



# Earnings Presentation

Q3 2022

► November 4, 2022





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# Q3 2022

## Highlights



## Oleg Ryaboy Named Chief Technology Officer

- ▶ Previously CTO at Digital River, a global e-commerce platform and software-as-a-service company that provides online storefronts
- ▶ Oleg brings a wealth of knowledge and experience; now leads our technology teams around the world

## Initial Launch of Integrated Offer

- ▶ First iteration for eligible CNC machining parts through the combination of our internal digital manufacturing and our digital network of manufacturing partners
- ▶ Began rollout in Europe and will continue to test and iterate; plan to expand to the Americas in early 2023

## US Injection Molding Facility Named Best Plant by IndustryWeek

- ▶ According to IndustryWeek, facility is on the leading edge of efforts to increase competitiveness, enhance customer satisfaction, and create stimulating and rewarding work environments
- ▶ Protolabs won alongside finalists GE Appliances, Flex, and more



## 1 Accelerate our Growth

- ▶ Accelerate injection molding growth
- ▶ Expand the integrated offer

## 2 Delight our Customers

- ▶ Deliver industry-leading lead times and strong on-time delivery rates
- ▶ Continually enhance customer experience via cross-functional council

## 3 Be the Digital Leader at Scale

- ▶ Continue to launch enhancements to digital manufacturing technology to produce more complex parts and increase automation

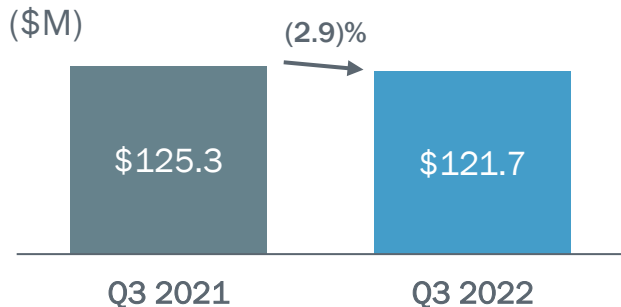
## 4 Be a Great Place to Work

- ▶ Expand development resources; mentorship program and enhanced leadership training
- ▶ Align global teams around strategic priorities

# Q3 2022 Overview

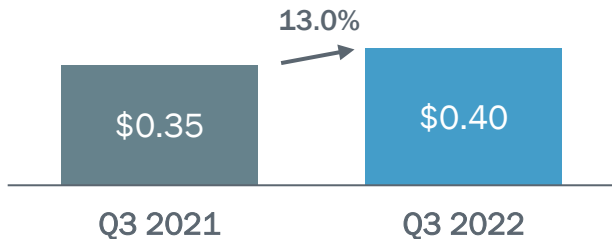


## Revenue



- Revenue of **\$121.7 million, down 2.9% YoY**
  - YoY growth of 1.6% in constant currencies and excluding Japan
  - Working to drive growth in injection molding
  - Strong growth in CNC machining, 3D printing, and sheet metal
  - Hubs contributed \$12.1 million of revenue in the second quarter

## Non-GAAP EPS\*

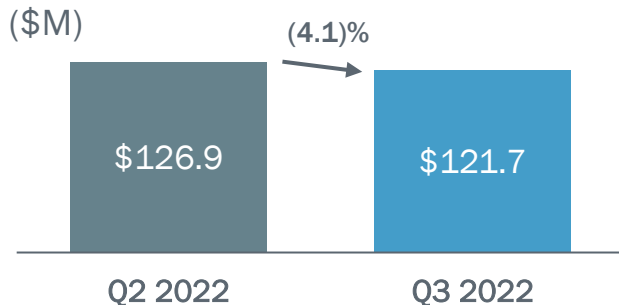


- Non-GAAP EPS of **\$0.40, up \$0.05 YoY**
  - Third quarter non-GAAP EPS in our guidance range
  - YoY increase driven primarily by Hubs gross margin improvement and a lower effective tax rate

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

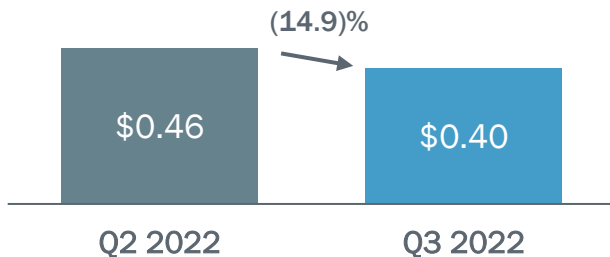


## Revenue



- Revenue of **\$121.7 million**, down **4.1% QoQ**
  - In guidance range
  - 23,816 unique product developers served
  - Strong growth in CNC machining, 3D printing, and sheet metal

## Non-GAAP EPS\*



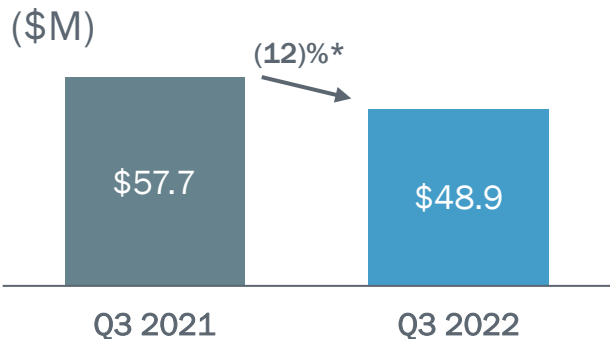
- Non-GAAP EPS of **\$0.40**, down **\$0.06 QoQ**
  - QoQ decrease driven by lower overall volume, and a sequential internal manufacturing gross margin decline

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

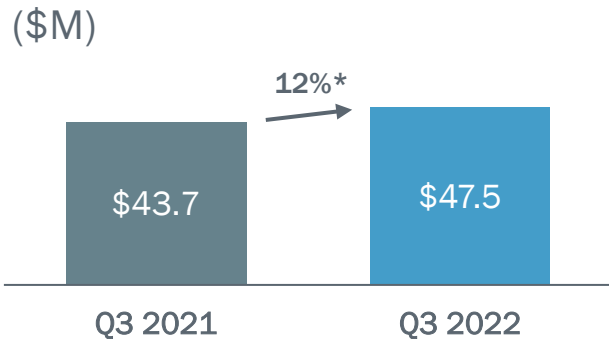




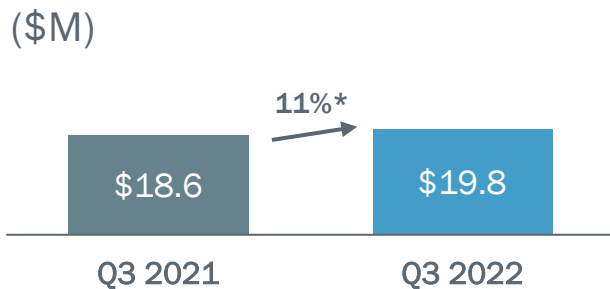
## Injection Molding - Revenue



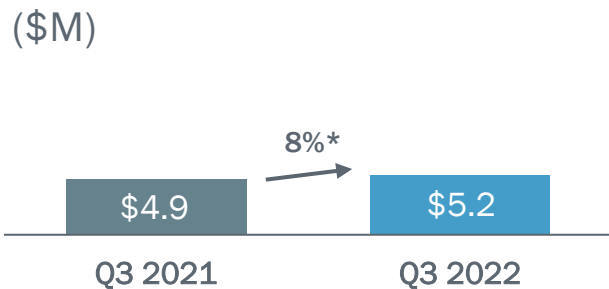
## CNC Machining - Revenue



## 3D Printing - Revenue



## Sheet Metal - Revenue



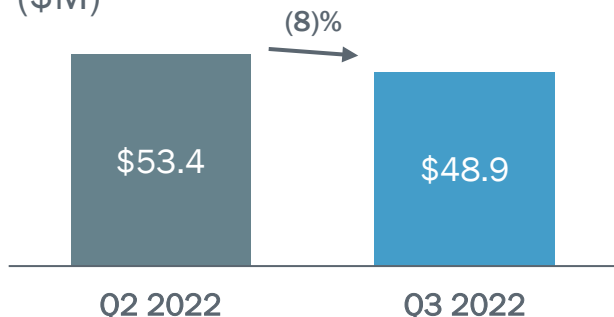
\*YoY change reflected in constant currencies

See reconciliation in Appendix.



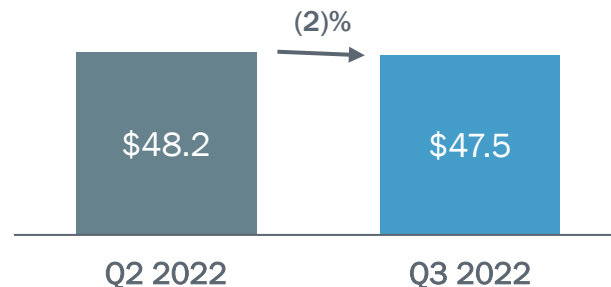
## Injection Molding - Revenue

(\$M)



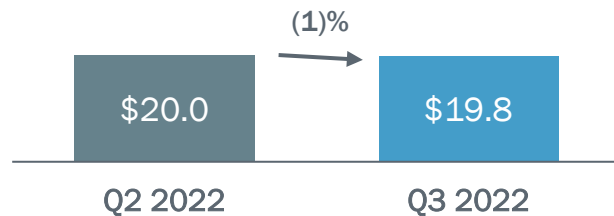
## CNC Machining - Revenue

(\$M)



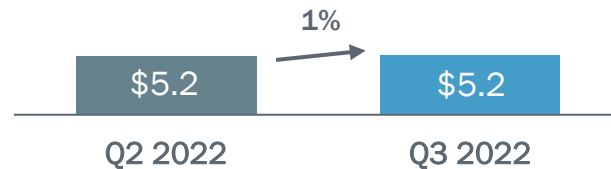
## 3D Printing - Revenue

(\$M)



## Sheet Metal - Revenue

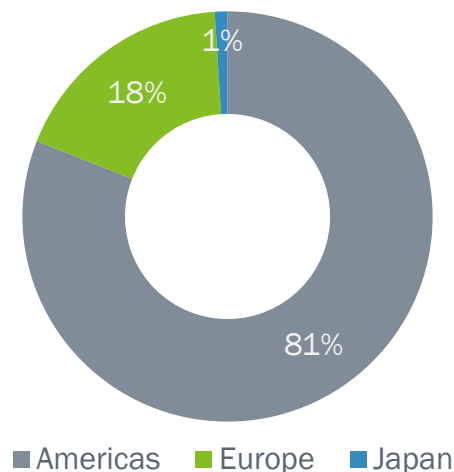
(\$M)





\$M	Q3 22	Q3 21	YoY Change Overall	YoY Change Constant Fx*	YoY Change Constant Fx* Excl. Japan
Americas	\$99.0	\$100.1	(1)%	(1)%	
Europe	\$21.5	\$22.2	(3)%	14%	
Japan	\$1.3	\$3.1	(58)%	(48)%	
<b>TOTAL</b>	<b>\$121.7</b>	<b>\$125.3</b>	<b>(3)%</b>	<b>0%</b>	<b>2%</b>

## Revenue % by Region Q3 2022



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

# Q3 2022

## Detailed Financial Information



\$M, Except per share amounts	Q3 22	Q2 22	QoQ Change	Q3 21	YoY Change
Revenue	\$121.7	\$126.9	(4.1)%	\$125.3	(2.9)%
Non-GAAP Gross Margin*	44.8%	45.9%	(110) bps	44.9%	(10) bps
Non-GAAP Operating Margin*	11.2%	12.6%	(130) bps	10.2%	100 bps
Non-GAAP Earnings Per Share*	\$0.40	\$0.46	(14.9)%	\$0.35	13.0%

\*Non-GAAP: adjusted for stock-based compensation, intangible amortization, transaction expenses, 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 2022



\$ in thousands	Three Months Ended Sept. 30, 2022			Three Months Ended Sept. 30, 2021		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
<b>Revenue</b>	<b>\$121,721</b>	<b>-</b>	<b>\$121,721</b>	<b>\$125,342</b>	<b>-</b>	<b>\$125,342</b>
Cost of Revenue	<u>68,089</u>	<u>(902)</u>	<u>67,187</u>	<u>70,018</u>	<u>(986)</u>	<u>69,032</u>
<b>Gross Profit</b>	<b>\$53,632</b>	<b>\$902</b>	<b>\$54,534</b>	<b>\$55,324</b>	<b>\$986</b>	<b>\$56,310</b>
Marketing and Sales	20,594	(929)	19,665	21,422	(1,059)	20,363
Research and Development	9,309	(602)	8,707	10,614	(776)	9,838
General and Administrative	16,477	(3,984)	12,493	16,361	(2,995)	13,366
Disposal of Japan Business	<u>1,194</u>	<u>(1,194)</u>	-	-	-	-
Total Operating Expenses	<u>47,574</u>	<u>(6,709)</u>	<u>40,865</u>	<u>48,397</u>	<u>(4,830)</u>	<u>43,567</u>
<b>Income from Operations</b>	<b>\$6,058</b>	<b>\$7,611</b>	<b>\$13,669</b>	<b>\$6,927</b>	<b>\$5,816</b>	<b>\$12,743</b>
<b>Adjusted EBITDA</b>	<b>N/A</b>	<b>N/A</b>	<b>\$21,959</b>	<b>N/A</b>	<b>N/A</b>	<b>\$21,481</b>
<b>% of Revenue</b>						
<b>Gross Margin</b>	<b>44.1%</b>		<b>44.8%</b>	<b>44.1%</b>		<b>44.9%</b>
Marketing and Sales	16.9%		16.2%	17.1%		16.2%
Research and Development	7.7%		7.2%	8.5%		7.8%
General and Administrative	13.5%		10.3%	13.1%		10.7%
Disposal of Japan Business	<u>1.0%</u>		<u>0.0%</u>	<u>0.0%</u>		<u>0.0%</u>
Total Operating Expenses	<u>39.1%</u>		<u>33.6%</u>	<u>38.6%</u>		<u>34.8%</u>
<b>Income from Operations</b>	<b>5.0%</b>		<b>11.2%</b>	<b>5.5%</b>		<b>10.2%</b>
<b>Adjusted EBITDA</b>	<b>N/A</b>		<b>18.0%</b>	<b>N/A</b>		<b>17.1%</b>

\*Non-GAAP: adjusted for stock-based compensation, intangible amortization, transaction expenses, 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 2022



\$ in thousands	Three Months Ended Sept. 30, 2022			Three Months Ended Jun. 30, 2022		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
<b>Revenue</b>	<b>\$121,721</b>	<b>-</b>	<b>\$121,721</b>	<b>\$126,902</b>	<b>-</b>	<b>\$126,902</b>
Cost of Revenue	<u>68,089</u>	<u>(902)</u>	<u>67,187</u>	<u>69,480</u>	<u>(870)</u>	<u>68,610</u>
<b>Gross Profit</b>	<b>\$53,632</b>	<b>\$902</b>	<b>\$54,534</b>	<b>\$57,422</b>	<b>\$870</b>	<b>\$58,292</b>
Marketing and Sales	20,594	(929)	19,665	21,055	(813)	20,242
Research and Development	9,309	(602)	8,707	9,450	(471)	8,979
General and Administrative	16,477	(3,984)	12,493	16,522	(3,404)	13,118
Disposal of Japan Business	<u>1,194</u>	<u>(1,194)</u>	-	<u>5,194</u>	<u>(5,194)</u>	-
Total Operating Expenses	<u>47,574</u>	<u>(6,709)</u>	<u>40,865</u>	<u>52,221</u>	<u>(9,882)</u>	<u>42,339</u>
<b>Income from Operations</b>	<b>\$6,058</b>	<b>\$7,611</b>	<b>\$13,669</b>	<b>\$5,201</b>	<b>\$10,752</b>	<b>\$15,953</b>
<b>Adjusted EBITDA</b>	<b>N/A</b>	<b>N/A</b>	<b>\$21,959</b>	<b>N/A</b>	<b>N/A</b>	<b>\$24,591</b>
<b>% of Revenue</b>						
<b>Gross Margin</b>	<b>44.1%</b>		<b>44.8%</b>	<b>45.2%</b>		<b>45.9%</b>
Marketing and Sales	16.9%		16.2%	16.6%		16.0%
Research and Development	7.7%		7.2%	7.4%		7.1%
General and Administrative	13.5%		10.3%	13.0%		10.3%
Disposal of Japan Business	<u>1.0%</u>		<u>0.0%</u>	<u>4.1%</u>		<u>0.0%</u>
Total Operating Expenses	<u>39.1%</u>		<u>33.6%</u>	<u>41.1%</u>		<u>33.4%</u>
<b>Income from Operations</b>	<b>5.0%</b>		<b>11.2%</b>	<b>4.1%</b>		<b>12.6%</b>
<b>Adjusted EBITDA</b>	<b>N/A</b>		<b>18.0%</b>	<b>N/A</b>		<b>19.4%</b>

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



\$M	Q3 22	Q2 22	Q3 21
Operating Cash Flow	\$20.5	\$13.3	\$11.5
Capital Expenditures	\$10.4	\$3.0	\$4.4
Share Repurchases	\$7.8	\$5.2	\$11.8
Cash and Investments*	\$113.9	\$110.1	\$83.9
Debt*	\$0	\$0	\$0



# Q4 2022

## Financial Outlook



## Q4 2022 Revenue

Revenue \$107M - \$115M

% Growth YoY (*constant Fx ex. Japan*) (7)% - (1)%

## Q4 2022 Non-GAAP\* EPS

Non-GAAP EPS \$0.18 - \$0.26

% Growth YoY (35)% - (55)%

## Q4 2022 Outlook Commentary\*

- ▶ Expect foreign currency to have a ~\$4.2 million unfavorable impact on Q4 2022 revenue
- ▶ Japan closure expected to have a ~\$3.5 million unfavorable impact on Q4 2022 revenue
- ▶ Expect Non-GAAP tax rate of approximately 10%
- ▶ Expect Q4 fully diluted shares outstanding of approximately 27.5 million

\*Non-GAAP: adjusted for stock-based compensation, intangible amortization, transaction expenses, 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



*\$ in thousands*

	Three Months Ended September 30, 2022				Three Months Ended September 30, 2021		%	% Change Organic <sup>4</sup>
	GAAP	Foreign Currency <sup>1</sup>	Hubs Acquisition	Non-GAAP	GAAP	Change <sup>3</sup>		
Revenues								
United States	\$ 98,970	\$ -	\$ -	\$ 98,970	\$ 100,127	(1.2) %	(1.2) %	
Europe	21,464	3,789	-	25,253	22,155	(3.1)	14.0	
Japan	1,287	310	-	1,597	3,060	(57.9)	(47.8)	
Total Revenue	<u>\$ 121,721</u>	<u>\$ 4,099</u>	<u>\$ -</u>	<u>\$ 125,820</u>	<u>\$ 125,342</u>	(2.9) %	0.4 %	

<sup>1</sup> Revenue for the three- and nine-month periods ended September 30, 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.

<sup>2</sup> Revenue for the nine-month period ended September 30, 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.

<sup>3</sup> This column presents the percentage change from GAAP revenue for the three- and nine-month periods ended September 30, 2021 to GAAP revenue for the three- and nine-month periods ended September 30, 2022.

<sup>4</sup> This column presents the percentage change from GAAP revenue for the three- and nine-month periods ended September 30, 2021 to non-GAAP revenue for the three- and nine-month periods ended September 30, 2022 (as recalculated using the foreign currency exchange rates in effect during the three- and nine-month periods ended September 30, 2021, excluding the impact of Hubs, Inc. acquisition) in order to provide a constant-currency comparison.

# GAAP to NON-GAAP Reconciliation | Revenue by Service



*\$ in thousands*

	Three Months Ended September 30, 2022				Three Months Ended September 30, 2021		% Change <sup>3</sup>	% Change Organic <sup>4</sup>
	GAAP	Foreign Currency <sup>1</sup>	Hubs Acquisition	Non-GAAP	GAAP			
	Revenues							
Injection Molding	\$ 48,940	\$ 1,677	\$ -	\$ 50,617	\$ 57,685	(15.2)	%	(12.3) %
CNC Machining	47,489	1,580	-	49,069	43,658	8.8		12.4
3D Printing	19,823	803	-	20,626	18,589	6.6		11.0
Sheet Metal	5,219	39	-	5,258	4,854	7.5		8.3
Other	250	-	-	250	556	(55.0)		(55.0)
Total Revenue	<u>\$ 121,721</u>	<u>\$ 4,099</u>	<u>\$ -</u>	<u>\$ 125,820</u>	<u>\$ 125,342</u>	(2.9)	%	0.4 %

<sup>1</sup> Revenue for the three- and nine-month periods ended September 30, 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.

<sup>2</sup> Revenue for the nine-month period ended September 30, 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.

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<sup>4</sup> This column presents the percentage change from GAAP revenue for the three- and nine-month periods ended September 30, 2021 to non-GAAP revenue for the three- and nine-month periods ended September 30, 2022 (as recalculated using the foreign currency exchange rates in effect during the three- and nine-month periods ended September 30, 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)

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>		<u>Three Months Ended</u> <u>June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue	\$ 121,721	\$ 125,342	\$ 372,791	\$ 364,516	\$ 126,902	\$ 123,048
Gross Profit	<u>53,632</u>	<u>55,324</u>	<u>166,858</u>	<u>167,279</u>	<u>57,422</u>	<u>56,625</u>
GAAP gross margin	44.1%	44.1%	44.8%	45.9%	45.2%	46.0%
Add back:						
Stock-based compensation expense	560	644	1,674	1,947	528	668
Amortization expense	<u>342</u>	<u>342</u>	<u>1,027</u>	<u>1,027</u>	<u>342</u>	<u>343</u>
Total adjustments	902	986	2,701	2,974	870	1,011
Non-GAAP gross profit	<u>\$ 54,534</u>	<u>\$ 56,310</u>	<u>\$ 169,559</u>	<u>\$ 170,253</u>	<u>\$ 58,292</u>	<u>\$ 57,636</u>
Non-GAAP gross margin	44.8%	44.9%	45.5%	46.7%	45.9%	46.8%

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

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue	\$ 121,721	\$ 125,342	\$ 372,791	\$ 364,516
Revenue excluding Japan	\$ 120,434	\$ 122,282	\$ 364,562	\$ 354,783
Gross Profit	<u>53,632</u>	<u>55,324</u>	<u>166,858</u>	<u>167,279</u>
GAAP gross margin	44.1%	44.1%	44.8%	45.9%
Less: Japan gross profit	<u>47</u>	<u>1,151</u>	<u>3,150</u>	<u>3,845</u>
Gross Profit excluding Japan	53,585	54,173	163,708	163,434
GAAP gross margin excluding Japan	44.5%	44.3%	44.9%	46.1%
Add back:				
Stock-based compensation expense	560	644	1,674	1,947
Amortization expense	342	342	1,027	1,027
Less:				
Japan stock-based compensation expense	13	26	61	70
Japan amortization expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total adjustments	889	960	2,640	2,904
Non-GAAP gross profit excluding Japan	<u>\$ 54,474</u>	<u>\$ 55,133</u>	<u>\$ 166,348</u>	<u>\$ 166,338</u>
Non-GAAP gross margin excluding Japan	45.2%	45.1%	45.6%	46.9%

# 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,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	\$ 121,721	\$ 125,342	\$ 372,791	\$ 364,516
Income from operations	6,058	6,927	19,149	27,292
GAAP operating margin	5.0%	5.5%	5.1%	7.5%
Add back:				
Stock-based compensation expense	4,907	4,978	13,335	15,539
Amortization expense	1,510	1,568	4,582	4,601
Transaction costs <sup>1</sup>	-	(730)	-	(5,870)
Costs related to Japan closure activities	1,194	-	6,388	-
Total adjustments	7,611	5,816	24,305	14,270
Non-GAAP income from operations	<u>\$ 13,669</u>	<u>\$ 12,743</u>	<u>\$ 43,454</u>	<u>\$ 41,562</u>
Non-GAAP operating margin	11.2%	10.2%	11.7%	11.4%

<sup>1</sup> 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	\$ 121,721	\$ 125,342	\$ 372,791	\$ 364,516
Revenue excluding Japan	\$ 120,434	\$ 122,282	\$ 364,562	\$ 354,783
Income from operations	6,058	6,927	19,149	27,292
GAAP operating margin	5.0%	5.5%	5.1%	7.5%
Less: Japan income from operations	(724)	(521)	(720)	(1,174)
Income from operations excluding Japan	6,782	7,448	19,869	28,466
GAAP operating margin excluding Japan	5.6%	6.1%	5.5%	8.0%
Add back:				
Stock-based compensation expense	4,907	4,978	13,335	15,539
Amortization expense	1,510	1,568	4,582	4,601
Transaction costs <sup>1</sup>	-	(730)	-	(5,870)
Costs related to Japan closure activities	1,194	-	6,388	-
Less:				
Japan stock-based compensation expense	89	160	386	464
Japan amortization expense	-	-	-	-
Total adjustments	7,522	5,656	23,919	13,806
Non-GAAP income from operations excluding Japan	<u>\$ 14,304</u>	<u>\$ 13,104</u>	<u>\$ 43,788</u>	<u>\$ 42,272</u>
Non-GAAP operating margin excluding Japan	11.9%	10.7%	12.0%	11.9%

<sup>1</sup> 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



<i>\$ in thousands</i>	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<u><b>2022</b></u>	<u><b>2021</b></u>
Revenue	\$ 121,721	\$ 125,342
GAAP net income	3,951	4,835
GAAP net income margin	3.2%	3.9%
Add back:		
Amortization expense	\$ 1,510	\$ 1,568
Depreciation expense	8,197	8,536
Interest income, net	(265)	(55)
Tax expense	<u>2,083</u>	<u>2,228</u>
EBITDA	<u>15,476</u>	<u>17,112</u>
EBITDA Margin	12.7%	13.7%
Add back:		
Stock-based compensation expense	4,907	4,978
Unrealized (gain) loss on foreign currency	382	121
Costs related to Japan closure activities	1,194	-
Transaction costs <sup>1</sup>	<u>-</u>	<u>(730)</u>
Total adjustments	6,483	4,369
Adjusted EBITDA	<u>\$ 21,959</u>	<u>\$ 21,481</u>
Adjusted EBITDA Margin	18.0%	17.1%

<sup>1</sup> 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



\$ in thousands, except share and per share amounts

	Three Months Ended September 30,	
	2022	2021
Non-GAAP net income, adjusted for stock-based compensation expense, amortization expense, unrealized (gain) loss on foreign currency, costs related to Japan closure activities and transaction costs		
GAAP net income	\$ 3,951	\$ 4,835
Add back:		
Stock-based compensation expense	4,907	4,978
Amortization expense	1,510	1,568
Unrealized (gain) loss on foreign currency	382	121
Costs related to Japan closure activities	1,194	-
Transaction costs <sup>1</sup>	-	(730)
Total adjustments <sup>2</sup>	7,993	5,937
Income tax benefits on adjustments <sup>3</sup>	(1,060)	(1,063)
Non-GAAP net income	<u>\$ 10,884</u>	<u>\$ 9,709</u>
Non-GAAP net income per share:		
Basic	\$ 0.40	\$ 0.35
Diluted	<u>\$ 0.40</u>	<u>\$ 0.35</u>
Shares used to compute non-GAAP net income per share:		
Basic	27,505,097	27,713,229
Diluted	27,508,217	27,730,105

<sup>1</sup> 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.

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

	Three Months Ended September 30,	
	2022	2021
Cost of revenue	\$ 902	\$ 986
Marketing and sales	929	1,059
Research and development	602	776
General and administrative	3,984	2,995
Closure of Japan business	1,194	-
Total operating expenses	6,709	4,830
Other (income) expense, net	382	121
Total adjustments	<u>\$ 7,993</u>	<u>\$ 5,937</u>

<sup>3</sup> For the three- and nine-month periods ended September 30, 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)

	<b>Q4 2022 Guidance</b>	
	<b>Low</b>	<b>High</b>
GAAP diluted earnings per share	\$ 0.01	\$ 0.09
Add back:		
Stock-based compensation expense	0.12	0.12
Amortization expense	0.04	0.04
Unrealized (gain) loss on foreign currency	0.00	0.00
Costs related to Japan closure activities	<u>0.01</u>	<u>0.01</u>
Total adjustments	<u>0.17</u>	<u>0.17</u>
Non-GAAP diluted earnings per share	<u>\$ 0.18</u>	<u>\$ 0.26</u>