

Desktop Metal Announces Third Quarter 2022 Financial Results

- Revenue of \$47.1 million, up 85% from third quarter 2021
- Announced strategic collaboration with Align Technology to bring digital dentistry and workflows for printing to the mass market
- Accelerating and expanding Strategic Integration and Cost Optimization Initiative to reduce expense structure, drive margin expansion, and prioritize path to profitability

BOSTON--(BUSINESS WIRE)-- Desktop Metal, Inc. (NYSE: DM) today announced its financial results for the third quarter ended September 30, 2022.

“Our team continued to work diligently in the third quarter to drive adoption of our AM 2.0 mass production solutions with continued traction from both customers and major strategic partners,” said Ric Fulop, Founder and CEO of Desktop Metal. “This was demonstrated by a promising new strategic collaboration with Align Technology, the market leader in clear aligners.”

Fulop continued, “Although we continue to make meaningful progress on our long-term growth strategy, third quarter results did not meet our expectations as macroeconomic environment headwinds accelerated during the quarter, leading some customers to delay purchase decisions. To address this change to our operating backdrop, we have taken decisive actions to accelerate and expand our cost optimization initiative, and will continue to evaluate opportunities to reduce our expense structure and prioritize our path to profitability.”

Fulop concluded, “Despite short-term challenges, the long-term trends supporting broad adoption of additive manufacturing and market growth to over \$100 billion in the next decade remain intact, particularly for mass production. Supported by an unmatched portfolio of AM 2.0 solutions, Desktop Metal is well-positioned to continue capturing share of this growing market, and take advantage of the next stage of long-term secular growth.”

Third Quarter 2022 and Recent Business Highlights:

- Announced strategic collaboration with Align Technology to accelerate adoption of digital dentistry in the \$30 billion annual dental parts market. Align’s market-leading iTero intraoral scanners will be offered as a seamless managed service to dentists in a subscription model with recurring revenue, enabling a gateway for a connected suite of digital dentistry solutions with a workflow backed by Desktop Labs’ experienced network of dental laboratories and premium Desktop Health 3D printers and materials
- Accelerating and expanding Strategic Integration and Cost Optimization Initiative to reduce expense structure, drive margin expansion, and prioritize path to profitability
- Announced multi-faceted partnership with Siemens to accelerate adoption of AM 2.0 with large manufacturers for scalable production applications
- Expanded partnership with Henkel to qualify additional industrial photopolymer resins

- on the Xtreme 8K
- Actively engaged with some of the largest companies in the world on Production System™ P-50 while remaining steadfast in building a pipeline for this platform
- Demonstrated monetization opportunity of IP portfolio of over 950 patents and pending patent applications with successful injunctive action and initiation of royalty-bearing license structure
- Expanded lineup for world's best-selling metal binder jet system with Shop System+ and Shop System Pro
- Launched Figur G15, the first commercial platform of its kind to shape standard sheet metal on demand using patent-pending Digital Sheet Forming (DSF) technology

Third Quarter 2022 Financial Highlights:

- Revenue of \$47.1 million, up 85.1% from third quarter 2021 revenue of \$25.4 million
- GAAP gross margin of (0.7)%; non-GAAP gross margin of 19.9%
- GAAP net loss of \$60.8 million; non-GAAP net loss of \$33.1 million
- Adjusted EBITDA of \$(28.2) million
- Cash, cash equivalents, and short-term investments of \$217.3 million as of September 30, 2022

Financial Outlook:

- Fourth quarter 2022 revenue expectation between \$51 to \$62 million, representing revised full year 2022 revenue expectation between \$200 to \$210 million, or 78% to 87% growth from 2021
- Fourth quarter 2022 adjusted EBITDA expectation between \$(20) to \$(26) million, representing revised full year 2022 adjusted EBITDA expectation between \$(117) to \$(123) million

Conference Call Information:

Desktop Metal will host a conference call on Wednesday, November 9, 2022 at 4:30 p.m. ET to discuss third quarter 2022 results. Participants may access the call at 1-888-999-5318, international callers may use 1-848-280-6460, and request to join the Desktop Metal financial results conference call. A simultaneous webcast of the conference call and the accompanying summary presentation may be accessed online at the Events & Presentations section of ir.desktopmetal.com. A replay will be available shortly after the conclusion of the conference call at the same website.

About Desktop Metal:

Desktop Metal, Inc., based in Burlington, Massachusetts, is accelerating the transformation of manufacturing with an expansive portfolio of 3D printing solutions, from rapid prototyping to mass production. Founded in 2015 by leaders in advanced manufacturing, metallurgy, and robotics, the company is addressing the unmet challenges of speed, cost, and quality to make additive manufacturing an essential tool for engineers and manufacturers around the world. Desktop Metal was selected as one of the world's 30 most promising Technology Pioneers by the World Economic Forum, named to MIT Technology Review's list of 50 Smartest Companies, and the 2021 winner of Fast Company's Innovation by Design Award in materials.

For more information, visit www.desktopmetal.com.

Forward-looking Statements:

This press release contains certain forward-looking statements within the meaning of the federal securities laws. Forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statements are predictions, projections and other statements about future events that are based on current expectations and assumptions and, as a result, are subject to risks and uncertainties. Many factors could cause actual future events to differ materially from the forward-looking statements in this document, including but not limited to risks associated with the integration of the business and operations of acquired businesses, our ability to realize the benefits from cost saving measures, and supply and logistics disruptions, including shortages and delays. For more information about risks and uncertainties that may impact Desktop Metal’s business, financial condition, results of operations and prospects generally, please refer to Desktop Metal’s reports filed with the SEC, including without limitation the “Risk Factors” and/or other information included in the Form 10-Q filed with the SEC on November 9, 2022, and such other reports as Desktop Metal has filed or may file with the SEC from time to time. These filings identify and address other important risks and uncertainties that could cause actual events and results to differ materially from those contained in the forward-looking statements. Forward-looking statements speak only as of the date they are made. Readers are cautioned not to put undue reliance on forward-looking statements, and Desktop Metal, Inc. assumes no obligation and does not intend to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise.

DESKTOP METAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in thousands, except share and per share amounts)

| | September 30, 2022 | December 31, 2021 |
|---|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 66,987 | \$ 65,017 |
| Current portion of restricted cash | 4,072 | 2,129 |
| Short-term investments | 150,268 | 204,569 |
| Accounts receivable | 41,390 | 46,687 |
| Inventory | 91,223 | 65,399 |
| Prepaid expenses and other current assets | 18,781 | 18,208 |
| Total current assets | 372,721 | 402,009 |
| Restricted cash, net of current portion | 1,112 | 1,112 |
| Property and equipment, net | 57,755 | 58,710 |
| Goodwill | 365,253 | 639,301 |
| Intangible assets, net | 225,438 | 261,984 |
| Other noncurrent assets | 29,073 | 25,480 |
| Total Assets | \$ 1,051,352 | \$ 1,388,596 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 29,211 | \$ 31,558 |
| Customer deposits | 15,491 | 14,137 |
| Current portion of lease liability | 5,421 | 5,527 |
| Accrued expenses and other current liabilities | 31,430 | 33,829 |
| Current portion of deferred revenue | 16,309 | 18,189 |
| Current portion of long-term debt, net of deferred financing costs | 444 | 825 |
| Total current liabilities | 98,306 | 104,065 |
| Long-term debt, net of current portion | 343 | 548 |
| Convertible notes | 111,657 | — |
| Contingent consideration, net of current portion | 1,088 | 4,183 |
| Lease liability, net of current portion | 18,788 | 13,077 |
| Deferred revenue, net of current portion | 3,778 | 4,508 |
| Deferred tax liability | 7,994 | 10,695 |
| Other noncurrent liabilities | 2,646 | 3,170 |
| Total liabilities | 244,600 | 140,246 |
| Commitments and Contingencies (Note 17) | | |
| Stockholders' Equity | | |
| Preferred Stock, \$0.0001 par value—authorized, 50,000,000 shares; no shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively | — | — |
| Common Stock, \$0.0001 par value—500,000,000 shares authorized; 317,193,388 and 311,737,858 shares issued at September 30, 2022 and December 31, 2021, respectively, 317,069,926 and 311,473,950 shares outstanding at September 30, 2022 and December 31, 2021, respectively | 32 | 31 |
| Additional paid-in capital | 1,864,477 | 1,823,344 |
| Accumulated deficit | (996,601) | (568,611) |
| Accumulated other comprehensive loss | (61,156) | (6,414) |
| Total Stockholders' Equity | 806,752 | 1,248,350 |
| Total Liabilities and Stockholders' Equity | \$ 1,051,352 | \$ 1,388,596 |

DESKTOP METAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(in thousands, except per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-------------|------------------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Revenues | | | | |
| Products | \$ 42,937 | \$ 23,949 | \$ 135,085 | \$ 51,820 |
| Services | 4,149 | 1,489 | 13,381 | 3,908 |
| Total revenues | 47,086 | 25,438 | 148,466 | 55,728 |
| Cost of sales | | | | |
| Products | 43,639 | 20,450 | 130,454 | 46,427 |
| Services | 3,756 | 1,033 | 11,252 | 3,561 |
| Total cost of sales | 47,395 | 21,483 | 141,706 | 49,988 |
| Gross profit | (309) | 3,955 | 6,760 | 5,740 |
| Operating expenses | | | | |
| Research and development | 22,382 | 19,311 | 78,357 | 45,820 |
| Sales and marketing | 16,204 | 13,224 | 56,299 | 29,567 |
| General and administrative | 18,924 | 19,833 | 62,472 | 46,821 |
| In-process research and development assets acquired | — | 15,181 | — | 25,581 |
| Goodwill impairment | — | — | 229,500 | — |
| Total operating expenses | 57,510 | 67,549 | 426,628 | 147,789 |
| Loss from operations | (57,819) | (63,594) | (419,868) | (142,049) |
| Change in fair value of warrant liability | — | — | — | (56,576) |
| Interest expense | (680) | (12) | (1,281) | (137) |
| Interest and other (expense) income, net | (1,677) | (3,796) | (8,443) | (3,166) |
| Loss before income taxes | (60,176) | (67,402) | (429,592) | (201,928) |
| Income tax (expense) benefit | (598) | 523 | 1,602 | 32,761 |
| Net loss | \$ (60,774) | \$ (66,879) | \$ (427,990) | \$ (169,167) |
| Net loss per share—basic and diluted | \$ (0.19) | \$ (0.26) | \$ (1.36) | \$ (0.67) |
| Weighted average shares outstanding, basic and diluted | 316,007,716 | 260,555,655 | 313,901,704 | 251,467,644 |

DESKTOP METAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)
(in thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-------------|------------------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net loss | \$ (60,774) | \$ (66,879) | \$ (427,990) | \$ (169,167) |
| Other comprehensive (loss) income, net of taxes: | | | | |
| Unrealized gain (loss) on available-for-sale marketable securities, net | (389) | (7) | (418) | (11) |
| Foreign currency translation adjustment | (15,866) | (1,216) | (54,324) | (1,099) |
| Total comprehensive (loss) income, net of taxes of \$0 | \$ (77,029) | \$ (68,102) | \$ (482,732) | \$ (170,277) |

DESKTOP METAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(in thousands, except share amounts)

Three Months Ended September 30, 2022

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive | Total Stockholders' Equity |
|---|---------------------|---------------|---|--------------------------------|--|---|
| | Voting | | | | (Loss) | |
| | Shares | Amount | | | Income | |
| BALANCE—July 1, 2022 | 315,147,677 | \$ 32 | \$ 1,851,836 | \$ (935,827) | \$ (44,901) | \$ 871,140 |
| Exercise of Common Stock options | 1,147,289 | — | 1,771 | — | — | 1,771 |
| Vesting of restricted Common Stock | 21,786 | — | — | — | — | — |
| Vesting of restricted stock units | 765,093 | — | — | — | — | — |
| Net settlement of shares for employee tax withholdings upon vesting of restricted stock units | (11,919) | — | (39) | — | — | (39) |
| Issuance of Common Stock related to settlement of contingent consideration | — | — | — | — | — | — |
| Stock-based compensation expense | — | — | 10,909 | — | — | 10,909 |
| Net loss | — | — | — | (60,774) | — | (60,774) |
| Other comprehensive income (loss) | — | — | — | — | (16,255) | (16,255) |
| BALANCE—September 30, 2022 | <u>317,069,926</u> | <u>\$ 32</u> | <u>\$ 1,864,477</u> | <u>\$ (996,601)</u> | <u>\$ (61,156)</u> | <u>\$ 806,752</u> |

Nine Months Ended September 30, 2022

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive | Total Stockholders' Equity |
|--|---------------------|---------------|---|--------------------------------|--|---|
| | Voting | | | | (Loss) | |
| | Shares | Amount | | | Income | |
| BALANCE—January 1, 2022 | 311,473,950 | \$ 31 | \$ 1,823,344 | \$ (568,611) | \$ (6,414) | \$ 1,248,350 |
| Exercise of Common Stock options | 2,168,289 | — | 3,035 | — | — | 3,035 |
| Vesting of restricted Common Stock | 135,341 | — | — | — | — | — |
| Vesting of restricted stock units | 3,248,204 | 1 | — | — | — | 1 |
| Repurchase of shares for employee tax withholdings | (68,060) | — | (228) | — | — | (228) |
| Issuance of Common Stock related to settlement of contingent consideration | 112,202 | — | 500 | — | — | 500 |
| Stock-based compensation expense | — | — | 37,826 | — | — | 37,826 |
| Net loss | — | — | — | (427,990) | — | (427,990) |
| Other comprehensive income (loss) | — | — | — | — | (54,742) | (54,742) |
| BALANCE—September 30, 2022 | <u>317,069,926</u> | <u>\$ 32</u> | <u>\$ 1,864,477</u> | <u>\$ (996,601)</u> | <u>\$ (61,156)</u> | <u>\$ 806,752</u> |

Three Months Ended September 30, 2021

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive (Loss) Income | Total Stockholders' Equity |
|---|--------------|--------|----------------------------------|------------------------|---|----------------------------------|
| | Voting | | | | | |
| | Shares | Amount | | | | |
| BALANCE—July 1, 2021 | 259,545,731 | \$ 26 | \$ 1,387,779 | \$ (430,565) | \$ 104 | \$ 957,344 |
| Exercise of Common Stock options | 1,615,484 | — | 1,576 | — | — | 1,576 |
| Vesting of restricted Common Stock | 295,599 | — | — | — | — | — |
| Vesting of restricted stock units | 259,735 | — | — | — | — | — |
| Net share settlement related to employee tax withholdings upon vesting of restricted stock units | (40,299) | — | (309) | — | — | (309) |
| Issuance of Common Stock for acquisitions | — | — | — | — | — | — |
| Issuance of common stock for acquired in-process research and development | — | — | — | — | — | — |
| Net share settlement related to employee tax withholdings upon vesting of restricted stock awards | (109,150) | — | (958) | — | — | (958) |
| Stock-based compensation expense | — | — | 9,951 | — | — | 9,951 |
| Net loss | — | — | — | (66,879) | — | (66,879) |
| Other comprehensive income (loss) | — | — | — | — | (1,223) | (1,223) |
| BALANCE—September 30, 2021 | 261,567,100 | \$ 26 | \$ 1,398,039 | \$ (497,444) | \$ (1,119) | \$ 899,502 |

Nine Months Ended September 30, 2021

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive (Loss) Income | Total Stockholders' Equity |
|--|--------------|--------|----------------------------------|------------------------|---|----------------------------------|
| | Voting | | | | | |
| | Shares | Amount | | | | |
| BALANCE—January 1, 2021 | 224,626,597 | \$ 23 | \$ 844,188 | \$ (328,277) | \$ (9) | \$ 515,925 |
| Exercise of Common Stock options | 4,462,218 | — | 5,241 | — | — | 5,241 |
| Vesting of restricted Common Stock | 407,629 | — | — | — | — | — |
| Vesting of restricted stock units | 303,656 | — | — | — | — | — |
| Net settlement of shares related to employee tax withholdings upon vesting of restricted stock units | (49,471) | — | (454) | — | — | (454) |
| Issuance of Common Stock for acquisitions | 9,049,338 | 1 | 208,988 | — | — | 208,989 |
| Issuance of common stock for acquired in-process research and development | 334,370 | — | 4,300 | — | — | 4,300 |
| Net share settlement related to employee tax withholdings upon vesting of restricted stock awards | (109,150) | — | (958) | — | — | (958) |
| Stock-based compensation expense | — | — | 16,167 | — | — | 16,167 |
| Vesting of Trine Founder shares | 1,850,938 | — | — | — | — | — |
| Exercise of warrants | 20,690,975 | 2 | 320,567 | — | — | 320,569 |
| Net loss | — | — | — | (169,167) | — | (169,167) |
| Other comprehensive income (loss) | — | — | — | — | (1,110) | (1,110) |

**DESKTOP METAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)**

| | Nine Months Ended September 30, | |
|--|------------------------------------|--------------|
| | 2022 | 2021 |
| Cash flows from operating activities: | | |
| Net loss | \$ (427,990) | \$ (169,167) |

| | | |
|---|------------------|-------------------|
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 38,294 | 15,576 |
| Stock-based compensation | 37,826 | 16,167 |
| Goodwill impairment | 229,500 | — |
| Change in fair value of warrant liability | — | 56,576 |
| Change in fair value of subscription agreement | — | 2,920 |
| Amortization (accretion) of discount on investments | (305) | 2,189 |
| Amortization of debt financing cost | — | 9 |
| Amortization of deferred costs on convertible notes | 276 | — |
| Provision for bad debt | 1,038 | 316 |
| Acquired in-process research and development | — | 25,581 |
| Loss on disposal of property and equipment | 209 | 19 |
| Foreign exchange (gains) losses on intercompany transactions, net | 1,261 | — |
| Net increase (decrease) in accrued interest related to marketable securities | 771 | (414) |
| Net unrealized (gain) loss on equity investment | 6,172 | 1,880 |
| Net unrealized (gain) loss on other investments | 745 | (639) |
| Deferred tax benefit | (1,602) | (32,761) |
| Change in fair value of contingent consideration | (254) | (166) |
| Foreign currency transaction (gain) loss | (59) | — |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 3,166 | (8,476) |
| Inventory | (31,195) | (11,067) |
| Prepaid expenses and other current assets | (969) | (3,096) |
| Other assets | 1,196 | (118) |
| Accounts payable | (2,959) | 4,243 |
| Accrued expenses and other current liabilities | (3,855) | (9,294) |
| Customer deposits | 2,360 | (1,298) |
| Deferred revenue | (1,589) | 1,295 |
| Change in right of use assets and lease liabilities, net | (2,850) | (340) |
| Other liabilities | 24 | 6 |
| Net cash used in operating activities | (150,789) | (110,059) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (8,157) | (4,145) |
| Purchase of other investments | — | (3,620) |
| Proceeds from other investments | 3,155 | — |
| Purchase of equity investment | — | (20,000) |
| Proceeds from sale of property and equipment | 6 | — |
| Purchase of marketable securities | (158,404) | (330,873) |
| Proceeds from sales and maturities of marketable securities | 205,650 | 163,882 |
| Proceeds from capital grant | 200 | — |
| Cash paid to acquire in-process research and development | — | (21,220) |
| Cash paid for acquisitions, net of cash acquired | (23) | (191,146) |
| Net cash provided by (used in) investing activities | 42,427 | (407,122) |
| Cash flows from financing activities: | | |
| Proceeds from the exercise of stock options | 3,036 | 5,241 |
| Proceeds from the exercise of stock warrants | — | 170,665 |
| Payment of taxes related to net share settlement upon vesting of restricted stock units | (230) | (454) |
| Repayment of loans | (421) | — |
| Proceeds from issuance of convertible notes | 115,000 | — |
| Costs incurred in connection with the issuance of convertible notes | (3,619) | — |
| Repayment of term loan | — | (10,000) |
| Net cash provided by financing activities | 113,766 | 165,452 |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (1,491) | (56) |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | 3,913 | (351,785) |
| Cash, cash equivalents, and restricted cash at beginning of period | 68,258 | 484,137 |
| Cash, cash equivalents, and restricted cash at end of period | \$ 72,171 | \$ 132,352 |

Supplemental disclosures of cash flow information

Reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets that sum to the total shown in the condensed consolidated statements of cash flows:

| | | | |
|---|----|--------|------------|
| Cash and cash equivalents | \$ | 66,987 | 131,676 |
| Restricted cash included in other current assets | | 4,072 | — |
| Restricted cash included in other noncurrent assets | | 1,112 | 676 |
| Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows | \$ | 72,171 | \$ 132,352 |

Supplemental cash flow information:

| | | | |
|---------------|----|---|--------|
| Interest paid | \$ | — | \$ 137 |
| Taxes paid | \$ | — | \$ 150 |

Non-cash investing and financing activities:

| | | | |
|--|----|--------|------------|
| Net unrealized (gain) loss on investments | \$ | 418 | \$ 11 |
| Exercise of private placement warrants | \$ | — | \$ 149,904 |
| Common Stock issued for acquisitions | \$ | — | \$ 208,989 |
| Common Stock issued for acquisition of in-process research and development | \$ | — | \$ 4,300 |
| Common Stock issued for settlement of contingent consideration | \$ | 500 | \$ — |
| Cash held back in acquisitions | \$ | — | \$ 50 |
| Additions to right of use assets and lease liabilities | \$ | 10,742 | \$ 891 |
| Purchase of property and equipment included in accounts payable | \$ | 1,507 | \$ 77 |
| Purchase of property and equipment included in accrued expense | \$ | — | \$ 33 |
| Contingent consideration in connection with acquisitions | \$ | — | \$ 6,083 |
| Transfers from property and equipment to inventory | \$ | 2,470 | \$ — |
| Transfers from inventory to property and equipment | \$ | 3,475 | \$ — |
| Deferred contract costs | \$ | 1,341 | \$ — |

NON-GAAP FINANCIAL INFORMATION

This press release contains non-GAAP financial measures, including non-GAAP gross margin, non-GAAP operating loss, non-GAAP net loss, non-GAAP operating expense, EBITDA and Adjusted EBITDA.

- We define non-GAAP gross margin as GAAP gross margin excluding the effect of stock-based compensation, amortization of acquired intangible assets, restructuring expenses, acquisition-related and other transactional charges, and inventory step-up adjustments
- We define non-GAAP operating loss as GAAP operating loss excluding the effect of stock-based compensation, amortization of acquired intangible assets, restructuring expenses, acquisition-related and other transactional charges, inventory step-up adjustments, in-process research and development assets acquired and goodwill impairment
- We define non-GAAP net loss as GAAP net loss excluding the effect of stock-based compensation, amortization of acquired intangible assets, restructuring expense, inventory step-up adjustments, acquisition-related and other transactional charges, in-process research and development assets acquired, goodwill impairment, change in fair value of investments and change in fair value of warrant liability
- We define non-GAAP operating expense as GAAP operating expense excluding the effect of stock-based compensation, amortization of acquired intangible assets, restructuring expense, acquisition-related and other transactional charges, in-process research and development assets acquired and goodwill impairment
- We define EBITDA as GAAP net income (loss) excluding interest, income taxes and depreciation and amortization expense
- We define Adjusted EBITDA as EBITDA excluding stock-based compensation,

restructuring expense, change in fair value of warrant liability, change in fair value of investments, inventory step-up adjustments, goodwill impairment, and acquisition-related and other transactional charges

In addition to Desktop Metal's results determined in accordance with GAAP, Desktop Metal's management uses this non-GAAP financial information to evaluate the Company's ongoing operations and for internal planning and forecasting purposes. We believe that this non-GAAP financial information, when taken collectively, may be helpful to investors in assessing Desktop Metal's operating performance.

We believe that the use of non-GAAP gross margin, non-GAAP operating loss, non-GAAP net loss, non-GAAP operating expense, EBITDA and Adjusted EBITDA provides an additional tool for investors to use in evaluating ongoing operating results and trends because it eliminates the effect of financing, capital expenditures, and non-cash expenses such as stock-based compensation and warrants, and provides investors with a means to compare Desktop Metal's financial measures with those of comparable companies, which may present similar non-GAAP financial measures to investors. However, investors should be aware that when evaluating non-GAAP gross margin, non-GAAP operating loss, non-GAAP net loss, non-GAAP operating expense, EBITDA and Adjusted EBITDA, we may incur future expenses similar to those excluded when calculating these measures. In addition, our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our computation of these measures may not be comparable to other similarly titled measures computed by other companies because not all companies calculate these measures in the same fashion.

Because of these limitations, non-GAAP gross margin, non-GAAP operating loss, non-GAAP net loss, non-GAAP operating expense, EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using non-GAAP gross margin, non-GAAP operating loss, non-GAAP net loss, non-GAAP operating expense, EBITDA and Adjusted EBITDA on a supplemental basis. Management uses, and investors should consider, our non-GAAP financial measures only in conjunction with our GAAP results. Desktop Metal has not provided a reconciliation of its Adjusted EBITDA outlook to net income because estimates of all of the reconciling items cannot be provided without unreasonable efforts.

Set forth below is a reconciliation of each Non-GAAP financial measure used in this press release to its most directly comparable GAAP financial measure.

DESKTOP METAL, INC.
NON-GAAP RECONCILIATION TABLE
(in thousands)

| (Dollars in thousands) | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|--------------------|--|--------------------|
| | 2022 | 2021 | 2022 | 2021 |
| GAAP gross margin | \$ (309) | \$ 3,955 | \$ 6,760 | \$ 5,740 |
| Stock-based compensation included in cost of sales ⁽¹⁾ | 734 | 341 | 1,892 | 586 |
| Amortization of acquired intangible assets included in cost of sales | 5,877 | 2,515 | 17,817 | 5,841 |
| Restructuring expense in cost of sales | 3,085 | — | 3,126 | — |
| Acquisition-related and other transactional charges included in cost of sales | — | — | 1,148 | — |
| Inventory step-up adjustment in cost of sales | — | — | 1,496 | — |
| Non-GAAP gross margin | \$ 9,387 | \$ 6,811 | \$ 32,239 | \$ 12,167 |
| GAAP operating loss | \$ (57,819) | \$ (63,594) | \$ (419,868) | \$ (142,049) |
| Stock-based compensation ^{(2),(3)} | 12,040 | 9,951 | 41,170 | 16,167 |
| Amortization of acquired intangible assets | 9,069 | 4,604 | 28,522 | 11,172 |
| Restructuring expense | 3,085 | — | 5,086 | — |
| Inventory step-up adjustment in cost of sales | — | — | 1,496 | — |
| Acquisition-related and other transactional charges | 1,476 | 5,675 | 6,633 | 13,786 |
| In-process research and development assets acquired | — | 15,181 | — | 25,581 |
| Goodwill impairment | — | — | 229,500 | — |
| Non-GAAP operating loss | \$ (32,149) | \$ (28,183) | \$ (107,461) | \$ (75,343) |
| GAAP net loss | \$ (60,774) | \$ (66,879) | \$ (427,990) | \$ (169,167) |
| Stock-based compensation ^{(2),(3)} | 12,040 | 9,951 | 41,170 | 16,167 |
| Amortization of acquired intangible assets | 9,069 | 4,604 | 28,522 | 11,172 |
| Restructuring expense | 3,085 | — | 5,469 | — |
| Inventory step-up adjustment in cost of sales | — | — | 1,496 | — |
| Acquisition-related and other transactional charges | 1,476 | 5,675 | 6,633 | 13,786 |
| In-process research and development assets acquired | — | 15,181 | — | 25,581 |
| Goodwill impairment | — | — | 229,500 | — |
| Change in fair value of investments | 2,052 | 4,204 | 8,493 | 4,186 |
| Change in fair value of warrant liability | — | — | — | 56,576 |
| Non-GAAP net loss | \$ (33,052) | \$ (27,264) | \$ (106,707) | \$ (41,699) |

(1) Includes \$0.1 million and \$0.2 million of liability-award stock-based compensation expense for the three and nine months ended September 30, 2022.

(2) Includes \$7.3 million of stock-based compensation expense associated with the restructuring initiative for the nine months ended September 30, 2022.

(3) Includes \$1.2 million and \$3.4 million of liability-award stock-based compensation expense for the three and nine months ended September 30, 2022, respectively.

DESKTOP METAL, INC.
NON-GAAP OPERATING EXPENSE RECONCILIATION TABLE
(in thousands)

| (Dollars in thousands) | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|--|---|------------------|--|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| GAAP operating expenses | \$ 57,510 | \$ 67,549 | \$ 426,628 | \$ 147,789 |
| Stock-based compensation included in operating expenses ^{(1),(2)} | (11,306) | (9,610) | (39,278) | (15,581) |
| Amortization of acquired intangible assets included in operating expenses | (3,192) | (2,089) | (10,705) | (5,330) |
| Restructuring expense included in operating expenses | — | — | (1,960) | — |
| Acquisition-related and other transactional charges included in operating expenses | (1,476) | (5,675) | (5,485) | (13,786) |
| In-process research and development assets acquired | — | (15,181) | — | (25,581) |
| Goodwill impairment | — | — | (229,500) | — |
| Non-GAAP operating expenses | \$ 41,536 | \$ 34,994 | \$ 139,700 | \$ 87,511 |

(1) Includes \$7.3 million of stock-based compensation expense associated with the Initiative for the nine months ended September 30, 2022.

(2) Includes \$1.1 million and \$3.2 million of liability-award stock-based compensation expense for the three and nine months ended September 30, 2022, respectively.

DESKTOP METAL, INC.
ADJUSTED EBITDA RECONCILIATION TABLE
(in thousands)

| (Dollars in thousands) | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|--------------------|--|--------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net loss attributable to common stockholders | \$ (60,774) | \$ (66,879) | \$ (427,990) | \$ (169,167) |
| Interest (income) expense, net | 680 | (104) | 1,281 | (286) |
| Income tax expense (benefit) | 598 | (523) | (1,602) | (32,761) |
| Depreciation and amortization | 12,692 | 6,488 | 38,294 | 15,576 |
| In-process research and development assets acquired | — | 15,181 | — | 25,581 |
| EBITDA | (46,804) | (45,837) | (390,017) | (161,057) |
| Change in fair value of warrant liability | — | — | — | 56,576 |
| Change in fair value of investments | 2,052 | 4,204 | 8,493 | 4,186 |
| Inventory step-up adjustment | — | — | 1,496 | — |
| Stock-based compensation expense ^{(1),(2)} | 12,040 | 9,951 | 41,170 | 16,167 |
| Restructuring expense | 3,085 | — | 5,469 | — |
| Goodwill impairment | — | — | 229,500 | — |
| Acquisition-related and other transactional charges | 1,476 | 5,675 | 6,633 | 13,786 |
| Adjusted EBITDA | \$ (28,151) | \$ (26,007) | \$ (97,256) | \$ (70,342) |

(1) Includes \$7.3 million of stock-based compensation expense associated with the Initiative for the nine months ended September 30, 2022.

(2) Includes \$1.2 million and \$3.4 million of liability-award stock-based compensation for the three and nine months ended September 30, 2022, respectively.

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