



Earnings Presentation

Q3 2021

► October 28, 2021





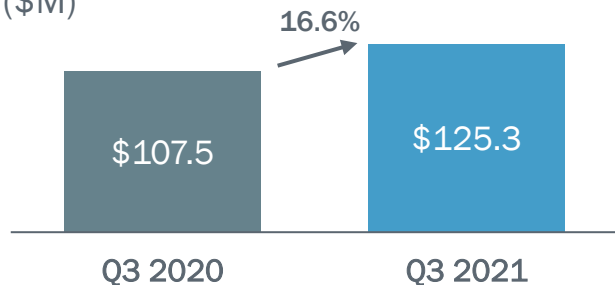
- ▶ These slides and accompanying oral presentation may contain forward-looking statements. These statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, 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.

Q3 2021 Overview

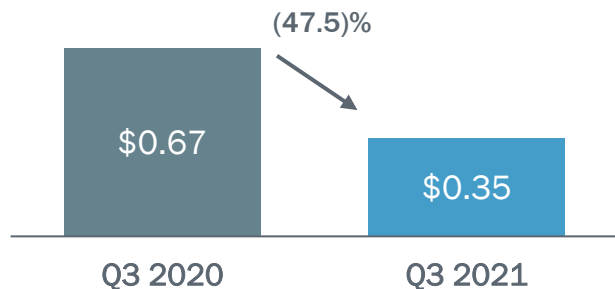


Revenue

(\$M)



Non-GAAP EPS*

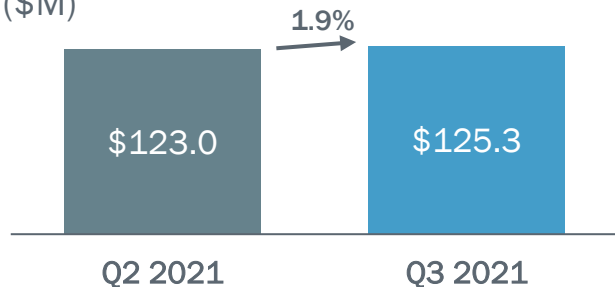


- **Record Revenue of \$125.3 million, up 16.6% YoY**
 - 23,457 unique product developers served
 - Hubs contributed \$8.8 million of revenue in the third quarter
- **Non-GAAP EPS of \$0.35, down \$(0.32) YoY**
 - Lower gross margin due to increased labor costs
 - Investments in future
 - Incurring operating losses at Hubs while we build, scale, and support a network of manufacturing partners for long-term growth
 - Protolabs 2.0 internal systems (launched in Q4 2020)
 - R&D investments



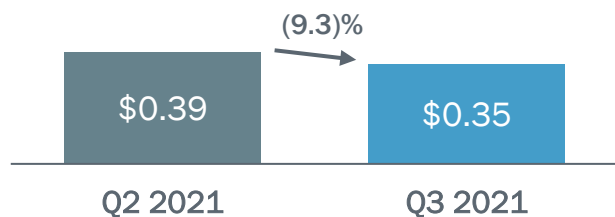
Revenue

(\$M)



- **Record Revenue of \$125.3 million, up 1.9% QoQ**
 - Record revenue in CNC Machining and 3D Printing
 - Europe down 10% sequentially driven by challenging economic environment

Non-GAAP EPS*

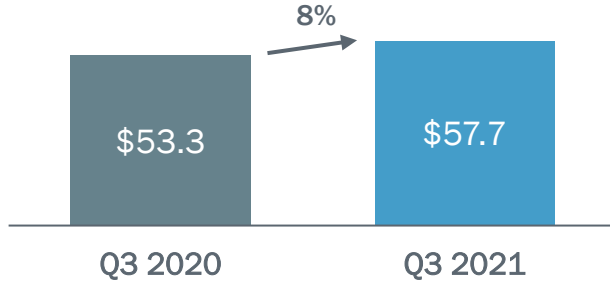


- **Non-GAAP EPS of \$0.35, down \$(0.04) QoQ**
 - Lower than anticipated gross margin driven by labor shortages and wage inflation



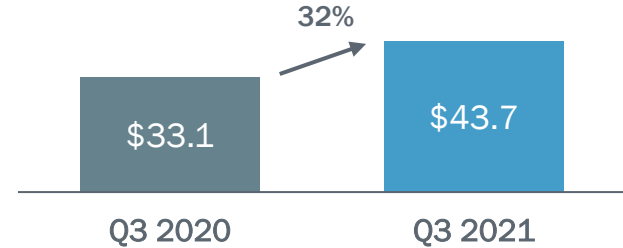
Injection Molding - Revenue

(\$M)



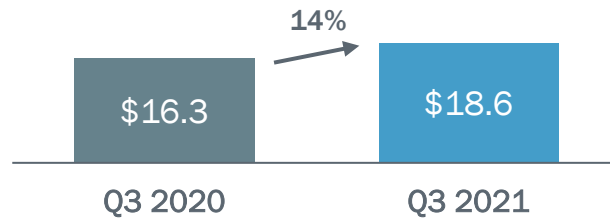
CNC Machining - Revenue

(\$M)



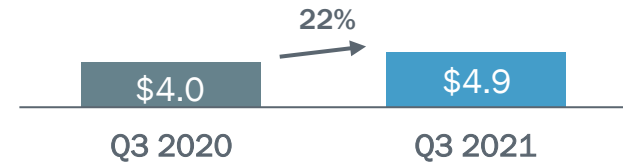
3D Printing - Revenue

(\$M)



Sheet Metal - Revenue

(\$M)

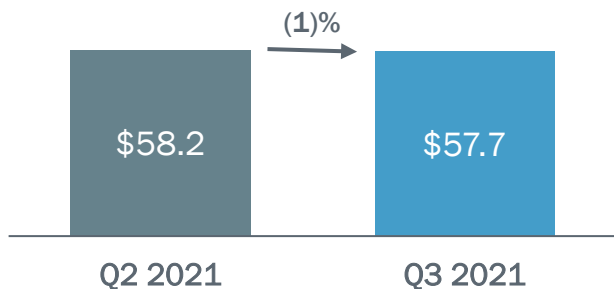


Record quarterly revenue in CNC Machining and 3D Printing services



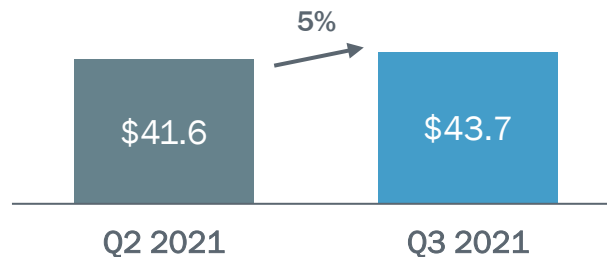
Injection Molding - Revenue

(\$M)



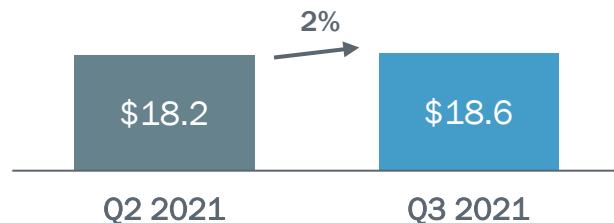
CNC Machining - Revenue

(\$M)



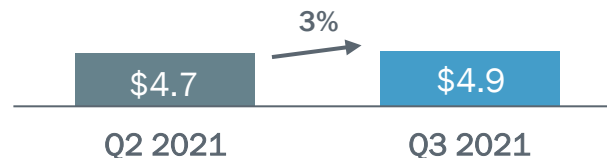
3D Printing - Revenue

(\$M)



Sheet Metal - Revenue

(\$M)



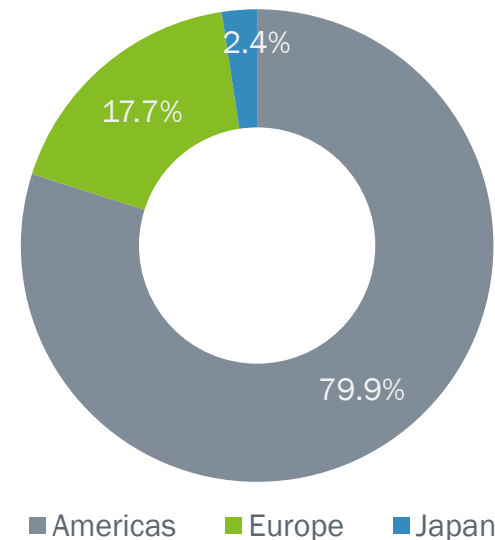
Record quarterly revenue in CNC Machining and 3D Printing services

Revenue by Region | Q3 2021



\$M	Q3 21	Q3 20	YoY Change Overall	YoY Change Organic, Constant Fx*
Americas	\$100.1	\$85.6	17%	11%
Europe	\$22.2	\$18.9	17%	(7)%
Japan	\$3.1	\$3.0	2%	6%
TOTAL	\$125.3	\$107.5	17%	8%

Revenue % by Region Q3 2021



*YoY change reflected in constant currency, and excluding Hubs
See reconciliation in Appendix.



World Economic Forum

Global Lighthouse Network Inductee



- ▶ Recognition of Protolabs' industry-leading efforts to implement Fourth Industrial Revolution technologies, connecting the e-commerce experience to the manufacturing shop floor
- ▶ One of only 10 Lighthouse manufacturing facilities in US
- ▶ Protolabs shares the honor with Fortune 500 companies like Johnson & Johnson, Proctor & Gamble, Unilever, Western Digital, and Schneider Electric

WTWH Media LEAP Awards

Gold in Software Category



- ▶ Leadership in Engineering Achievement Program (LEAP) Awards held annually by WTWH Media (Design World, Fluid Power World, Fastener Engineering, and EE World)
- ▶ Protolabs' all-new digital quoting platform (Protolabs 2.0) took home Gold in Software category
- ▶ Judges were impressed with massive launch of Protolabs 2.0, specifically enhanced DFM analysis

Q3 2021

Detailed Financial Information



\$M, Except per share amounts	Q3 21	Q2 21	QoQ Change	Q3 20	YoY Change
Revenue	\$125.3	\$123.0	1.9%	\$107.5	16.6%
Non-GAAP Gross Margin*	44.9%	46.8%	(190) bps	51.7%	(680) bps
Non-GAAP Operating Margin*	10.2%	12.1%	(190) bps	20.8%	(1,060) bps
Non-GAAP Earnings Per Share*	\$0.35	\$0.39	(9.3)%	\$0.67	(47.5)%

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

YoY GAAP to Non-GAAP P&L | Q3 2021



\$ in thousands	Three Months Ended Sept. 30, 2021			Three Months Ended Sept. 30, 2020		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$125,342	-	\$125,342	\$107,504	-	\$107,504
Cost of Revenue	<u>70,018</u>	<u>(986)</u>	<u>69,032</u>	<u>52,861</u>	<u>(989)</u>	<u>51,872</u>
Gross Profit	\$55,324	\$986	\$56,310	\$54,643	\$989	\$55,632
Marketing and Sales	21,422	(1,059)	20,363	16,705	(865)	15,840
Research and Development	10,614	(776)	9,838	7,915	(638)	7,277
General and Administrative	<u>16,361</u>	<u>(2,995)</u>	<u>13,366</u>	<u>12,354</u>	<u>(2,207)</u>	<u>10,147</u>
Total Operating Expenses	<u>48,397</u>	<u>(4,830)</u>	<u>43,567</u>	<u>36,974</u>	<u>(3,710)</u>	<u>33,264</u>
Income from Operations	\$6,927	\$5,816	\$12,743	\$17,669	\$4,699	\$22,368
Adjusted EBITDA	N/A	N/A	\$21,481	N/A	N/A	\$30,039
<u>% of Revenue</u>						
Gross Profit	44.1%		44.9%	50.8%		51.7%
Marketing and Sales	17.1%		16.2%	15.5%		14.7%
Research and Development	8.5%		7.8%	7.4%		6.8%
General and Administrative	<u>13.1%</u>		<u>10.7%</u>	<u>11.5%</u>		<u>9.4%</u>
Total Operating Expenses	<u>38.6%</u>		<u>34.8%</u>	<u>34.4%</u>		<u>30.9%</u>
Income from Operations	5.5%		10.2%	16.4%		20.8%
Adjusted EBITDA	N/A		17.1%	N/A		27.9%

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

YoY GAAP to Non-GAAP Bridge | Q3 2021



\$ in thousands	Three Months Ended Sept. 30			
	GAAP		Non-GAAP	
	Operating Income	EPS Impact	Operating Income	EPS Impact
Q3 2020 Operating Income / Diluted EPS	\$17,669	\$0.55	\$22,368	\$0.67
Volume offset by labor inflation	(2,058)	(0.06)	(2,061)	(0.06)
Personnel costs in S&M and G&A Expenses	(2,021)	(0.06)	(1,766)	(0.05)
<u>Investments</u>				
Hubs	(2,930)	(0.11)	(2,203)	(0.09)
Investments in R&D	(1,811)	(0.05)	(1,673)	(0.05)
Investments in systems (Protolabs 2.0)	<u>(1,922)</u>	<u>(0.06)</u>	<u>(1,922)</u>	<u>(0.06)</u>
Tax rate / other income	-	(0.03)	-	(0.02)
Q3 2021 Operating Income / Diluted EPS	\$6,927	\$0.18	\$12,743	\$0.35

Commentary

- ▶ Manufacturing operations impacted by labor shortages resulting in increased personnel costs: wage inflation, increased overtime, and increased recruiting costs
- ▶ We continue to invest in our business to serve our customers and capitalize on the long-term opportunity. These investments include:
 - Funding the operating losses of Hubs as we scale and expand our customer offer
 - Investments in R&D to enhance our systems and continue to expand our product offering
 - Investments in our systems to support the operations into the future

We are taking actions to improve financial performance in the near term through pricing and driving operational efficiency, while continuing to invest to expand our customer offer and capture our long-term growth opportunity.

QoQ GAAP to Non-GAAP P&L | Q3 2021



\$ in thousands	Three Months Ended Sept. 30, 2021			Three Months Ended Jun. 30, 2021		
	GAAP	Adjustments	Non-GAAP*	GAAP	Adjustments	Non-GAAP*
Revenue	\$125,342	-	\$125,342	\$123,048	-	\$123,048
Cost of Revenue	<u>70,018</u>	<u>(986)</u>	<u>69,032</u>	<u>66,423</u>	<u>(1,011)</u>	<u>65,412</u>
Gross Profit	\$55,324	\$986	\$56,310	\$56,625	\$1,011	\$57,636
Marketing and Sales	21,422	(1,059)	20,363	21,044	(929)	20,115
Research and Development	10,614	(776)	9,838	11,060	(744)	10,316
General and Administrative	<u>16,361</u>	<u>(2,995)</u>	<u>13,366</u>	<u>8,417</u>	<u>3,908</u>	<u>12,325</u>
Total Operating Expenses	<u>48,397</u>	<u>(4,830)</u>	<u>43,567</u>	<u>40,521</u>	<u>2,235</u>	<u>42,756</u>
Income from Operations	\$6,927	\$5,816	\$12,743	\$16,104	\$(1,224)	\$14,880
Adjusted EBITDA	N/A	N/A	\$21,481	N/A	N/A	\$23,128
% of Revenue						
Gross Profit	44.1%		44.9%	46.0%		46.8%
Marketing and Sales	17.1%		16.2%	17.1%		16.3%
Research and Development	8.5%		7.8%	9.0%		8.4%
General and Administrative	<u>13.1%</u>		<u>10.7%</u>	<u>6.8%</u>		<u>10.0%</u>
Total Operating Expenses	<u>38.6%</u>		<u>34.8%</u>	<u>32.9%</u>		<u>34.7%</u>
Income from Operations	5.5%		10.2%	13.1%		12.1%
Adjusted EBITDA	N/A		17.1%	N/A		18.8%

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



\$M	Q3 21	Q2 21	Q3 20
Operating Cash Flow	\$11.5	\$14.3	\$29.0
Capital Expenditures	\$4.0	\$17.4	\$7.2
Share Repurchases	\$11.8	\$1.2	\$0.0
Cash and Investments*	\$83.9	\$89.0	\$200.6
Debt*	\$0	\$0	\$0

Q4 2021

Financial Outlook



Q4 2021 Revenue

Revenue	\$112M - \$122M
% Growth YoY	7% - 16%

Q4 2021 Outlook Commentary*

- ▶ Expect foreign currency to have a ~\$0.5 million favorable impact on Q4 revenue
- ▶ Estimated Non-GAAP gross margin of ~45% +/- 100 bps
- ▶ Projected Non-GAAP operating expenses of \$43 million to \$44 million
- ▶ Expect Non-GAAP tax rate of approximately 11%
- ▶ Expect Q4 fully diluted shares outstanding of approximately 28 million

*Non-GAAP: adjusted for stock-based compensation, intangible amortization, transaction expenses, and unrealized gain/loss on foreign currency.

Thank You



Appendix

GAAP to NON-GAAP Reconciliation | Revenue



\$ in thousands

	Three Months Ended September 30, 2021				Three Months Ended September 30, 2020		%	% Change Organic ⁴
	GAAP	Foreign Currency ¹	Hubs Acquisition ²	Non-GAAP	GAAP	Change ³		
	Revenues							
United States	\$ 100,127	\$ -	\$ (4,729)	\$ 95,398	\$ 85,608	17.0	%	11.4 %
Europe	22,155	(513)	(4,022)	17,620	18,897	17.2		(6.8)
Japan	3,060	114	-	3,174	2,999	2.0		5.8
Total Revenue	<u>\$ 125,342</u>	<u>\$ (399)</u>	<u>\$ (8,751)</u>	<u>\$ 116,192</u>	<u>\$ 107,504</u>	16.6	%	8.1 %

¹ Revenue for the three and nine-month periods ended September 30, 2021 has been recalculated using 2020 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 Revenue for the three and nine-month periods ended September 30, 2021 has been recalculated to exclude revenue earned from our acquisition of Hubs, Inc. to provide information useful in evaluating the underlying business trends excluding the impact of acquisitions.

³ This column presents the percentage change from GAAP revenue for the three and nine-month periods ended September 30, 2020 to GAAP revenue for the three and nine-month periods ended September 30, 2021.

⁴ This column presents the percentage change from GAAP revenue for the three and nine-month periods ended September 30, 2020 to non-GAAP revenue for the three and nine-month periods ended September 30, 2021 (as recalculated using the foreign currency exchange rates in effect during the three- and nine-month periods ended September 30, 2020, excluding the impact of Hubs, Inc. acquisition) in order to provide a constant-currency comparison.

GAAP to NON-GAAP Reconciliation | EBITDA



	Three Months Ended	
	September 30,	
	<u>2021</u>	<u>2020</u>
<i>\$ in thousands</i>		
GAAP net income	\$ 4,835	\$ 14,697
Amortization expense	1,568	754
Depreciation expense	8,536	7,282
Interest income, net	(55)	(255)
Tax expense	<u>2,228</u>	<u>3,700</u>
EBITDA	<u>17,112</u>	<u>26,178</u>
Add back:		
Stock-based compensation expense	4,978	3,945
Unrealized (gain) loss on foreign currency	121	(84)
Transaction costs ¹	<u>(730)</u>	<u>-</u>
Total adjustments	4,369	3,861
Adjusted EBITDA	<u>\$ 21,481</u>	<u>\$ 30,039</u>
Adjusted EBITDA % of revenue	17.1%	27.9%

¹ Transaction costs include direct costs incurred in our 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,	
	2021	2020
Non-GAAP net income, adjusted for stock-based compensation expense, amortization expense, unrealized (gain) loss on foreign currency and transaction costs		
GAAP net income	\$ 4,835	\$ 14,697
Add back:		
Stock-based compensation expense	4,978	3,945
Amortization expense	1,568	754
Unrealized (gain) loss on foreign currency	121	(84)
Transaction costs ¹	(730)	-
Total adjustments ²	5,937	4,615
Income tax benefits on adjustments ³	(1,063)	(1,368)
Non-GAAP net income	<u>\$ 9,709</u>	<u>\$ 17,944</u>
Non-GAAP net income per share:		
Basic	\$ 0.35	\$ 0.67
Diluted	<u>\$ 0.35</u>	<u>\$ 0.67</u>
Shares used to compute non-GAAP net income per share:		
Basic	27,713,229	26,736,709
Diluted	27,730,105	26,886,433

¹ Transaction costs include direct costs incurred in our acquisition of Hubs, Inc. and the impact of changes in the fair value of acquisition-related contingent consideration obligations.

² Stock-based compensation expense, amortization expense, unrealized (gain) loss on foreign currency and transaction costs were included in the following GAAP consolidated statement of operations categories:

	Three Months Ended September 30,	
	2021	2020
Cost of revenue	\$ 986	\$ 989
Marketing and sales	1,059	865
Research and development	776	638
General and administrative	2,995	2,207
Total operating expenses	4,830	3,710
Other (income) loss, net	121	(84)
Total adjustments	<u>\$ 5,937</u>	<u>\$ 4,615</u>

³ For the three and nine-month periods ended September 30, 2021 and 2020, 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.