

STRATASYS LTD.

FORM 6-K (Report of Foreign Issuer)

Filed 11/15/16 for the Period Ending 11/15/16

Address	7665 COMMERCE WAY EDEN PRAIRIE, MN 55344
Telephone	972-8-931-4314
CIK	0001517396
Symbol	SSYS
SIC Code	3577 - Computer Peripheral Equipment, Not Elsewhere Classified
Industry	Computer Hardware
Sector	Technology
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 6-K

**Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
under the Securities Exchange Act of 1934**

For the month of November 2016

Commission File Number 001-35751

STRATASYS LTD.

(Translation of registrant's name into English)

**c/o Stratasys, Inc.
7665 Commerce Way
Eden Prairie, Minnesota 55344**

**2 Holtzman Street, Science Park
P.O. Box 2496
Rehovot, Israel 76124**

(Addresses of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

CONTENTS

On November 15, 2016, Stratasys Ltd. (“**we**” or “**us**”) announced our financial results for the quarter and nine months ended September 30, 2016. A copy of our press release announcing our results is furnished as Exhibit 99.1 to this Report of Foreign Private Issuer on Form 6-K (“**Form 6-K**”) and is incorporated herein by reference.

In conjunction with the conference call held on November 15, 2016, to discuss our results, we are also furnishing a copy of the script used for the conference call to provide additional information regarding our business and our financial results (attached to this Form 6-K as Exhibit 99.2 and incorporated herein by reference) and a PowerPoint presentation with additional information (attached to this Form 6-K as Exhibit 99.3 and incorporated herein by reference).

The information in this Form 6-K, including Exhibits 99.1, 99.2 and 99.3, shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STRATASYS LTD.

Dated: November 15, 2016

By: /s/ Erez Simha

Name: Erez Simha

Title: Chief Financial Officer and Chief Operating
Officer

EXHIBIT INDEX

The following exhibits are furnished as part of this Form 6-K:

Exhibit	Description
99.1	Press release dated November 15, 2016.
99.2	Script for our conference call held on November 15, 2016.
99.3	PowerPoint presentation with additional information.



NEWS RELEASE

STRATASYS RELEASES THIRD QUARTER 2016 FINANCIAL RESULTS

Company reports \$157.2 million in revenue

GAAP net loss of \$20.8 million, or (\$0.40) per diluted share, and non-GAAP net income of \$0.1 million, or \$0.00 per diluted share

Minneapolis & Rehovot, Israel, November 15, 2016 — Stratasys Ltd. (Nasdaq:SSYS), the 3D printing and additive manufacturing solutions company, announced financial results for the third quarter of 2016.

Q3-2016 Financial Results Summary:

- Revenue for the third quarter of 2016 was \$157.2 million, compared to \$167.6 million for the same period last year.
 - GAAP gross margin was 46.9% for the third quarter, compared to a GAAP negative gross margin of 47.7% for the same period last year.
 - Non-GAAP gross margin was 54.0% for the third quarter, compared to 50.8% for the same period last year.
 - GAAP operating loss for the third quarter was \$19.4 million, compared to a loss of \$931.3 million for the same period last year.
 - Non-GAAP operating income for the third quarter was \$3.3 million, compared to non-GAAP operating loss of \$10.0 million for the same period last year.
 - GAAP net loss for the third quarter was \$20.8 million, or (\$0.40) per diluted share, compared to a loss of \$901.3 million, or (\$17.35) per diluted share, for the same period last year.
 - Non-GAAP net income for the third quarter was \$0.1 million, or \$0.00 per diluted share, compared to Non-GAAP net income of \$0.7 million, or \$0.01 per diluted share, reported for the same period last year.
 - The Company maintains \$239.3 million in cash and cash equivalents as of the end of the third quarter.
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- Net R&D expenses for the third quarter amounted to \$24.0 million, representing 15.3% of net sales.
- GAAP EBITDA for the third quarter amounted to \$3.5 million.
- Non-GAAP EBITDA for the third quarter amounted to \$12.0 million.

Recent Business Highlights:

- Announced that leading aircraft manufacturer Airbus is standardizing on ULTEM™ 9085 3D printing material for the production of flight parts for its A350 XWB aircraft.
- Showcased demonstrations of next generation manufacturing technologies at IMTS 2016, designed to spearhead strategic efforts in developing advanced manufacturing applications, including:
 - The Stratasys Infinite-Build 3D Demonstrator, developed in collaboration with the Boeing Company and the Ford Motor Company, designed for low-volume production of large thermo-plastic parts.
 - The Stratasys Robotic Composite Demonstrator, developed in collaboration with Siemens, designed for the automated production of composite material structures for advanced manufacturing applications.
- Launched and began shipping new MakerBot 3D printing solutions for professionals and educators, including:
 - The MakerBot Replicator+ and Replicator Mini+, which have been re-engineered and tested to provide improved performance and reliability.
 - MakerBot Print and Mobile software applications, which are designed to help professionals integrate MakerBot solutions into their workflows; and help educators introduce students to 3D printing.
 - Thingiverse Education, designed to provide educators with access to valuable classroom content created by other educators.

“The introductions of the Stratasys Infinite-Build and Robotic Composite 3D Demonstrators both evidence the unique long-term value of our core technologies and highlight the importance of strategic collaborations in developing solutions that target specific, high-value added applications,” said Ilan Levin, Chief Executive Officer of Stratasys. “These innovations demonstrate our potential to meet the needs of customers by leveraging our core assets within key vertical markets. We believe these types of opportunities remain significant across multiple industries, and we are committed to seeking their further development.”

Financial Guidance:

Stratasys provided updated guidance regarding the Company's prospective revenue and net income (loss) for the fiscal year ending December 31, 2016:

- Revenue guidance of \$662 to \$673 million.
- GAAP net loss of \$76 to \$71 million, or (\$1.44) to (\$1.35) per diluted share.
- Non-GAAP net income of \$7 to \$11 million, or \$0.13 to \$0.21 per diluted share.

Stratasys provided the following additional information regarding the Company's prospective performance and strategic plans for fiscal 2016:

- Non-GAAP gross margin in a range of 54% to 55%.
- Non-GAAP operating margin of 3% to 4%.
- Non-GAAP Tax expense of \$15 to \$17 million, which includes the negative impact of the planned accounting treatment for tax valuation allowance.
- Capital expenditures are projected at \$50 to \$60 million.

Given the expected ongoing negative impact of not recording a tax benefit on U.S. tax losses on the Company non-GAAP net income, the Company believes that the rate of growth in its non-GAAP operating income will be the best measure of performance.

Non-GAAP earnings guidance excludes \$59.0 million of projected amortization of intangible assets; \$21.0 million of share-based compensation expense; \$10.0 to \$11.0 million in merger and acquisition related expense; and \$7.0 to \$8.0 million in reorganization and other related costs; and includes \$15.0 million in tax expenses related to non-GAAP adjustments.

"We were pleased to recognize additional improvements to our operational efficiency during the period which was reflected in a reduction in non-GAAP operating expenses and increase in our non-GAAP gross margin compared to the same period last year," continued Levin. "We will continue to seek further improvements in our cost structure as we strive to align our operations even more closely with our anticipated results."

Stratasys Ltd. Q3 2016 Conference Call Details

The Company plans to hold the conference call to discuss its third quarter financial results on Tuesday, November 15, 2016 at 7:00 a.m. (ET).

The investor conference call will be available via live webcast on the Stratasys Web site at www.stratasys.com under the "Investors" tab; or directly at the following web address: <http://www.thomson-webcast.net/m/p/cet5hgis>.

To participate by telephone, the domestic dial-in number is (855) 319-2216 and the international dial-in is (503) 343-6033. The access code is 96601880. Investors are advised to dial into the call at least ten minutes prior to the call to register. The webcast will be available for 90 days on the "Investors" page of the Stratasys Web site or by accessing the provided web address.

For more than 25 years, **Stratasys Ltd. (NASDAQ:SSYS)** has been a defining force and dominant player in 3D printing and additive manufacturing – shaping the way things are made. Headquartered in Minneapolis, Minnesota and Rehovot, Israel, the company empowers customers across a broad range of vertical markets by enabling new paradigms for design and manufacturing. The company's solutions provide customers with unmatched design freedom and manufacturing flexibility – reducing time-to-market and lowering development costs, while improving designs and communications. Stratasys subsidiaries include MakerBot and Solidscape, and the Stratasys ecosystem includes 3D printers for prototyping and production; a wide range of 3D printing materials; parts on-demand via Stratasys Direct Manufacturing; strategic consulting and professional services; and the Thingiverse and GrabCAD communities with over 2 million 3D printable files for free designs. With more than 2,500 employees and 1,200 granted or pending additive manufacturing patents, Stratasys has received more than 30 technology and leadership awards. Visit us online at: www.stratasys.com or <http://blog.stratasys.com/>, and follow us on LinkedIn.

Stratasys is a registered trademark of Stratasys Ltd. and/or its subsidiaries or affiliates.

Cautionary Statement Regarding Forward-Looking Statements

The statements in this press release regarding Stratasys' strategy, and the statements regarding its projected future financial performance, including under the heading "Financial Guidance," are forward-looking statements reflecting management's current expectations and beliefs. These forward-looking statements are based on current information that is, by its nature, subject to rapid and even abrupt change. Due to risks and uncertainties associated with Stratasys' business, actual results could differ materially from those projected or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to: any failure to efficiently and successfully integrate the operations of Stratasys, Inc. and Objet Ltd. after their merger as well as MakerBot, Solid Concepts, Harvest and GrabCAD after their acquisition or to successfully establish and execute effective post-acquisition integration plans; changes in the overall global economic environment; the impact of competition and new technologies; changes in the general market, political and economic conditions in the countries in which Stratasys operates; any underestimates in projected capital expenditures and liquidity; changes in Stratasys' strategy; changes in applicable government regulations and approvals; changes in customers' budgeting priorities; lower than expected demand for Stratasys' products and services; reduction in Stratasys' profitability due to shifting in its product mix into lower margin products or shifting in its revenues mix significantly towards its AM services business; costs and potential liability relating to litigation and regulatory proceedings; and those factors referred to in Item 3.D "Key Information - Risk Factors", Item 4, "Information on the Company", and Item 5, "Operating and Financial Review and Prospects" in Stratasys' Annual Report for the year ended December 31, 2015, as well as in such Annual Report generally. Readers are urged to carefully review and consider the various disclosures made throughout (i) the Form 6-K attaching Stratasys' unaudited, condensed consolidated financial statements as of, and for the quarter and nine months ended, September 30, 2016, and its review of its results of operations and financial condition for those periods, which has been furnished to the Securities and Exchange Commission, or SEC, on or about the date hereof, (ii) Stratasys' 2015 Annual Report, and (iii) Stratasys' other reports filed with or furnished to the SEC, which are designed to advise interested parties of the risks and factors that may affect its business, financial condition, results of operations and prospects. Any guidance and other forward-looking statements in this press release are made as of the date hereof, and Stratasys undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Use of non-GAAP financial measures

The non-GAAP data included herein, which exclude certain items as described herein, are non-GAAP financial measures. Our management believes that these non-GAAP financial measures are useful information for investors and shareholders of our company in gauging our results of operations (x) on an ongoing basis after excluding merger and acquisition related expense and reorganization-related charges, and (y) excluding non-cash items such as stock-based compensation expenses, acquired intangible assets amortization, impairment of goodwill and other long-lived assets, changes in fair value of obligations in connection with acquisitions and the corresponding tax effect of those items, as well as, non-recurring changes of non-cash valuation allowance on deferred tax assets. These non-GAAP adjustments either do not reflect actual cash outlays that impact our liquidity and our financial condition or have a non-recurring impact on the income statement, as assessed by management. These non-GAAP financial measures are presented to permit investors to more fully understand how management assesses our performance for internal planning and forecasting purposes. The limitations of using these non-GAAP financial measures as performance measures are that they provide a view of our results of operations without including all items indicated above during a period, which may not provide a comparable view of our performance to other companies in our industry. Investors and other readers should consider non-GAAP measures only as supplements to, not as substitutes for or as superior measures to, the measures of financial performance prepared in accordance with U.S. GAAP. Reconciliation between results on a GAAP and non-GAAP basis is provided in a table below.

Stratasys Investor Relations

Shane Glenn , 952-294-3416

Vice President - Investor Relations

shane.glenn@stratasys.com

Stratasys Ltd.**Consolidated Balance Sheets***(in thousands, except share data)*

	September 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 239,345	\$ 257,592
Short-term bank deposits	-	571
Accounts receivable, net	109,235	123,215
Inventories	127,044	123,658
Net investment in sales-type leases	12,108	11,704
Prepaid expenses	8,428	8,469
Other current assets	18,722	21,864
Total current assets	514,882	547,073
Non-current assets		
Goodwill	386,325	383,853
Other intangible assets, net	208,034	252,468
Property, plant and equipment, net	214,570	201,934
Net investment in sales-type leases - long term	14,688	17,785
Deferred income taxes and other non-current assets	30,245	11,243
Total non-current assets	853,862	867,283
Total assets	\$ 1,368,744	\$ 1,414,356
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 37,793	\$ 39,021
Accrued expenses and other current liabilities	27,417	31,314
Accrued compensation and related benefits	39,220	34,052
Income taxes payable	4,089	11,395
Obligations in connection with acquisitions	4,607	4,636
Deferred revenues	49,548	52,309
Total current liabilities	162,674	172,727
Non-current liabilities		
Obligations in connection with acquisitions - long term	-	4,354
Deferred tax liabilities	10,784	16,040
Deferred revenues - long-term	11,993	7,627
Other non-current liabilities	34,919	22,428
Total non-current liabilities	57,696	50,449
Total liabilities	220,370	223,176
Redeemable non-controlling interests	2,095	2,379
Equity		
Ordinary shares, NIS 0.01 nominal value, authorized 180,000 thousands shares; 52,600 thousands shares and 52,082 thousands shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	141	141
Additional paid-in capital	2,625,844	2,605,957

Accumulated deficit	(1,469,164)	(1,406,706)
Accumulated other comprehensive loss	(10,670)	(10,774)
Equity attributable to Stratasys Ltd.	1,146,151	1,188,618
Non-controlling interest	128	183
Total equity	1,146,279	1,188,801
Total liabilities and equity	\$ 1,368,744	\$ 1,414,356

Stratasys Ltd.
Consolidated Statements of Operations
(in thousands, except share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Net sales				
Products	\$ 110,083	\$ 118,473	\$ 352,475	\$ 379,630
Services	47,093	49,107	144,680	143,003
	157,176	167,580	497,155	522,633
Cost of sales				
Products	54,332	213,431	172,683	379,468
Services	29,163	34,045	90,090	94,065
	83,495	247,476	262,773	473,533
Gross profit	73,681	(79,896)	234,382	49,100
Operating expenses				
Research and development, net	23,993	37,698	73,474	90,442
Selling, general and administrative	69,069	121,304	218,340	321,493
Goodwill impairment	-	695,458	-	845,858
Change in the fair value of obligations in connection with acquisitions	(24)	(3,022)	116	(22,958)
	93,038	851,438	291,930	1,234,835
Operating loss	(19,357)	(931,334)	(57,548)	(1,185,735)
Financial income (expenses), net	104	(3,505)	1,216	(9,340)
Loss before income taxes	(19,253)	(934,839)	(56,332)	(1,195,075)
Income tax expenses (benefit)	1,538	(33,402)	6,283	(54,090)
Share in losses of associated company	(182)	-	(182)	-
Net loss	(20,973)	(901,437)	(62,797)	(1,140,985)
Net loss attributable to non-controlling interest	(146)	(164)	(339)	(493)
Net loss attributable to Stratasys Ltd.	\$ (20,827)	\$ (901,273)	\$ (62,458)	\$ (1,140,492)
Net loss per ordinary share attributable to Stratasys Ltd.				
Basic	\$ (0.40)	\$ (17.35)	\$ (1.20)	\$ (22.21)
Diluted	(0.40)	(17.35)	(1.20)	(22.21)
Weighted average ordinary shares outstanding				
Basic	52,432	51,941	52,232	51,437
Diluted	52,432	51,941	52,232	51,437

Stratasys Ltd.
Reconciliation of GAAP to Non-GAAP Results of Operations
(in thousands)

	Three Months Ended September 30,					
	2016	Non-GAAP	2016	2015	Non-GAAP	2015
	GAAP	Adjustments	Non-GAAP	GAAP	Adjustments	Non-GAAP
	U.S. dollars and shares in thousands (except per share amounts)					
Gross profit (1)	\$ 73,681	\$ 11,248	84,929	\$ (79,896)	\$ 165,099	\$ 85,203
Operating income (loss) (1,2)	(19,357)	22,651	3,294	(931,344)	921,361	(9,983)
Net income (loss) attributable to Stratasys Ltd. (1,2,3)	(20,827)	20,936	109	(901,273)	901,937	664
Net income (loss) per diluted share attributable to Stratasys Ltd. (4)	\$ (0.40)	\$ 0.40	\$ 0.00	(17.35)	17.36	0.01
(1) Acquired intangible assets amortization expense		10,394			12,317	
Impairment charges of other intangible assets		-			150,973	
Non-cash stock-based compensation expense		680			739	
Reorganization and other related costs		249			914	
Merger and acquisition and other expense		(75)			156	
		11,248			165,099	
(2) Acquired intangible assets amortization expense		3,697			5,832	
Goodwill impairment		-			695,458	
Non-cash stock-based compensation expense		4,105			4,097	
Impairment charges of other intangible assets		-			42,215	
Change in fair value of obligations in connection with acquisitions		(24)			(3,022)	
Reorganization and other related costs		1,959			834	
Merger and acquisition and other expense		1,666			10,838	
		11,403			756,252	
		22,651			921,351	
(3) Credit facility termination related costs		-			2,705	
Corresponding tax effect and other tax adjustments		(1,998)			(22,119)	
Amortization expense of associated company		283			-	
		\$ 20,936			\$ 901,937	
(4) Weighted average number of ordinary shares outstanding- Diluted	52,432		53,168	51,941		53,108

Stratasy Ltd.
Reconciliation of GAAP to Non-GAAP Results of Operations
(in thousands)

	Nine Months Ended September 30,					
	2016	Non-GAAP	2016	2015	Non-GAAP	2015
	GAAP	Adjustments	Non-GAAP	GAAP	Adjustments	Non-GAAP
U.S. dollars and shares in thousands (except per share amounts)						
Gross profit (1)	\$ 234,382	\$ 39,241	273,623	\$ 49,100	\$ 229,236	\$ 278,336
Operating income (loss) (1,2)	(57,548)	74,996	17,448	(1,185,735)	1,178,650	(7,085)
Net income (loss) attributable to Stratasy Ltd. (1,2,3)	(62,458)	69,401	6,943	(1,140,492)	1,151,142	10,650
Net income (loss) per diluted share attributable to Stratasy Ltd. (4)	\$ (1.20)	\$ 1.33	\$ 0.13	(22.21)	22.41	0.20
(1) Acquired intangible assets amortization expense		31,318			39,523	
Impairment of other intangible assets		1,779			180,755	
Non-cash stock-based compensation expense		2,132			4,369	
Reorganization and other related costs		3,570			3,426	
Merger and acquisition and other expense		442			1,163	
		<u>39,241</u>			<u>229,236</u>	
(2) Acquired intangible assets amortization expense		11,079			17,972	
Goodwill impairment		-			845,858	
Impairment of other intangible assets		-			55,638	
Non-cash stock-based compensation expense		13,755			19,791	
Change in fair value of obligations in connection with acquisitions		116			(22,958)	
Reorganization and other related costs		3,420			7,590	
Merger and acquisition and other expense		7,385			25,523	
		<u>35,755</u>			<u>949,414</u>	
		<u>74,996</u>			<u>1,178,650</u>	
(3) Credit facility termination related costs		-			2,705	
Corresponding tax effect and other tax adjustments		(5,878)			(30,213)	
Amortization expense of associated company		283			-	
		<u>\$ 69,401</u>			<u>\$ 1,151,142</u>	
(4) Weighted average number of ordinary shares outstanding-Diluted	52,232		53,182	51,437		52,715

Stratasys Ltd.

Reconciliation of GAAP to Non-GAAP Forward Looking Guidance

Fiscal Year 2016

(in millions, except per share data)

GAAP net loss	(\$76) to (\$71)
Adjustments	
Stock-based compensation expense	\$21
Intangible assets amortization expense	\$59
Merger and acquisition related expense	\$10 to \$11
Reorganization and other related costs	\$7 to \$8
Tax expense related to Non-GAAP adjustments	(\$15)
Non-GAAP net income	\$7 to \$11
GAAP loss per share	(\$1.44) to (\$1.35)
Non-GAAP diluted earnings per share	\$0.13 to \$0.21

SLIDE 1 & 2: TITLE SLIDES

SPEAKER: Operator

Good day, ladies and gentlemen. Welcome to today's conference call to discuss Stratasys' third quarter financial results.

My name is [INSERT], and I'm your operator for today's call. [INSERT RELEVANT INSTRUCTIONS].

And now, I'd like to hand the call over to Shane Glenn, Vice President of Investor Relations for Stratasys. Mr. Glenn, please go ahead.

SLIDE 3&4: FLS & NON-GAAP DISCLOSURE

SPEAKER: Shane Glenn

Good morning, everyone, and thank you for joining us to discuss our third quarter financial results. On the call with us today are Ilan Levin, CEO, and Erez Simha, CFO and COO of Stratasys.

I remind you that access to today's call, including the prepared slide presentation, is available online at the web address provided in our press release.

In addition, a replay of today's call, including access to the slide presentation, will also be available, and can be accessed through the investor section of our website.

We will begin by reminding everyone that certain statements made on this call regarding Stratasys' strategy, and the statements regarding its projected future financial performance, including the financial guidance concerning its expected results for 2016, are forward-looking statements reflecting management's current expectations and beliefs. These forward-looking statements are based on current information that is, by its nature, subject to rapid and even abrupt change. Due to risks and uncertainties associated with Stratasys' business, actual results could differ materially from those projected or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to: any failure to efficiently and successfully integrate the operations of Stratasys, Inc. and Objet Ltd. after their merger as well as MakerBot, Solid Concepts, Harvest and GrabCAD after their acquisition or to successfully establish and execute effective post-acquisition integration plans; changes in the overall global economic environment; the impact of competition and new technologies; changes in the general market, political and economic conditions in the countries in which we operate; any underestimates in projected capital expenditures and liquidity; changes in our strategy; changes in applicable government regulations and approvals; changes in customers' budgeting priorities; lower than expected demand for our products and services; reduction in our profitability due to shifting in our product mix into lower margin products or our shifting in our revenues mix significantly towards our AM services business; costs and potential liability relating to litigation and regulatory proceedings; and those factors referred to in Item 3.D "Key Information - Risk Factors", Item 4, "Information on the Company", and Item 5, "Operating and Financial Review and Prospects" in our 2015 Annual Report, as well as in the 2015 Annual Report generally. Readers are urged to carefully review and consider the various disclosures made throughout the Form 6-K that attaches Stratasys' unaudited, condensed consolidated financial statements as of, and for the quarter and nine months ended, September 30, 2016, and its review of its results of operations and financial condition for those periods, which has been furnished to the SEC on or about the date hereof, Stratasys' 2015 Annual Report, and in Stratasys' other reports filed with or furnished to the SEC, which are designed to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects. Any guidance provided, and other forward-looking statements made, on this call are made as of the date hereof, and Stratasys undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

As in previous quarters, today's call will include GAAP and non-GAAP financial measures. The non-GAAP financial measures should be read in combination with our GAAP metrics to evaluate our performance. Certain non-GAAP to GAAP reconciliations are provided in the table contained in our slide presentation and today's press release.

Now I would like to turn the call over to our CEO, Ilan Levin. Ilan?

SLIDE 5: OPENING SUMMARY

SPEAKER: Ilan Levin

Thank you Shane.

Good morning everyone, and thank you for joining today's call.

During the third quarter, we were pleased to recognize additional operational improvements during the period, which were reflected in a decline in non-GAAP operating expenses, and an increase in non-GAAP gross margin compared to the same period last year.

As our industry continues to mature beyond general purpose design and engineering applications, we are observing a growing opportunity for value-added advanced manufacturing applications across industry verticals, such as aerospace, automotive, medical and education.

We recently made several announcements that demonstrate our commitment to targeting this opportunity, that include exciting collaborations with leading global manufacturing companies.

I will return later in the call to provide you more details on these important initiatives, as well as other key developments, but first, I will turn the call over to our CFO and COO, Erez Simha, who will review the details of our financial results.

Erez?

SLIDE 6&7: FINANCIAL RESULTS SUMMARY

SPEAKER: Erez Simha

Thank you, Ilan, and good morning, everyone.

The market environment did not change significantly, and remained similar to the environment observed in recent quarters. We have made significant progress in controlling our operating expenses during the period.

As a result, both our non-GAAP gross margin and non-GAAP operating margin improved over the same period last year.

Total revenue in the third quarter decreased by 6% to \$157.2 million compared to \$167.6 million for the same period last year.

MakerBot product and service revenue declined 29% in the third quarter over last year, driven by overall market weakness, and timing of new product introductions.

Market demand remains similar to levels in previous quarters, and sales cycles remain extended, which is contributing to slower hardware sales across all regions and business units.

GAAP operating loss for the third quarter was \$19.4 million, compared to a loss of \$931.3 million for the third quarter last year.

Non-GAAP operating income improved year-over-year to \$3.3 million, compared to a loss of \$10.0 million for the same period last year.

GAAP net loss for the third quarter was \$20.8 million, or a loss of \$0.40 per diluted share, compared to a loss of \$901.3 million, or a loss of \$17.35 per diluted share for the same period last year.

Non-GAAP net income for the third quarter was \$0.1 million, or \$0.00 per diluted share, compared to non-GAAP net income of \$0.7 million, or \$0.01 per diluted share, reported for the same period last year.

Non-GAAP net income included a tax expense of \$3.5 million, or a tax rate of 104.1%, which resulted from the non-cash valuation allowance on deferred tax assets related to our U.S. subsidiaries. GAAP tax expense was \$1.5 million.

SLIDE 8: REVENUE

Product revenue in the third quarter decreased by 7% to \$110.1 million, as compared to the same period last year.

Within product revenue, system revenue for the quarter declined by 20% over the same period last year, driven primarily by the level of overall market demand we discussed previously.

However, we were pleased to see systems utilization remain strong, and overall, we are pleased with the growth and stability in the recurring revenue generated by our installed base of systems.

Consumables revenue for the quarter increased 12% compared to the same period last year, reflecting steady utilization trends within our installed base.

Services revenue in the third quarter decreased by 4% to \$47.1 million, as compared to the same period last year.

However, within service revenue, customer support revenue, which includes the revenue generated mainly by maintenance contracts on our systems, increased by 6.7% compared to the same period last year, driven primarily by growth in our installed base of systems.

SLIDE 9: GROSS MARGIN

GAAP gross margin was 46.9% for the third quarter, compared to a GAAP negative gross margin of 47.7% for the same period last year.

Non-GAAP gross margin improved to 54.0% for the third quarter, compared to 50.8% for the same period last year.

Product gross margin improved driven by sales mix, and aggressive cost control efforts in operations that reduced the level of production inefficiencies that we have experienced in prior quarters.

Service gross margin also improved compared to same period last year, helped by our cost control efforts.

SLIDE 10: OPERATING TRENDS

GAAP operating expenses declined by 89% to \$93.0 million for the third quarter, as compared to the same period last year.

Non-GAAP operating expenses declined by 14% to \$81.6 million for the third quarter, as compared to the same period last year.

In addition, non-GAAP operating expenses in the quarter declined by 5% sequentially when compared to the second quarter of 2016; with GAAP operating expenses declining by 3.7% sequentially.

These favorable trends in operating expenses over the last three quarters reflect the positive impact of our operational initiatives, and our overall focus on improving operational efficiencies and reducing our direct and indirect spending.

We should note that these planned cost reductions do not impact our long-term strategic initiatives, and in some instances we have actually increased investments in areas we view as strategically important for long-term growth.

SLIDE 11: GEOGRAPHIC MIX

The following slide provides you with a breakdown of our geographic sales for the quarter, which reflects the broad-based weakness we have outlined previously.

Our regional results were consistent with the trends we have observed in recent quarters.

SLIDE 12: BALANCE SHEET

GAAP EBITDA for the third quarter amounted to \$3.5 million.

Non-GAAP EBITDA for the third quarter amounted to \$12.0 million, compared to \$19.5 in Q2 2016 and a \$1.5 million deficit for the same period last year.

The Company used \$2.5 million of cash from operations during the third quarter, and holds \$239.3 million in cash and cash equivalents as of September 30, 2016.

Inventory at the end of the third quarter increased slightly to \$127.0 million as compared to \$125.7 million at the end of the second quarter. We continue to focus aggressively on managing inventory levels.

Accounts receivable decreased slightly to \$109.2 million, compared to \$113.3 million at the end of the second quarter. DSO on 12-month trailing revenue decreased slightly to 59, compared to 60 in the previous quarter.

SLIDE 13: SUMMARY

In summary,

- 1.) For the third quarter, we did not see any fundamental change in the market environment compared to recent quarters, and continue to observe lengthened sales cycles and system sales weakness.
- 2.) Despite softer sales for new systems, we are pleased with the strength of our recurring product and service revenue, which reflects stable system utilization and demand for our premium materials.
- 3.) We are also pleased with the significant reduction in operating expenses during the period that resulted from our ongoing cost control efforts; leading to improvements in both non- GAAP operating and gross margin over last year.
- 4.) Going forward, we will remain focused on investing around advanced manufacturing applications within our key focus industries, and managing our resources in response to our strategic goals and market conditions.
- 5.) And finally, we believe we maintain a strong balance sheet with sufficient capital to invest for the future and capitalize on emerging opportunities.

I would now like to turn the call over to our VP of Investor Relations, Shane Glenn, who will provide you greater details on our 2016 financial guidance. Shane?

SLIDE 14: GUIDANCE

SPEAKER: Shane Glenn

Thank you, Erez.

Our guidance for 2016 is updated as follows:

1. Total revenue in the range of \$662 to \$673 million, with non-GAAP net income in the range of \$7 to \$11 million, or \$0.13 to \$0.21 per diluted share.
 2. GAAP net loss of \$76 to \$71 million, or (\$1.44) to (\$1.35) per basic share.
 3. Non-GAAP earnings guidance excludes \$59.0 million of projected amortization of intangible assets; \$21.0 million of share-based compensation expense; \$10.0 to \$11.0 million in merger and acquisition related expense; and \$7.0 to \$8.0 million in reorganization and other related costs; and includes \$15.0 million in tax expenses related to non-GAAP adjustments.
-

Additionally, we are providing the following estimates regarding our company's potential performance and strategic plans for the remainder of 2016:

Based on revenue trends in the nine months of the year, we now believe that we will end 2016 with:

1. Gross margin in a range of 54% to 55%;
2. Operating margin of 3% to 4%;
3. Tax expense of \$15 to \$17 million, which includes the negative impact of the planned accounting treatment for tax valuation allowance; and
4. Capital expenditures projected at \$50 to \$60 million.

As previously discussed, our relatively high estimated non-GAAP tax rate for 2016 is a function of the ongoing non-cash valuation allowance on deferred tax assets we expect to record throughout the year.

As Erez mentioned, these deferred tax assets have expiration dates many years into the future, and we do anticipate being able to ultimately recognize their value to offset perspective tax liabilities.

We have achieved a significant improvement in our operating structure in 2016 which can translate into improved operating profit compared to the prior year, and in future years.

Given the expected ongoing negative impact of not recording a tax benefit on U.S. tax losses on our net income loss, the Company believes non-GAAP operating profit growth would be the best measure of performance in 2016.

Appropriate reconciliations between GAAP and non-GAAP financial measures are provided in a table at the end of our press release and slide presentation, with itemized detail of the non-GAAP financial measures.

Now, I'd like to turn the call back over to our CEO, Ilan Levin. Ilan?

SLIDE 15: STRATEGIC OVERVIEW

SPEAKER: Ilan Levin

Thank you, Shane.

We are making progress in shifting our focus and resources towards providing advanced design and additive manufacturing solutions; and remain excited about the growth potential of these initiatives.

As our industry matures and expands beyond traditional applications, we expect the development of advanced solutions that target specific customer applications with enhanced value will drive an exciting new phase of growth for our company and industry.

We are leveraging our core assets, as well as expanding our relationships with other leading global manufacturing companies, to develop these high-value added applications.

Our recent announcements illustrate our commitment to developing solutions for both design and manufacturing; and highlight the importance of collaborating within our industry.

SLIDE 16: APPLICATIONS

Our FDM technology is currently used by numerous OEMs within the automotive and aerospace industries for the production of low-volume parts, such as interior panels, brackets and air ducts.

We believe these relationships provide a valuable opportunity to develop new solutions and more advanced applications.

In September we announced two advanced technology demonstration platforms based on our FDM manufacturing technology, which are designed to specifically address advanced industrial manufacturing and rapid prototyping applications within the aerospace and automotive industries, by dramatically improving throughput, part performance and design customization.

The Stratasys Infinite-Build 3D Demonstrator, developed in collaboration with the Boeing Company and the Ford Motor Company, is designed to target manufacturing applications by lowering the constraints associated with part size and build speed, with a tool change functionality that allows for unattended production with multiple materials.

In addition to the Infinite-Build, we announced the Stratasys Robotic Composite Demonstrator, developed in collaboration with Siemens, which is designed for the use of composite materials to make strong and lightweight structures.

The production of composite materials is often constrained by part geometry and a labor-intensive manufacturing process, and the Robotic Demonstrator features eight-axes of motion control, enabling greater geometric freedom, and the elimination of support structures for faster builds and reduced post processing.

The new platform integrates Stratasys additive manufacturing technology with industrial motion control hardware and design-to-3D printing software capabilities developed by Siemens.

We believe that working directly with other global leaders in manufacturing is critical for our growth within manufacturing, and we are pleased with our progress.

SLIDE 17: AIRBUS

We recently announced that leading aircraft manufacturer Airbus is standardizing on our printing material for the production of flight parts for its A350 XWB aircraft.

We believe this represents a significant development for the broader adoption of our solutions within the aerospace industry; and demonstrates the commitment that major industry players are making to additive manufacturing.

SLIDE 18: MAKERBOT

As we focus on long-term opportunities in manufacturing, we also remain strategically committed to the desktop space, and to improving our value proposition within the category.

During the third quarter, we announced new MakerBot desktop 3D printers, software, and material solution offerings tailored for the education and professional markets.

The new MakerBot Replicator+ and Replicator Mini+ 3D printers provide significant reliability and speed improvements, as well as larger build volumes and reduced noise during operation.

Additionally, we announced MakerBot Print and Mobile software applications, which are designed to help professionals in integrating MakerBot into their CAD workflows; and help educators introduce students to 3D printing.

Finally, we launched Thingiverse Education, designed to help educators with access to valuable classroom content created by other educators.

With MakeBot, we are intensely focused on the education and entry-level professional prototyping markets, and believe we now have the most complete and comprehensive ecosystem within the industry.

SLIDE 19: SUMMARY

In summary:

1. We remain focused on developing a clear value proposition for our customers by leveraging our core assets and cultivating new capabilities to develop an advanced ecosystem of applications and manufacturing solutions;
2. We are pleased with the initial reception to the Stratasys Infinite-Build and Robotic Composite 3D Demonstrators, as well as our new MakerBot offerings;
3. We will continue to expand our collaboration with key global manufacturing companies that can help advance our overall strategy;
4. Operationally, we are pleased with the additional improvements we recognized in third quarter; and are committed to seeking further improvements that will better optimize our cost structure;
5. And finally, we remain excited about the long-term growth potential within our industry and our company's future.

Operator, please open the call for questions.

SLIDE 20: Q&A

SPEAKER: Ilan Levin

Thank you for joining today's call. We look forward to speaking with you again next quarter. Goodbye.

SLIDE 21: FINANCIAL RECONCILIATION TABLES










































