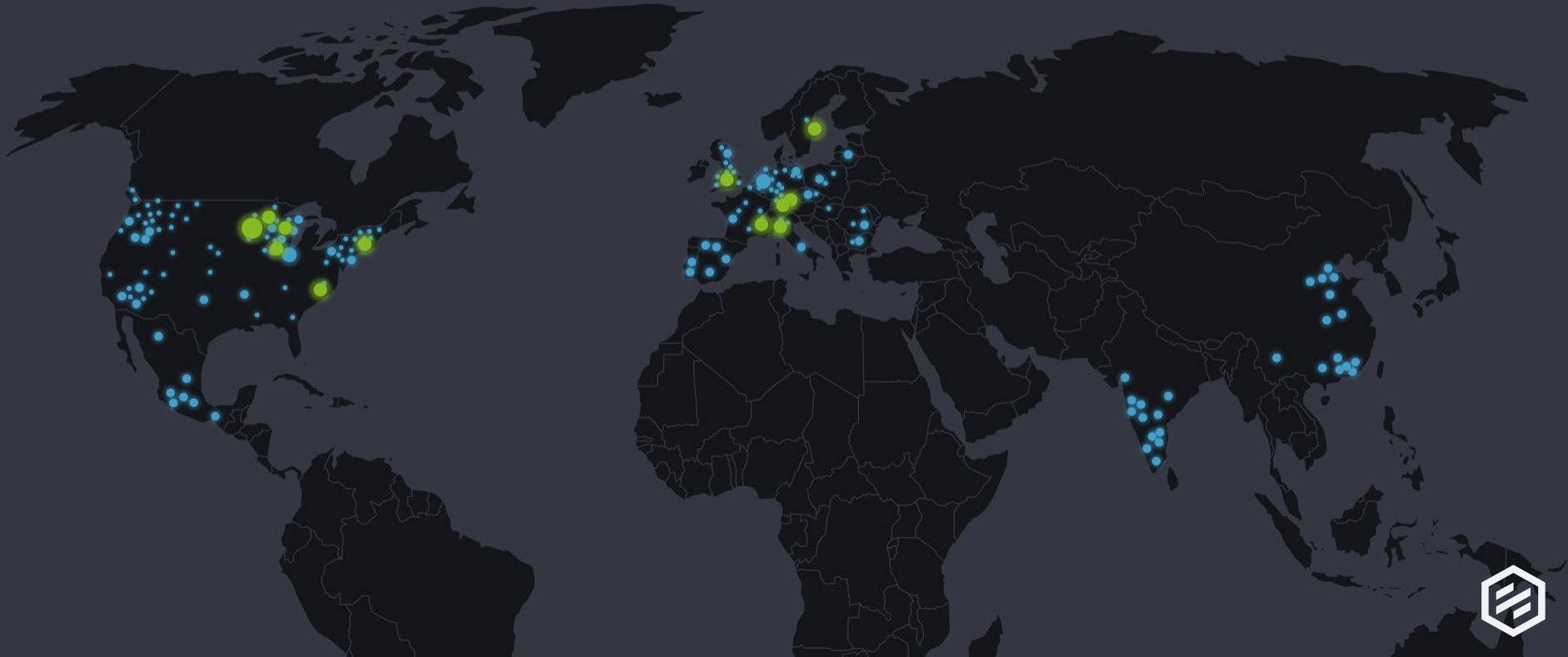
Q3 2023

November 3, 2023



# Global Digital Manufacturing Locations

● Digital Factory    ● Manufacturer in Digital Network



# 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 – Q3 Update



# 2023 Priorities – Q3 Update

## Priority Growth Areas – IM and CNC

- **Injection Molding**

- Year-to-date, IM revenue is up in constant currencies and excluding Japan
  - We believe we will achieve our goal of YoY IM growth for the full year 2023
- Combined factory and network offer gaining traction; winning larger orders

- **CNC Machining** – integrated comprehensive offer powered by Hubs network

- Year-to-date, CNC machining revenue is up in constant currencies and excluding Japan
  - We believe we will achieve YoY CNC machining growth for the full year 2023
- Significant portion of year-to-date CNC machining growth driven by legacy Protolabs customers ordering parts fulfilled through the network



# 2023 Priorities – Q3 Update *(continued)*

## Shareholder Value Creation / Profitability Expansion

- **Third quarter financial results:**
  - Record quarterly total revenue
  - Record quarterly network revenue
  - Highest quarterly consolidated gross profit since 2019
  - Highest quarterly Non-GAAP\* earnings per share since 2020
  - Three straight quarters of gross and operating margin expansion
- Strong cash flow generation – \$24M in cash from operations in Q3 2023
- Continued to return capital to shareholders through share repurchases (\$9M)

\*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.



# Customer Value Examples



# Fortune 500 Medical Company

Protolabs' comprehensive model provides immense value

## CHALLENGE

- ▶ Fortune 500 medical company had a line-down situation at an existing vendor, leaving it with a **large gap in delivery of its end-use production equipment** for surgical rooms
- ▶ Company needed **quick-turn machined components**

## SOLUTION

- ▶ Customer is a regular Protolabs IM customer, and was aware of our speed and reliability; it leveraged the **digital factory** for prototype run of machined parts
- ▶ Due to part complexity, production shifted to our **digital network**
- ▶ **Digital network** manufactured and delivered more than \$500,000 in **production-grade, end-use components** over the course of a few months

## VALUE DELIVERED

- ▶ Combination of **factory and network capabilities** provided value by helping customer avoid huge financial losses due to extended shut down of production line

### Quick Stats

Medical



CNC

Machining





# European Luxury Automaker

The most innovative companies in the world choose Protolabs

## CHALLENGE

- ▶ A European luxury high end automotive manufacturer was looking to extend its leadership in high performance vehicles to include **electric vehicles**
- ▶ To optimize the hydraulic system for cooling the battery pack in the company's first ever electric vehicle, it required **rapid and innovative solutions in material and design**

## SOLUTION

- ▶ The luxury automaker collaborated with Hutchinson—a leading global design firm and manufacturer—which **engaged Protolabs to deliver injection molded components** to prototype the hydraulic system
- ▶ Protolabs worked closely with Hutchinson to **design, validate, and produce different components** with specific materials and tight tolerances, minimizing space, and ensuring critical fit

## VALUE DELIVERED

- ▶ Protolabs delivered **parts on demand**, meeting the project's stringent timeline and quality standards
- ▶ Protolabs' speed, reliability, and quality allowed the customer to obtain parts to-spec for testing and to be mounted on the electric supercar prototype, **reducing validation and testing times, and accelerating innovation**

## Quick Stats

Automotive



Injection  
Molding



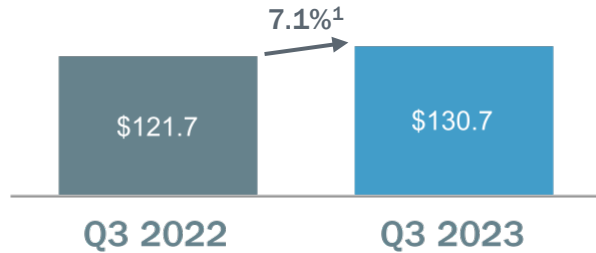
# Q3 2023 Overview



# Financial Highlights | Q3 2023 YoY

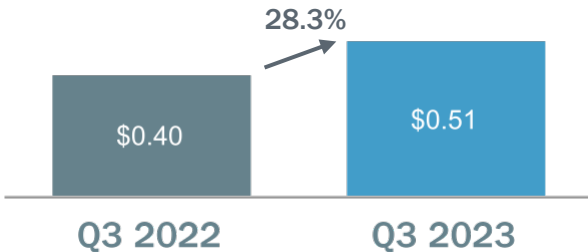
## Revenue

(\$M)



- Revenue of **\$130.7 million**, up **7.1%<sup>1</sup> YoY**
  - Record quarterly total revenue
  - YoY and QoQ growth in injection molding, CNC machining, 3DP
  - Digital network (powered by Hubs) revenue grew **81.2% YoY** in constant currencies
  - Sequential total revenue growth of **6.9%**

## Non-GAAP EPS\*



- Non-GAAP EPS of **\$0.51**, up **\$0.11 YoY**
  - Third quarter non-GAAP EPS above guidance range, driven by increased volume and gross margin expansion (both factory and network)
  - Non-GAAP EPS up **\$0.18**, or **53.6%** 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.



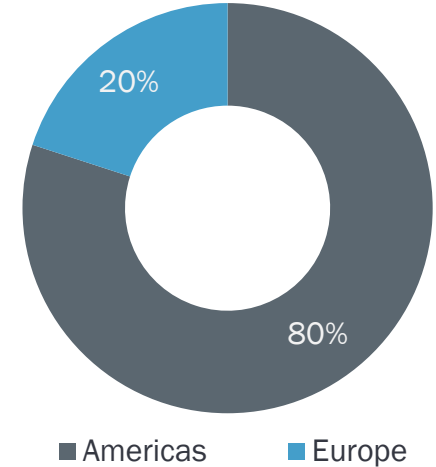
# Revenue by Region | Q3 2023

	Q3 2023	Q3 2022	YoY Change Overall	YoY Change Constant Fx*	YoY Change Constant Fx* Excl. Japan
Americas	\$103.9	\$99.0	5.0%	5.0%	
Europe	\$26.8	\$21.5	24.7%	16.9%	
Japan	-	\$1.3	(100.0)%	(100.0)%	
<b>Total</b>	<b>\$130.7</b>	<b>\$121.7</b>	<b>7.4%</b>	<b>6.0%</b>	<b>7.1%</b>

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

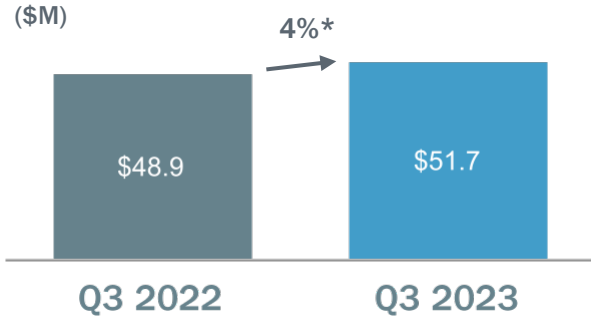
Revenue % by Region

Q3 2023

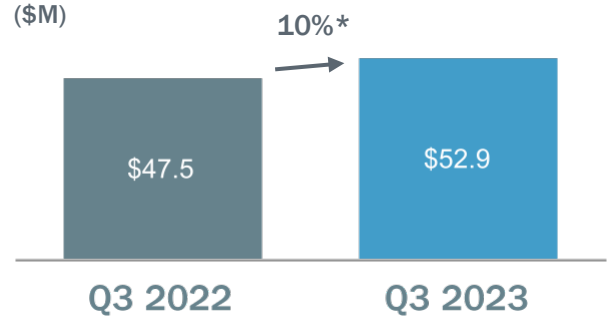


# Revenue by Service | Q3 2023 YoY

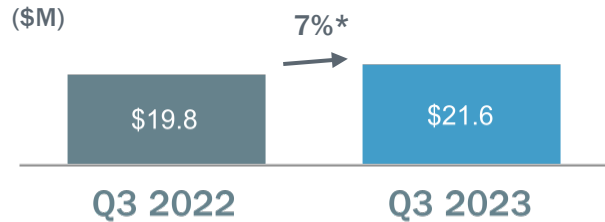
## Injection Molding - Revenue



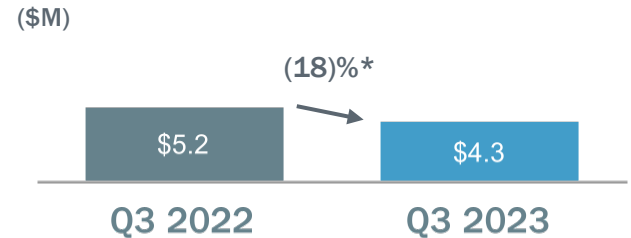
## CNC Machining - Revenue



## 3D Printing - Revenue



## Sheet Metal - Revenue

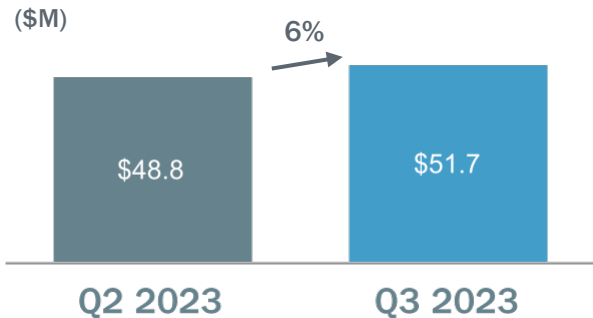


\*YoY change reflected in constant currencies  
See reconciliation in Appendix.

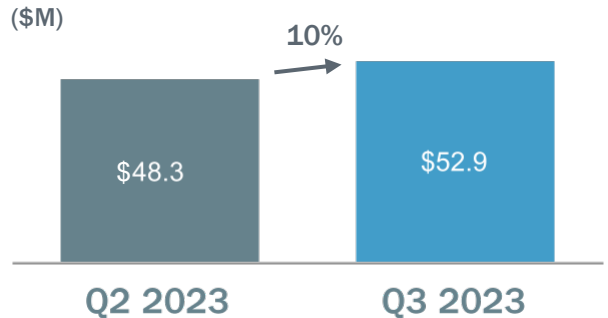


# Revenue by Service | Q3 2023 QoQ

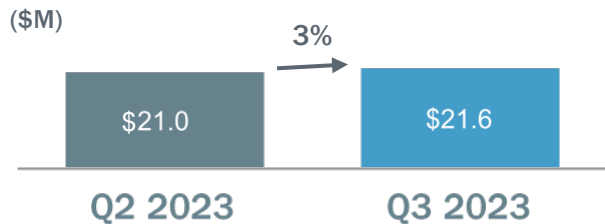
## Injection Molding - Revenue



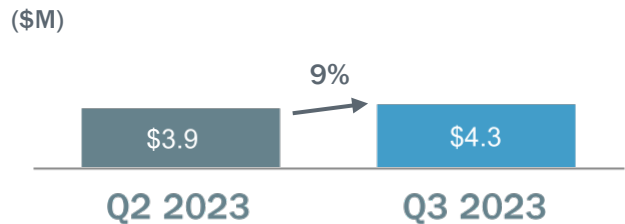
## CNC Machining - Revenue



## 3D Printing - Revenue



## Sheet Metal - Revenue



**Q3 2023**

**Detailed Financial Information**



# Financial Results | Q3 2023

	Q3 2023		Q2 2023	QoQ Change		Q3 2022	YoY Change
Revenue	\$130.7		\$122.3	6.9%		\$121.7	7.4%
Non-GAAP Gross Margin*	46.0%		44.1%	190 bps		44.8%	120 bps
Non-GAAP Operating Margin*	12.5%		8.9%	360 bps		11.2%	130 bps
Non-GAAP Earnings Per Share*	\$0.51		\$0.33	53.6%		\$0.40	28.3%

\*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.





# YoY GAAP to Non-GAAP P&L | Q3 2023

\$ in thousands	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$ 130,705	—	\$ 130,705	\$ 121,721	—	\$ 121,721
Cost of revenue	71,423	(805)	70,618	68,089	(902)	67,187
Gross profit	\$ 59,282	\$ 805	\$ 60,087	\$ 53,632	\$ 902	\$ 54,534
Marketing and sales	21,682	(961)	20,721	20,594	(929)	19,665
Research and development	10,105	(675)	9,430	9,309	(602)	8,707
General and administrative	17,058	(3,461)	13,597	16,477	(3,984)	12,493
Closure of Japan business	22	(22)	—	1,194	(1,194)	—
Total operating expenses	48,867	(5,119)	43,748	47,574	(6,709)	40,865
Income from operations	\$ 10,415	\$ 5,924	\$ 16,339	\$ 6,058	\$ 7,611	\$ 13,669
Adjusted EBITDA	N/A	N/A	\$ 23,938	N/A		\$ 21,959

## % of Revenue

Gross Margin	45.4%		46.0%	44.1%		44.8%
Marketing and sales	16.6%		15.9%	16.9%		16.2%
Research and development	7.7%		7.2%	7.7%		7.2%
General and administrative	13.1%		10.4%	13.5%		10.3%
Closure of Japan business	—		—	1.0%		—
Total operating expenses	37.4%		33.5%	39.1%		33.6%
Income from operations	8.0%		12.5%	5.0%		11.2%
Adjusted EBITDA	N/A		18.3%	N/A		18.0%

\*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.



# QoQ GAAP to Non-GAAP P&L | Q3 2023

\$ in thousands	Three Months Ended September 30, 2023			Three Months Ended June 30, 2023		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$ 130,705	—	\$ 130,705	\$ 122,265	—	\$ 122,265
Cost of revenue	71,423	(805)	70,618	69,142	(803)	68,339
Gross profit	\$ 59,282	\$ 805	\$ 60,087	\$ 53,123	\$ 803	\$ 53,926
Marketing and sales	21,682	(961)	20,721	21,730	(855)	20,875
Research and development	10,105	(675)	9,430	9,865	(641)	9,224
General and administrative	17,058	(3,461)	13,597	15,822	(2,861)	12,961
Closure of Japan business	22	(22)	—	98	(98)	—
Total operating expenses	48,867	(5,119)	43,748	47,515	(4,455)	43,060
Income from operations	\$ 10,415	\$ 5,924	\$ 16,339	\$ 5,608	\$ 5,258	\$ 10,866
Adjusted EBITDA	N/A	N/A	\$ 23,938	N/A		\$ 19,229

## % of Revenue

Gross Margin	45.4%		46.0%	43.4%		44.1%
Marketing and sales	16.6%		15.9%	17.8%		17.1%
Research and development	7.7%		7.2%	8.1%		7.5%
General and administrative	13.1%		10.4%	12.9%		10.6%
Closure of Japan business	—		—	0.1%		—
Total operating expenses	37.4%		33.5%	38.9%		35.2%
Income from operations	8.0%		12.5%	4.6%		8.9%
Adjusted EBITDA	N/A		18.3%	N/A		15.7%

\*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 2023

\$M	Q3 2023	Q2 2023	Q3 2022
Operating Cash Flow	\$24.2	\$9.3	\$20.5
Capital Expenditures	\$3.1	\$3.4	\$10.4
Share Repurchases	\$9.0	\$8.9	\$7.8
Cash and Investments*	\$114.9	\$102.8	\$113.9
Debt*	\$0	\$0	\$0

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



**Q4 2023**

**Financial Outlook**



# Outlook | Q4 2023

## Q4 2023 Revenue

Revenue	\$118M - \$126M
% Growth YoY ( <i>constant FX</i> )	2% - 8%

## Q4 2023 Non-GAAP\* EPS

Non-GAAP* EPS	\$0.26 - \$0.34
% Growth YoY	2% - 33%

## Q4 2023 Outlook Commentary

- Expect foreign currency to have a \$0.5 to \$1.0 million favorable impact on Q4 2023 revenue
- Expect Q4 2023 Non-GAAP\* effective tax rate between 19% and 20%
- Expect Q4 2023 diluted shares outstanding of approximately 26 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!

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# 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 September 30, 2023			Three Months Ended September 30, 2022		% Change <sup>2</sup>	% Change Organic <sup>3</sup>
	GAAP	Foreign Currency <sup>1</sup>	Non-GAAP	GAAP			
Revenues							
United States	\$ 103,940	\$ -	\$ 103,940	\$ 98,970		5.0%	5.0%
Europe	26,765	(1,666)	25,099	21,464		24.7%	16.9%
Japan	-	-	-	1,287		(100.0%)	(100.0%)
Total revenue	<u>\$ 130,705</u>	<u>\$ (1,666)</u>	<u>\$ 129,039</u>	<u>\$ 121,721</u>		7.4%	6.0%

1. Revenue for the three months ended September 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 months ended September 30, 2022 to GAAP revenue for the three months ended September 30, 2023.
3. This column presents the percentage change from GAAP revenue for the three months ended September 30, 2022 to non-GAAP revenue for the three months ended September 30, 2023 (as recalculated using the foreign currency exchange rates in effect during the three months ended September 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 September 30, 2023			Three Months Ended September 30, 2022		% Change <sup>2</sup>	% Change Organic <sup>3</sup>
	GAAP	Foreign Currency <sup>1</sup>	Non-GAAP	GAAP			
Revenues							
Injection Molding	\$ 51,688	\$ (655)	\$ 51,033	\$ 48,940		5.6 %	4.3 %
CNC Machining	52,916	(708)	52,208	47,489		11.4	9.9
3D Printing	21,622	(390)	21,232	19,823		9.1	7.1
Sheet Metal	4,291	(20)	4,271	5,219		(17.8)	(18.2)
Other Revenue	188	107	295	250		(24.8)	18.0
Total Revenue	<u>\$ 130,705</u>	<u>\$ (1,666)</u>	<u>\$ 129,039</u>	<u>\$ 121,721</u>		7.4%	6.0%

1. Revenue for the three months ended September 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 months ended September 30, 2022 to GAAP revenue for the three months ended September 30, 2023.
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# GAAP to NON-GAAP Reconciliation | Gross Margin

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

	Three Months Ended September 30,	
	2023	2022
Revenue	\$ 130,705	\$ 121,721
Gross profit	59,282	53,632
GAAP gross margin	45.4%	44.1%
Add back:		
Stock-based compensation expense	462	560
Amortization expense	343	342
Total adjustments	805	902
Non-GAAP gross profit	\$ 60,087	\$ 54,534
Non-GAAP gross margin	46.0%	44.8%

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

	Three Months Ended September 30,	
	2023	2022
Revenue	\$ 130,705	\$ 121,721
Revenue excluding Japan	\$ 130,705	\$ 120,434
Gross profit	59,282	53,632
GAAP gross margin	45.4%	44.1%
Less: Japan gross profit	-	47
Gross Profit excluding Japan	59,282	53,585
GAAP gross margin excluding Japan	45.4%	44.5%
Add back:		
Stock-based compensation expense	462	560
Amortization expense	343	342
Less:		
Japan stock-based compensation expense	-	13
Japan amortization expense	-	-
Total adjustments	805	889
Non-GAAP gross profit excluding Japan	\$ 60,087	\$ 54,474
Non-GAAP gross margin excluding Japan	46.0%	45.2%



# 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,	
	2023	2022
Revenue	\$ 130,705	\$ 121,721
Income from operations	10,415	6,058
GAAP operating margin	8.0%	5.0%
Add back:		
Stock-based compensation expense	4,441	4,907
Amortization expense	1,461	1,510
Costs related to Japan closure activities	22	1,194
Total adjustments	5,924	7,611
Non-GAAP income from operations	\$ 16,339	\$ 13,669
Non-GAAP operating margin	12.5%	11.2%

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

	Three Months Ended September 30,	
	2023	2022
Revenue	\$ 130,705	\$ 121,721
Revenue excluding Japan	\$ 130,705	\$ 120,434
Income from operations	10,415	6,058
GAAP operating margin	8.0%	5.0%
Less: Japan (loss) income from operations	(7)	(724)
Income from operations excluding Japan	10,422	6,782
GAAP operating margin excluding Japan	8.0%	5.6%
Add back:		
Stock-based compensation expense	4,441	4,907
Amortization expense	1,461	1,510
Costs related to Japan closure activities	22	1,194
Less:		
Japan stock-based compensation expense	-	89
Japan amortization expense	-	-
Total adjustments	5,924	7,522
Non-GAAP income from operations excluding Japan	\$ 16,346	\$ 14,304
Non-GAAP operating margin excluding Japan	12.5%	11.9%



# GAAP to NON-GAAP Reconciliation | EBITDA

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

	<b>Three Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Revenue	\$ 130,705	\$ 121,721
GAAP net income	7,954	3,951
GAAP net income margin	6.1%	3.2%
Add back:		
Amortization expense	\$ 1,461	\$ 1,510
Depreciation expense	7,869	8,197
Interest income, net	(561)	(265)
Provision for income taxes	2,781	2,083
EBITDA	<u>19,504</u>	<u>15,476</u>
EBITDA Margin	14.9%	12.7%
Add back:		
Stock-based compensation expense	4,441	4,907
Unrealized (gain) loss on foreign currency	(29)	382
Costs related to Japan closure activities	22	1,194
Total adjustments	<u>4,434</u>	<u>6,483</u>
Adjusted EBITDA	<u>\$ 23,938</u>	<u>\$ 21,959</u>
Adjusted EBITDA Margin	<u>18.3%</u>	<u>18.0%</u>



# 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,	
	2023	2022
Non-GAAP net income, adjusted for stock-based compensation expense, amortization expense, unrealized (gain) loss on foreign currency and costs related to Japan closure activities		
GAAP net income	\$ 7,954	\$ 3,951
Add back:		
Stock-based compensation expense	4,441	4,907
Amortization expense	1,461	1,510
Unrealized (gain) loss on foreign currency	(29)	382
Costs related to Japan closure activities	22	1,194
Total adjustments <sup>1</sup>	5,895	7,993
Income tax benefits on adjustments <sup>2</sup>	(633)	(1,060)
Non-GAAP net income	<u>\$ 13,216</u>	<u>\$ 10,884</u>
Non-GAAP net income per share:		
Basic	<u>\$ 0.51</u>	<u>\$ 0.40</u>
Diluted	<u>\$ 0.51</u>	<u>\$ 0.40</u>
Shares used to compute non-GAAP net income per share:		
Basic	26,023,830	27,505,097
Diluted	26,028,456	27,508,217

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,	
	2023	2022
Cost of revenue	\$ 805	\$ 902
Marketing and sales	961	929
Research and development	675	602
General and administrative	3,461	3,984
Closure of Japan business	22	1,194
Total operating expenses	5,119	6,709
Other income (loss), net	(29)	382
Total adjustments	<u>\$ 5,895</u>	<u>\$ 7,993</u>

2. For the three months ended September 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.



# GAAP to NON-GAAP Reconciliation | Q4 2023 Outlook

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

	<b>Q4 2023 Outlook</b>	
	<u>Low</u>	<u>High</u>
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>

