



Earnings Presentation

Q2 2020

July 28, 2020





SAFE HARBOR

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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, 2019 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.

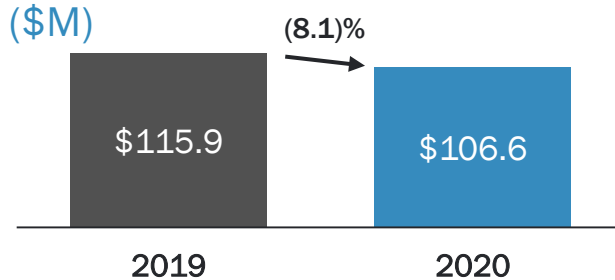


Q2 2020 OVERVIEW



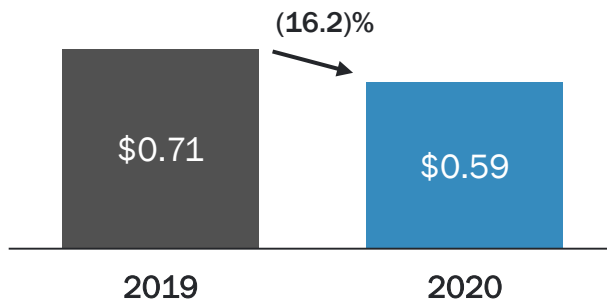
FINANCIAL HIGHLIGHTS | Q2

Revenue



- Revenue of \$106.6 million, down (8.1)% YoY
 - \$12 million COVID-19 revenue in Q2 2020
 - 17,037 unique product developers served

Non-GAAP EPS*



- Non-GAAP EPS of \$0.59, down \$(0.12) YoY
 - Decline due predominantly to lower volume and unabsorbed fixed costs
 - Partially offset by reduction in discretionary spending and incentive compensation

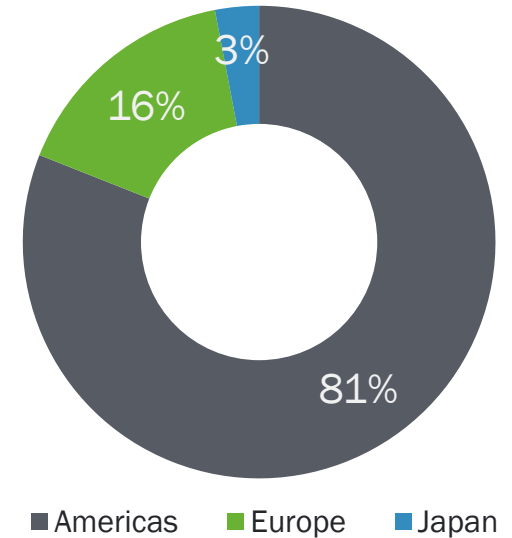
*Non-GAAP: adjusted for stock-based compensation, intangible amortization, and unrealized (gain) loss on foreign currency. See reconciliation in Appendix.



REGIONAL REVENUE | Q2

(\$M)	Q2 20	Q2 19	YoY CHANGE*
Americas	\$86.8	\$91.1	(5)%
Europe	\$16.7	\$20.9	(18)%
Japan	\$3.0	\$3.8	(23)%
TOTAL	\$106.6	\$115.9	(8)%

Revenue % by Region
Q2 2020



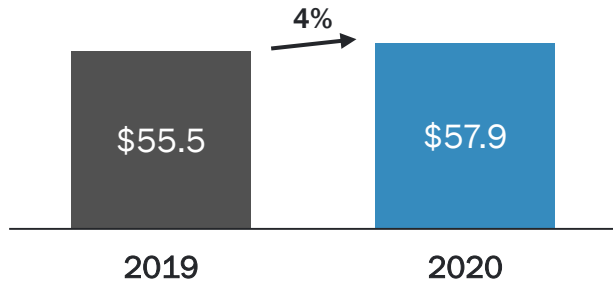
*YoY change reflected in constant currency
See reconciliation in Appendix.



REVENUE BY SERVICE | Q2

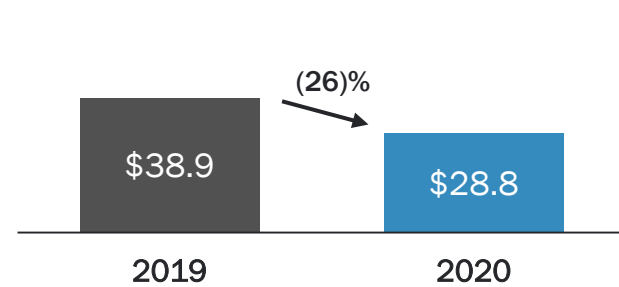
Injection Molding - Revenue

(\$M)



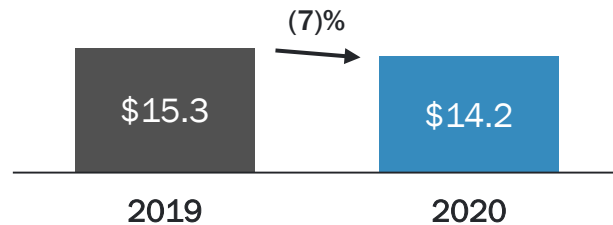
CNC Machining - Revenue

(\$M)



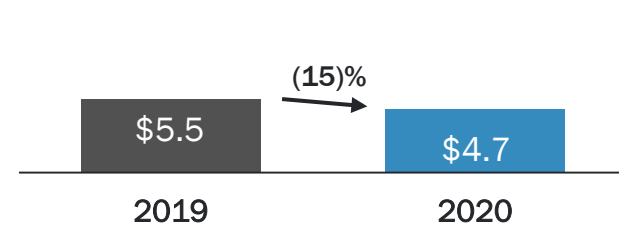
3D Printing - Revenue

(\$M)



Sheet Metal - Revenue

(\$M)





Q2 2020

DETAILED FINANCIAL INFORMATION



FINANCIAL RESULTS | Q2

\$M, EXCEPT PER SHARE AMOUNTS	Q2 20	Q1 20	SEQ. CHANGE	Q2 19	YoY CHANGE
Revenue	\$106.6	\$115.1	(7.4)%	\$115.9	(8.1)%
Gross Margin	49.2%	50.5%	(130) bps	52.0%	(270) bps
Non-GAAP Operating Margin*	17.6%	17.9%	(30) bps	20.6%	(300) bps
Non-GAAP Earnings Per Share*	\$0.59	\$0.61	(2.0)%	\$0.71	(16.2)%

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



YoY GAAP to Non-GAAP P&L | Q2

\$ in thousands	Three Months Ended June 30, 2020			Three Months Ended June 30, 2019		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$106,575	-	\$106,575	\$115,932	-	\$115,932
Cost of Revenue	<u>54,119</u>	<u>(936)</u>	<u>53,183</u>	<u>55,696</u>	<u>(797)</u>	<u>54,899</u>
Gross Profit	\$52,456	\$936	\$53,392	\$60,236	\$797	\$61,033
Marketing and Sales	16,936	(750)	16,186	19,285	(613)	18,672
Research and Development	8,648	(607)	8,041	8,169	(503)	7,666
General and Administrative	<u>12,521</u>	<u>(2,100)</u>	<u>10,421</u>	<u>13,209</u>	<u>(2,436)</u>	<u>10,773</u>
Total Operating Expenses	<u>38,105</u>	<u>(3,457)</u>	<u>34,648</u>	<u>40,663</u>	<u>(3,552)</u>	<u>37,111</u>
Income from Operations	\$14,351	\$4,393	\$18,744	\$19,573	\$4,349	\$23,922
Adjusted EBITDA	N/A	N/A	\$26,147	N/A	N/A	\$30,955
% of Revenue						
Gross Profit	49.2%		50.1%	52.0%		52.6%
Marketing and Sales	15.9%		15.2%	16.6%		16.1%
Research and Development	8.1%		7.5%	7.0%		6.6%
General and Administrative	<u>11.7%</u>		<u>9.8%</u>	<u>11.4%</u>		<u>9.3%</u>
Total Operating Expenses	<u>35.8%</u>		<u>32.5%</u>	<u>35.1%</u>		<u>32.0%</u>
Income from Operations	13.5%		17.6%	16.9%		20.6%
Adjusted EBITDA	N/A		24.5%	N/A		26.7%

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



QoQ GAAP to Non-GAAP P&L | Q2

\$ in thousands	Three Months Ended June 30, 2020			Three Months Ended March 31, 2020		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$106,575	-	\$106,575	\$115,108	-	\$115,108
Cost of Revenue	54,119	(936)	53,183	57,008	(863)	56,145
Gross Profit	\$52,456	\$936	\$53,392	\$58,100	\$863	\$58,963
Marketing and Sales	16,936	(750)	16,186	18,180	(618)	17,562
Research and Development	8,648	(607)	8,041	8,987	(521)	8,466
General and Administrative	12,521	(2,100)	10,421	14,108	(1,785)	12,323
Total Operating Expenses	38,105	(3,457)	34,648	41,275	(2,924)	38,351
Income from Operations	\$14,351	\$4,393	\$18,744	\$16,825	\$3,787	\$20,612
Adjusted EBITDA	N/A	N/A	\$26,147	N/A	N/A	\$27,513
% of Revenue						
Gross Profit	49.2%		50.1%	50.5%		51.2%
Marketing and Sales	15.9%		15.2%	15.8%		15.3%
Research and Development	8.1%		7.5%	7.8%		7.4%
General and Administrative	11.7%		9.8%	12.3%		10.7%
Total Operating Expenses	35.8%		32.5%	35.9%		33.3%
Income from Operations	13.5%		17.6%	14.6%		17.9%
Adjusted EBITDA	N/A		24.5%	N/A		23.9%

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



CASH FLOW and BALANCE SHEET | Q2

\$M	Q2 20	Q1 20	Q2 19
Operating Cash Flow	\$31.0	\$22.4	\$36.9
Capital Expenditures	\$19.9	\$13.4	\$21.4
Share Repurchases	\$2.7	\$11.9	\$4.1
Cash and Investments*	\$175.3	\$167.2	\$150.7
Debt*	\$0	\$0	\$0

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



PROTOLABS 2.0



PROTOLABS 2.0 | JULY 2020 UPDATE

- **Planned launch by end of 2020**

- Protolabs 2.0 will go live in Europe first, followed by the Americas
- Potential risk to our plan includes:
 - External – COVID-19 and travel restrictions
 - Internal – testing
- Focus is on ensuring a successful launch and customer acceptance

- **Completed our first official customer beta test**

- Over 200 customers across 15 countries in Europe
- Very positive customer feedback
 - User experience is streamlined, intuitive, modern and easier to use than our legacy e-commerce platform
- Will continue testing systems until launch



PROTOLABS 2.0 | OVERVIEW

Background

- Legacy systems evolved slowly and incrementally
 - Based on architecture from early 2000s
- Protolabs 2.0 is a different approach
 - Will allow our systems to scale and support evolving customer needs

Approach

- Two components:
 - Customer-facing eCommerce platform
 - Back-end systems
- Moving to modern software architecture and development

Future

- Better support our customers and strategy
- Enhanced functionality from external vendors
- Easier path from R&D to the eCommerce platform



FINANCIAL OUTLOOK



Q3 2020 | OUTLOOK

Q3 2020 Revenue

Revenue	\$98M - \$110M
% Growth YoY	(17)% - (6)%

Q3 2020 Revenue Details

- Anticipate COVID-19 related revenue will be significantly lower than the \$12 million recognized in Q2
- Do not expect foreign currency to have a significant impact on Q3 2020 revenue

Additional Q3 2020 Outlook Commentary

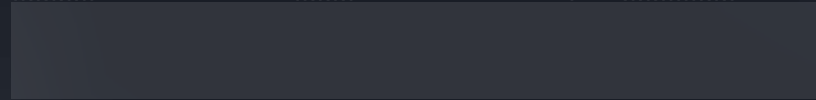
- Non-GAAP gross margin between 49% and 51%
- Non-GAAP operating expenses at or below Q2 2020 levels
- Non-GAAP add-backs for the quarter will include stock compensation costs of approximately \$3.6 million and amortization of approximately \$725k
- Non-GAAP tax rate between 21% and 22%

THANK YOU



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APPENDIX



GAAP to NON-GAAP RECONCILIATION | Revenue

(\$ in thousands)

	Three Months Ended			Three Months Ended		% Change Constant Currencies ³
	June 30, 2020			June 30, 2019		
	GAAP	Adjustments ¹	Non-GAAP	GAAP	Change ²	
Revenues						
United States	\$ 86,823	\$ -	\$ 86,823	\$ 91,149	(4.7)	(4.7)
Europe	16,729	417	17,146	20,940	(20.1)	(18.1)
Japan	<u>3,023</u>	<u>(62)</u>	<u>2,961</u>	<u>3,843</u>	<u>(21.3)</u>	<u>(23.0)</u>
Total Revenue	<u>\$ 106,575</u>	<u>\$ 355</u>	<u>\$ 106,930</u>	<u>\$ 115,932</u>	(8.1)	(7.8)

¹ Revenue for the three-month period ended June 30, 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.

² This column presents the percentage change from GAAP revenue for the three-month period ended June 30, 2019 to GAAP revenue for the three-month period ended June 30, 2020.

³ This column presents the percentage change from GAAP revenue for the three-month period ended June 30, 2019 to non-GAAP revenue for the three-month period ended June 30, 2020 (as recalculated using the foreign currency exchange rates in effect during the three-month period ended June 30, 2019) in order to provide a constant-currency comparison.



GAAP to NON-GAAP RECONCILIATION | EBITDA

(\$ in thousands)

	Three Months Ended June 30,	
	<u>2020</u>	<u>2019</u>
GAAP net income	\$ 12,607	\$ 16,166
Amortization expense	754	863
Depreciation expense	7,143	6,678
Interest income, net	(368)	(465)
Tax expense	<u>2,511</u>	<u>4,532</u>
EBITDA	<u>22,647</u>	<u>27,774</u>
EBITDA % of revenue	21.2%	24.0%
Add back:		
Stock-based compensation expense	3,639	3,486
Unrealized gain on foreign currency	<u>(139)</u>	<u>(305)</u>
Total adjustments	3,500	3,181
Adjusted EBITDA	<u>\$ 26,147</u>	<u>\$ 30,955</u>
Adjusted EBITDA % of revenue	24.5%	26.7%



GAAP to NON-GAAP RECONCILIATION | EPS

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

	Three Months Ended June 30,	
	2020	2019
Non-GAAP net income, adjusted for stock-based compensation expense, amortization expense and unrealized gain on foreign currency		
GAAP net income	\$ 12,607	\$ 16,166
Add back:		
Stock-based compensation expense	3,639	3,486
Amortization expense	754	863
Unrealized gain on foreign currency	(139)	(305)
Total adjustments ¹	4,254	4,044
Income tax benefits on adjustments ²	(987)	(1,074)
Non-GAAP net income	<u>\$ 15,874</u>	<u>\$ 19,136</u>
Non-GAAP net income per share:		
Basic	<u>\$ 0.60</u>	<u>\$ 0.71</u>
Diluted	<u>\$ 0.59</u>	<u>\$ 0.71</u>
Shares used to compute non-GAAP net income per share:		
Basic	26,660,498	26,875,153
Diluted	26,760,866	27,041,422

¹ Stock-based compensation expense, amortization expense and unrealized gain on foreign currency were included in the following GAAP consolidated statement of operations categories:

	Three Months Ended June 30,	
	2020	2019
Cost of revenue	\$ 936	\$ 797
Marketing and sales	750	614
Research and development	607	503
General and administrative	2,100	2,435
Total operating expenses	3,457	3,552
Other income, net	(139)	(305)
Total adjustments	<u>\$ 4,254</u>	<u>\$ 4,044</u>

² For the three-month periods ended June 30, 2020 and 2019, income tax effects were calculated using the effective tax rate for the relevant jurisdictions. Our non-GAAP tax rates differ from our 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.