



# Earnings Presentation

Q1 2020

April 30, 2020





# SAFE HARBOR

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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.



# COVID-19 RESPONSE



# COVID-19 | PROTO LABS RESPONSE

- Our response is guided by our core values:
  - **Teamwork | Trust | Achievement**
- Number one priority is the health and safety of:
  - Our employees
  - Our communities
  - Our customers
- Contribute to slowing the spread of the virus
  - Monitor and quickly adapt to the crisis
- Continue to serve our customers
  - COVID-19 related orders take priority over others





# COVID-19 | PROTO LABS RESPONSE

## Employee Health and Safety



Manufacturing: new cleaning/sanitizing procedures; social distancing in facilities

Non-manufacturing: over 90% working remotely – transitioned safely and swiftly

Restricted travel, cancelled trade show attendance

## Serving Our Customers



Prioritize COVID-19 customer needs and waive expedite fees for COVID-19 orders

COVID-19 parts include components for ventilators, respirators, testing kits, and PPE

Over 4 million COVID-19 parts ordered and/or shipped

## Community Support



Doubled employee charitable contribution match from \$1-to-\$1 to \$2-to-\$1

Accelerated annual STEM education grants to assist with food and technology needs

Observe CDC/WHO guidelines & social distancing in order to slow the spread of COVID-19

## Proactive Financial Measures



Scrutinize administrative spend, adjust executive leadership and board of directors' salaries

Ensure appropriate and agile staffing levels in manufacturing facilities to match demand

Balance sheet health among top in our industry – no debt





# COVID-19 | SELECT CUSTOMER EXAMPLES



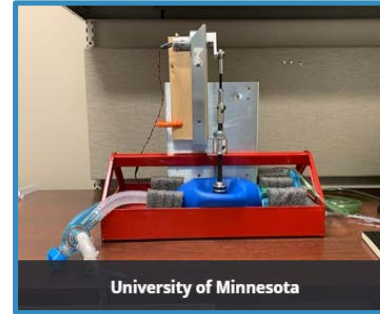
ZVerse

- **ZVerse** – CAD design services company – shifted business model to produce reusable face shields
- **Application** – Reusable face shields (PPE) for medical professionals
- **Protolabs Parts** – Tooling and injection molded headband components for face shield



NeuMoDx Molecular Systems

- **NeuMoDx** – Sample-to-result molecular diagnostic company
- **Application** – Rapid diagnostic system for novel coronavirus; produces results in as little as 80 minutes
- **Protolabs Parts** – Injection molded parts for diagnostic equipment



University of Minnesota

- **University of Minnesota**
- **Application** – Prototype affordable ventilator designed by U of M cardiac anesthesiologist (*FDA-approved on 4/15/2020*)
- **Protolabs Parts** – CNC machined prototype components for ventilator (*working on production solution*)



Mercedes AMG and UCL

- **Mercedes AMG High Performance Powertrains (HPP)** – British Formula One engine manufacturer
- **University College London (UCL)** – Public research institution
- **Application** – New CPAP device to support COVID-19 patients, designed by engineers at Mercedes AMG HPP and UCL
- **Protolabs Parts** – Tooling and injection molded parts for the new CPAP device



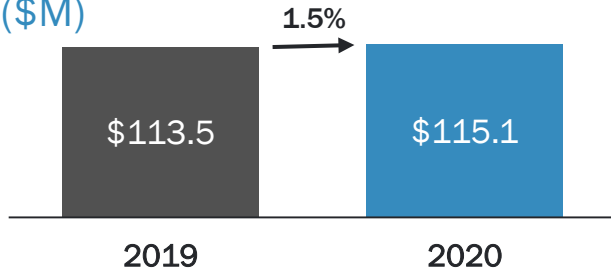
# Q1 2020 OVERVIEW



# FINANCIAL HIGHLIGHTS | Q1

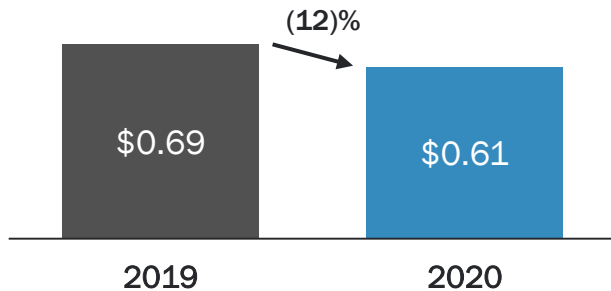
## Revenue

(\$M)



- Revenue of **\$115.1 million**, up **1.5% YoY**
  - Middle of our guidance range
  - Unique product developer growth of 1.5%

## Non-GAAP EPS\*



- Non-GAAP EPS of **\$0.61**, down **\$(0.08) YoY**
  - Above our guidance range
    - Variable cost management to match volume
      - Reduction of tradeshows, travel restrictions, etc.
  - Year-over-year impacted by wage inflation, investment in R&D, and bad debt expense

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

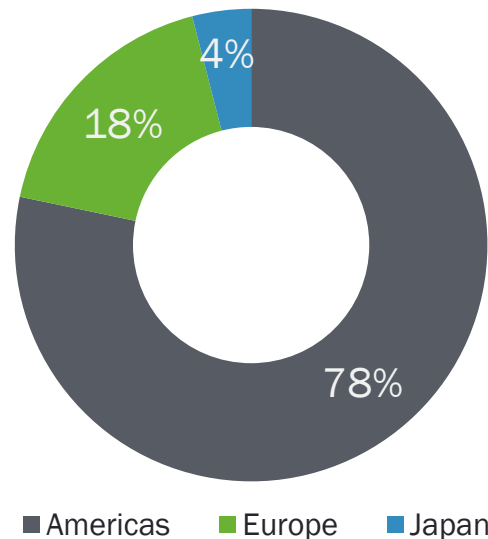




# REGIONAL REVENUE | Q1

(\$M)	Q1 20	Q1 19	YoY CHANGE*
Americas	\$90.1	\$87.8	3%
Europe	\$20.8	\$21.3	1%
Japan	\$4.2	\$4.4	(4)%
<b>TOTAL</b>	<b>\$115.1</b>	<b>\$113.5</b>	<b>2%</b>

Revenue % by Region  
Q1 2020

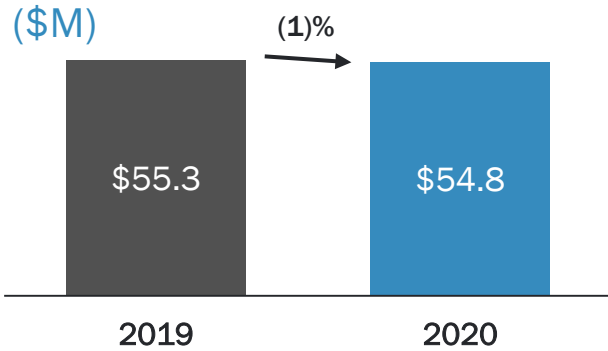


\*YoY CHANGE reflected in constant currency  
See reconciliation in Appendix.

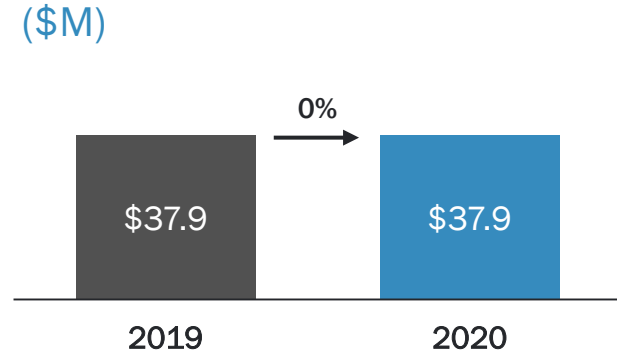


# REVENUE BY SERVICE | Q1

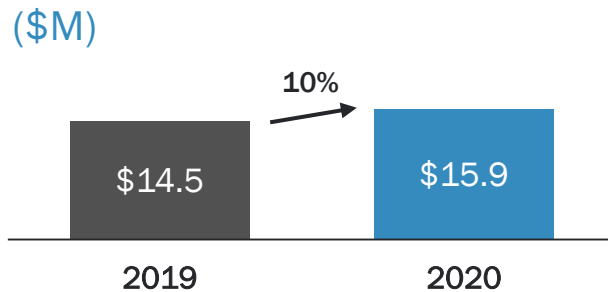
## Injection Molding - Revenue



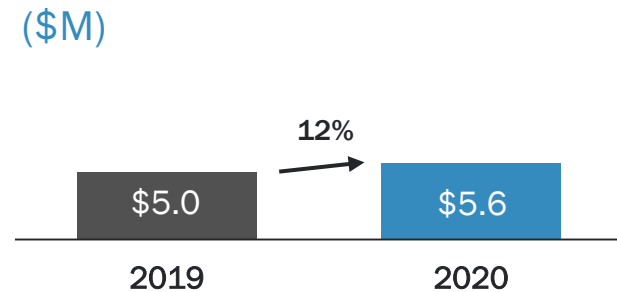
## CNC Machining - Revenue



## 3D Printing - Revenue



## Sheet Metal - Revenue





# Q1 2020 FINANCIAL INFORMATION



# FINANCIAL RESULTS | Q1

\$M, EXCEPT PER SHARE AMOUNTS	Q1 20	Q4 19	SEQ. CHANGE	Q1 19	YoY CHANGE
Revenue	\$115.1	\$111.9	3%	\$113.5	1.5%
Gross Margin	50.5%	50.6%	(10) bps	51.9%	(140) bps
Non-GAAP Operating Margin*	17.9%	19.2%	(130) bps	20.6%	(270) bps
Non-GAAP Earnings Per Share*	\$0.61	\$0.63	(4)%	\$0.69	(12)%

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



# YoY GAAP to Non-GAAP P&L | Q1

\$ in thousands	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
<b>Revenue</b>	<b>\$115,108</b>	<b>-</b>	<b>\$115,108</b>	<b>\$113,452</b>	<b>-</b>	<b>\$113,452</b>
Cost of Revenue	<u>57,008</u>	<u>(863)</u>	<u>56,145</u>	<u>54,592</u>	<u>(733)</u>	<u>53,859</u>
<b>Gross Profit</b>	<b>\$58,100</b>	<b>\$863</b>	<b>\$58,963</b>	<b>\$58,860</b>	<b>\$733</b>	<b>\$59,593</b>
Marketing and Sales	18,180	(618)	17,562	18,577	(549)	18,028
Research and Development	8,987	(521)	8,466	8,013	(423)	7,590
General and Administrative	<u>14,108</u>	<u>(1,785)</u>	<u>12,323</u>	<u>12,822</u>	<u>(2,206)</u>	<u>10,616</u>
Total Operating Expenses	<u>41,275</u>	<u>(2,924)</u>	<u>38,351</u>	<u>39,412</u>	<u>(3,178)</u>	<u>36,324</u>
<b>Income from Operations</b>	<b>\$16,825</b>	<b>\$3,787</b>	<b>\$20,612</b>	<b>\$19,448</b>	<b>\$3,911</b>	<b>\$23,359</b>
<b>Adjusted EBITDA</b>	<b>N/A</b>	<b>N/A</b>	<b>\$27,513</b>	<b>N/A</b>	<b>N/A</b>	<b>\$29,806</b>
<b><u>% of Revenue</u></b>						
<b>Gross Profit</b>	<b>50.5%</b>		<b>51.2%</b>	<b>51.9%</b>		<b>52.5%</b>
Marketing and Sales	15.8%		15.3%	16.4%		15.9%
Research and Development	7.8%		7.4%	7.1%		6.7%
General and Administrative	<u>12.3%</u>		<u>10.7%</u>	<u>11.3%</u>		<u>9.4%</u>
Total Operating Expenses	<u>35.9%</u>		<u>33.3%</u>	<u>34.7%</u>		<u>31.9%</u>
<b>Income from Operations</b>	<b>14.6%</b>		<b>17.9%</b>	<b>17.1%</b>		<b>20.6%</b>
<b>Adjusted EBITDA</b>	<b>N/A</b>		<b>23.9%</b>	<b>N/A</b>		<b>26.3%</b>

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





# QoQ GAAP to Non-GAAP P&L | Q1

\$ in thousands	Three Months Ended March 31, 2020			Three Months Ended December 31, 2019		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
<b>Revenue</b>	<b>\$115,108</b>	-	<b>\$115,108</b>	<b>\$111,889</b>	-	<b>\$111,889</b>
Cost of Revenue	<u>57,008</u>	<u>(863)</u>	<u>56,145</u>	<u>55,311</u>	<u>(933)</u>	<u>54,378</u>
<b>Gross Profit</b>	<b>\$58,100</b>	<b>\$863</b>	<b>\$58,963</b>	<b>\$56,578</b>	<b>\$933</b>	<b>\$57,511</b>
Marketing and Sales	18,180	(618)	17,562	17,510	(708)	16,802
Research and Development	8,987	(521)	8,466	8,151	(365)	7,786
General and Administrative	<u>14,108</u>	<u>(1,785)</u>	<u>12,323</u>	<u>11,355</u>	<u>74</u>	<u>11,429</u>
Total Operating Expenses	<u>41,275</u>	<u>(2,924)</u>	<u>38,351</u>	<u>37,016</u>	<u>(999)</u>	<u>36,017</u>
<b>Income from Operations</b>	<b>\$16,825</b>	<b>\$3,787</b>	<b>\$20,612</b>	<b>\$19,562</b>	<b>\$1,932</b>	<b>\$21,494</b>
<b>Adjusted EBITDA</b>	<b>N/A</b>	<b>N/A</b>	<b>\$27,513</b>	<b>N/A</b>	<b>N/A</b>	<b>\$28,308</b>
<b><u>% of Revenue</u></b>						
<b>Gross Profit</b>	<b>50.5%</b>		<b>51.2%</b>	<b>50.6%</b>		<b>51.4%</b>
Marketing and Sales	15.8%		15.3%	15.6%		15.0%
Research and Development	7.8%		7.4%	7.3%		7.0%
General and Administrative	<u>12.3%</u>		<u>10.7%</u>	<u>10.1%</u>		<u>10.2%</u>
Total Operating Expenses	<u>35.9%</u>		<u>33.3%</u>	<u>33.1%</u>		<u>32.2%</u>
<b>Income from Operations</b>	<b>14.6%</b>		<b>17.9%</b>	<b>17.5%</b>		<b>19.2%</b>
<b>Adjusted EBITDA</b>	<b>N/A</b>		<b>23.9%</b>	<b>N/A</b>		<b>25.3%</b>

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



# CASH FLOW and BALANCE SHEET | Q1

\$M	Q1 20	Q4 19	Q1 19
Operating Cash Flow	\$22.4	\$32.3	\$18.0
Capital Expenditures	\$13.4	\$16.1	\$12.7
Share Repurchases	\$11.2	\$0	\$17.3
Cash and Investments*	\$167.2	\$173.6	\$138.7
Debt*	\$0	\$0	\$0

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

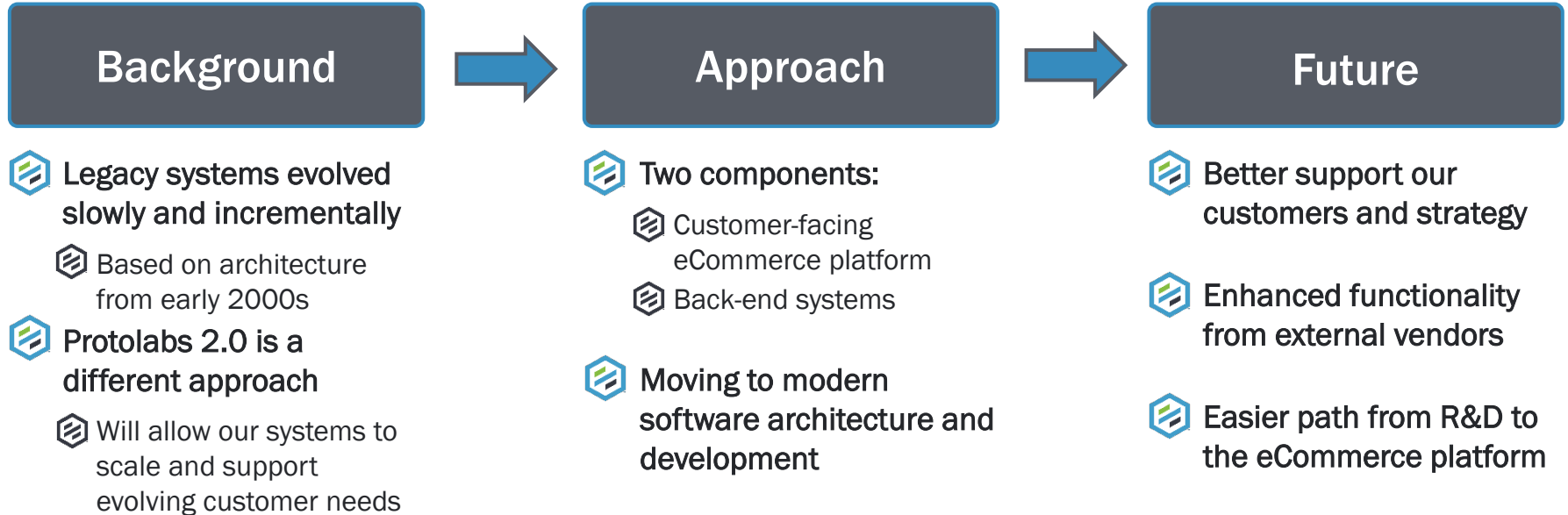


# PROTOLABS 2.0



# PROTOLABS 2.0 | OVERVIEW

- **April 2020 Update:** Protolabs 2.0 remains a priority for our business, but our top priority is to maintain the health and safety of our employees, communities, and customers as we continue to manage through the COVID-19 crisis. As a result, our Protolabs 2.0 timeline will likely be slightly delayed.





# PROTOLABS 2.0 | BENEFITS



## Customer Experience

- More intuitive user experience
- Fewer clicks, better buying experience



## Internal Productivity

- Less system maintenance
- More focus on innovation and future growth



## Speed & Scalability

- Ability to launch new services faster
- Easier to integrate acquisitions



## Business Insights

- Easier access to data across the enterprise, enabling value add analysis

**Protolabs 2.0**





# FINANCIAL OUTLOOK



# Q2 2020 | APRIL PROJECTION

## April – Projected YoY Revenue Growth

Injection Molding – Parts	~25%
Injection Molding	~15%
All Other Services	~(20)%
<b>Total</b>	<b>~(5)%</b>
<b>Total</b> <i>(excluding COVID-19 revenue)</i>	<b>~(15)%</b>

## Projected April Revenue Performance by Region

- Americas April YoY growth: ~0%
  - Excluding COVID-19 revenue: ~(15)%
- Europe April per-day YoY growth: ~(15)%
- Japan April per-day YoY growth: ~(20)%

## COVID-19 Orders

- ~\$3 million backlog of COVID-19 orders expected to ship in May
- Still receiving COVID-19 orders, but at a lower rate than earlier in April

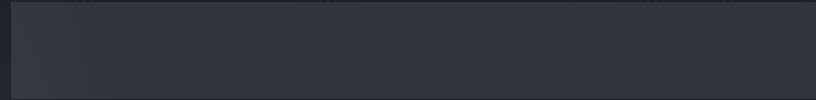
THANK YOU

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**PROTOLABS**<sup>™</sup>

Manufacturing. Accelerated.<sup>®</sup>





# APPENDIX



# GAAP to NON-GAAP RECONCILIATION | EPS

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

	Three Months Ended	
	March 31,	
	<u>2020</u>	<u>2019</u>
Non-GAAP net income, adjusted for stock-based compensation expense, amortization expense and unrealized (gain) loss on foreign currency		
GAAP net income	\$ 13,984	\$ 15,511
Add back:		
Stock-based compensation expense	3,033	3,040
Amortization expense	754	871
Unrealized (gain) loss on foreign currency	<u>(797)</u>	<u>247</u>
Total adjustments <sup>1</sup>	2,990	4,158
Income tax benefits on adjustments <sup>2</sup>	<u>(675)</u>	<u>(919)</u>
Non-GAAP net income	<u>\$ 16,299</u>	<u>\$ 18,750</u>
Non-GAAP net income per share:		
Basic	<u>\$ 0.61</u>	<u>\$ 0.70</u>
Diluted	<u>\$ 0.61</u>	<u>\$ 0.69</u>
Shares used to compute non-GAAP net income per share:		
Basic	26,776,806	26,963,366
Diluted	26,929,640	27,177,039





# GAAP to NON-GAAP RECONCILIATION | Revenue

(\$ in thousands)

	Three Months Ended			Three Months Ended		% Change Constant
	March 31, 2020			March 31, 2019	%	
	GAAP	Adjustments <sup>1</sup>	Non-GAAP	GAAP	Change <sup>2</sup>	Currencies <sup>3</sup>
Revenues						
United States	\$ 90,076	\$ -	\$ 90,076	\$ 87,811	2.6%	2.6%
Europe	20,787	648	21,435	21,254	(2.2)	0.9
Japan	4,245	(55)	4,190	4,387	(3.2)	(4.5)
Total Revenue	<u>\$ 115,108</u>	<u>\$ 593</u>	<u>\$ 115,701</u>	<u>\$ 113,452</u>	1.5%	2.0%

<sup>1</sup> Revenue for the three-month period ended March 31, 2020 has been recalculated using 2019 foreign currency exchange rates in effect during comparable periods to provide information useful in evaluating the underlying business trends excluding the impact of changes in foreign currency exchange rates.

<sup>2</sup> This column presents the percentage change from GAAP revenue for the three-month period ended March 31, 2019 to GAAP revenue for the three-month period ended March 31, 2020.

<sup>3</sup> This column presents the percentage change from GAAP revenue for the three-month period ended March 31, 2019 to non-GAAP revenue for the three-month period ended March 31, 2020 (as recalculated using the foreign currency exchange rates in effect during the three-month period ended March 31, 2019) in order to provide a constant-currency comparison.



# GAAP to NON-GAAP RECONCILIATION | EBITDA

*(\$ in thousands)*

	<b>Three Months Ended March 31,</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
GAAP net income	\$ 13,984	\$ 15,511
Amortization expense	754	871
Depreciation expense	7,204	6,568
Interest income, net	(560)	(581)
Tax expense	<u>3,895</u>	<u>4,150</u>
EBITDA	<u>25,277</u>	<u>26,519</u>
Add back:		
Stock-based compensation expense	3,033	3,040
Unrealized (gain) loss on foreign currency	<u>(797)</u>	<u>247</u>
Total adjustments	2,236	3,287
Adjusted EBITDA	<u>\$ 27,513</u>	<u>\$ 29,806</u>