March 3rd 2014

Q4-2013 Financial Results Conference Call

Stratasys
FOR A 3D WORLD™

Q4-2013

Conference and webcast details

Speakers	
David Reis	• CEO
Erez Simha	• CFO & COO
Shane Glenn	• VP, Investor Relations
Bre Pettis	• CEO, MakerBot

Live Dial-in Information

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Replay Dial-in Information

PRIMARY DIAL-IN:
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Forward looking statement

Certain information included or incorporated by reference in this press may be deemed to be “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 often characterized by the use of forward-looking terminology such as “may,” “will,” “expect,” “anticipate,” “estimate,” “continue,” “believe,” “should,” “intend,” “project” or other similar words, but are not the only way these statements are identified. These forward-looking statements may include, but are not limited to, statements relating to the company’s objectives, plans and strategies, statements that contain projections of results of operations or of financial condition (including, with respect to the MakerBot acquisition) and all statements (other than statements of historical facts) 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 Stratasys, Inc. and Objet Ltd. after their merger as well as the ability to complete the MakerBot acquisition and to successfully put in place and execute an effective post-merger integration plan; 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, 2013 filed with the U.S. Securities and Exchange Commission and in other reports that the Company has filed with the SEC. Readers are urged to carefully review and consider the various disclosures made in the company’s SEC reports, 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 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.

Summary & Outlook

- Record results include organic growth of 36% driven by Stratasys-Objet revenue synergies and broad-based demand for products and services
- Impressive contribution from MakerBot of $25 million for the fourth quarter as the desktop segment continues rapid expansion
- Increase in gross margins driven by sales of higher-margin systems and consumables
- Strong non-GAAP net income growth of 59% to $25.8 million, or $0.50 per diluted share
- Launched multiple new systems and materials resulting from focused product development and industry-leading R&D investments
- Completed the first phase of the Stratasys-Objet integration and began alignment of R&D and operations

Financial Results

Stratasys Ltd.

Non-GAAP

($ in millions unless noted otherwise)

	Q4-12 Pro forma	Q4-13	Change YOY
Unit Sales	1,136	10,963	865.1%
Total Revenue	$96.4	$155.8	+61.6%
Revenue/ Employee	0.083	0.086	+2.6%
Gross Profit % margin	55.7 57.8%	93.7 60.2%	+68.2%
Operating Expenses % of sales	37.4 38.8%	62.3 40.0%	+66.7%
Operating Profit % margin	18.4 19.1%	31.4 20.2%	+71.2%
Pre-tax Profit % margin	19.8 20.5%	30.8 19.8%	+55.7%
Tax Rate	17.0%	16.2%	-4.3%
EBITDA	22.7	36.0	+58.4%
Net Income % margin	16.3 16.9%	25.8 16.6%	+58.6%
EPS (Diluted)	$0.40	$0.50	+24.4%
Diluted Shares	40.3	51.4	+27.5%

Quarter Highlights:

- Revenue growth of 61.6% YOY
- Organic revenue growth of 36%
- MakerBot contribution of $24.9 M
- GM rose to 60.2% from 57.8%
- Net income growth of 58.6% YOY
- EPS of $0.50 versus $0.40

Financial Results

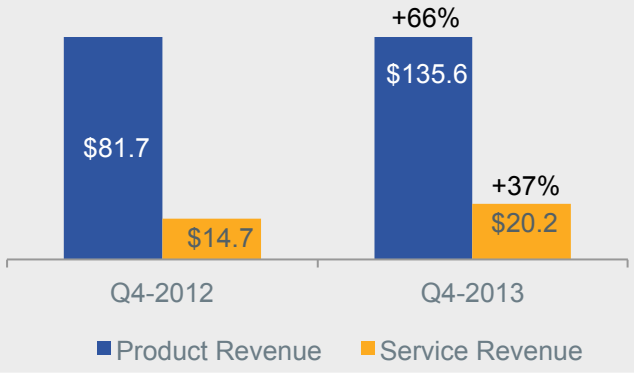
Revenue

Stratasys Ltd.

Non-GAAP

($ in millions)

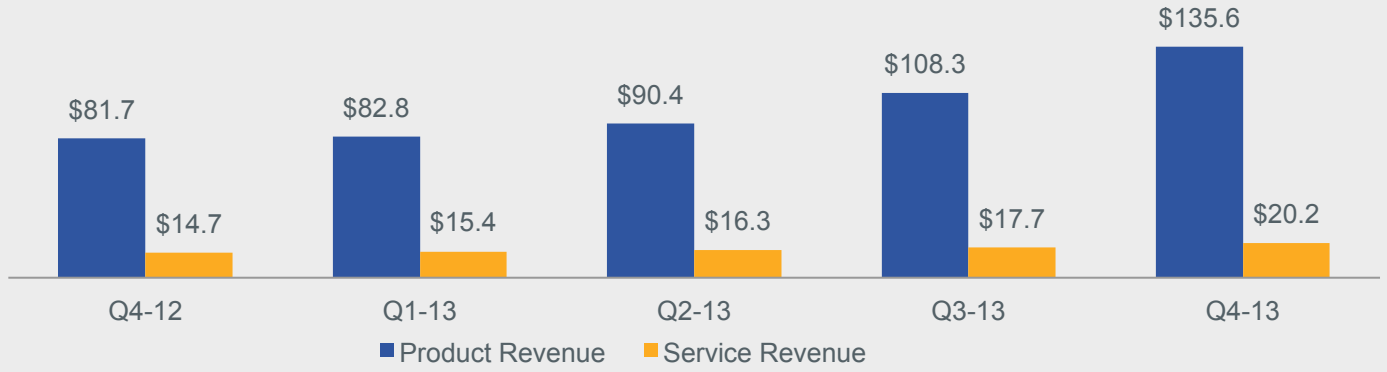
Total Revenue - Quarter



Quarter Highlights:

- System revenue +80% YOY
- Consumable revenue +40% YOY
- Customer Service revenue +37% YOY
- RedEye revenue +22% YOY

Total Revenue – Quarterly Trend



* Periods prior to 2013 are pro forma including Objet, Ltd.

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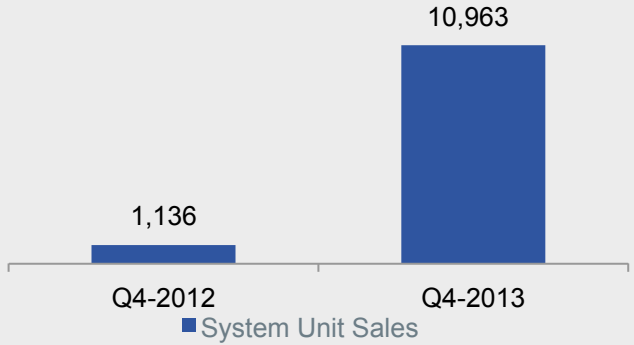
Financial Results

System Unit Sales[1]

Stratasys Ltd.

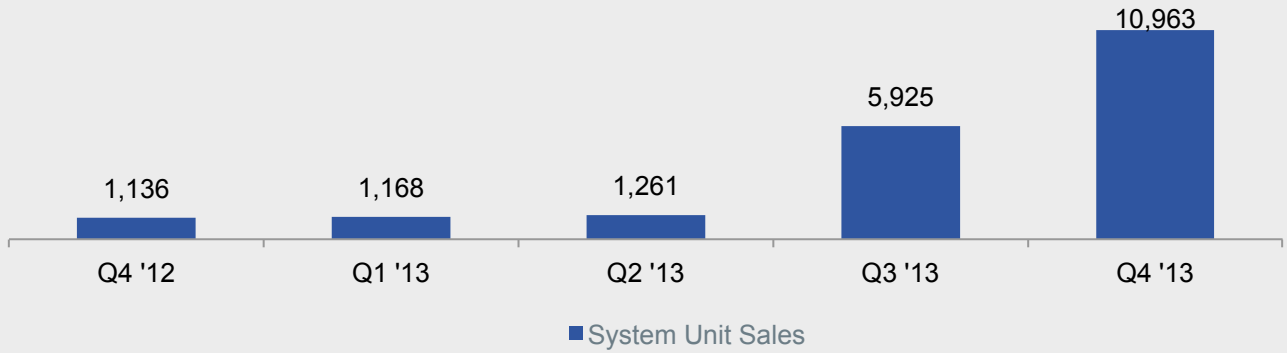
Total Units – Quarter



Quarter Highlights:

- MakerBot impact
- Strong growth across all product lines
- Organic unit sales +44%

Total Units – Quarterly Trend



(1) Includes systems sold by Stratasys, Inc., Objet Ltd., and Solidscape Inc. in all periods; and units for Makerbot starting only on August 15, 2013

Financial Results

Gross Profit

Stratasys Ltd.

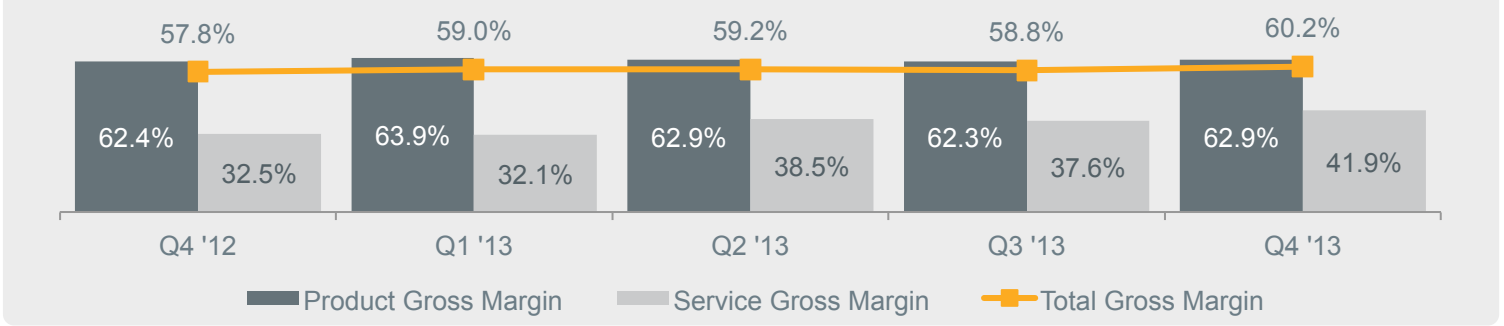
Non-GAAP

($ in millions unless noted otherwise)	Q4-12	Q4-13	% Change YOY
Product Revenue % of sales	$81.7 84.7%	$135.6 87.1%	+66.1%
Service Revenue % of sales	14.7 15.3%	20.2 12.9%	+36.9%
Product Gross Profit % margin	50.9 62.4%	85.3 62.9%	+67.4%
Service Gross Profit % margin	4.8 32.5%	8.4 41.9%	+76.6%
Total Gross Profit % margin	55.7 57.8%	93.7 60.2%	+68.2%

Quarter Highlights:

- Higher-margin system and consumable sales
- Service margin improvement
- Better overhead coverage

Gross Margin – Quarterly Trend



* Periods prior to 2013 are pro forma including Objet, Ltd.

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Financial Results

Operating Profit

Stratasys Ltd.

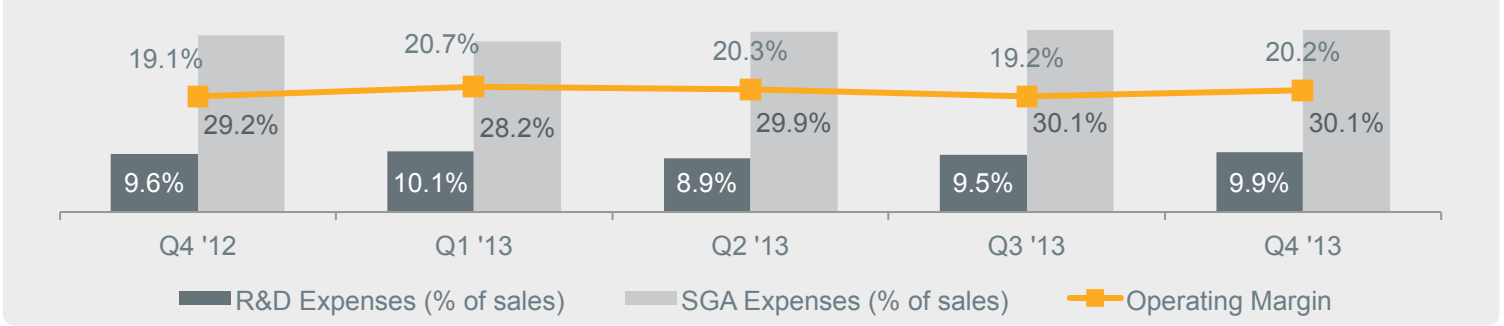
Non-GAAP

($ in millions unless noted otherwise)	Q4-12	Q4-13	% Change YOY
R&D Expense % of sales	9.2 9.6%	15.5 9.9%	+67.7%
SG&A Expense % of sales	28.1 29.2%	46.8 30.1%	+66.4%
Total Operating Exp. % of sales	37.4 38.8%	62.3 40.0%	+66.7%
Total Operating Profit % margin	18.4 19.1%	31.4 20.2%	+71.2%

Quarter Highlights:

- Strong system, consumables and service sales
- Investing for future growth

Operating Profit Analysis – Quarterly Trend



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Financial Results

Growth Drivers

Stratasys Ltd.

Non-GAAP

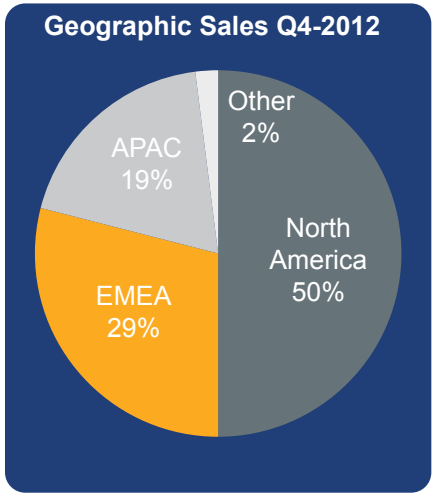
	Q4-2013 (YOY)	
	Units	Dollars
System Revenue	+865%	+80%
Consumable Revenue	--	+40%
Customer Service Revenue	--	+37%
RedEye Parts Services	--	+22%

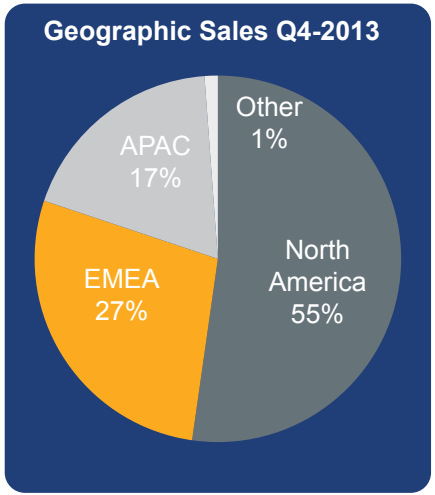
Financial Results

Revenue Geographic Mix

Stratasys Ltd.

Non-GAAP





* Periods prior to 2013 are pro forma including Objet, Ltd.

Financial Results

Balance Sheet Summary

Stratasys Ltd.

($ in millions unless noted otherwise)

Selected balance sheet items ($mm)	Q3-13	Q4-13
Cash , Bank Deposits & Investments	$616.5	$616.1
Accounts Receivable	86.6	99.2
Inventories	79.8	88.4
Net Working Capital	709.5	714.4

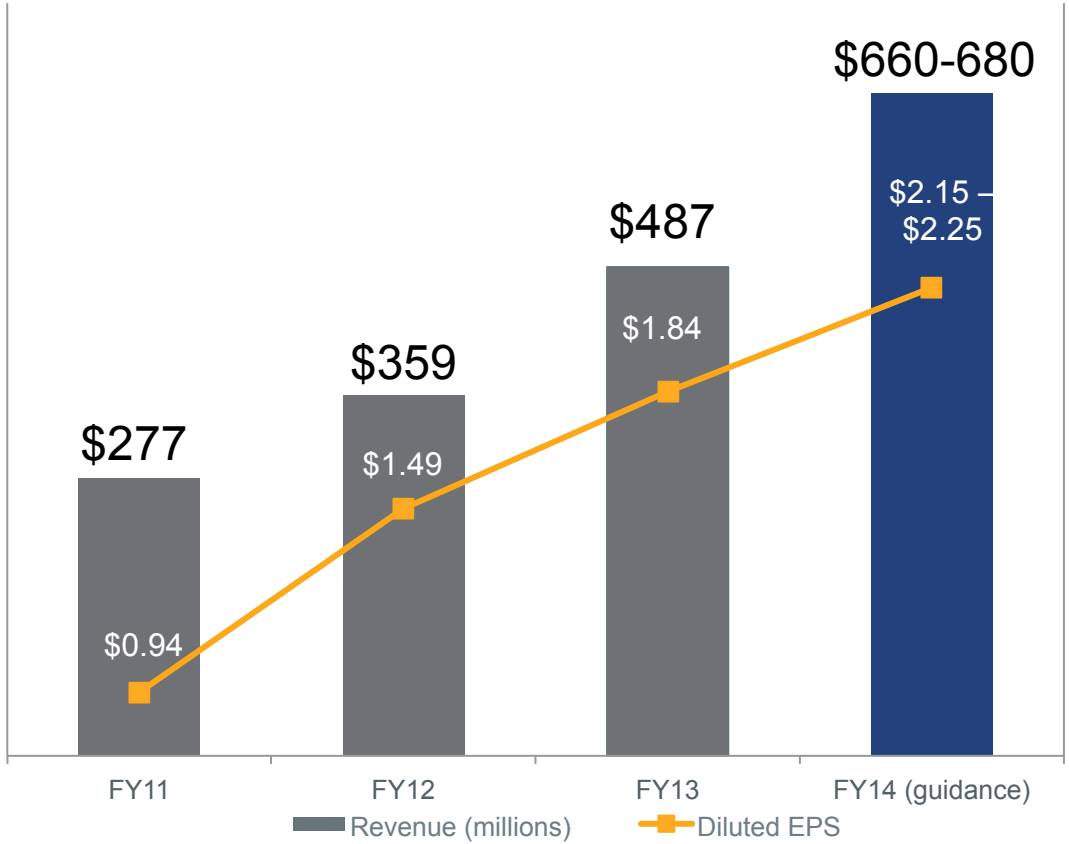
Highlights

- $616.1 M in cash, bank deposits & investments
- Cash flow from operations was $15.6 M
- Additional flexibility with $250 M credit facility

Financial Results & Projections

Stratasys Ltd.

Non-GAAP



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Financial Guidance

Revenue and Earnings Guidance

Stratasys Ltd.

Non-GAAP

Fiscal 2014 Financial Guidance

Revenue (M)

$660 - 680

Non-GAAP Diluted EPS

$2.15 - $2.25

Reconciliation of GAAP to Non-GAAP Guidance	
($ in millions unless noted otherwise)	
Revenue	$660 to $680
Non-GAAP Net Income	$113.3 to $118.6
(1) Stock-Based Compensation Exp.	$25.1 - $28.2
(2) Amortization of Intangibles	$64.8
(3) Merger-Related Expenses	$8.8 - $9.8
GAAP Net Income	$10.5 – $19.9
GAAP Diluted EPS	$0.20 – $0.38
Non-GAAP Diluted EPS	$2.15 - $2.25

Financial Guidance

Long-Term Target Operating Model

Stratasys Ltd.

Non-GAAP

Revenue growth

+20%

Operating margin[1]

20% – 25%

of sales

Effective tax rate[1]

15% – 20%

Net income margin[1]

16% - 21%

of sales

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[1] Non-GAAP.

Stratasys Strategic Imperatives

- Lead the Prototyping Market
- Expand Direct Digital Manufacturing
- Introduce New Niche Vertical Applications
- Accelerate New Solutions to the Market
- Improve on 3D Printing Accessibility
- Improve Customer Intimacy

Stratasys

Objet Connex3 Color Multi-material 3D Printer

Multi-material, color 3D printer

- Simultaneously jets **three base materials**
- Each combination creates a **vibrant color palette** up to 46 tints – with a total of 10 palettes
- **More than 500 material options**, including rigid, rubber-like and clear
- **New materials cabinet** allows for long unattended builds
- **Build envelope:** 490×390×200 mm (19.3×15.4×7.9 in)

MAKERBOT REPLICATOR 3D PRINTERS

FIFTH GENERATION

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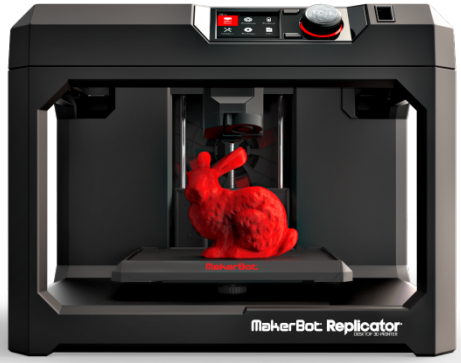
CES Product Launches

MAKERBOT REPLICATOR MINI



MAKERBOT REPLICATOR

MAKERBOT REPLICATOR Z18

Stratasys

Materials

Nylon 12

- Flexible: elongation-at-break surpasses other 3D printed Nylon 12 material by up to 100%
- Tough: First semi-crystalline material and the toughest Stratasys material
- Specifically engineered for Fortus Systems
- Targets: aerospace, automotive, home appliance and consumer electronics

Digital ABS2

- Second generation of Digital ABS
- Produces thin-walled models with high dimensional stability
- Designed for PolyJet 3D Printers
- Available in ivory and green

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Channel Expansion and Go-to-Market

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Channel Expansion and Go-to-Market

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Channel Expansion and Go-to-Market

MakerBot Academy

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Vertical Expansion:

Education

We are on a mission to put a MakerBot Desktop 3D Printer in every school in the United States of America

Projects Funded:
854

Students Impacted:
200,000

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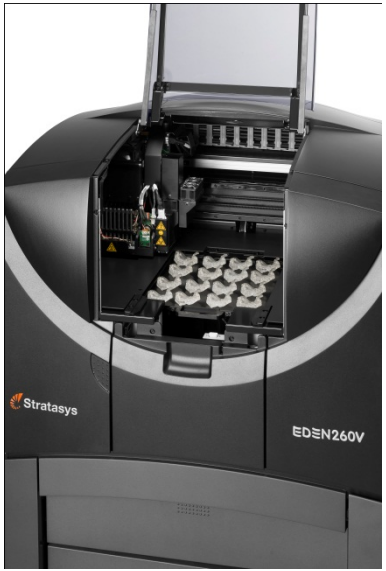
Vertical Expansion:

Dental

Objet Eden260V Dental Advantage 3D Printer

- Produces highly accurate dental and orthodontic models, and surgical guides
- Affordable access to digital dentistry
- Target: Dental labs



VeroGlaze (MED620) Dental Material

- Natural color - A2 teeth shade
- Accurate detail visualization with high dimensional stability
- For use with Objet EdenV and OrthoDesk 3D Printers

Stratasys Fortus Production Line Driving DDM

Stratasys

Vertical Expansion:

Manufacturing

- Italian service bureau ***Spring SLR*** added second Fortus 900mc to support DDM applications
- Stratasys FDM technology leading to **66% faster turnaround times** and **50% cost savings**, compared to traditional manufacturing techniques
- Use of Stratasys materials has lead to **60% reduction in weight** of an airline armrest

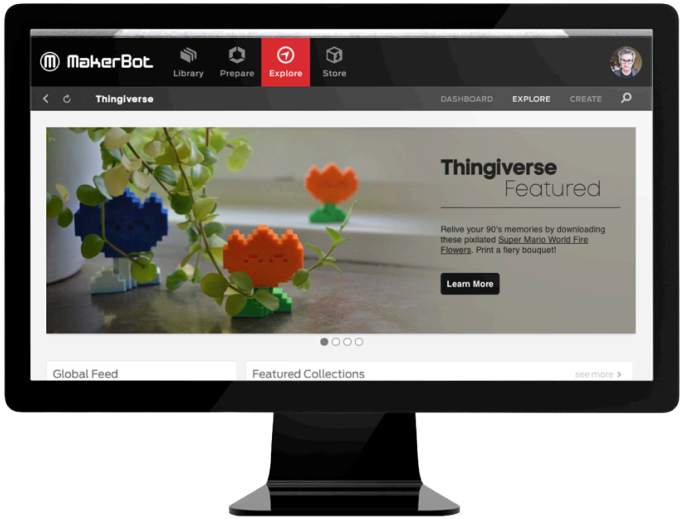
MakerBot Thingiverse

Stratasys

MakerBot 3D Printing Ecosystem:

Thingiverse

- 3D Design Community for discovering, printing, and sharing 3D models
- Easiest and largest place to browse 3D models
- Over **178,000** total users
- Over **218,000** downloadable Things
- In December alone, **21,000** Things uploaded
- In 2013, the site was visited nearly **16 million** times, with an average of **600,000** monthly unique visitors in Q4



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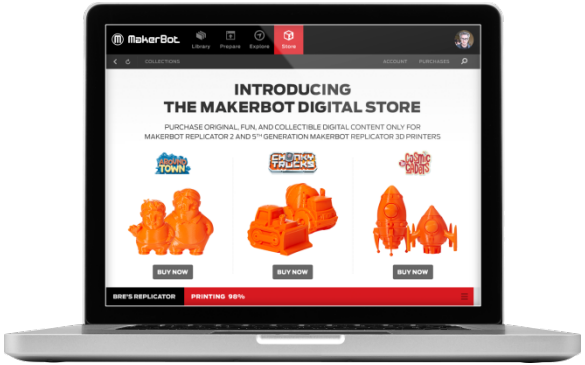
MakerBot 3D Printing Ecosystem:

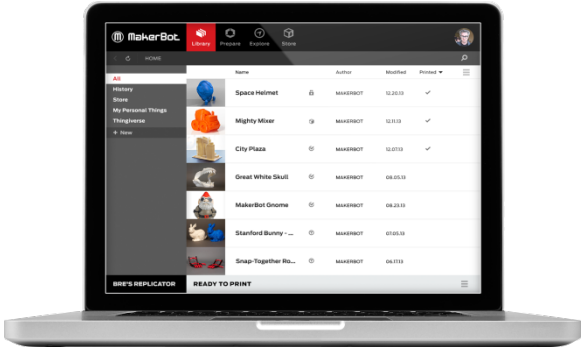
MakerBot Apps

MakerBot Digital Store

MAKERBOT MOBILE



MAKERBOT DIGITAL STORE



MAKERBOT DESKTOP

MAKERBOT PRINTSHOP

Summary & Outlook

- Record fourth quarter results with positive momentum across all product lines
- Strong organic growth driven by merger synergies and robust market demand
- MakerBot product sales growing rapidly
- Multiple new product introductions that address broad customer needs
- Expanding reach through new channel initiatives and strategic partnerships
- Multiple new internal projects and evaluating acquisitions to drive future growth

We are Stratasys

We shape lives by revolutionizing the way things are made

- ✓ *We are innovation*
- ✓ *We are fearless leaders*
- ✓ *We are customer driven*
- ✓ *Our quality matters*
- ✓ *Our people make the difference*

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MakerBot Solidscape RedEye

Reconciliation of Pro Forma GAAP to Pro Forma Non-GAAP Results of Operations

Stratasys Ltd. Combined

($ in thousands except per share data)

	Q4-12 Pro Forma GAAP	Adjustments	Q4-12 Pro Forma Non-GAAP	Q4-13 GAAP	Adjustments	Q4-13 Non-GAAP
Net sales						
Products	$ 81,651	$ -	$ 81,651	$ 134,943	$ 668	$ 135,611
Services	14,711	-	14,711	20,142	-	20,142
Cost of sales						
Products	41,641	(10,936)	30,705	65,088	(14,765)	50,323
Services	10,329	(397)	9,932	12,195	(495)	11,700
Gross profit	44,392	11,333	55,725	77,802	15,928	93,730
Operating expenses						
Research and development, net	10,210	(988)	9,222	17,669	(2,207)	15,462
Selling, general and administrative	38,200	(10,059)	28,141	64,462	(17,633)	46,829
Change in fair value of earn-out obligations	-	-	-	(853)	853	-
Operating income (loss)	(4,018)	22,380	18,362	(3,476)	34,915	31,439
Other expense (income)	1,408	-	1,408	(650)	-	(650)
Income (loss) before income taxes	(2,610)	22,380	19,770	(4,126)	34,915	30,789
Income taxes (benefit)	747	2,606	3,353	(2,137)	7,133	4,996
Net income (loss)	(3,357)	19,774	16,417	(1,989)	27,782	25,793
Net income attributable to non-controlling interest	158	-	158	-	-	-
Net income (loss) attributable to Stratasys Ltd.	$ (3,515)	$ 19,774	$ 16,259	$ (1,989)	$ 27,782	$ 25,793
EPS (Diluted)	$ (0.09)		$ 0.40	$ (0.07)		$ 0.50

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Reconciliation of Non-GAAP Adjustments

Stratasys Ltd. Combined

	Q4-12	Q4-13
Net sales, products		
Deferred revenue step-up	$ -	$ 668
Cost of sales, products		
Intangible assets amortization expense	(10,260)	(14,233)
Non-cash stock-based compensation expense	(361)	(496)
Merger related expense	(315)	(36)
	(10,936)	(14,765)
Cost of sales, services		
Non-cash stock-based compensation expense	(397)	(424)
Merger related expense	-	(71)
	(397)	(495)
Research and development, net		
Non-cash stock-based compensation expense	(988)	(925)
Performance bonus expense	-	(1,282)
	(988)	(2,207)
Selling, general and administrative		
Intangible assets amortization expense	(2,375)	(5,319)
Non-cash stock-based compensation expense	(5,187)	(4,954)
Merger related expense	(2,497)	(2,724)
Performance bonus expense	-	(4,636)
	(10,059)	(17,633)
Change in fair value of earn-out obligation		
Earn-out obligation expense	-	853
Income taxes		
Tax expense related to non-GAAP adjustments	2,606	7,133
Net income	$ 19,774	$ 27,782

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