

August 7th 2014

Q2-2014 Financial Results Conference Call



Stratasys

FOR A 3D WORLD™

Q2-2014

Conference and webcast details

Speakers

**David
Reis**

- CEO

**Erez
Simha**

- CFO & COO

**Shane
Glenn**

- VP, Investor
Relations

Live Dial-in Information

**PRIMARY DIAL-
IN: (877) 415-3180**

**INTERNATIONAL
DIAL-IN:
(857) 244-7323**

**PARTICIPANT
PASSCODE:
84391755**

Replay Dial-in Information

**PRIMARY DIAL-IN:
(877) 415-3180**

**INTERNATIONAL
DIAL-IN: (857)
244-7323**

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PASSCODE: 84391755**

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Stratasys

Forward looking statement

Certain information included or incorporated in this presentation 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, Solid Concepts and Harvest Technologies acquisitions) 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 successfully put in place and execute an effective post-acquisition integration plan for MakerBot, Solid Concepts, Harvest Technologies and the Company’s other acquisitions; 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 for 2013 filed on Form 20-F and in other reports that the Company files with the SEC, including the “Risk Factors” described in our Report of Foreign Private Issuer on Form 6-K furnished to the SEC on August 7, 2014. 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 presentation 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.

Q2 Summary & Outlook

Reported record revenue, non-GAAP net income and EPS

Strong 35% organic revenue growth driven by demand for higher-end systems and materials

Impressive MakerBot contribution of \$33.6 million driven by new product launches and strong demand in the desktop segment

Significant investments in market development and improvements to organizational structure to support future growth

Completed acquisitions of Solid Concepts and Harvest Technologies to significantly enhance parts services offering

Raised 2014 financial guidance and updated long-term operating model to reflect favorable outlook

Financial Results

Stratasys Ltd.

Non-GAAP

(\$ in millions unless noted otherwise)

	Q2-13	Q2-14	Change YOY
Unit Sales	1,261	14,909	1,082.3%
Total Revenue	\$106.7	\$178.5	+67.3%
Revenue/Employee	0.087	0.084	-3.1%
Gross Profit % margin	63.1 59.2%	106.7 59.8%	+69.1%
Operating Expenses % of sales	41.4 38.8%	78.0 43.7%	+88.2%
Operating Profit % margin	21.7 20.3%	28.8 16.1%	+32.5%
Pre-tax Profit % margin	21.8 20.5%	29.1 16.3%	+33.2%
Tax Rate	14.8%	3.8%	-74.4%
EBITDA	24.8	34.6	+39.5%
Net Income % margin	18.6 17.4%	28.0 15.7%	+50.8%
EPS (Diluted)	\$0.45	\$0.55	+21.2%
Diluted Shares	41.1	51.2	+24.4%

Quarter Highlights:

- Revenue growth of 67% YOY
- Organic revenue growth of 35% YOY
- Non-GAAP gross margin increased to 59.8%
- Non-GAAP net income growth of 51% YOY
- MakerBot contributed \$33.6 million in revenue
- Raised 2014 financial guidance and long-term revenue growth projection

Financial Results

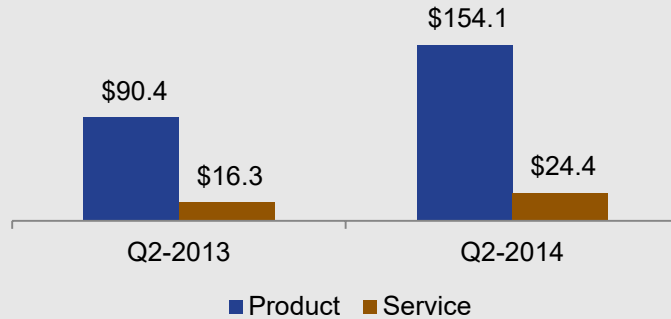
Revenue

Stratasys Ltd.

Non-GAAP

(\$ in millions)

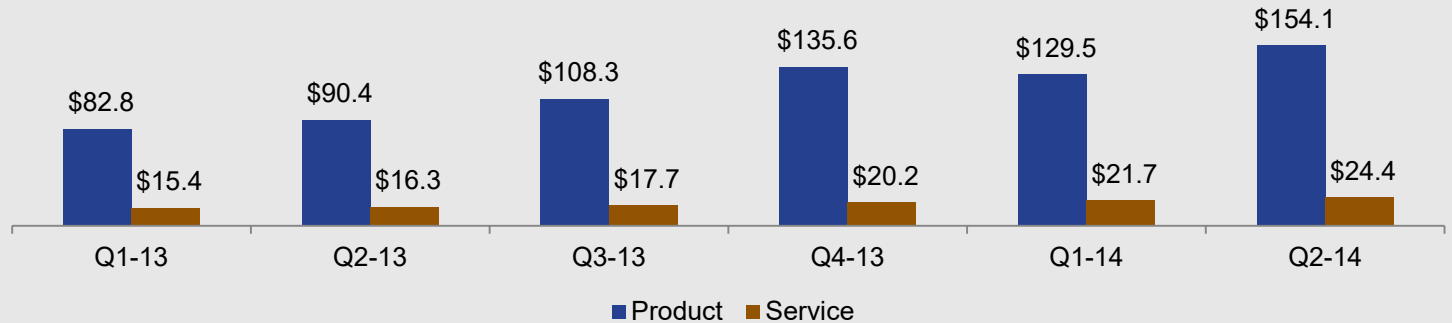
Total Revenue - Quarter



Quarter Highlights:

- System revenue +108% YOY
- Consumable revenue +35% YOY
- Customer Support Revenue +59% YOY

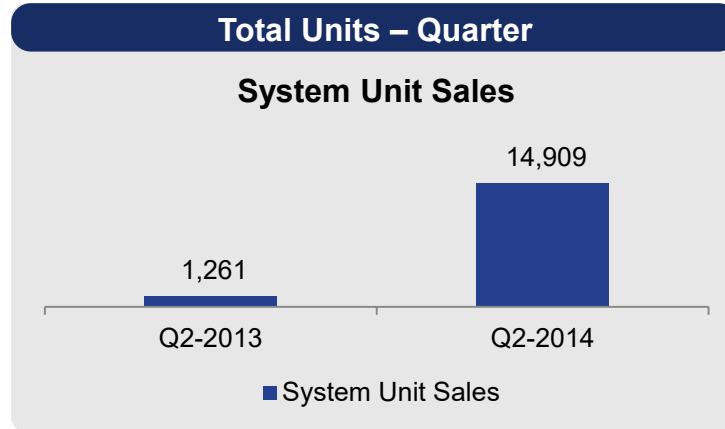
Total Revenue – Quarterly Trend



Financial Results

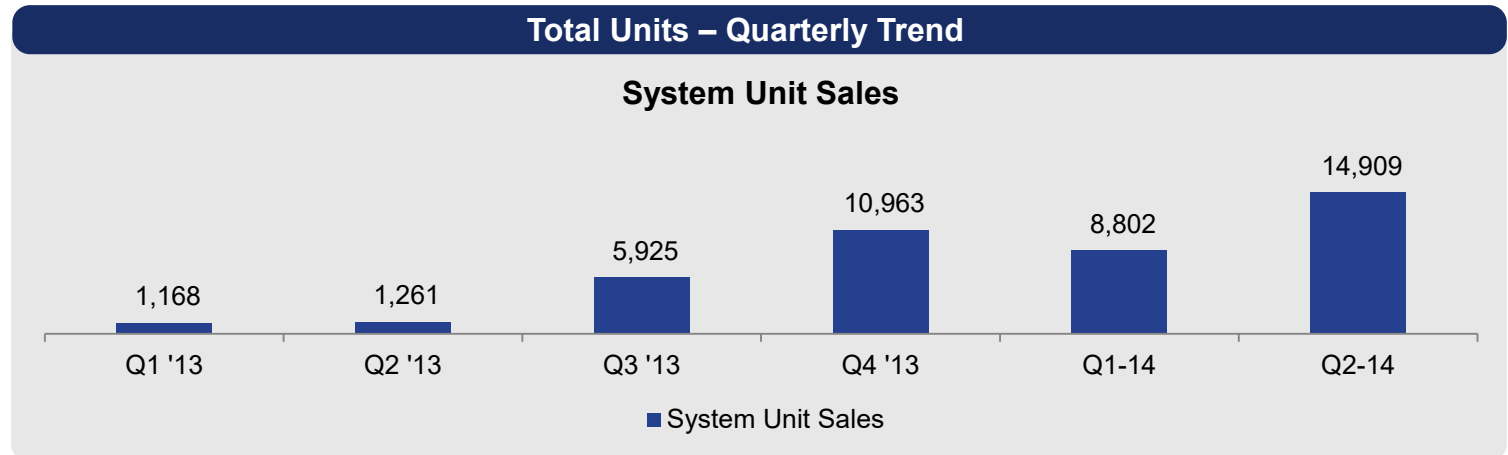
System Unit Sales¹

Stratasys Ltd.



Quarter Highlights:

- MakerBot impact, including launch of Replicator Mini & Z18
- Continued growth of the Objet500 Connex3 Color Multi-Material 3D Printer
- Production, Idea and Design Series strength



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

Financial Results

Gross Profit

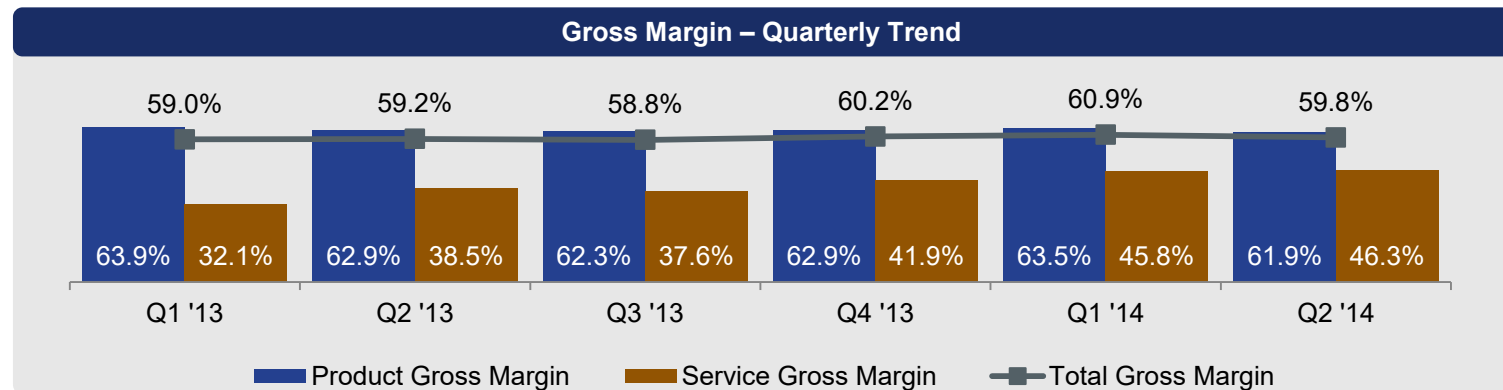
Stratasys Ltd.

Non-GAAP

(\$ in millions unless noted otherwise)	Q2-13	Q2-14	% Change YOY
Product Revenue % of sales	\$90.4 84.7%	\$154.1 86.3%	+70.4%
Service Revenue % of sales	16.3 15.3%	24.4 13.7%	+49.8%
Product Gross Profit % margin	56.9 62.9%	95.4 61.9%	+67.9%
Service Gross Profit % margin	6.3 38.5%	11.3 46.3%	+80.0%
Total Gross Profit % margin	63.1 59.2%	106.7 59.8%	+69.1%

Quarter Highlights:

- Strong sales of higher-margin products and services
- Improved overhead coverage on services business



Financial Results

Operating Profit

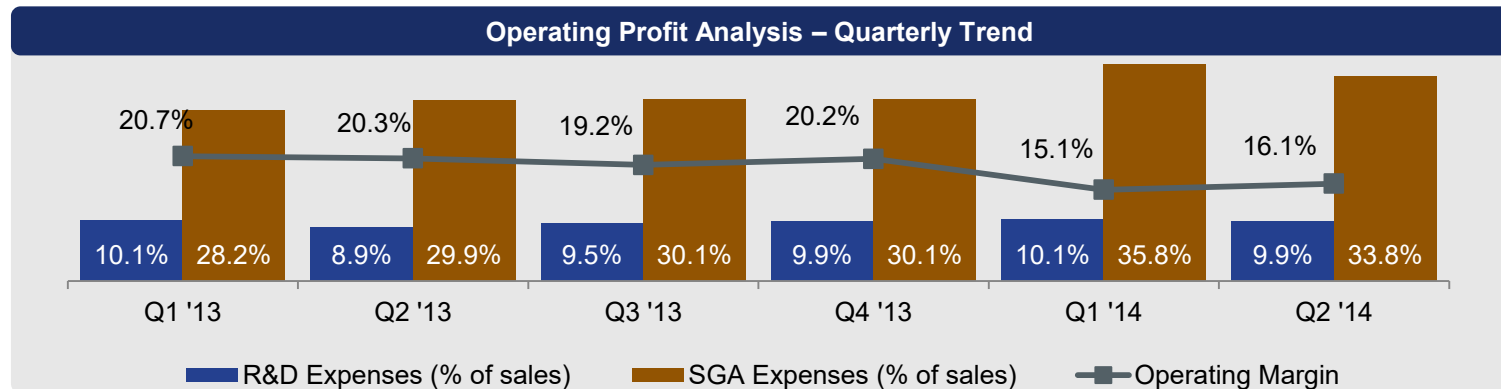
(\$ in millions unless noted otherwise)	Q2-13	Q2-14	% Change YOY
R&D Expense % of sales	9.5 8.9%	17.6 9.9%	+85.9%
SG&A Expense % of sales	31.9 29.9%	60.3 33.8%	+89.0%
Total Operating Exp. % of sales	41.4 38.8%	78.0 43.7%	+88.2%
Total Operating Profit % margin	21.7 20.3%	28.8 16.1%	+32.5%

Quarter Highlights:

- Significant investments in MakerBot product development
- Investing for future growth

Stratasys Ltd.

Non-GAAP



Financial Results

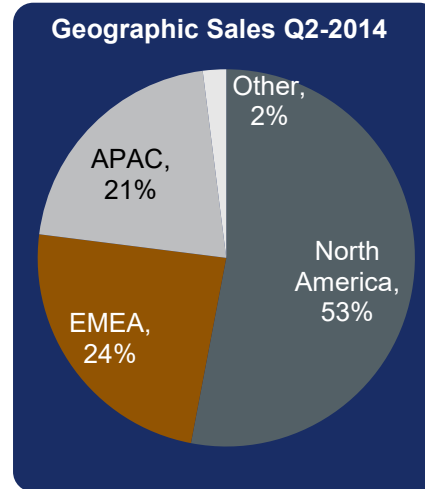
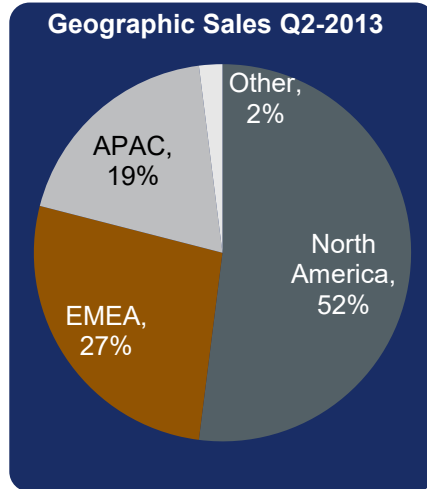
Revenue Geographic Mix

Stratasys Ltd.

Non-GAAP

Quarter Highlights:

- Strong growth in all regions
- Majority of MakerBot revenue generated in North America



Financial Results

Balance Sheet Summary

Selected balance sheet items (\$ in millions)	Q1-14	Q2-14
Cash , Cash Equivalents & Inv.	\$607.5	\$577.9
Accounts Receivable	106.0	113.6
Inventories	99.8	114.3
Net Working Capital	712.8	717.2

Stratasys Ltd.

(\$ in millions unless noted otherwise)

Highlights

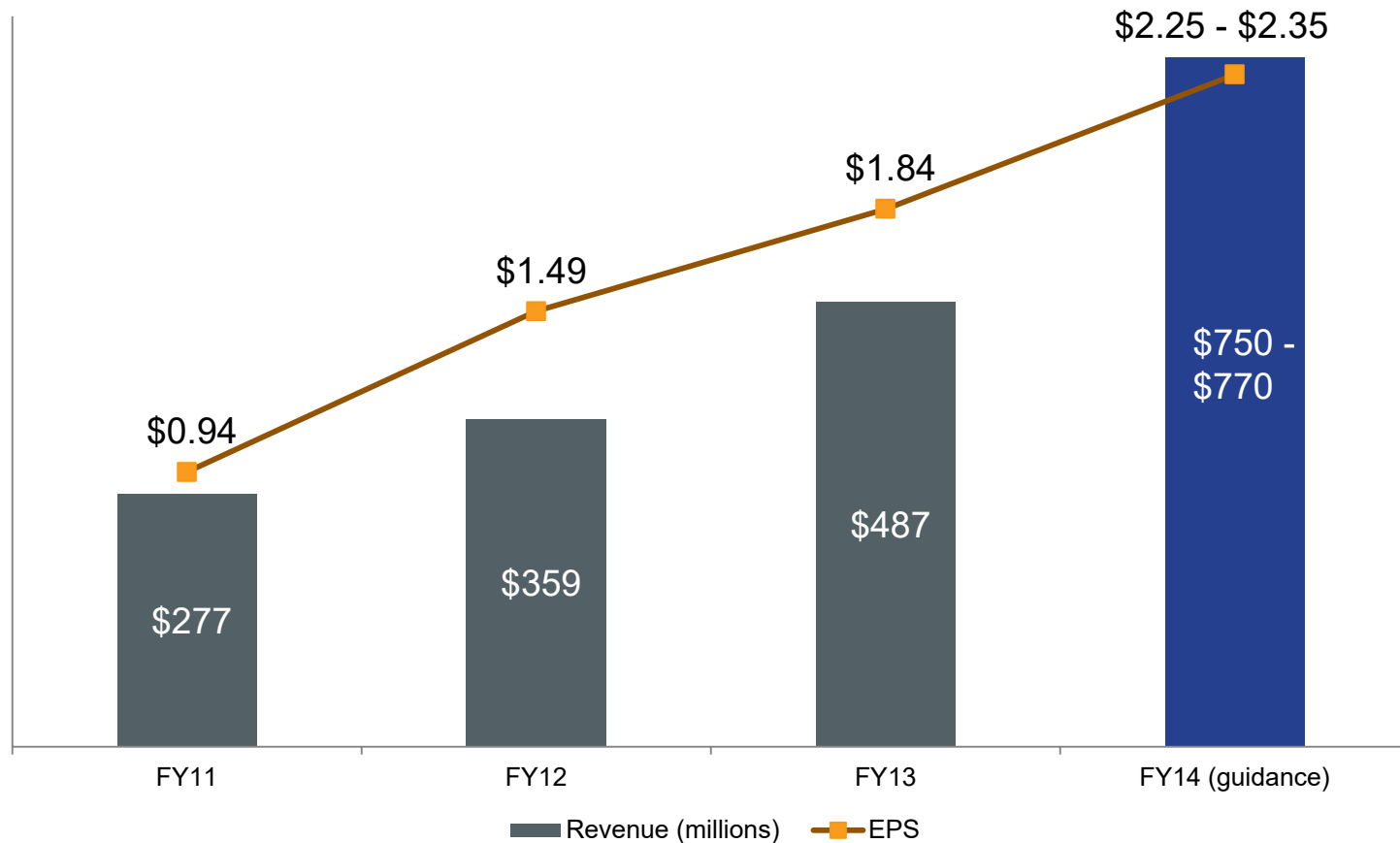
- \$577.9 M in cash and cash equivalents & bank deposits
- \$4.8 M net operating cash flow for Q2 2014
- Increased inventory for supply flexibility and new product introductions

Financial Results & Projections

Stratasys Ltd.

Non-GAAP

(\$ in millions unless noted otherwise)



Financial Guidance

Revenue and Earnings Guidance

Stratasys Ltd.

Non-GAAP

Fiscal 2014 Financial Guidance

Revenue (M)

\$750 - \$770

Non-GAAP Diluted EPS

\$2.25 - \$2.35

Financial Guidance

Long-Term Target Operating Model

Stratasys Ltd.

Non-GAAP

Revenue growth

+25%

Operating margin¹

18% – 23%

of sales

Effective tax rate¹

10% – 15%

Net income margin¹

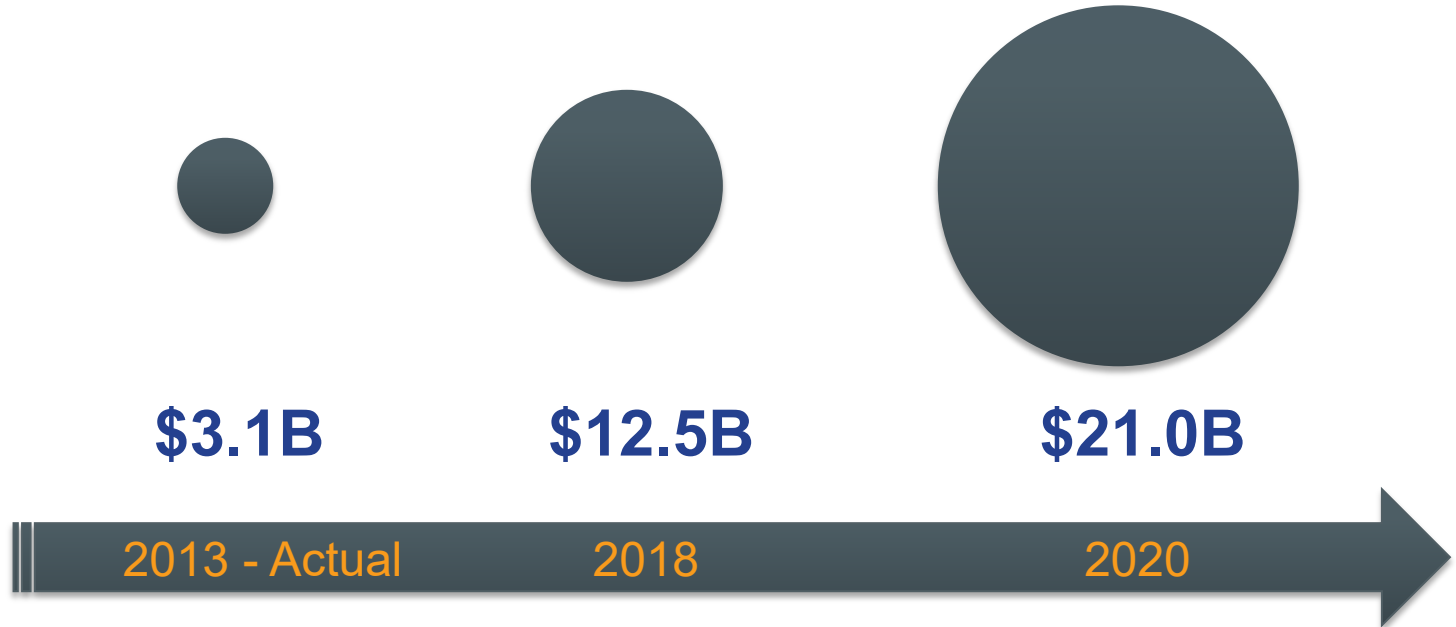
16% - 21%

of sales

Estimated Global Market for Additive Manufacturing Products and Services

Stratasys

Market Opportunity



Source: Wohlers Associates, Inc.

Stratasys**Strategic
Imperatives**

Lead in Prototyping

Expand the Direct Digital Manufacturing (DDM) Business

Introduce Niche Vertical Applications

Accelerate New Solutions to the Market

Improve 3D Printing Accessibility

Improve Customer Intimacy

Creates Leading Strategic Platform

Stratasys

Solid Concepts & Harvest Technologies Update

- ✓ Integration will occur over approximately 18 months
 - ✓ **Phase 1:** Sales, marketing, and business development into one unified group
 - ✓ **Phase 2:** Create single, unified company with one brand and cohesive, fully-integrated operation
- ✓ Transactions are expected to be modestly accretive to non-GAAP EPS in 2014



Provides Stratasys with Significant Additive Manufacturing and End-Use Parts Production Capabilities, Infrastructure, Capacity and Process Knowhow

Stratasys

Solid
Concepts &
Harvest
Technologies
Update

Operate as a Growing, Profitable Business Unit Within SSYS



Establish a Fulfillment Platform for Expanding EUP Strategy



Cross Selling Synergies

Parts Sell 3D
Printers



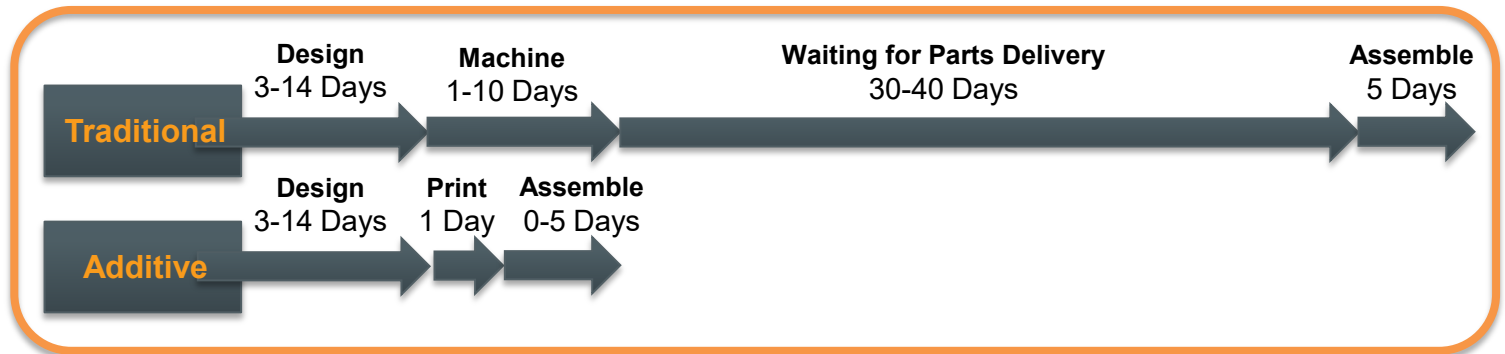
3D Printers Sell
Parts

Stratasys products and solutions disrupt business processes

Disrupting Enterprise Processes:

Direct Digital Manufacturing

- ✓ Additive manufacturing eliminates the restrictions that subtractive methods impose
- ✓ Additive Manufacturing significantly disrupts the economic formulas associated with Mass Production
- ✓ Additive manufacturing also requires significantly fewer processing steps, less assembly, and minimizes waste



Stratasys Augmented Manufacturing Solutions Provide Clear ROI:

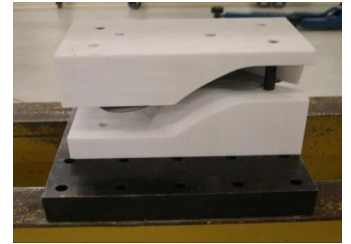
Solutions and Applications:

Augmented Manufacturing

- ✓ Approximately **80%** of Fortus system owners produce molds, patterns, jigs and fixtures
- ✓ Customers have ability to reduce lead times by **40-90%**
- ✓ Cost savings for final part can be up to **70-90%**



Assembly Jigs



Sheet Metal Forming



Injection Molding



Assembly Guides



Production Line Jigs



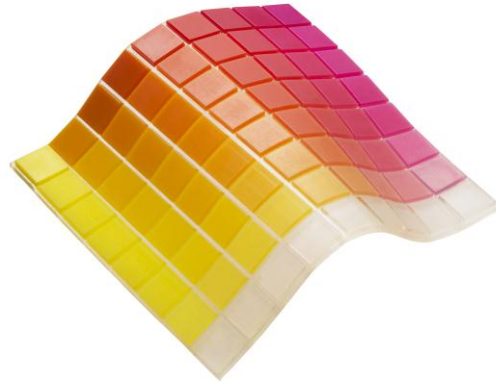
Inspection Jigs

Solutions and
Applications:

Prototyping

Objet500 Connex3 Color Multi-material 3D Printer

- ✓ Positive Customer Feedback
- ✓ Strong Demand
- ✓ Unmatched ability to combine color and multiple-materials in a single build
- ✓ Expanded color and material range



The Stratasys Dental Advisory Board will pursue the following objectives:

- ✓ Support research and development of Stratasys dental technologies and materials
- ✓ Promote education and development for digital dental and orthodontic lab professionals
- ✓ Forge relationships with industry organizations and allied dental technology
- ✓ Promote Stratasys to relevant industry groups, service providers and labs
- ✓ Share best practices that enable 3D printing technologies to take on a wider role



CrownWorx



FrameWorx

Stratasys Dental Solutions: 6 specialized systems and 5 advanced materials

Second Quarter Education Highlights:

Solutions and Applications:

Education

- ✓ Major U.S. school district: **Eight uPrint Plus** systems to equip local high schools
- ✓ Public university biomedical department: **Connex 350, Fortus 400mc and Fortus 250mc** to add to lab that already has **six Mojos, a Fortus 250mc, Dimension Elite, and Objet 30**
- ✓ Florida Polytechnic University: **over 55 MakerBot 3D printers and scanners**, as well as a **Dimension SST 1200es** as part of the largest MakerBot Innovation Center installation to date



MAKERBOT REPLICATOR 3D PRINTERS

FIFTH GENERATION

MakerBot
Update:

New Products



MAKERBOT
REPLICATOR MINI



MAKERBOT
REPLICATOR



MAKERBOT
REPLICATOR Z18

MakerBot
Update:

Additions to
3D Printing
Ecosystem

MakerBot PrintShop

- ✓ Easy-to-use iPad app with intuitive interface for creating custom 3D prints

MakerBot Developer Program

- ✓ Tools and resources for developers to integrate with the expanding MakerBot 3D Ecosystem

MakerBot Digital Store Content

- ✓ Content agreements providing branded premium content that is print-verified and available for purchase



MakerBot Update:

Distribution and Channel

Home Depot

- ✓ MakerBot 5th Generation 3D Printers pilot test in several stores

TechData

- ✓ Master distributor for North America

Anatek

- ✓ MakerBot's first reseller in Central America

Stratasys Japan

- ✓ Distributor for MakerBot products in Asia

MakerBot Europe

- ✓ Result of the acquisition of German partner, HAFNER'S BÜRO.



The Difference in Distribution™



Stratasys:**Investing in
Organizational
Structure**

New products and channel development

Investments in innovation

Scalable corporate infrastructure

Positioning to lead the market

Summary & Outlook

Record Q2 results as market demand remains strong

Continue to observe strong demand for higher-performance systems and materials, as well as impressive contribution from MakerBot products

Observed increased adoption in key markets including manufacturing, prototyping, dental and education

Successfully closed acquisitions to create comprehensive parts services offering for customers and drive incremental growth opportunities

Enhancing organizational structure through strategic investments including channel development, and targeted M&A activity

Raised 2014 financial guidance and long term revenue growth projection to reflect favorable business environment and long term outlook

We are Stratasy

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*



Reconciliation of GAAP to Non-GAAP Results of Operations

Stratasys Ltd. Combined

(\$ in thousands
except per
share data)

	Q2-13 GAAP	Adjustments	Q2-13 Non-GAAP	Q2-14 GAAP	Adjustments	Q2-14 Non-GAAP
Net sales						
Products	\$ 90,213	\$ 199	\$ 90,412	\$ 154,090	\$ -	\$ 154,090
Services	16,272	-	16,272	24,375	-	24,375
Cost of sales						
Products	45,731	(12,171)	33,560	73,394	(14,739)	58,655
Services	10,349	(343)	10,006	13,437	(340)	13,097
Gross profit	50,405	12,713	63,118	91,634	15,079	106,713
Operating expenses						
Research and development, net	10,337	(846)	9,491	18,957	(1,318)	17,639
Selling, general and administrative	42,665	(10,748)	31,917	77,929	(17,617)	60,312
Change in fair value of earn-out obligations	-	-	-	628	(628)	-
Operating income (loss)	(2,597)	24,307	21,710	(5,880)	34,642	28,762
Other income	138	-	138	337	-	337
Income (loss) before income taxes	(2,459)	24,307	21,848	(5,543)	34,642	29,099
Income taxes (benefit)	326	2,916	3,242	(5,370)	6,475	1,105
Net income (loss)	(2,785)	21,391	18,606	(173)	28,167	27,994
Net income attributable to non-controlling interest	15	25	40	-	-	-
Net income (loss) attributable to Stratasys Ltd.	\$ (2,800)	\$ 21,366	\$ 18,566	\$ (173)	\$ 28,167	\$ 27,994
EPS (Diluted)	\$ (0.07)		\$ 0.45	\$ (0.00)		\$ 0.55

Reconciliation of Non-GAAP Adjustments

Stratasys Ltd. Combined

Net sales, products

Deferred revenue purchase price

Cost of sales, products

Acquired intangible assets amortization

Non-cash stock-based compensation expense

Merger related expense

Cost of sales, services

Non-cash stock-based compensation expense

Merger related expense

Research and development, net

Non-cash stock-based compensation expense

Performance bonus expense

Merger related expense

Selling, general and administrative

Acquired intangible assets amortization

Non-cash stock-based compensation expense

Merger and acquisition related expense

Performance bonus expense

Change in fair value of earn-out obligation

Change in Earn-out obligation

Income taxes

Tax expense related to non-GAAP adjustments

Net income attributable to non-controlling interest

Depreciation and amortization expense attributable to non-controlling interest

Net income

	Q2-13	Q2-14
	\$ 199	\$ -
	(11,780)	(14,029)
	(314)	(710)
	(77)	-
	(12,171)	(14,739)
	(318)	(324)
	(25)	(16)
	(343)	(340)
	(846)	(885)
	-	(347)
	-	(86)
	(846)	(1,318)
	(2,425)	(5,507)
	(3,881)	(5,159)
	(4,442)	(4,352)
	-	(2,599)
	(10,748)	(17,617)
	-	(628)
	2,916	6,475
	25	-
	\$ 21,366	\$ 28,167