



Investor Day 2021

May 20, 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, 2020 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.

Agenda

- ▶ **Protolabs Overview**

Rob Bodor

- ▶ **Environmental, Social, and Governance Priorities**

Renee Conklin

- ▶ **Hubs Overview**

Bram de Zwart

- ▶ **Roadmap to Value Creation**

Rob Bodor

- ▶ **2020-2023: Establish Platform**

Rich Baker

- ▶ **2022-2026: Accelerate Growth**

Brian Peters

- ▶ **Financials**

John Way

- ▶ **Q&A**





Vision

Accelerate innovation by revolutionizing manufacturing.

Mission

We empower companies to bring new ideas to market by offering the fastest and most comprehensive digital manufacturing service in the world.



Meet the Leadership Team



Rob Bodor
President & CEO
Maple Plain



John Way
Chief Financial Officer
Americas



Brian Peters
Chief Marketing Officer
Americas



Renee Conklin
VP Human Resources
Americas



Rich Baker
Chief Technology Officer
Americas



Mike Kenison
Interim Vice President,
General Manager
Americas



Dan Barsness
Vice President,
Product Management
Americas



Bjoern Klaas
Vice President &
Managing Director, EMEA
Europe



Bram de Zwart
Co-founder, CEO, Hubs
Europe



Ayumu Imai
Country Manager, Japan
Japan

Protolabs Overview



Rob Bodor
President & CEO

► Who is Protolabs?

The leader in digital manufacturing since 1999



Injection Molding



CNC Machining



3D Printing



Sheet Metal Fabrication

In-house Digital
Manufacturing



PROTOLABS



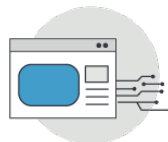
HUBS

A PROTOLABS COMPANY

Network of
Premium
Manufacturing
Partners



1. Large and growing market



4. Recently upgraded eCommerce platform



2. Strong and experienced management team



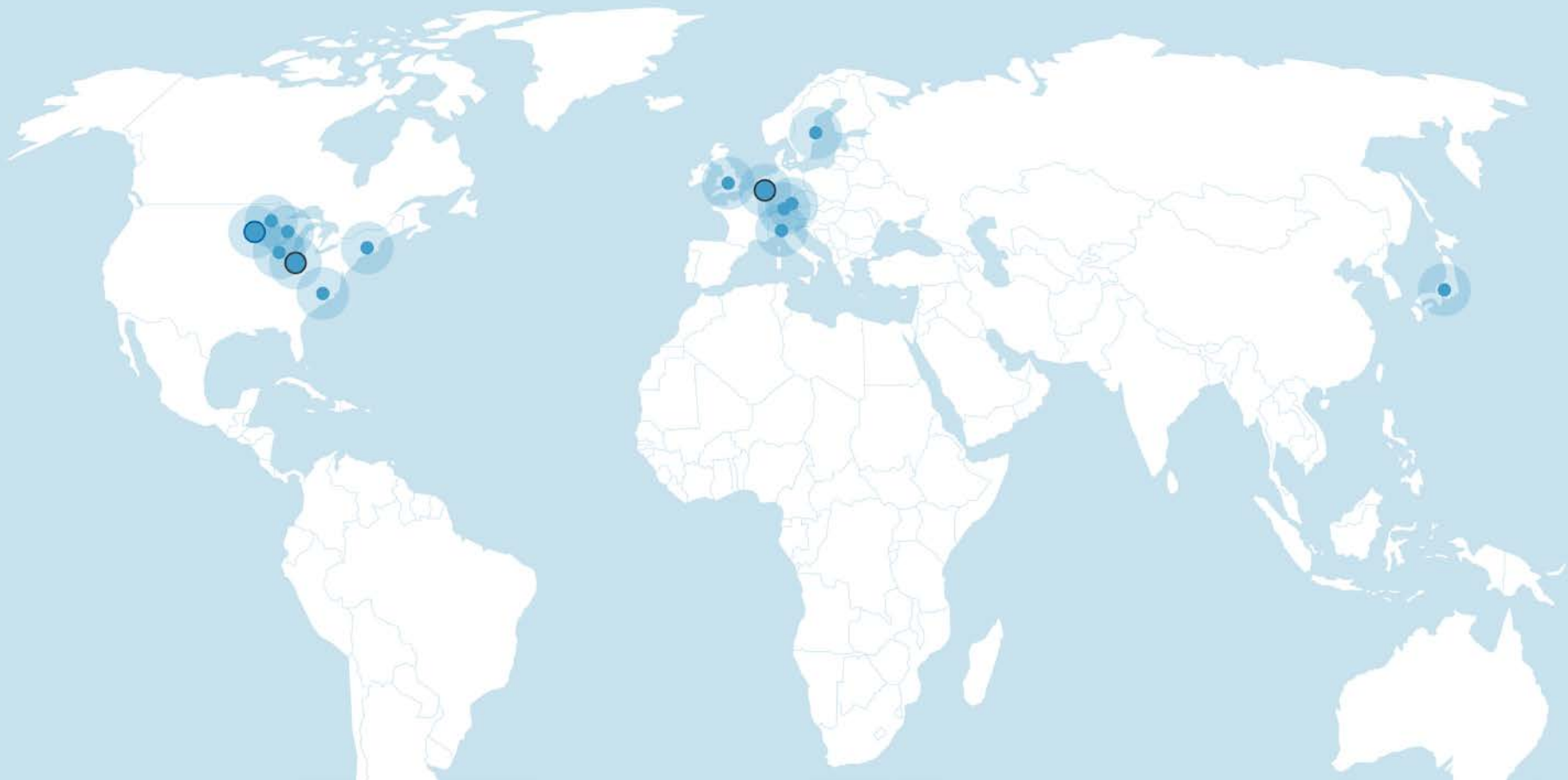
5. Diverse and expanding customer set



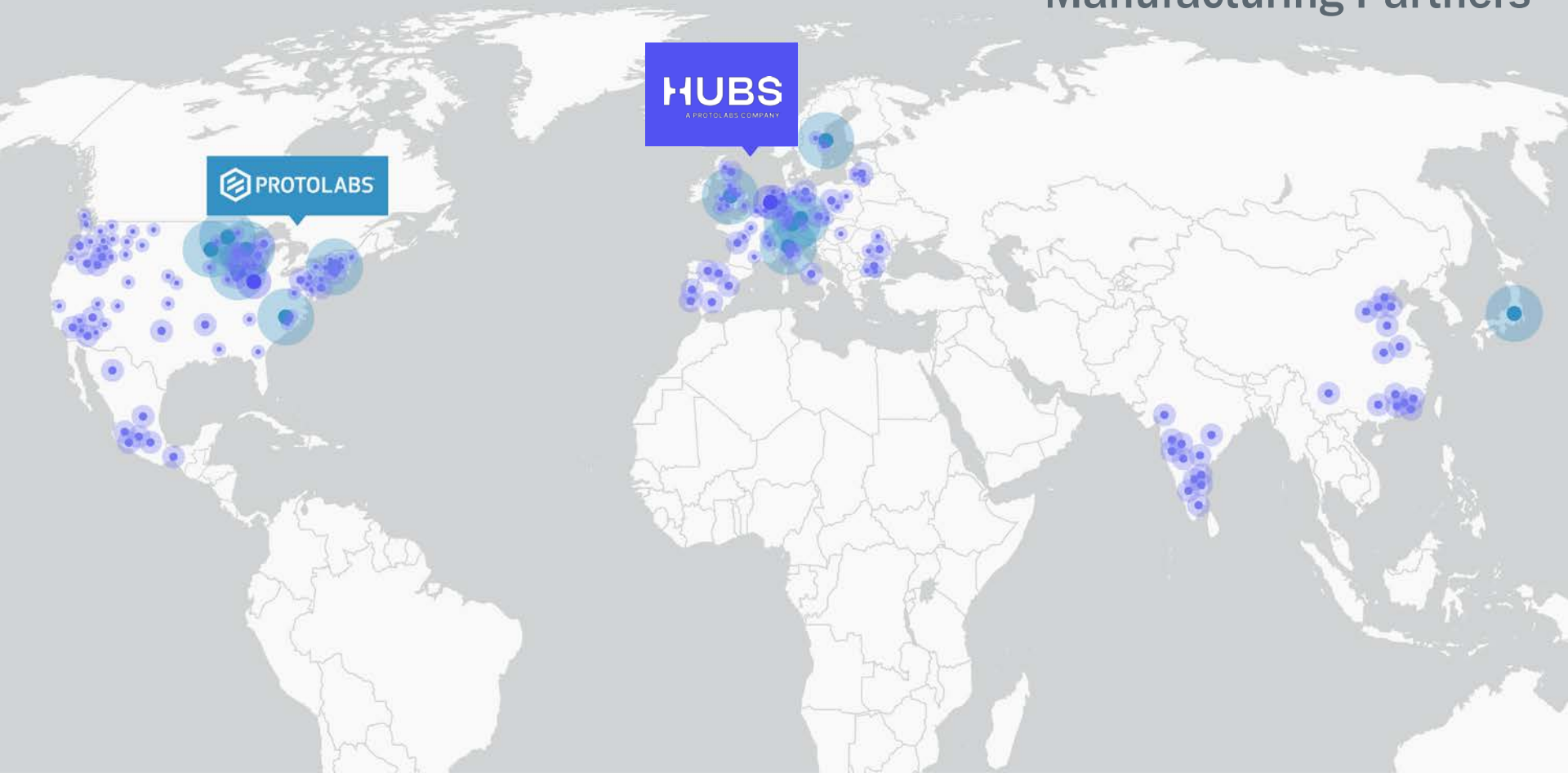
3. Creator of digital manufacturing industry with world's broadest offer



6. Highly attractive financial profile



Protolabs x Hubs Manufacturing Partners





Differentiation through our **DIGITAL THREAD**

We have reinvented our in-house capabilities through the integration of software with physical manufacturing process

KEY TAKEAWAY

- ▶ Our digital thread establishes a competitive advantage with both speed and cost effectiveness



The Digital Manufacturing Process



3D CAD

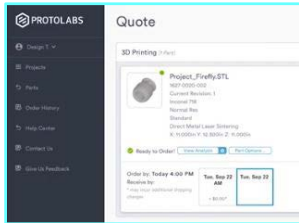
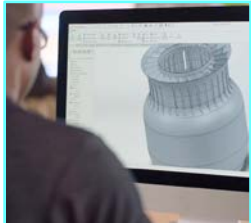
Quote
Prepared

Part
Designed

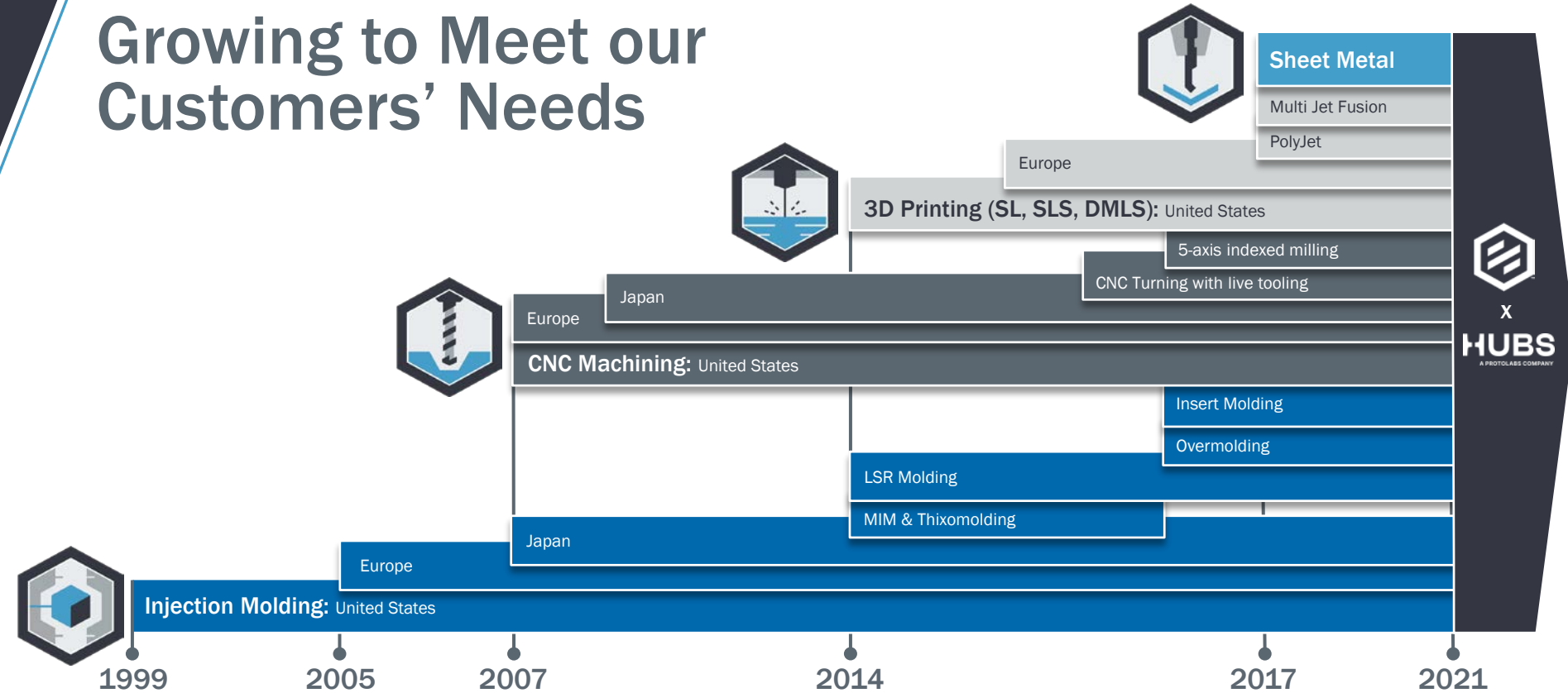
Part
Manufactured

Part
Inspected

Part
Shipped



Growing to Meet our Customers' Needs



KEY TAKEAWAY

- ▶ Protolabs has carefully evolved to expand offerings over time in-line with customer needs



Environment, Social, and Governance Priorities



Environment

- ▶ **2021 NAM Sustainability Award for continued efforts**
 - ✓ Implemented solar power at Plymouth, MN injection molding facility
- ▶ **Implementing actions to reduce Protolabs' carbon footprint**
 - ✓ Reducing energy and power outputs through a number of energy efficiency changes across all facilities

2021 MANUFACTURING
LEADERSHIP AWARDS

WINNER

MANUFACTURING
LEADERSHIP COUNCIL
NATIONAL ASSOCIATION OF MANUFACTURERS

Social

- ▶ **Diversity, Equity, & Inclusion and Human Capital Management**
 - ✓ DEI Leadership Council, anti-bias training, employee resource groups
- ▶ **Protolabs Foundation**
 - ✓ Employee-led group supports STEM education for underprivileged demographics in our communities

Governance

- ▶ **Independent and Diverse Board of Directors**
- ▶ **Code of Ethics and Business Conduct**
 - ✓ All employees required to review and acknowledge compliance with internal policies
- ▶ **Ethics Hotline**
 - ✓ Monitored by BOD and communicated at all-employee meetings

The Evolution of Manufacturing



Four Mega Trends Disrupting Manufacturing

1

SKU Proliferation

42% increase in average number of SKUs launched over the past two years, as reported by surveyed group of brand owners



2

Shorter Product Life Cycles

50% of annual company revenues are derived from new products launched within the past three years



KEY TAKEAWAY

- ▶ Protolabs enables our customers to effectively compete and excel in this evolving market



Four Mega Trends Disrupting Manufacturing

3

Shift to
eCommerce Sourcing

SKU proliferation and shorter product life cycles pressured many companies to **adopt digital solutions** and begin to **invest in digital supply ecosystems**



4

COVID-19 Pandemic

75% faced issues in the production and distribution footprint that require changes in the future



KEY TAKEAWAY

- ▶ Protolabs enables our customers to effectively compete and excel in this evolving market



How Protolabs Solves Challenges Faced by Supply Chains

Impact of these trends:

- ▶ Increased volatility
- ▶ Reduced development time
- ▶ Increased variety to manage
- ▶ Higher pressure on development costs
- ▶ Shorter payback period in market
- ▶ Reduced capital investment per product



Protolabs solves these challenges with:

- ▶ World-class speed
- ▶ Low upfront investment
- ▶ No minimum order quantities
- ▶ Broad capabilities
- ▶ Flexibility to adapt to demand volatility

KEY TAKEAWAY

- ▶ Global supply chains must continue to evolve to meet expanding customer needs

Our Customers



► Design Engineer

Customer Values

- ▶ Speed
- ▶ Reliability
- ▶ Breadth of manufacturing capabilities
- ▶ Ease of use



Use Cases

- ▶ Prototyping
- ▶ Jigs/fixtures
- ▶ Product testing
- ▶ Design validation



Opportunities

- ▶ More complex parts
- ▶ One-stop source
- ▶ More lead time and price options



► Production Buyer

- ▶ Quality
- ▶ Reliability
- ▶ Price and delivery options
- ▶ Ease of use

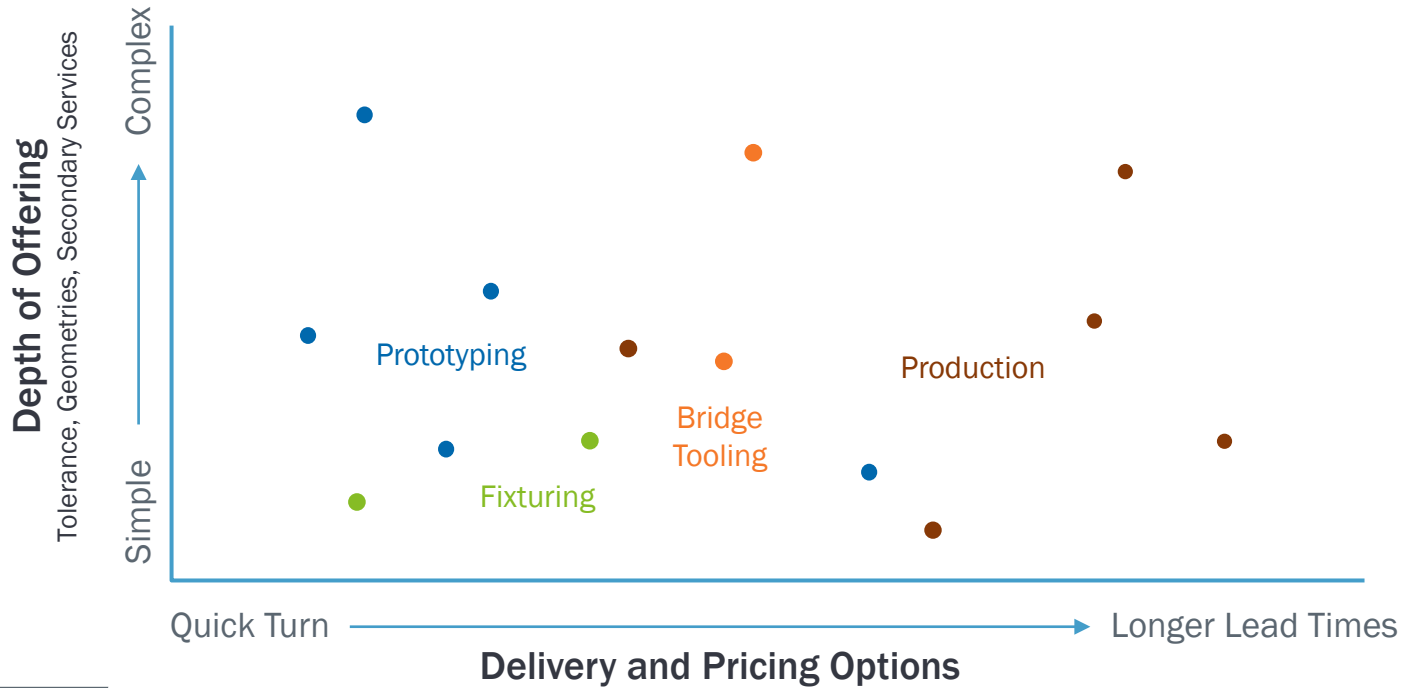


- ▶ Low-volume production
- ▶ Bridge tooling
- ▶ Line down
- ▶ MRO
- ▶ Demand uncertainty



- ▶ More lead time and price options
- ▶ Digital quality process requirements
- ▶ 3D printing production for appropriate use cases

Customer Use Cases

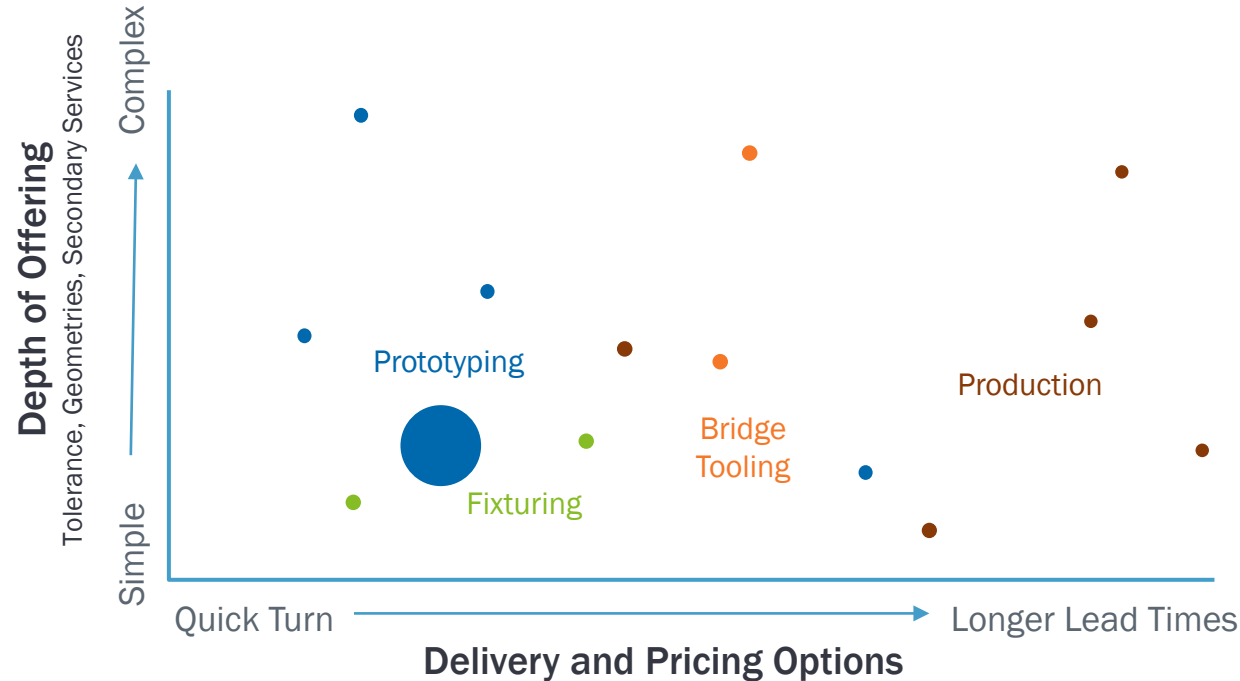


KEY TAKEAWAY

- ▶ Our customers have a variety of use cases—we continue to evolve to serve them all



The Aura Project



“

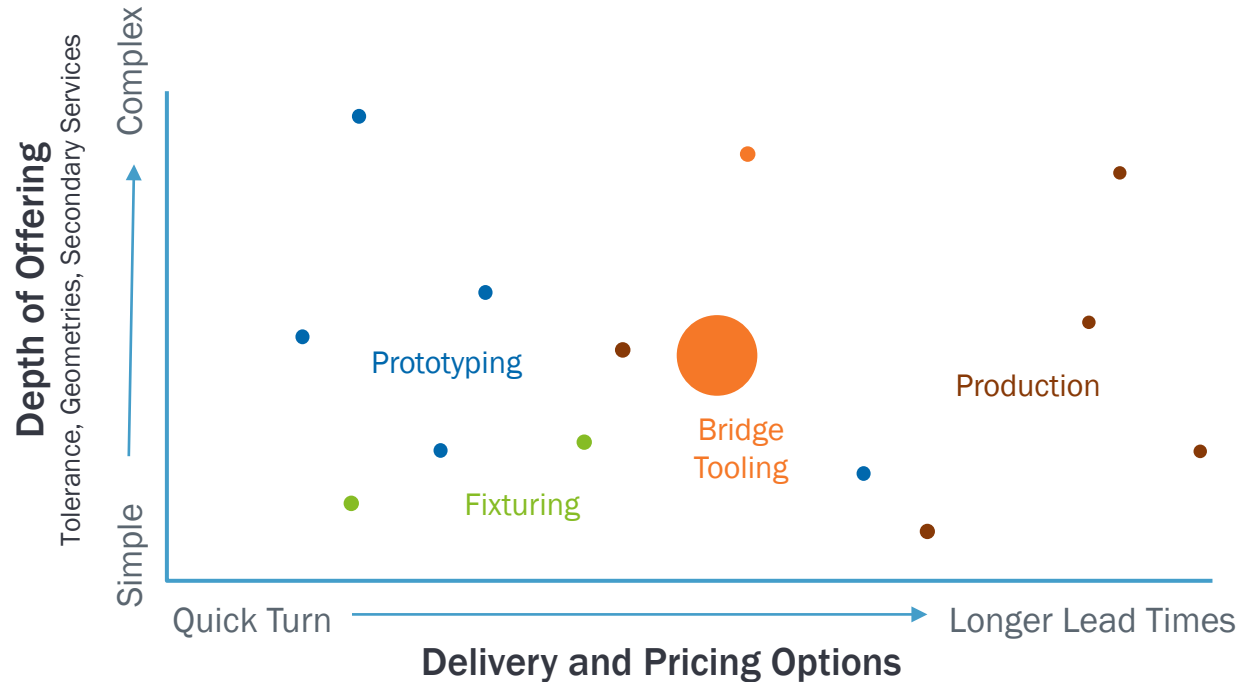
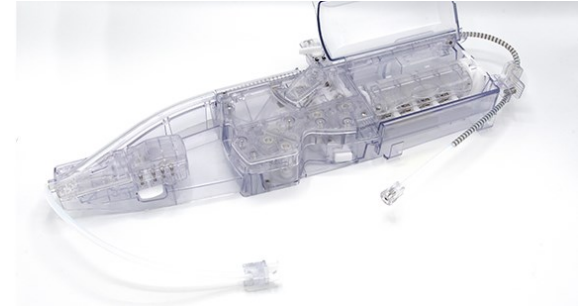
Quick turnaround and open communication, with real numbers, have been key to the partnership. [Automated manufacturing analysis] helped us out quite a bit...being able to see how each little change affects you on a dollar and cents side.

Corey Mack

Founder and Designer, The Aura Project



Corindus, a Siemens Healthineers Company

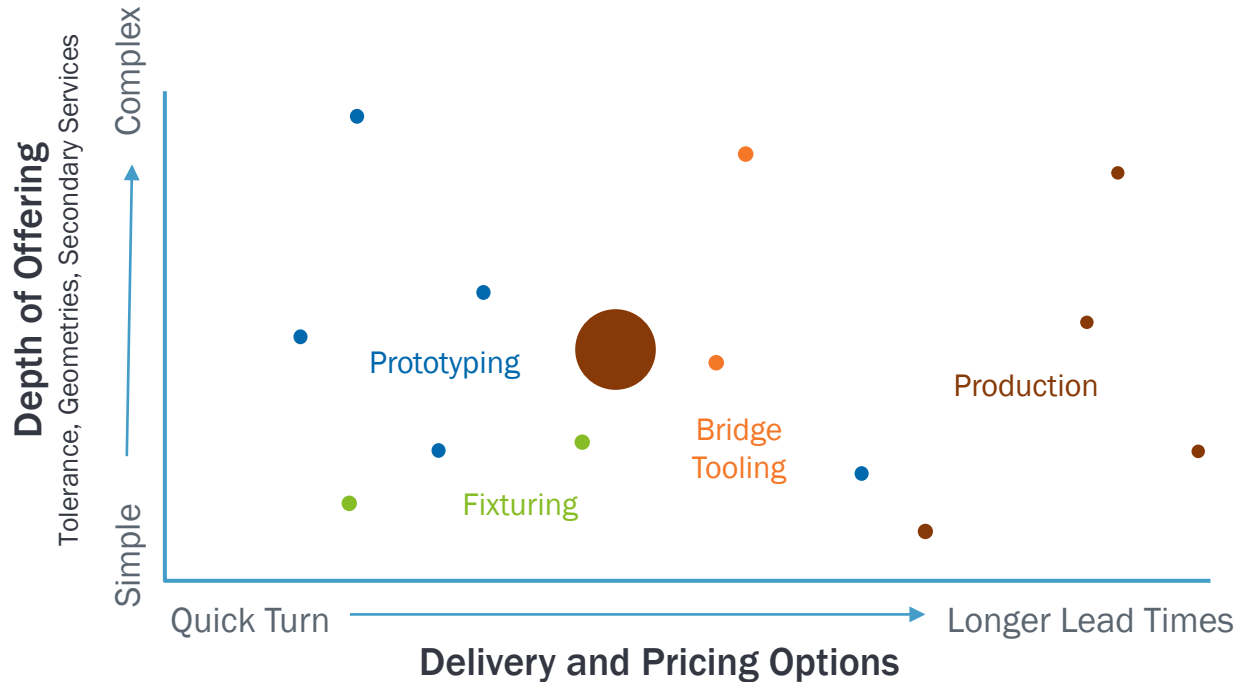
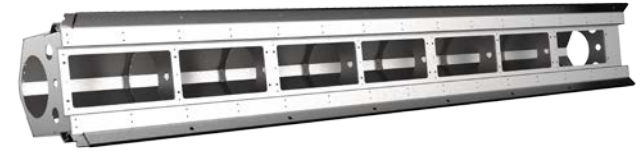


“
Think weeks instead of months.
By comparison, if we would have used a traditional manufacturer, it would have been substantially longer...**speed, low cost, and quality** were the strongest points here.

Gary Kappel
Principal Mechanical Design Engineer,
Corindus



Lockheed Martin + NASA



“

Partnering with Protolabs was easy. We ended up with **high fidelity hardware** at a bargain price on a **very competitive schedule**.

Chris Cloutier
Advanced Programs Prototype Lead,
Lockheed Martin

Our Strategy and Market Opportunity Size



Contract Manufacturing

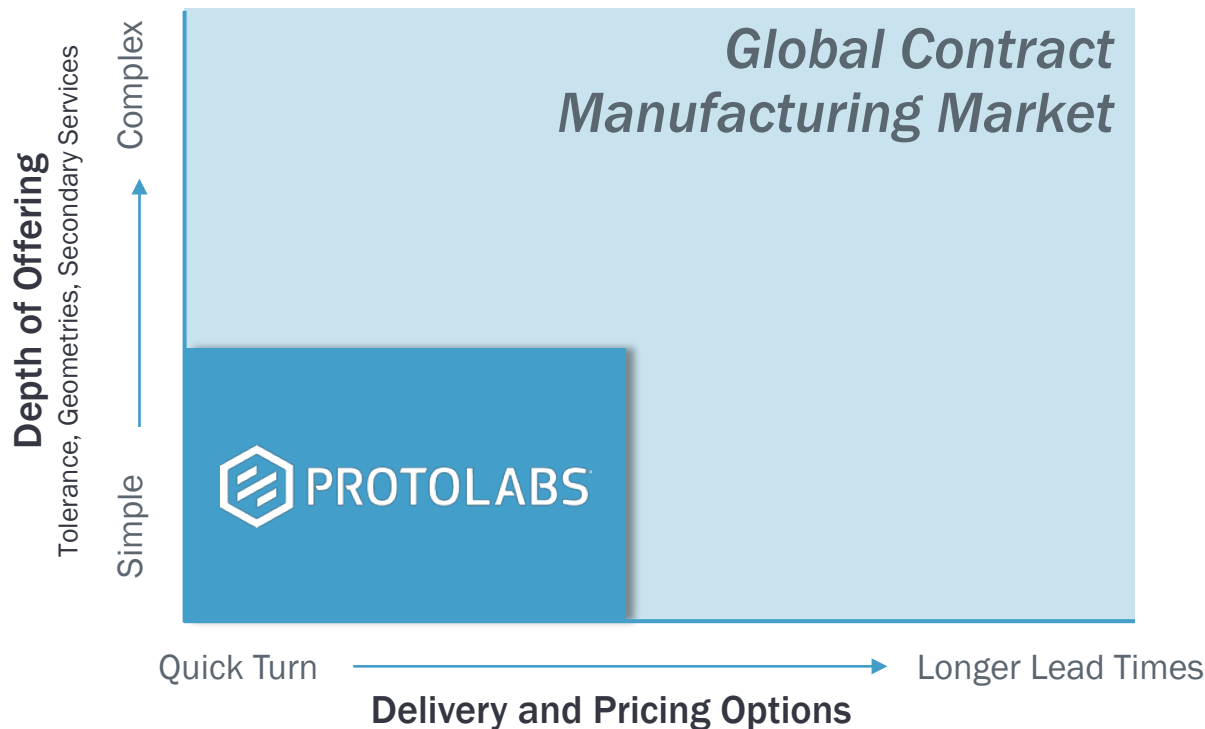
A form of outsourcing in which a manufacturer enters into an arrangement or formal agreement with another company or individual for the manufacture of complete parts, products, or components.

\$2 trillion market worldwide¹

Vast in breadth—many different manufacturing functions and processes: Casting, Molding, Forming, Machining, Joining, Additive



1) BCC Research



- ▶ Focus on **automation** of manufacturing process
- ▶ Initial focus on **prototyping**, have evolved to serve **production** use cases
- ▶ Continue to avoid very high-volume, commoditized manufacturing

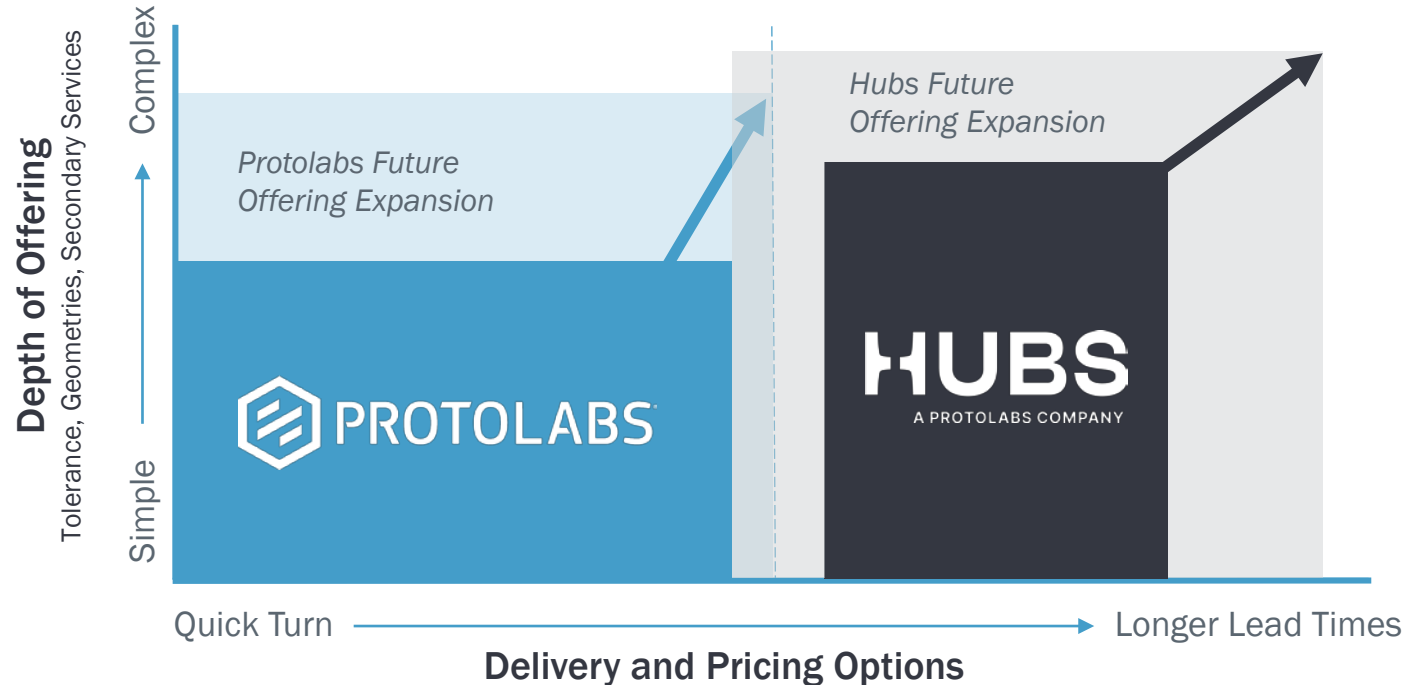
KEY TAKEAWAY

- ▶ Our serviceable market is still very large, profitable, and one in which we can differentiate

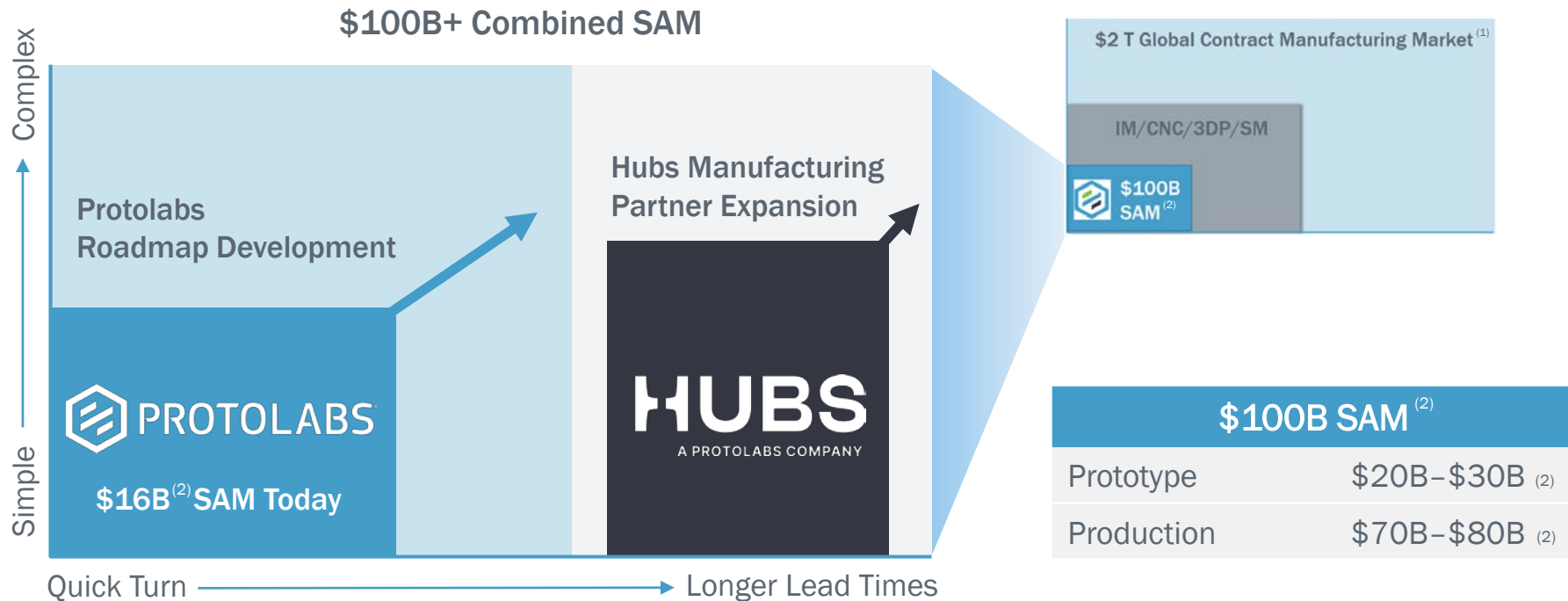
Future Roadmap: Protolabs x Hubs



- ▶ We've expanded our envelope over time, but several use cases were still outside of our capabilities
- ▶ Our combined roadmap meets this broad range of customer needs



Serviceable Market Growth from ~\$16B to ~\$100B



1) BCC Research
2) Management Estimates

KEY TAKEAWAY

- ▶ We've chosen to play in a highly attractive portion of the global contract manufacturing market, and our addressable market is still very large: +\$100 billion (5x greater than the one we have today)



Complementary Capabilities Enable a Better Customer Experience



- ▶ Rapid prototyping
- ▶ Best-in-class lead times within our current envelope
- ▶ Focus on reliability and quality
- ▶ Expert technical consultation
- ▶ World-class customer support



- ▶ Broad services offer:
 - ▶ Higher tolerances
 - ▶ More complex parts
 - ▶ Additional technologies
 - ▶ More secondary options
- ▶ Variety of lead time and pricing options
- ▶ Instant market-based pricing

KEY TAKEAWAY

- ▶ Our customers will be able to access the **most comprehensive digital manufacturing offer in the world**

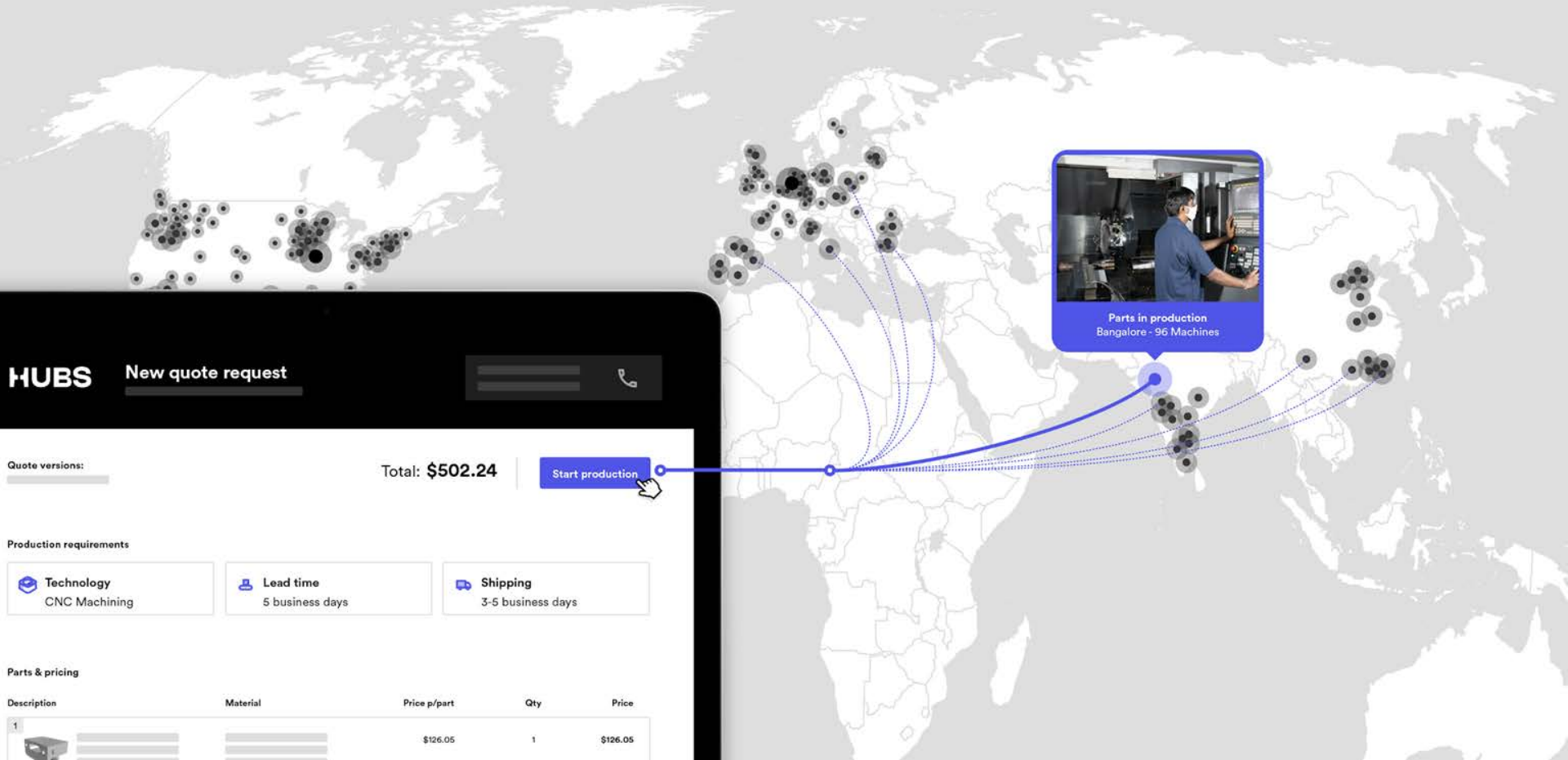
HUBS

A PROTO LABS COMPANY



Bram de Zwart
Co-founder and CEO, Hubs

Online Platform Provides Access to Global Network of Manufacturers



HUBS New quote request

Quote versions: _____ Total: **\$502.24** [Start production](#)

Production requirements

- Technology**
CNC Machining
- Lead time**
5 business days
- Shipping**
3-5 business days

Parts & pricing

Description	Material	Price p/part	Qty	Price
1		\$126.05	1	\$126.05



Online Platform Shortens Pre-manufacturing Process from Weeks to Minutes

1

Upload design



2

Get instant price and DFM



3

Select lead time



4

Order routed in network

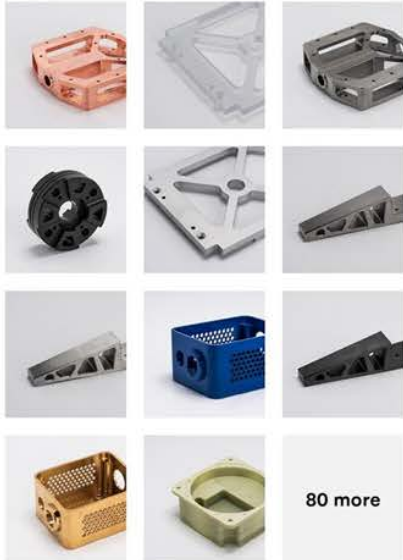


No endless email back and forth—get parts into production in minutes instead of weeks

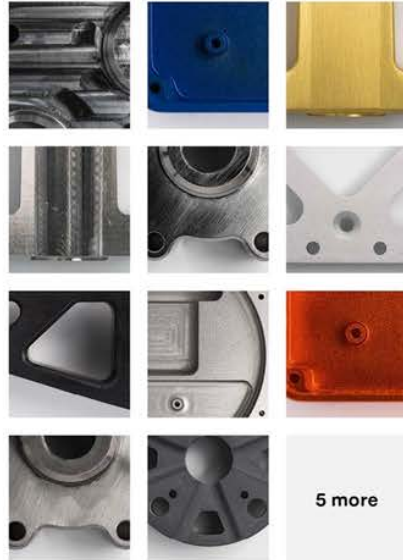


Network Provides Unique Breadth in Capabilities and Price/Lead Time Options

91
materials



16
surface finishes



Manufacturing capabilities

CNC machining

Milling (3-, 4- & 5-axis),
turning &
post-processing

3D printing

FDM, SLA, SLS, MJF,
DMLS

Injection molding

Rapid tooling, family
molds, multi-cavity molds
and overmolding

Sheet metal fabrication

Laser cutting, bending,
post processing

Speed

1 day
for 3D printing

Discounted lead time options

Complexity

5-axis
CNC machining

Undercuts

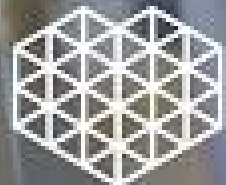
Hard to access
features

Sharp corners

Quality

Cosmetic surface
finishes

±.0008"
tolerances for
CNC machining



3D HUBS

**Quotes in seconds,
parts in days**

https://www.youtube.com/watch?v=Q0hG35sUMKs&ab_channel=3DHubs



Together Creating the World's Most
Comprehensive Digital Manufacturing Offer





Providing an Industry-leading Customer Experience

1

Best-in-class Platform



2

Premium Partner Network



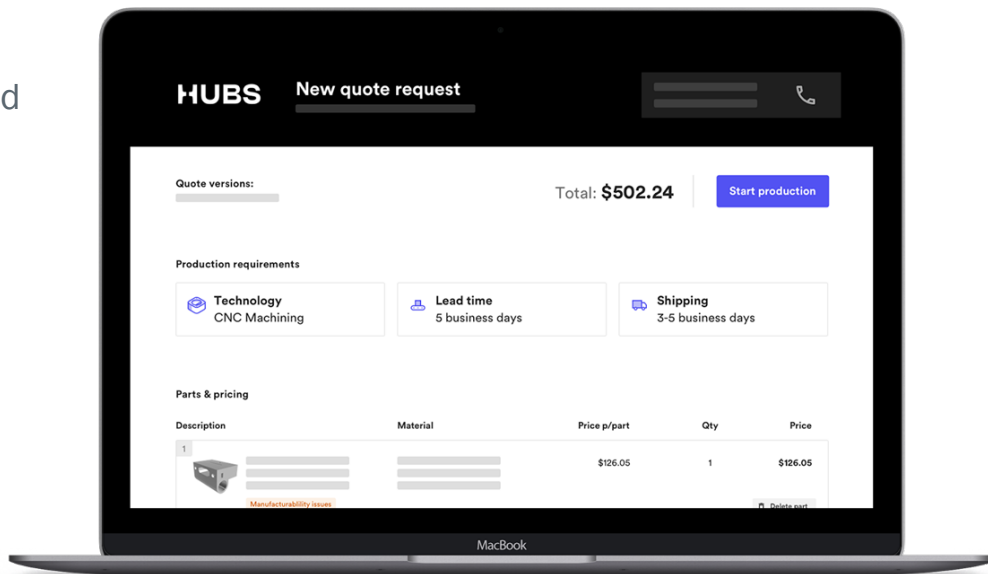
3

Global Supply Chain Capabilities

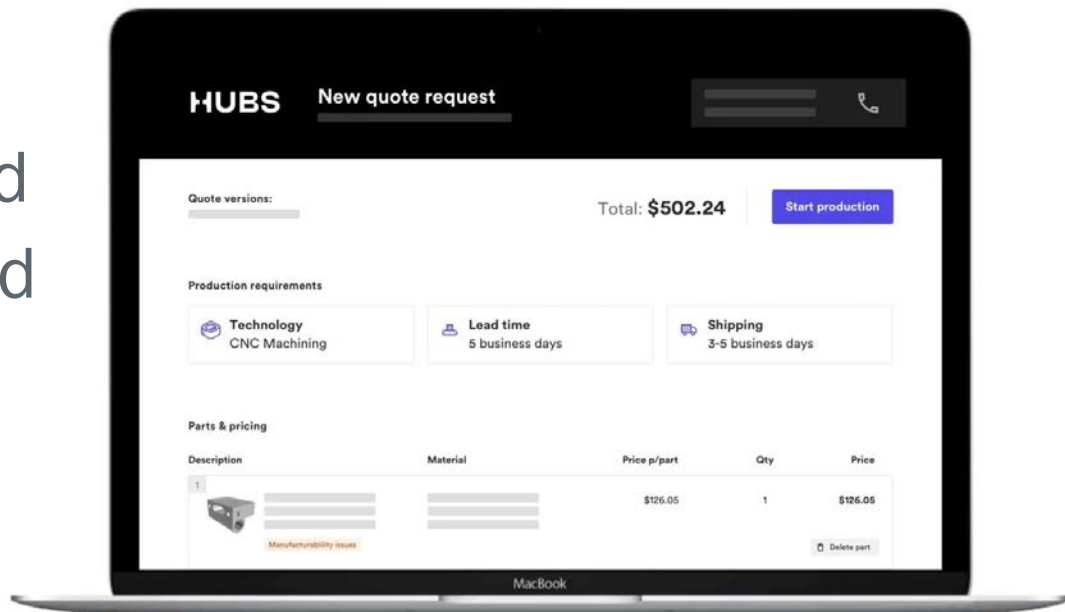


Platform: Automates and Simplifies Each Step of Ordering Process

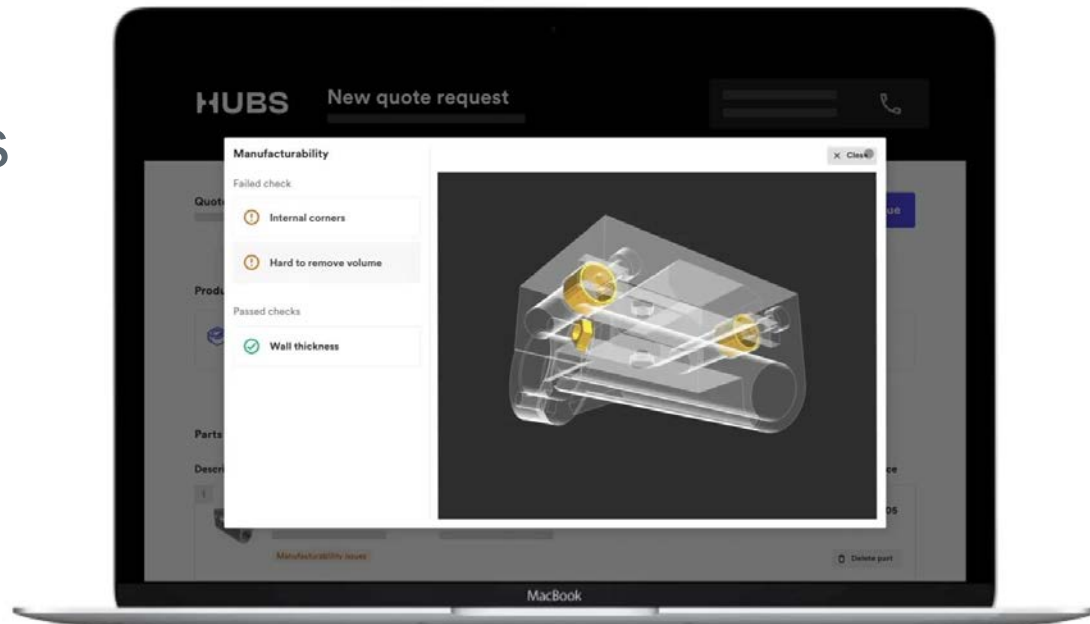
- ▶ **95% of ordered parts instantly quoted**
Machine learning on data of 7M+ parts produced
- ▶ **98% of orders are manufacturable**
DFM software developed in-house
- ▶ **97% of sourced orders paired automatically**
Uses smart order routing system



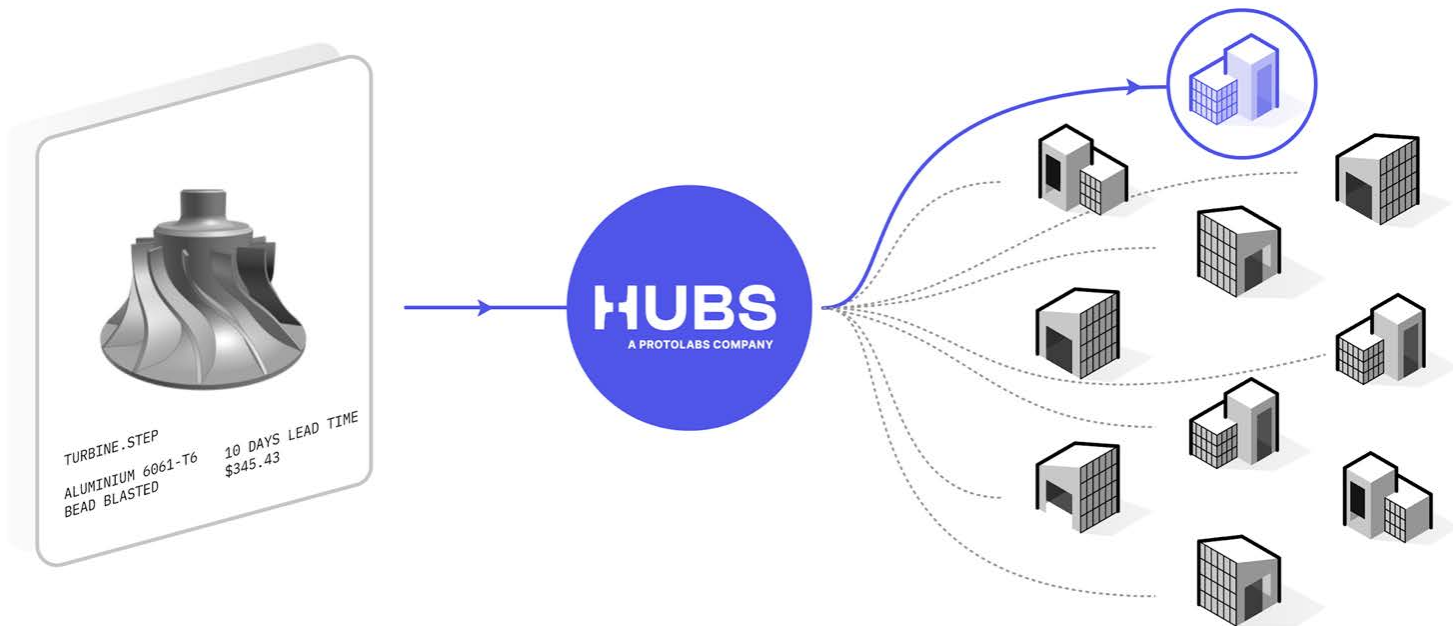
Platform: 95% of ordered parts are instantly quoted via machine learning



Platform: 98% of orders are manufacturable, partly due to our DFM software



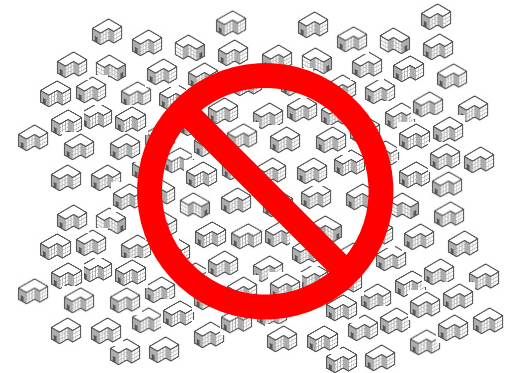
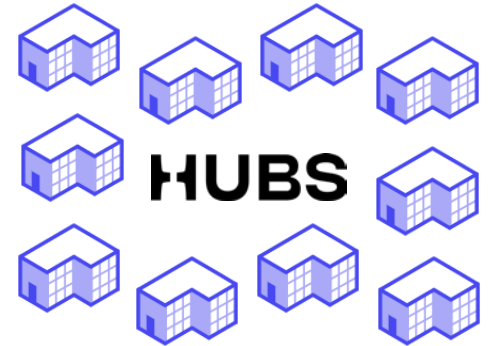
Platform: 97% of sourced orders get paired automatically with the right partner



Manufacturing Partners: Deep Relationship with Premium Partners

We partner with fewer, premium manufacturers:

- ▶ More control over quality and standards
- ▶ Better understanding of capabilities
- ▶ More likely to be prioritized
- ▶ Allows for deeper integrations in the future



2

Manufacturing Partners: Geo-diversification Provides Choice and Resilience



3D printing facility in the Netherlands, EU

Capabilities	SLS
Number of machines	5



Sheet metal fabrication facility in Guangdong, China

Capabilities	Laser cutting, bending
Number of machines	66



Quality control in Guangdong, China



3D printing facility in Texas, USA

Capabilities	MJF, FDM, SLS
Number of machines	63



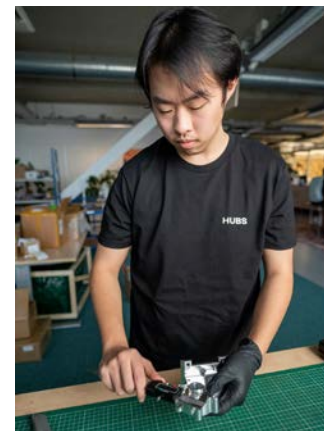
CNC machining facility in Bangalore, India

Capabilities	3-,4-,5-axis milling, turning
Number of machines	15

Supply Chain Capabilities: Serving the Most Demanding Customers

Global supply chain capabilities to ensure an unparalleled customer experience:

- ▶ Logistics through in-house cross-docks
- ▶ Customs clearance
- ▶ Smart quality control







Summary

- ▶ **Hubs provides a leading customer experience:**
 - ▶ Best-in-class platform
 - ▶ Premium manufacturing partner network
 - ▶ Global supply chain capabilities
- ▶ **Our manufacturing network model creates an unprecedented offering, which can be rapidly expanded and scaled**
- ▶ **Protolabs and Hubs combined:**
 - ▶ Provide the world's #1 digital manufacturing offer to the world's largest customer base
 - ▶ Expanded serviceable market



World-class Combined Offering



	 PROTOLABS	HUBS <small>A PROTOLABS COMPANY</small>	 x HUBS <small>A PROTOLABS COMPANY</small>
Speed	✓		✓
In-House Manufacturing Capabilities	✓		✓
Manufacturing Automation	✓		✓
Engineering Expertise	✓		✓
Digital Quoting System	✓	✓	✓
Capacity	✓	✓	✓
Premium Manufacturing Network		✓	✓
Material Selection + Finishing Options		✓	✓
Part Complexity		✓	✓
Cost		✓	✓

Roadmap to Value Creation

Five-year Plan Objectives



Establish Platform (2020 – 2023)

- ▶ Best-in-class customer experience
- ▶ Expand our offer to provide our customers with the broadest solution for custom parts
- ▶ Delivering innovation (support historic and future R&D investment)

Accelerate Growth (2022 – 2026)

- ▶ Expand our part envelope and offerings, bringing new capabilities
- ▶ Go-to provider of custom parts
- ▶ Double revenue in five years

Expand Profitability (2025 and beyond)

- ▶ Expand profitability, nearly doubling non-GAAP operating income^{*}
- ▶ Capture enhanced operational efficiencies

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

KEY TAKEAWAY

- ▶ We expect roadmap to growth will double Protolabs' revenue in five years



1

Extend our leadership position with the most comprehensive digital manufacturing service in the world

2

Maintain best-in-class customer experience

3

Accelerate growth through current and expanding customer use cases

4

Long-term objectives: Double revenue and enhance our earnings power

2020-2023

Establish the Platform



Rich Baker
Chief Technology Officer

Five-year Plan Objectives



Establish Platform (2020 – 2023)

- ▶ Best-in-class customer experience
- ▶ Expand our offer to provide our customers with the broadest solution for custom parts
- ▶ Delivering innovation (support historic and future R&D investment)

Accelerate Growth (2022 – 2026)

- ▶ Expand our part envelope and offerings, bringing new capabilities
- ▶ Go-to provider of custom parts
- ▶ Double revenue in five years

Expand Profitability (2025 and beyond)

- ▶ Expand profitability, nearly doubling non-GAAP operating income*
- ▶ Capture enhanced operational efficiencies

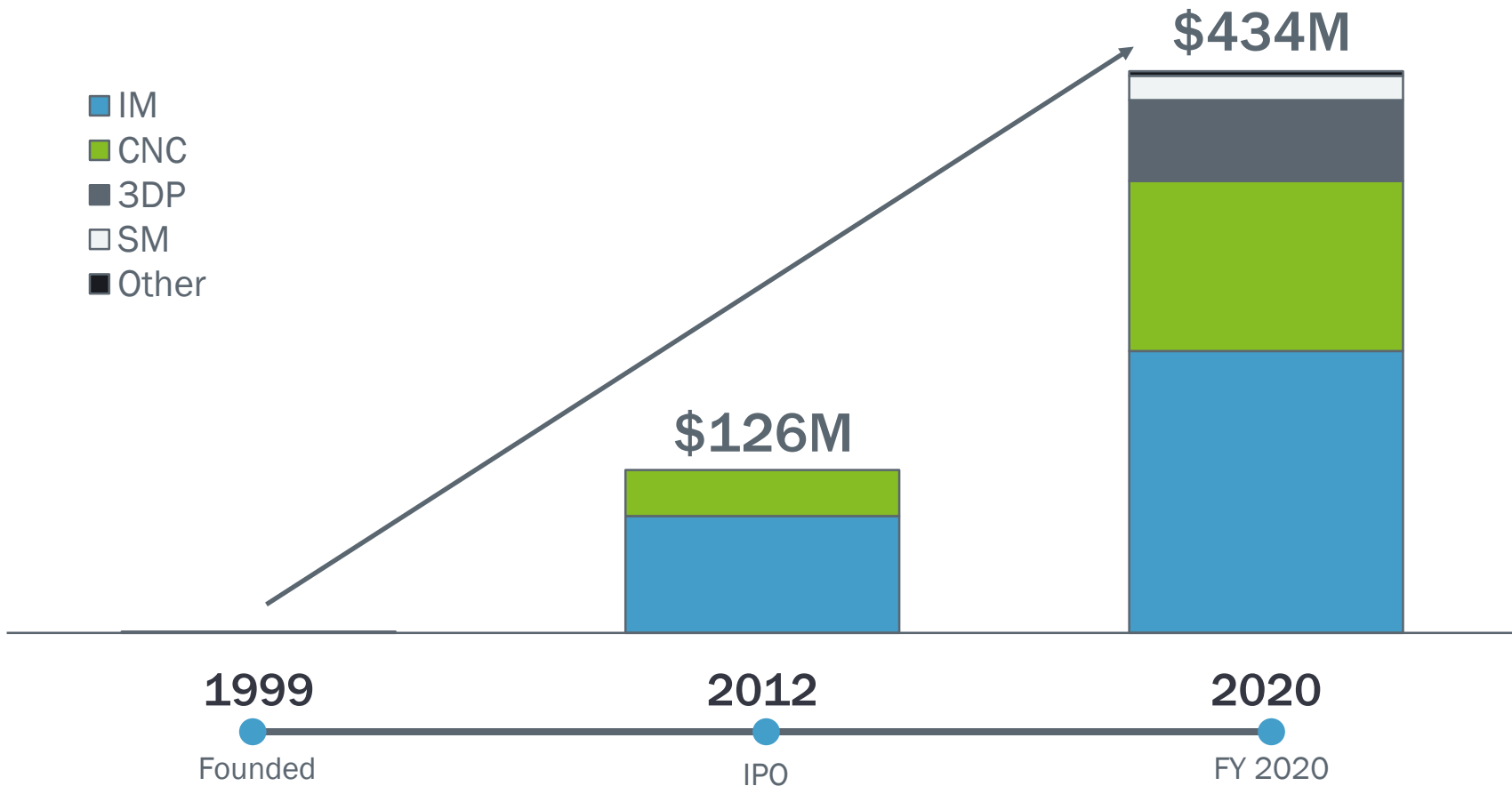
**Non-GAAP: adjusted for stock-based compensation, intangible amortization, transaction expenses, and unrealized (gain) loss on foreign currency. See reconciliation in Appendix.*

KEY TAKEAWAY

- ▶ We expect roadmap to growth will double Protolabs' revenue in five years

Explosive Growth Supported by Legacy Systems

Revenue Growth Since 1999



Growth Driven by Service, Region, Envelope Expansion



1999

Founded

- ▶ One service
- ▶ US only
- ▶ 10 customers
- ▶ Founded to serve prototype customer use cases



2012

IPO

- ▶ Two services
- ▶ US, EMEA, Japan
- ▶ 20k product developers between 1999 and 2011



2021

Today

- ▶ Four services
- ▶ US, EMEA, Japan
- ▶ 40k product developers in 2020 alone
- ▶ Protolabs 2.0 enables us to better serve production use cases

KEY TAKEAWAY

- ▶ Our growth was supported by software and systems built in the early 2000s
- ▶ Initial focus on prototypes for product development engineer



NETFLIX

TECHSPOT

Netflix prepares a major overhaul for its video streaming architecture and technologies

By [Justin Kahn](#) on January 28, 2015, 2:30 PM | 7 comments



TE

Airbnb Launches Massive Redesign, With Reimagined Listings And A Brand New Logo

By [Ryan Lawler](#) @ryanlawler / 12:28 PM CDT • July 16, 2014



TE

Slack speeds up its web and desktop client

By [Frederic Lardinois](#) @frederic / 10:00 AM CDT • July 22, 2019



Bloomberg

Snap Will Overhaul Its App Just Nine Months After Its IPO

By [Sarah Frier](#)

November 7, 2017, 3:15 PM CST Updated on November 7, 2017, 9:27 PM CST

Protolabs 2.0



PROTOLABS 2.0

Customer Experience
(eCommerce)

DIGITAL THREAD

Engineering
Software System

Mfg Execution
Software System

ERP

Financial
Reporting

BI Tools

CRM

KEY TAKEAWAY

- ▶ We began the Protolabs 2.0 project in 2017 to improve the customer experience
- ▶ Our fully connected digital thread required that we also upgrade our back-end supporting systems



Protolabs 2.0 Customer Benefits



Immediate

- ▶ Simplified quoting, more intuitive user experience
- ▶ Fewer clicks, better buying experience
- ▶ Expanded production capabilities exposed to customers



Longer Term

- ▶ Launch new services and capabilities faster
- ▶ Easier to integrate acquisitions
- ▶ Continue to improve the buying experience based on monitoring how customers use the system



Protolabs 2.0 Customer Feedback



Recent enhancements have made the platform the best in the sector. The ability to group, compare, and manage several files and projects at once is one thing that makes it better than every other website for rapid machining, molding, and additive manufacturing. Also, the feedback in real time of material changes in the quote has made the selection process much easier and faster.

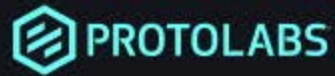
Daniel Eads,
Engineering Technician at Boston Scientific

**Boston
Scientific**

Customer Example of New eCommerce Experience

<https://protolabs-2.wistia.com/medias/5jx2oe13gw>

The Evolution of a Digital Quoting Platform



2:13



Example of New eCommerce Experience

<https://protolabs-2.wistia.com/medias/v4hmda8cdf>



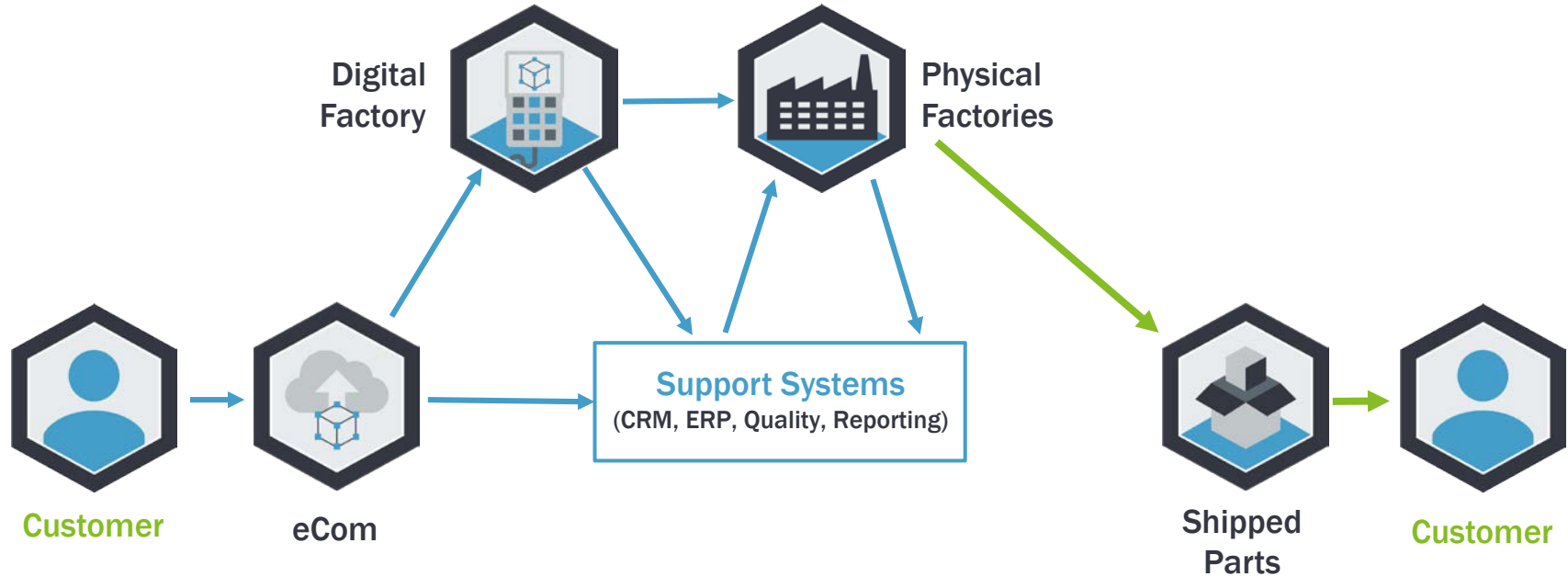
1:27





The Combined Platform

Protolabs Architecture

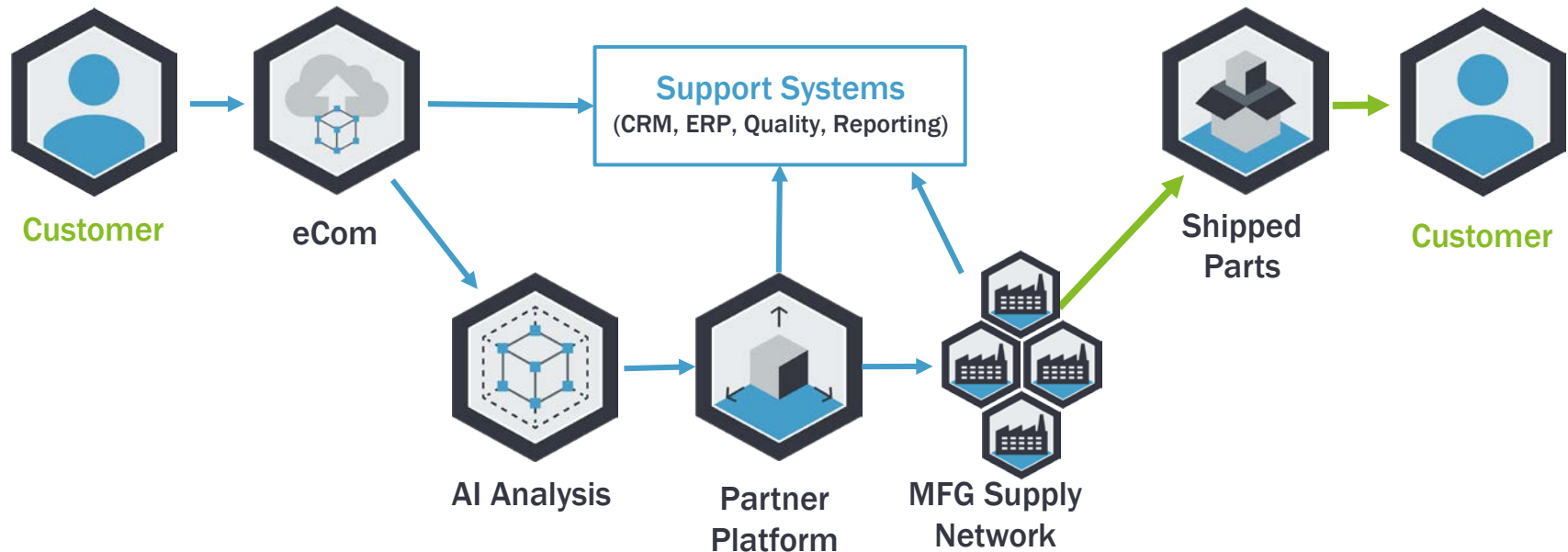


- ▶ Information flows from digital factory to physical factory
- ▶ Digital manufacturing reduces need for skilled labor

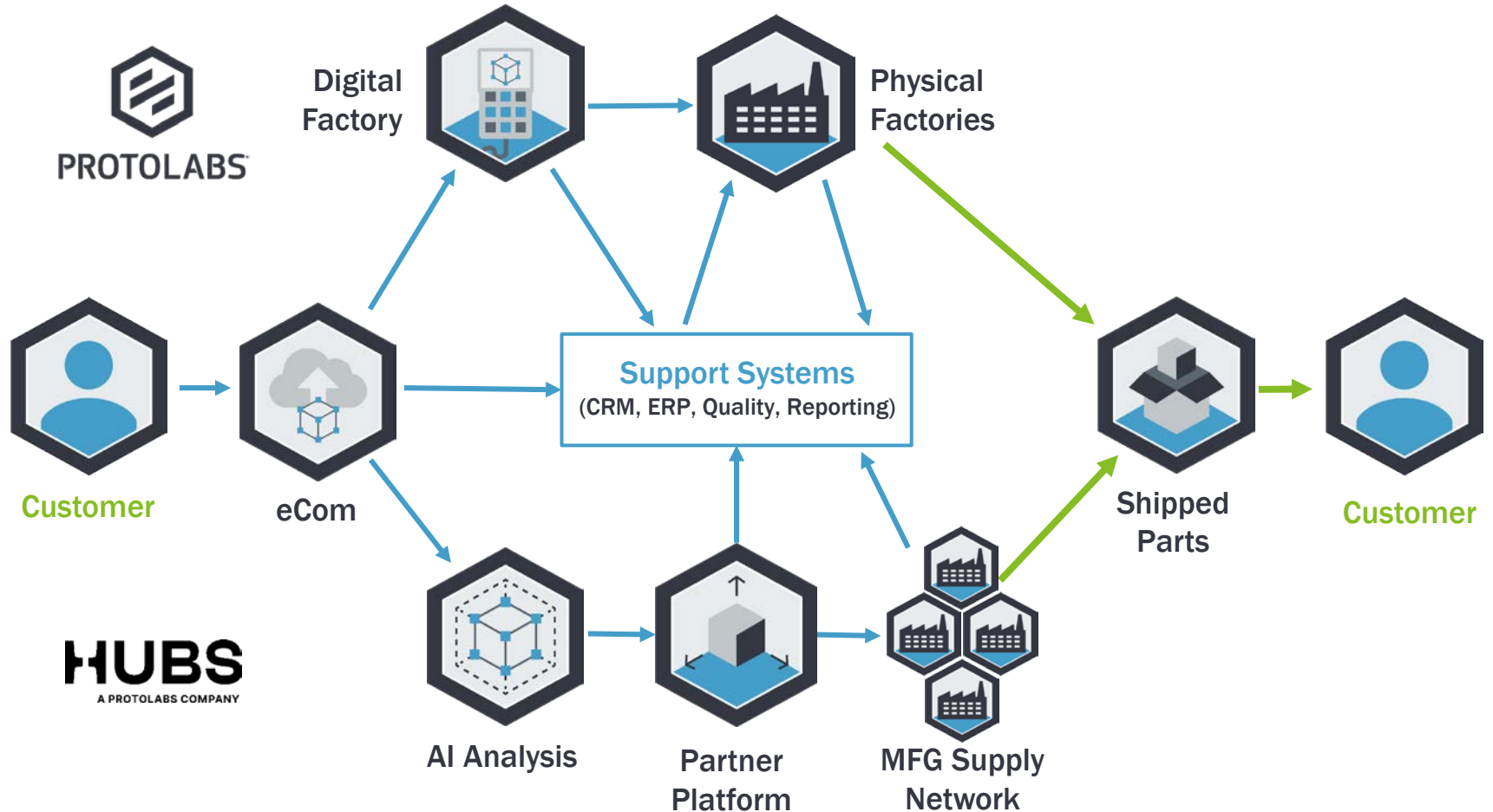
Hubs Architecture



- ▶ Hubs provides instant quote and DFM analysis
- ▶ Hubs' platform applies machine learning to match the customer needs and manufacturing partners' capabilities



Combined Architecture



Roadmap to Serve More of our SAM



Roadmap: Past Evolution

2014–2017

- ▶ Maintain speed advantage, while also **expanding part envelope and adding services**
 - ▶ Increase the types of parts we could manufacture for customers (LSR, insert molding, over molding, etc.)
 - ▶ Added 3D printing service in Americas and Europe via acquisitions
- ▶ Added sheet metal fabrication service and expanded machining offering via acquisition of Rapid Manufacturing

2017-2020

Improve our legacy **eCommerce customer experience** and modernize back-end supporting systems

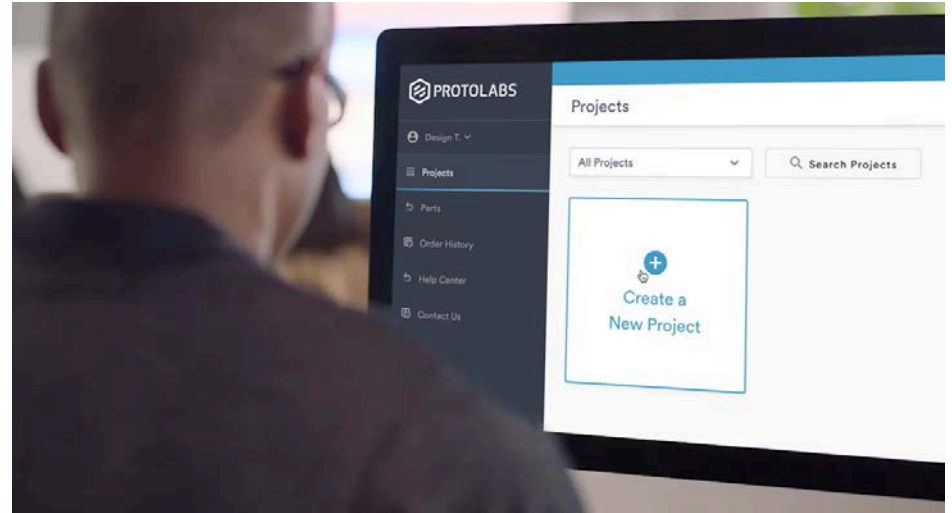
- ▶ Engineering software system
- ▶ Mfg execution software system
- ▶ ERP
- ▶ Financial reporting
- ▶ BI tools
- ▶ CRM



Maintaining a Best-in-class eCommerce Experience

1. eCommerce: Maintain our world-class ecommerce customer experience

- ▶ Protolabs 2.0
- ▶ Instant pricing
- ▶ Instant DFM



KEY TAKEAWAY

- ▶ As we continue to expand our part envelope and offering, we are able to serve more customer needs in our addressable market



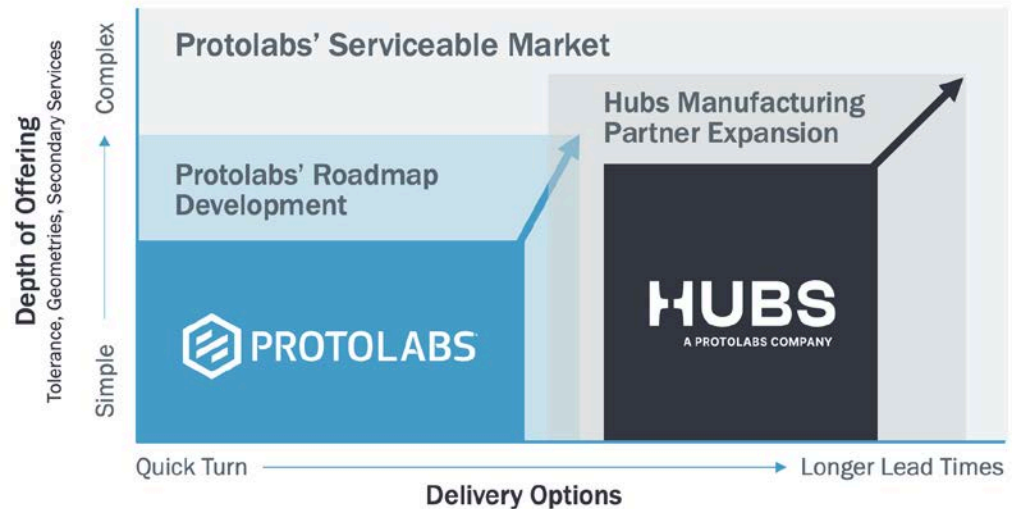
Expanding Our Offerings

2. Part Envelope: Continue to expand the types of parts we can make:

- ▶ Larger parts
- ▶ Tighter tolerances
- ▶ Secondary operations

3. Offering: Offer customers a wide breadth of use cases, including additional pricing and lead time options

- ▶ Full range of lead times
- ▶ Digital quality





Roadmap: Future 2021

Deliver Innovation

- ▶ Expand our part envelope, continue to improve our eCommerce experience, and serve a broader set of customer use cases (more price and lead time options)
- ▶ More frequent releases of new and expanded capabilities
- ▶ Hubs will help in these three areas significantly (integrating Hubs into our customer experience)
- ▶ Protolabs 2.0 will facilitate more efficient improvements



2022-2026 Accelerate Growth



Brian Peters
Chief Marketing Officer

Five-year Plan Objectives



Establish Platform (2020 – 2023)

- ▶ Best-in-class customer experience
- ▶ Expand our offer to provide our customers with the broadest solution for custom parts
- ▶ Delivering innovation (support historic and future R&D investment)

Accelerate Growth (2022 – 2026)

- ▶ **Expand our part envelope and offerings, bringing new capabilities**
- ▶ **Go-to provider of custom parts**
- ▶ **Double revenue in five years**

Expand Profitability (2025 and beyond)

- ▶ Expand profitability, nearly doubling non-GAAP operating income*
- ▶ Capture enhanced operational efficiencies

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

KEY TAKEAWAY

- ▶ We expect roadmap to growth **will double Protolabs' revenue in five years**

A Winning Combination



Brand



- ▶ High brand awareness/equity
- ▶ Leading market position
- ▶ Comprehensive customer support

Offer



- ▶ Most comprehensive offer
- ▶ Largest range of lead times and price points
- ▶ One-stop source

Experience



- ▶ New quoting experience
- ▶ Adaptable platform
- ▶ More user friendly

Customer



- ▶ >1M database contacts
- ▶ ~300k social media followers
- ▶ Trusted relationships



Diverse Set of Customers

- ▶ We serve all manufacturing industry verticals
- ▶ Each industry has unique needs and uses Protolabs differently
- ▶ We combine tailored solutions with a go to market approach to serve these industries with best-in-class customer support



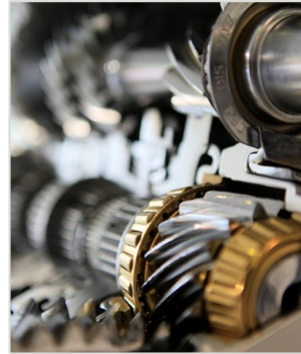
**Medical +
Health Care**

20% - 25%



**Computer
Electronics**

~20%



**Industrial Machinery
+ Equipment**

~10%



Aerospace

~5%



Automotive

~5%

Diverse Set of Customers



PEPSICO



ST. JUDE MEDICAL



HARRIS

LOCKHEED MARTIN



MICHELIN

PLEXUS

**Master
Lock**



Mercedes-Benz

FUJIFILM

EPSON

Diverse Set of Customers



“

I discovered Protolabs long ago and have often had spurts of activity where your company has provided the perfect mix of technology, expertise, cost, and response time to help me reach my objectives expeditiously....your services are now something I can't imagine being without.

Thom Brace, 3M



“

Protolabs was able to deliver high-quality, overmolded parts in just 15 days from the time I placed the order. This turnaround time allowed me to validate my design much sooner than ever before.

Victor Kotov, St. Jude Medical



ST. JUDE MEDICAL

“

Protolabs is a tremendous ally because they enable us to develop and iterate at a much higher speed....we use Protolabs as the manufacturer for a given component for the lifetime of the project because they are so great to work with.

Kevin Anderson, Google X



“

I really like the interactive nature of the quote process where you can evaluate the impact of material, surface finish, and delivery time on the completed part cost quote.

Steven Kontney, Cummins





Capitalizing on the eCommerce Revolution

Every year more and more engineers source customer parts online

Traditional Manufacturing

- ▶ Manual quoting
- ▶ Antiquated CX
- ▶ Slower turn times
- ▶ Single-source production
- ▶ Traditional constraints

Online/Digital Manufacturing

- ▶ Instant quote
- ▶ Better CX
- ▶ Fastest turn times
- ▶ Saves time and money
- ▶ Optimal sourcing/prod

Our Customers: Engineers and Buyers



Design Engineer

- ▶ Younger, digital native
- ▶ Time and budget pressure
- ▶ 5-10 projects annually



Production Buyer


- ▶ Supply chain expert
- ▶ Price sensitive
- ▶ Quality focused



Design Engineer

- ▶ Younger, digital native
- ▶ Time and budget pressure
- ▶ 5-10 projects annually

Values

- 
- ▶ Reliability
 - ▶ Speed
 - ▶ Quality
 - ▶ Breadth of manufacturing capabilities
 - ▶ Ease of use
 - ▶ Price and delivery options

Prototyping



- ▶ Quick turnaround
- ▶ Quality and reliability
- ▶ Injection molding, CNC machining, 3D printing, sheet metal fabrication



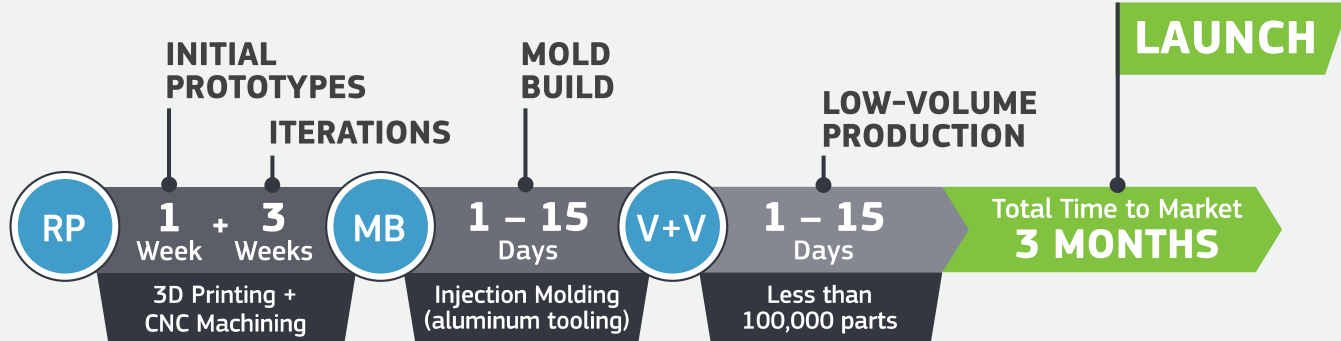
HUBS
A PROTOLABS COMPANY

- ▶ Longer lead times
- ▶ More complex parts
- ▶ More pricing options
- ▶ Injection molding, CNC machining, 3D printing, sheet metal fabrication

Prototyping to Production

DIGITAL MANUFACTURING AT PROTO LABS

TIME SAVED: 4 MONTHS



KEY



RAPID
PROTOTYPING



MOLD
BUILD



VERIFICATION AND
VALIDATION



Production Buyer

- ▶ Supply chain expert
- ▶ Price sensitive
- ▶ Quality focused

Values

- ▶ Quality
- ▶ Total cost of ownership
- ▶ Reliability
- ▶ Breadth of manufacturing capabilities
- ▶ Ease of use
- ▶ Speed

Expanded Production Capabilities



Production Use Cases

- ▶ Bridge tooling
- ▶ Volatile demand
- ▶ Speed to market
- ▶ End of product life



Customer Needs

- ▶ Variety of price points and lead times
- ▶ Quality documentation
- ▶ 3D printing production for appropriate use cases



PROTOLABS

- ▶ Speed and reliability
- ▶ Infinite capacity
- ▶ DFM feedback
- ▶ Quality documentation

X

HUBS


A PROTOLABS COMPANY

- ▶ Better lead times and prices
- ▶ High requirement capabilities
- ▶ Distributed network



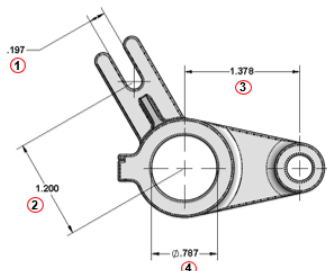
PROTOLABS

Digital Quality Reports



(CTQ)
**CRITICAL-TO-QUALITY
FIRST ARTICLE
INSPECTION REPORT**
ISOW

Date: 10-1-2020



INSPECTION STATEMENT OF WORK

The intent of this document is to give you a preview of exactly what is intended to be measured and the Protolabs tolerances associated with the identified features and material selection. This can also highlight any print-to-model discrepancies that may exist as all dimensions are drawn directly from the 3D CAD model associated with your order. Any prints or documents that were provided other than the CAD model are solely used to generally identify the particular features of interest for inspection and do not drive any tolerance or dimensional changes, and/or expectations.

Your selected features have also been reviewed by our Application Engineering team and any features that have justifiable concerns for tolerance adherence due to limited moldability advisories may have been marked as questions or to discuss potential alternatives.

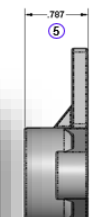
If this preview looks satisfactory and you agree with the tolerances, please email us with your approval to your sales representative.

RESULTS: SUMMARY TABLE

	①	②	③	④	⑤
Description	Distance	Distance	Distance	Distance	Distance
Normal	0.197	1.200	1.378	0.787	0.787
Tolerance	+/- 0.003	+/- 0.005	+/- 0.006	+/- .005	Reference Only
Part #1	-	-	-	-	-
Part #2	-	-	-	-	-
Part #3	-	-	-	-	-

All results & dimensions are shown in **inches**. Critical-to-Quality First Article Inspection Reports include inspection results from the first 3 sample parts taken at start-up of the production run.

VIEW: SIDE



Customer: Example Company, Inc.
 Contact: J. D. Knight
 Order Number: 419679
 Part: 123987

Customer: Example Company, Inc.
 Part: 123987
 Material: AISI, Lustran 433
 View / Results Page: 1 of 2

© Proto Labs, Inc. 1818
 1898-2019 5540 Pioneer Creek Dr., Maple Plain, MN 55359 USA | 877-479-3860



breathē9

Prototype to Production

Max Bock-Aronson

Breathē99

CEO

Supply Chain Disruption

Manufacturing

Interviews Features Companies Videos Lists Events Magazine

#SupplyChain #Manufacturing #COVID19 #Cost

CIPS: supply chain disruption raises manufacturing pressures

Latest research from CIPS highlights that supply chain disruptions and raw material costs have increased cost pressures for manufacturers



CNBC

Retailers pay more to fly everything from bikes to hot tubs from China as U.S. port backup delays deliveries

TRANSPORTATION

Retailers pay more to fly everything from bikes to hot tubs from China as U.S. port backup delays deliveries

PUBLISHED FRI, MAR 5 2021-8:18 AM EST | UPDATED MON, MAR 8 2021-5:41 PM EST



Bloomberg

Economics

Brexit Supply Chain Friction Persists in Blow to Manufacturing

By Lucy Meakin
February 19, 2021, 3:30 AM CST

Harvard Business Review

Operations | Global Supply Chains in a Post-Pandemic World

Global Supply Chains in a Post-Pandemic World

Companies need to make their networks more resilient. Here's how. by Willy C. Shih

SUPPLY CHAIN MANAGEMENT REVIEW

Procurement & Sourcing Education Finance Management Software & Technology 3PL Resources Events Subscribe

Login · Become a member SUBSCRIBE

Search

f t in

RILA CEOs Speak Out on New Supply Chain Disruptions

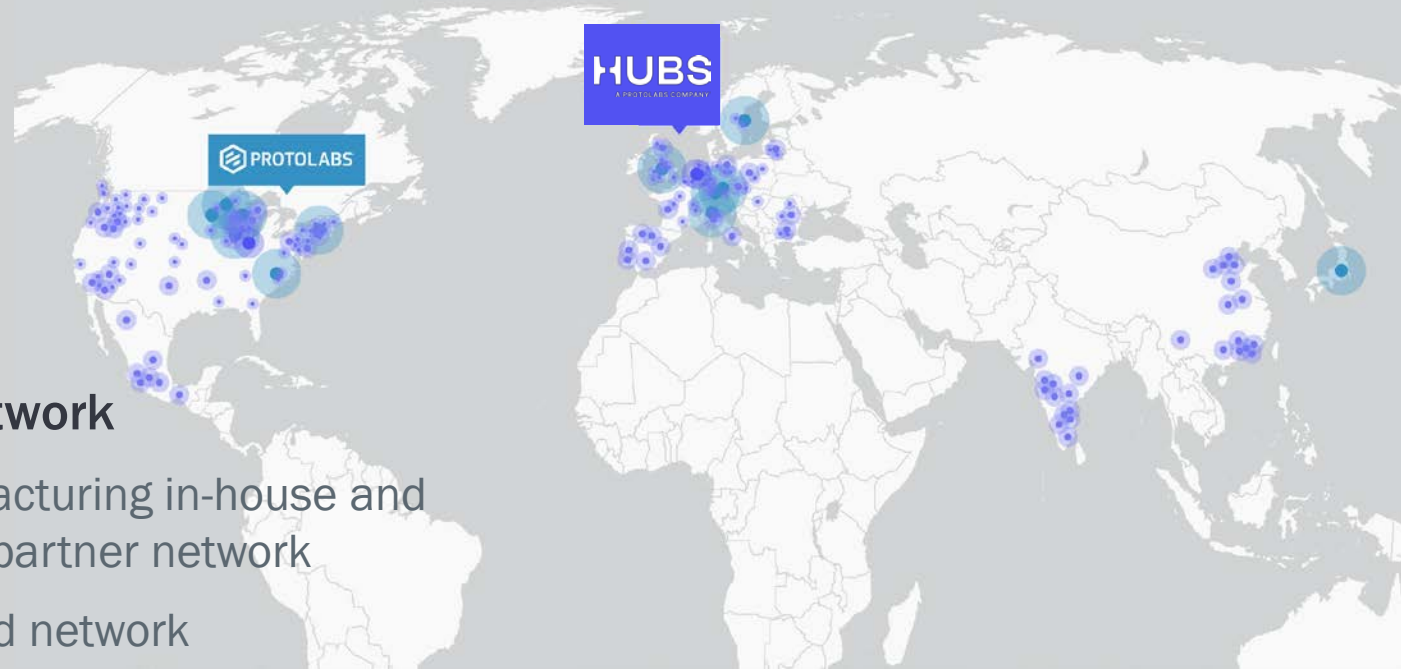
Todd Vasos, CEO, Dollar General, that means that some e-commerce priorities that were previously five years out are now more of a three-year horizon.

Not a Subscriber? Sign Up Today!

Supply Chain Disruption

Protolabs x HUBS Manufacturing Network

- ▶ Production manufacturing in-house and through premium partner network
- ▶ Globally distributed network
- ▶ Redundancy to ensure capacity
- ▶ Hundreds of locations worldwide





WHOOP™

Supply Chain Disruption

Anahis Kechejian

Whoop, Inc.
Engineer



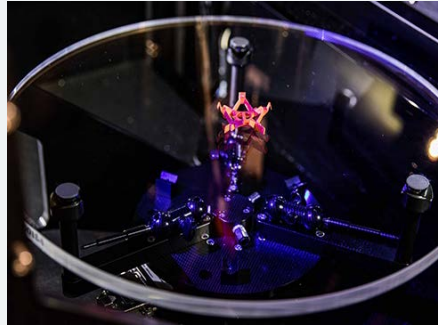
1. Growing our share of wallet with existing customers
2. Targeting new production buyers
3. Capturing new customers entering the digital manufacturing market



Existing Customers

Capture greater share of wallet

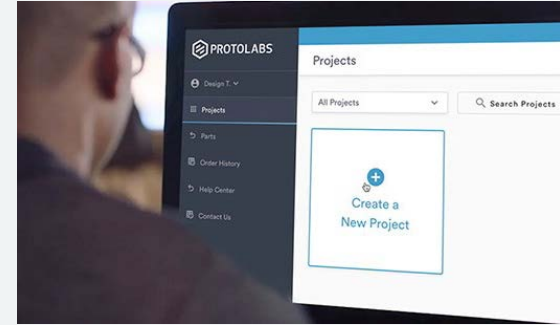
- ▶ **Convenience:** Provide one-stop source for >90% of needs
- ▶ **Capabilities:** More comprehensive offering, lead time, and price point options



Production Customers

Capture more customer production opportunities

- ▶ Ability to transition existing prototype customers to production
- ▶ Production lead times and price points
- ▶ Digital quality and inspection



New Customers

Capture more traditional manufacturing customers

- ▶ Acquire new customers from traditional shops by communicating the advantages of digital manufacturing



Current Customer



- ▶ 1M+ database contacts
- ▶ Know Protolabs as fast and reliable
- ▶ Willing to trade-off some high requirement capabilities for speed

Our New Expanded Offering



Driving Awareness of Our New Offering:

- ▶ Greater depth of capabilities
 - ▶ Higher tolerances
 - ▶ Anodizing
- ▶ New services: FDM in 3D printing
- ▶ Greater variety of lead times
- ▶ More pricing options



New Production Customers



- ▶ Uses Protolabs for production when speed to market is more important than part cost
- ▶ Is willing to trade off some production requirements for speed, but would like to see more production capabilities from Protolabs

Our Expanded Production Offer



Driving Awareness of Our Production Offering:

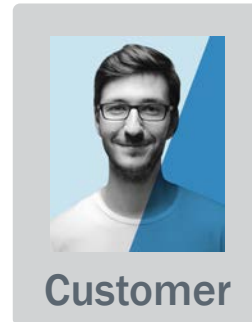
- ▶ Production manufacturing capabilities
 - ▶ Higher tolerances
 - ▶ Anodizing
- ▶ Digital quality documentation
- ▶ Production quantity price points to match longer lead times

Customer Awareness and Acquisition

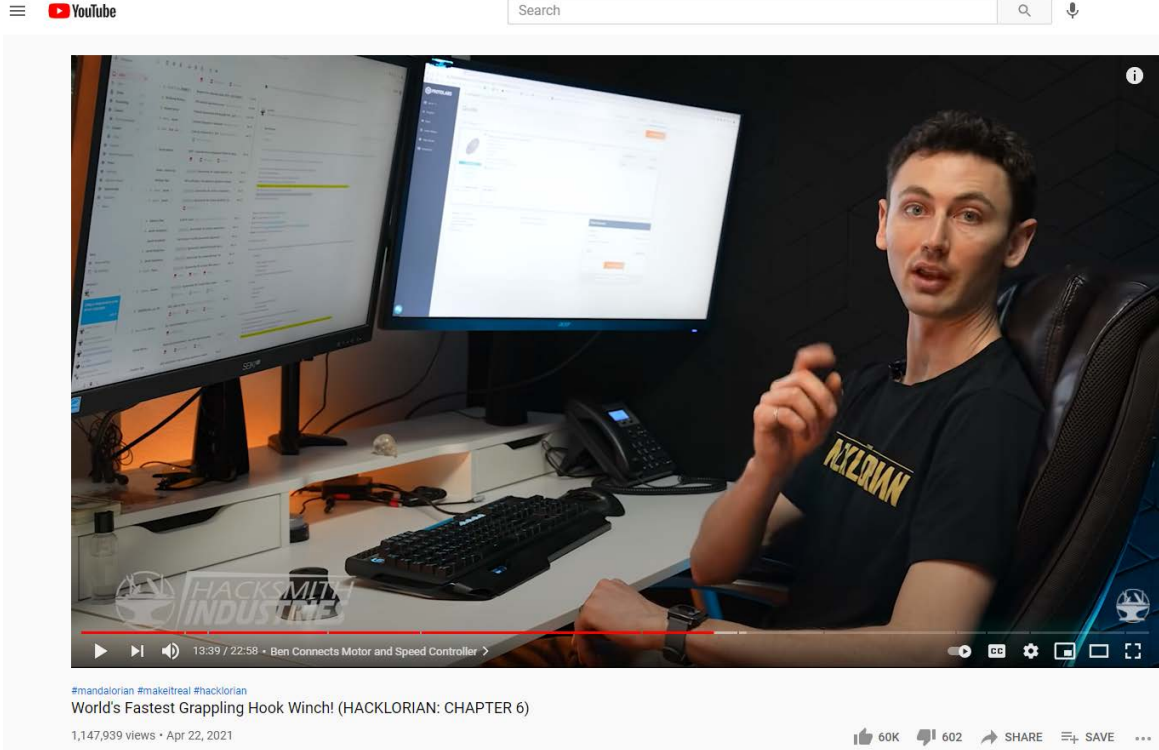


Expanded offering
+
Customer use cases
+
Advanced technologies
and targeting
+
>1MM existing contacts

Google



Protolabs Influencer Integration



- ▶ Integrating our brand into engineering culture
- ▶ YouTube Influencer partnership
- ▶ 12M subscribers
- ▶ Over 1M views in <1 week
- ▶ Overview of the ease, convenience, and speed of working with Protolabs

A Winning Combination

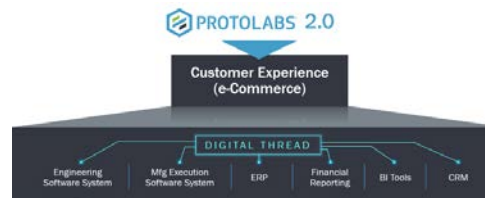


Brand

Offer

Experience

Customer



Financials



John Way
Chief Financial Officer

Five-year Plan Objectives



Establish Platform (2020 – 2023)

- ▶ Best-in-class customer experience
- ▶ Expand our offer to provide our customers with the broadest solution for custom parts
- ▶ Delivering innovation (support historic and future R&D investment)

Accelerate Growth (2022 – 2026)

- ▶ Expand our part envelope and offerings, bringing new capabilities
- ▶ Go-to provider of custom parts
- ▶ Double revenue in five years

Expand Profitability (2025 and beyond)

- ▶ Expand profitability, nearly doubling non-GAAP operating income^{*}
- ▶ Capture enhanced operational efficiencies

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

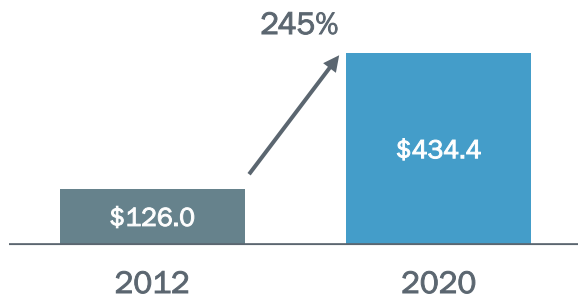
KEY TAKEAWAY

- ▶ We expect roadmap to growth will double Protolabs' revenue in five years

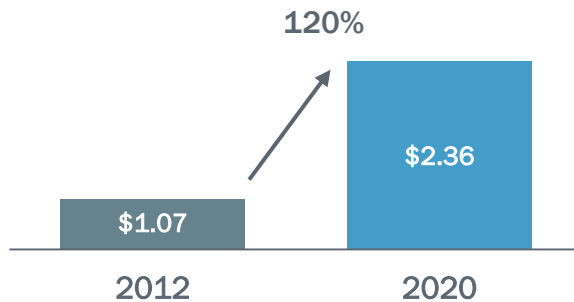
Track Record of Financial Performance



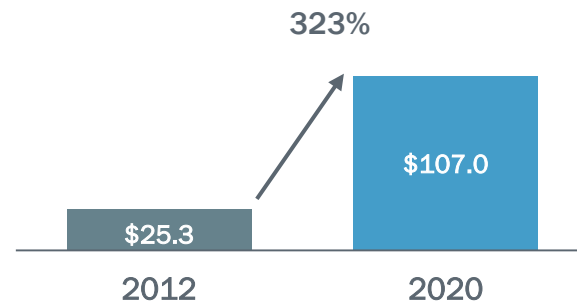
Revenue (\$M)



Non-GAAP EPS*



Operating Cash Flow



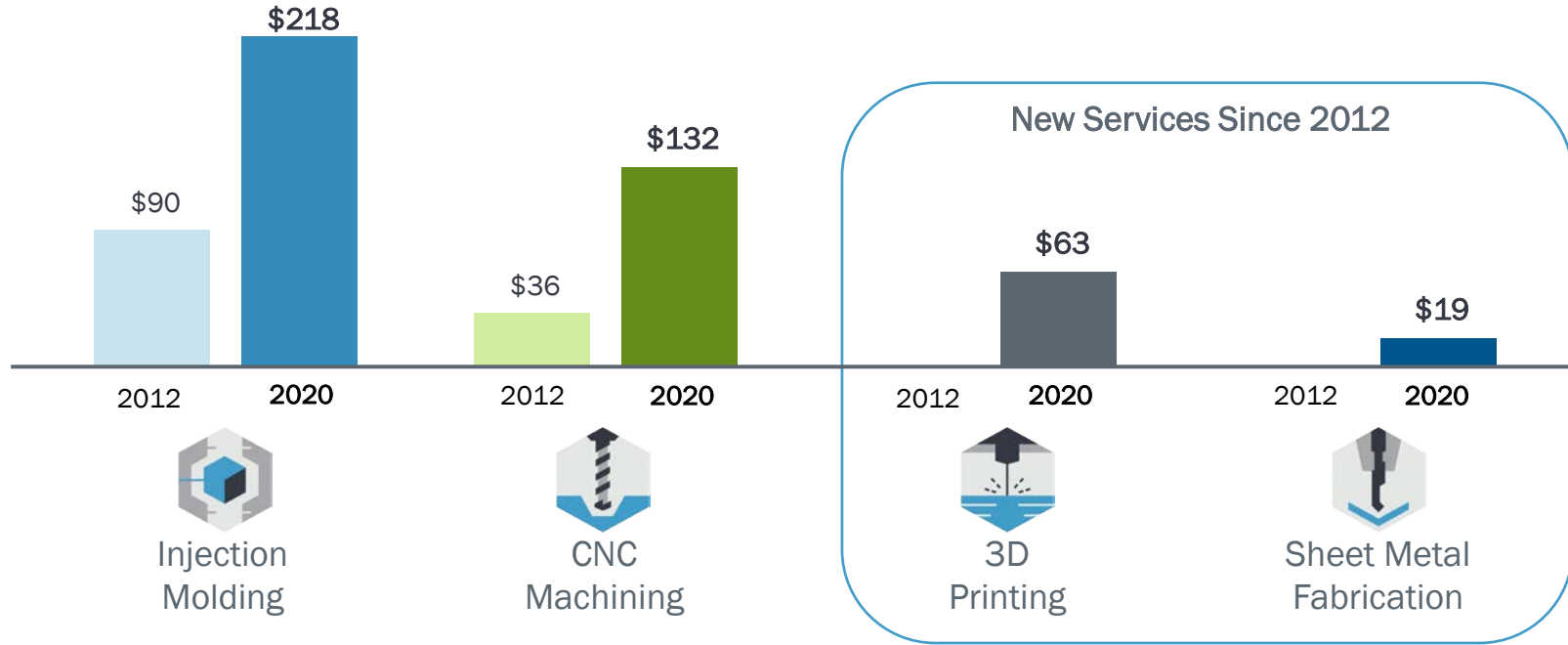
Operating Cash Flow in \$'s millions

KEY TAKEAWAY

- ▶ Since IPO, Protolabs has demonstrated strong revenue, earnings, and cash flow growth

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

Expanding Offering Supports Growth



USD in millions

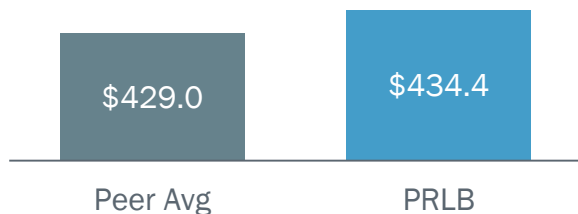
KEY TAKEAWAY

- ▶ Continued investment in an expanding offering has supported \$300+ million of revenue growth since 2012

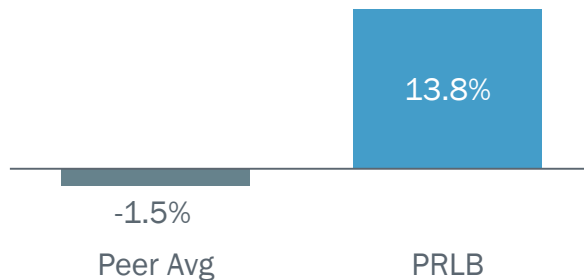


Strong Margin and Cash Flow Profile

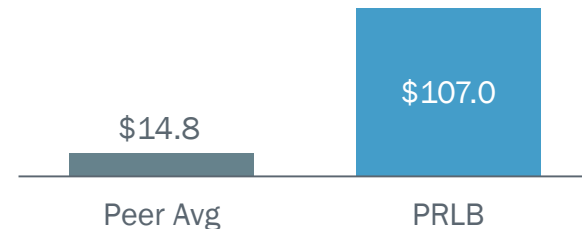
Revenue



Non-GAAP Operating Income Margin*



Cash from Operations



*Non-GAAP: adjusted for stock-based compensation, intangible amortization, and transaction expenses. See reconciliation in Appendix.

KEY TAKEAWAY

USD in millions

- ▶ Protolabs outperforms peer average* from a margin and cash flow perspective

*Peer average includes SSYS, DDD, MTL

Target Financials Behind Five-year Plan



Establish Platform (2020 - 2023)

- ▶ Focus on R&D investment and integration
- ▶ Anticipate pressure on gross margins near-term, but will stabilize in 2022
- ▶ Positioning Protolabs for accelerated growth and expanded profitability

Accelerate Growth (2022 - 2026)

- ▶ Leverage integrated platform to accelerate top-line growth
- ▶ Double-digit revenue growth, bolstered by HUBS
- ▶ Double revenue by 2026

Expand Profitability (2025 and beyond)

- ▶ Expand profitability, nearly doubling non-GAAP operating income*
- ▶ Capture enhanced operational efficiencies
- ▶ Generating consistent growth in operating cash flow

**Non-GAAP: adjusted for stock-based compensation, intangible amortization, and transaction expenses. See reconciliation in Appendix.*

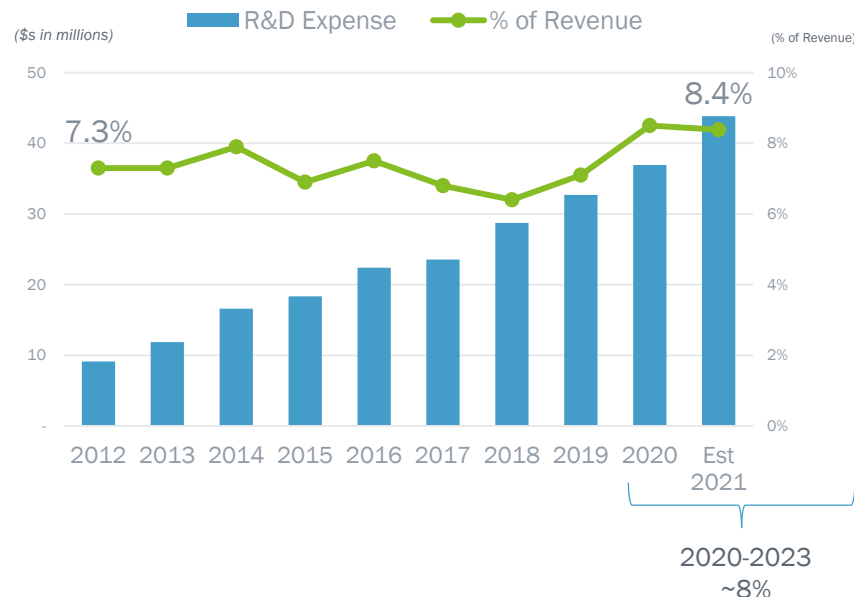
KEY TAKEAWAY

- ▶ Our plan positions Protolabs for continued long-term revenue growth and expanded profitability



- ▶ We will continue to invest in research and development to expand our service offer
- ▶ Near-term focus centered on establishing our platform, integrating Hubs, and capturing top-line growth
- ▶ Recent acquisitions require integration to provide customers a seamless user experience
- ▶ Recent focus on Protolabs 2.0 has created a backlog of projects to expand our service offer

R&D Investment



KEY TAKEAWAY

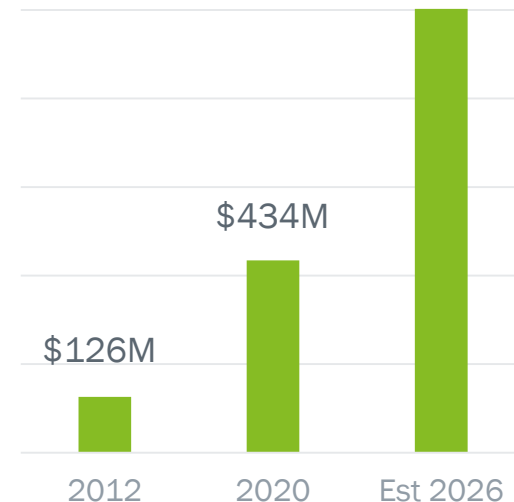
- ▶ Integrated offering will support realization of growth and long-term profitability, despite near-term Gross Margin pressure



Seek to More than Double Revenue by 2026

- ▶ Ability to offer full breadth of services through in-house manufacturing or network of premium manufacturing partners
- ▶ Increase customer share of wallet
- ▶ Capitalize on low-volume production opportunities
 - ▶ Protolabs 2.0 platform is foundation for low-volume production requirements like quality process documentation
 - ▶ Hubs provides vetted manufacturing network to customers who don't have the means to vet manufacturing providers overseas
 - ▶ Leverage our technology-agnostic, market leading 3D printing manufacturing capabilities to capitalize on emerging 3D printing trends, evolving from prototype to production

Revenue



KEY TAKEAWAY

- ▶ Target consistent double-digit revenue growth as we capture significantly expanded SAM



Margin Pressure in the Near Term

- ▶ While delivering double-digit revenue growth, we will have some pressure on near-term operating margins
 - ▶ Hubs expected to deliver strong revenue growth, but at lower margins than our legacy business
 - ▶ Extending lead times and adjusting pricing will result in an additional margin headwinds
 - ▶ Increased investment in R&D to capitalize on the opportunities
 - ▶ Additional depreciation expense related to Protolabs 2.0
- ▶ Headwinds will be partially mitigated by improved margins in sheet metal fabrication and Europe 3D printing

Gross Margin % Targets



~50%

HUBS
A PROTOLABS COMPANY

20% - 25%

KEY TAKEAWAY

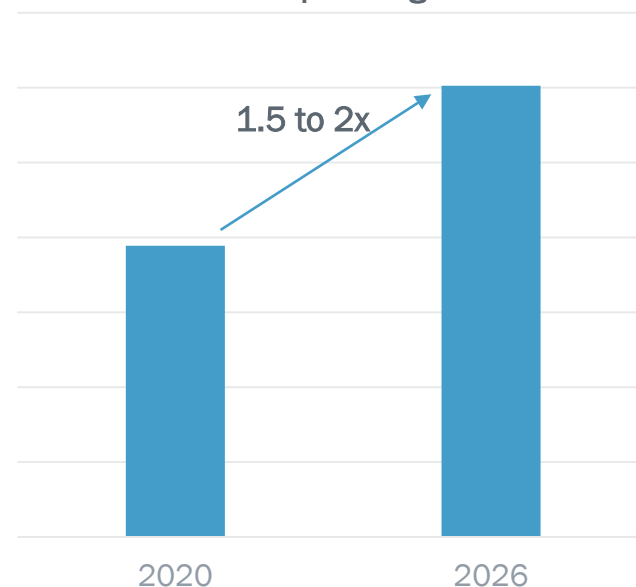
- ▶ We will drive growth in operating income dollars but do expect pressure on lower gross margin and operating margin as a percentage of revenue than historical levels

Expand Profitability (2025+)



- ▶ Accelerating top-line growth will create increased operating profit
 - ▶ Business mix will become a greater component of our financial model
- ▶ During the 'Expand Profitability' phase, we will leverage our cost structure
 - ▶ Sales and marketing efficiencies as we increase share of wallet with our customer
 - ▶ Leverage general and administrative costs across larger revenue base
- ▶ Realize returns on our investments in R&D

Non-GAAP Operating Income *



*Non-GAAP: adjusted for stock-based compensation, intangible amortization, and transaction expenses. See reconciliation in Appendix.

KEY TAKEAWAY

- ▶ Higher top-line growth, prudent cost management, and enhanced operational efficiencies support goal of nearly doubling non-GAAP operating income

Capital Allocation Strategy



Organic investment to enhance our platform focusing on the customer experience

R&D Investment to expand and enhance service offering

Strategic M&A to further extend market leadership

Return capital to shareholders through opportunistic share repurchases

KEY TAKEAWAY

- ▶ Disciplined approach to capital allocation supports continued track record of financial performance



1

Our business produces market-leading profitability and cash flow

2

Investing in the near term to capitalize on the market opportunity

3

Larger revenue base will provide opportunities to leverage cost structure

4

Strong financial position; no debt on balance sheet

Compelling Investment Thesis



1

Large and growing market

- ▶ **\$100B billion** serviceable addressable market
-

2

Strong and experienced management team

- ▶ Leadership team has deep manufacturing and technology **industry experience**
-

3

Creator of digital manufacturing industry with the world's broadest offer

- ▶ Protolabs **reinvented manufacturing** in 1999, and is still the **industry leader**, now with the world's most comprehensive digital offer for custom parts
-

4

Recently upgraded eCommerce platform

- ▶ Customer benefits include **more intuitive user experience**, fewer clicks, better buying experience
-

5

Diverse and expanding customer set

- ▶ Served **40,267** unique product developer customers in 2020
-

6

Highly attractive financial profile

- ▶ **Highly profitable** business with **strong cash flow generation**, allowing for investment in growth

Thank You



Appendix

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)

	Year Ended December 31,	
	<u>2020</u>	<u>2012</u>
Non-GAAP net income, adjusted for stock-based compensation expense, amortization expense, unrealized (gain) loss on foreign currency and transaction costs		
GAAP net income	\$ 50,867	\$ 24,025
Add back:		
Stock-based compensation expense	14,673	3,039
Amortization expense	3,016	-
Unrealized (gain) loss on foreign currency	(1,373)	-
Transaction costs	427	-
Total adjustments ¹	16,743	3,039
Income tax benefits on adjustments ²	(4,043)	(844)
Non-GAAP net income	\$ 63,567	\$ 26,220
 Non-GAAP net income per share:		
Basic	\$ 2.38	\$ 1.12
Diluted	\$ 2.36	\$ 1.07
 Shares used to compute non-GAAP net income per share:		
Basic	26,737,425	23,373,593
Diluted	26,896,357	24,443,665

Non-GAAP Reconciliation—Operating Income



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

	Year Ended December 31,
	<u>2020</u>
Revenue	\$ 434,395
Income from operations	<u>59,836</u>
GAAP operating margin	13.8%
Add back:	
Stock-based compensation expense	14,673
Amortization expense	3,016
Transaction costs	<u>427</u>
Total adjustments	18,116
Non-GAAP income from operations	<u>\$ 77,952</u>
Non-GAAP operating margin	17.9%