



STRATASYS

Q3 2015

FINANCIAL RESULTS CONFERENCE CALL

November 4th, 2015

Q3 2015 Conference and webcast details

Speakers

David Reis
CEO

Erez Simha
COO & CFO

Shane Glenn
VP, Investor
Relations

Live Dial-in Information

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Live webcast and replay:

<http://edge.media-server.com/m/p/svoedx39>

Forward Looking Statement

Certain statements in this press release are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are characterized by the use of forward-looking terminology such as “will,” “expects,” “anticipates,” “continues,” “believes,” “should,” “intended,” “projected,” “guidance,” “preliminary,” “future,” “planned,” “committed,” and other similar words. These forward-looking statements include, but are not limited to, statements relating to the Company’s objectives, plans and strategies, statements of preliminary or projected results of operations or of financial condition and all statements that address activities, events or developments that the Company intends, expects, projects, believes or anticipates will or may occur in the future. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. The Company has based these forward-looking statements on assumptions and assessments made by its management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. Important factors that could cause actual results, developments and business decisions to differ materially from those anticipated in these forward-looking statements include, among other things: the Company’s ability to efficiently and successfully integrate the operations of its acquired subsidiaries; the overall global economic environment; the impact of competition and new technologies; general market, political and economic conditions in the countries in which the Company operates; projected capital expenditures and liquidity; changes in the Company’s strategy; government regulations and approvals; changes in customers’ budgeting priorities; litigation and regulatory proceedings; and those factors referred to under “Risk Factors”, “Information on the Company”, “Operating and Financial Review and Prospects”, and generally in the Company’s annual report on Form 20-F for the year ended December 31, 2014, filed with the U.S. Securities and Exchange Commission (the “SEC”), and in other reports that the Company has filed with or furnished to the SEC from time to time. Readers are urged to carefully review and consider the various disclosures made in the Company’s SEC reports, which are designed to advise investors as to the risks and other 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 the Company 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.

David Reis – CEO



Summary

- Third quarter impacted by difficult macro-economic environment – visibility remains low
- Current conditions driven by weak capital equipment investment & excess end user capacity
- Rapid prototyping industry has matured - customers have wider selection of offerings to evaluate, lengthening sales cycle
- Implementing adjustments to cost and operating structure – positive impact expected in 2016
- Long-term opportunity unchanged & committed to strategic investments and long-term growth plan

Erez Simha – CFO and COO

Shane Glenn – VP of Investor Relations

Financial Update and Guidance

Financial Results - Non-GAAP Stratasys, Ltd.

Revenue Growth	↓	18% YOY
Organic Revenue Growth	↓	20% YOY
Core Revenue Growth	↓	14% YOY
Non-GAAP Gross Profit Growth	↓	28% YOY
Non-GAAP Net Income	↓	98% YOY

Recognized a non-cash goodwill and other intangible assets impairment expense of \$910 million in the third quarter

	Q3-14	Q3-15	Change YOY
Unit Sales	10,965	5,467	-50.1%
Total Revenue	\$203.6	\$167.6	-17.7%
Revenue/ Employee	0.072	0.057	-19.7%
Gross Profit % margin	118.8 58.4%	85.2 50.8%	-28.3%
Operating Expenses % of sales	87.0 42.7%	95.2 56.8%	+9.4%
Operating Profit % margin	31.8 15.6%	-10.0 -6.0%	-131.4%
Pre-tax Profit (Loss) % margin	30.4 14.9%	-10.8 -6.4%	-135.4%
Tax Rate	1.1%	104.6%	
EBITDA	40.0	-1.5	-103.6%
Net Income % margin	30.1 14.8%	0.7 0.4%	-97.8%
EPS (Diluted)	\$0.58	\$0.01	-98.3%
Diluted Shares	52.3	53.1	+1.6%

(\$ in millions unless noted otherwise)

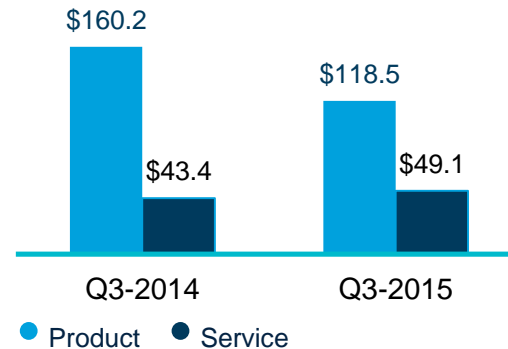
Financial Results – Non-GAAP Stratasys, Ltd.

System Revenue  37% YOY

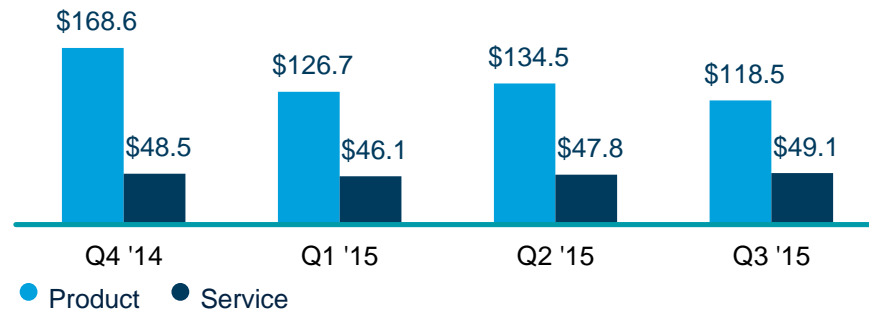
Consumable Revenue  0% YOY

Customer Support Revenue  16% YOY

Total Revenue - Quarter



Total Revenue – Quarterly Trend

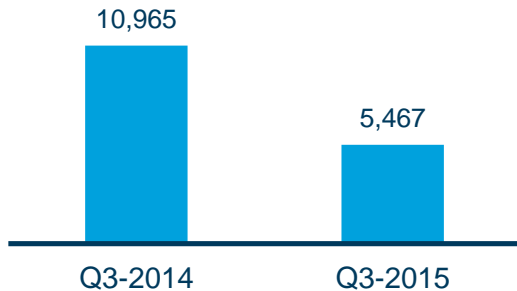


Financial Results – System Unit Sales

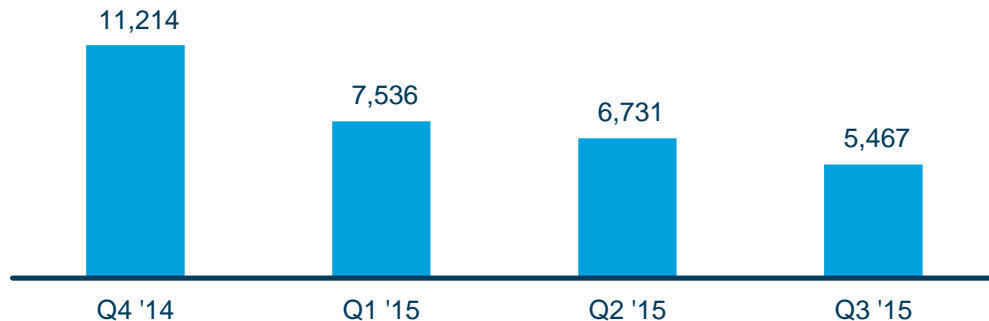
Stratasys, Ltd.

- Decrease in unit sales relative to prior periods driven by lower than expected MakerBot unit volumes
- The Company sold 5,467 3D printing and additive manufacturing systems during the second quarter; and on a pro-forma combined basis, has sold 141,395 systems worldwide as of September 30, 2015

Total Units Sold - Quarter



Total Units Sold – Quarterly Trend

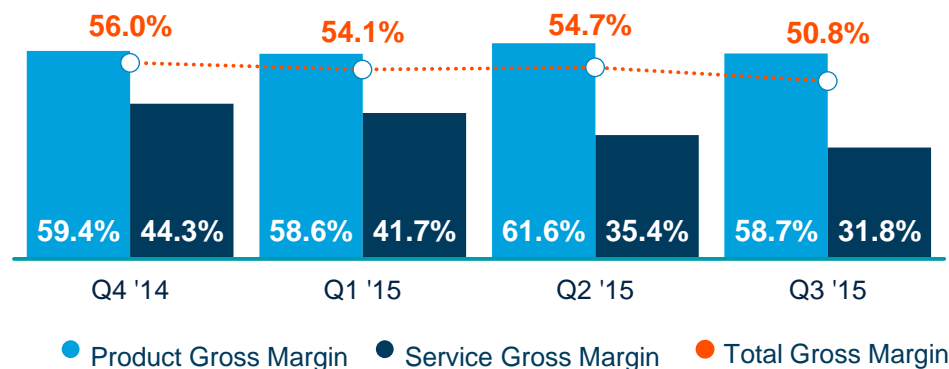


Financial Results – Non-GAAP Stratasys, Ltd.

	Q3-14	Q3-15	% Change YOY
Product Revenue % of sales	\$160.2 78.7%	\$118.5 70.7%	-26.0%
Service Revenue % of sales	43.4 21.3%	49.1 29.3%	+13.1%
Product Gross Profit % margin	101.5 63.4%	69.6 58.7%	-31.5%
Service Gross Profit % margin	17.3 39.9%	15.6 31.8%	-9.7%
Total Gross Profit % margin	118.8 58.4%	85.2 50.8%	-28.3%

(\$ in millions unless noted otherwise)

Gross Margin – Quarterly Trend



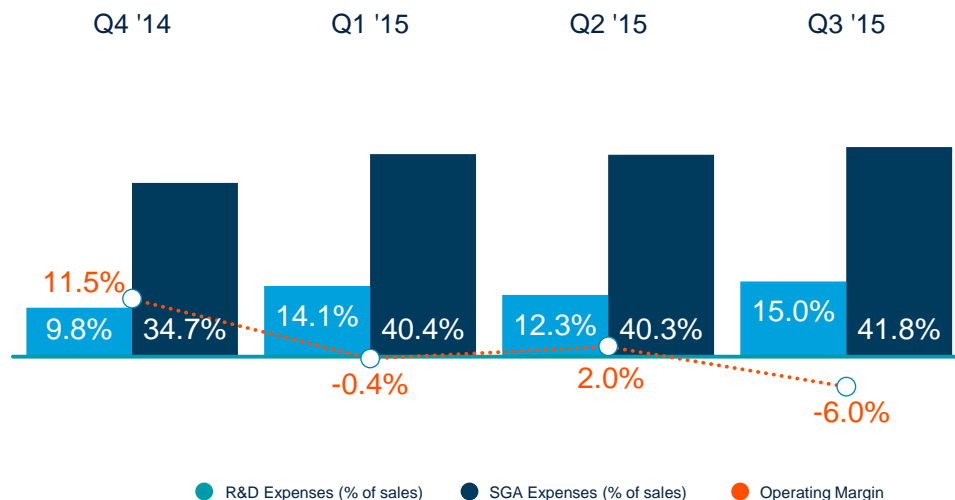
Financial Results – Operating Profit Non-GAAP Stratasys, LTD.

- R&D expansion driven by increased headcount, and an acceleration of system and material development
- SG&A expansion driven by the impact of acquisitions

	Q3-14	Q3-15	% Change YOY
R&D Expense % of sales	19.2 9.4%	25.1 15.0%	+30.8%
SG&A Expense % of sales	67.9 33.3%	70.1 41.8%	+3.3%
Total Operating Exp. % of sales	87.0 42.7%	95.2 56.8%	+9.4%
Total Operating Profit (Loss) % margin	31.8 15.6%	-10.0 -6.0%	-131.4%

(\$ in millions unless noted otherwise)

Operating Profit Analysis – Quarterly Trend

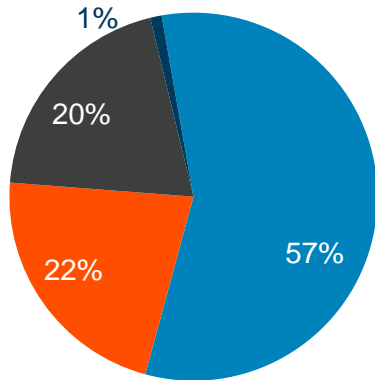


● R&D Expenses (% of sales) ● SG&A Expenses (% of sales) ● Operating Margin

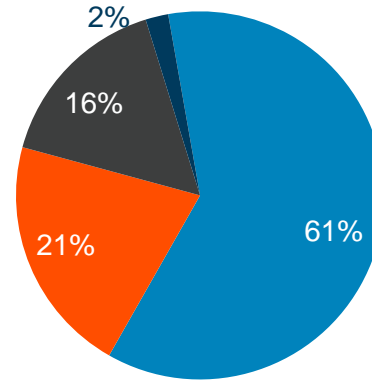
Financial Results – Revenue Geographic Mix Non-GAAP Stratasys, Ltd.

- Results reflect broad-based weakness
- Expect challenging market condition to persist for the remainder of 2015

Geographic Sales Q3-2014



Geographic Sales Q3-2015



Financial Results – Balance Sheet Summary

Stratasys, Ltd.

- \$262.4 million in cash and cash equivalents & bank deposits
- Sequential decrease in cash, cash equivalents, & short term bank deposits driven by repayment of revolving credit facility, as well as capital expenditures

Selected balance sheet items (\$ in millions)	Q2-15	Q3-15
Cash, Cash Equivalents & Bank Deposits	\$502.6	\$262.4
Accounts Receivable	137.0	130.7
Inventories	137.4	140.8
Net Working Capital	486.2	428.9

(\$ in millions unless noted otherwise)



Financial Summary

- Third quarter results did not meet expectations
- Performance impacted by slowdown in capital equipment investments in key markets
- Near-term visibility is low – sales cycles have lengthened
- Implementing adjustments to better align with current market environment and emphasize operational efficiency
- Conservative balance sheet with sufficient capital
- Confident in long-term growth prospects in key vertical and applications – committed to growth initiatives

Revenue & Earnings Guidance

Non-GAAP

Revenue (M)

\$160-\$175M

Non-GAAP Diluted EPS

(\$0.17-\$0.06)

Reconciliation of GAAP to Non-GAAP Guidance

(\$ in millions, except per share data)

Revenue	\$160 to \$175
Non-GAAP Net Income	(\$9) to (\$3)
(1) Stock-Based Compensation Exp.	\$7 to \$7.5
(2) Intangible Assets Amortization Exp.	\$17
(3) Merger Related Expenses	\$2.5
(4) Reorganization and other related costs	\$4 to \$5
(5) Tax expense related to non-GAAP adjustments	(\$5.2) to (\$5.7)
GAAP Net Loss	(\$35.3) to (\$28.3)
GAAP Loss Per Share	(\$0.68) to (\$0.54)
Non-GAAP Diluted Earnings Per Share	(\$0.17) to (\$0.06)

David Reis – CEO

STRATEGIC OVERVIEW

New Branding Initiative – Claiming Leadership Position

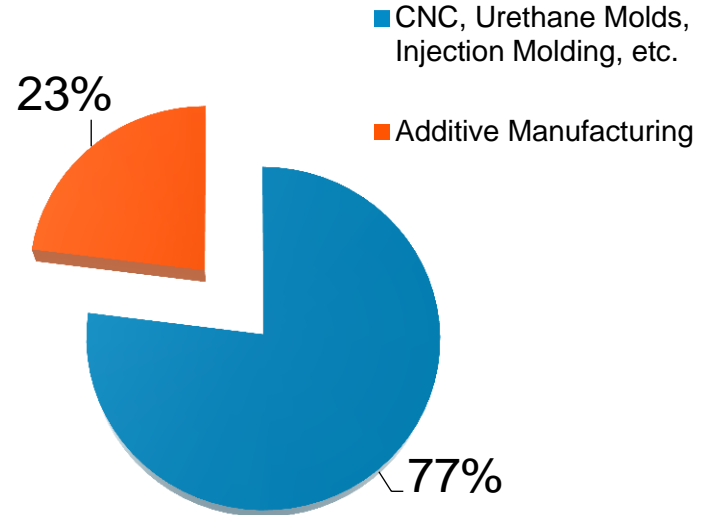
STRATASYS IS THE TRUSTED LEADER IN INNOVATIVE 3D PRINTING AND MANUFACTURING SOLUTIONS THAT EMPOWER INDIVIDUALS AND ORGANIZATIONS TO TRANSFORM THE WAY THEY IMAGINE, DESIGN AND MAKE THINGS.

WE SHAPE LIVES BY REVOLUTIONIZING THE WAY THINGS ARE MADE

Future Growth Potential - Rapid Prototyping & Advanced Manufacturing

Long-term growth opportunities in key applications

- Global Prototyping market is ~\$10-\$15B*
 - Additive Manufacturing technology only has ~23% penetration
- Advanced applications seen as having highest levels of growth include**:
 - Tooling and patterns
 - Trial and bridge production parts
 - End-use parts
- Stratasys building diverse product and service portfolio, SDM capabilities, and manufacturing expertise to capture opportunities



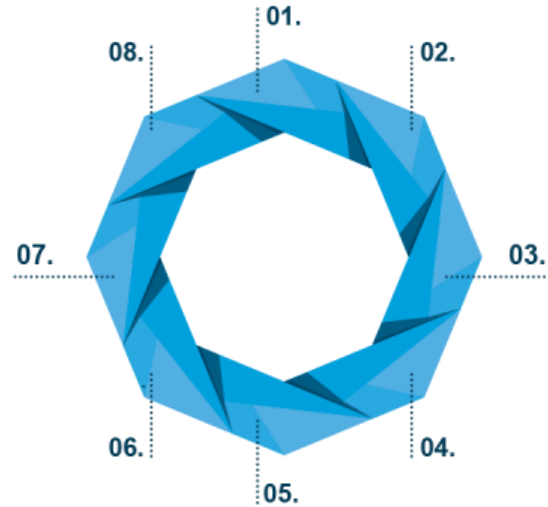
Additive Manufacturing in Rapid Prototyping*

*Based on internal analysis of data from customer interviews, surveys, and industry sources

**Based on analysis of independent survey of 700 designers, engineers and executives

Stratasys Ecosystem

- **Product and service offerings evolving rapidly**
- **Company positioned to provide a complete portfolio of solutions within design and manufacturing value chain**
- **Ecosystem on display at Formnext 2015 in November**



01 —————
3D printers and
production 3D
printers

02 —————
Stratasys Direct
Manufacturing

03 —————
Industry expertise
and specialized
applications

04 —————
Stratasys Strategic
Consulting

05 —————
Service and support

06 —————
Extensive range
of materials

07 —————
Design and
engineering
communities

08 —————
Strategic
partnerships

Go-to-Market Transformation

Key executives in place

- New Chief Business Officer
- New North American President

Initiatives Underway – More to come

- Development of inside sales team to support channel partners
- Improved training, support, and sales enablement of existing channel
- Continue to pursue our Strategic Accounts Management and Vertical Business Unit initiatives

Early Results Encouraging

- North American Strategic Accounts revenue increased in Q3 2015 by **137%** Y/Y

Operational Adjustments

Making Progress in MakerBot Reorganization

- Operational improvements to improve efficiency
- Enhancement to leadership team
- Consolidated facilities
- Shifting legacy 4TH generation product production to contract manufacturer
- On track for improved performance in 2016

Evaluating Adjustments to Overall Cost Structure

- Adapting to market environment
- Company-wide focus on efficiency and profitability

David Reis – CEO



Summary & Outlook

- Continue to observe significant market potential and confident in long-term growth prospects
- Re-launched brand and developing comprehensive ecosystem
- Strengthening go-to-market with key hires and ongoing development of vertical-market-focused strategy
- Adjusting costs and operating structure to better align with market conditions
- Remain committed to long-term investments & growth strategy

WE ARE
STRATASYS

THE 3D PRINTING SOLUTIONS COMPANY

Reconciliation of GAAP to Non-GAAP - Results of Operations

Stratasys Ltd.

	Q3-14			Q3-15		
	GAAP	Adjustments	Non-GAAP	GAAP	Adjustments	Non-GAAP
Net sales						
Products	\$160,200	\$ -	\$160,200	\$118,473	\$ -	\$118,473
Services	43,410	-	43,410	49,107	-	49,107
Cost of sales						
Products	85,437	(26,760)	58,677	80,796	(31,892)	48,904
Services	30,326	(4,236)	26,090	34,045	(572)	33,473
Gross profit	87,847	30,996	118,843	52,739	32,464	85,203
Operating expenses						
Research and development, net	23,353	(4,178)	19,175	35,398	(10,324)	25,074
Selling, general and administrative	110,803	(42,936)	67,867	106,512	(36,400)	70,112
Goodwill impairment	-	-	-	868,101	(868,101)	-
Change in fair value of earn-out obligations in connection with acquisitions	5,578	(5,578)	-	(3,022)	3,022	-
Operating income (loss)	(51,887)	83,688	31,801	(954,250)	944,267	(9,983)
Financial income (expenses), net	(1,384)	-	(1,384)	(3,505)	2,705	(800)
Income (loss) before income taxes	(53,271)	83,688	30,417	(957,755)	946,972	(10,783)
Income taxes (benefit)	(21,919)	22,269	350	(19,633)	8,350	(11,283)
Net income (loss)	(31,352)	61,419	30,067	(938,122)	938,622	500
Net (loss) attributable to non-controlling interest	(24)	-	(24)	(164)	-	(164)
Net income (loss) attributable to Stratasys Ltd.	\$(31,328)	\$61,419	\$30,091	\$(937,958)	\$938,622	\$664
Net income (loss) per ordinary share attributable to Stratasys Ltd. (Diluted)	\$(0.62)		\$0.58	\$(18.06)		\$0.01
Diluted Shares	50,490		52,261	51,941		53,108

(\$ in thousands except per share data)

Reconciliation of Non-GAAP Adjustments Stratasys Ltd.

	Q3-14	Q3-15
Net sales, products		
Deferred revenue step-up	\$-	\$-
Cost of sales, products		
Acquired intangible assets amortization	(14,328)	(12,317)
Impairment charges	(11,635)	(18,338)
Non-cash stock-based compensation expense	(797)	(372)
Reorganization and other related costs	-	(865)
Cost of sales, services		
Acquired intangible assets amortization	(536)	-
Non-cash stock-based compensation expense	(485)	(367)
Reorganization and other related costs	-	(49)
Merger and acquisition related expense	(3,215)	(156)
Research and development, net		
Impairment charges	(3,000)	(7,546)
Non-cash stock-based compensation expense	(1,098)	(985)
Reorganization and other related costs	-	(728)
Merger and acquisition related expense	(80)	(1,065)
Selling, general and administrative		
Acquired intangible assets amortization	(6,474)	(5,832)
Impairment charges	-	(17,577)
Non-cash stock-based compensation expense	(5,217)	(3,112)
Reorganization and other related costs	-	(106)
Merger and acquisition related expense	(31,245)	(9,773)
Goodwill impairment		
Goodwill impairment	-	(868,101)
Change in fair value of earn-out obligations in connection with acquisitions		
Change in fair value of earn-out obligations in connection with acquisitions	(5,578)	3,022
Financial expenses		
Credit facility extinguishment costs	-	(2,705)
Income taxes (benefit)		
Tax expense related to non-GAAP adjustments	22,269	8,350
Net income (loss) attributable to Stratasys Ltd.	\$61,419	\$938,622

(\$ in thousands)