Desktop Metal

Second Quarter 2023

Financial Results

August 3, 2023

Desktop Metal (NYSE: DM) | Q2 2023 financial results

Conference Call

Speakers

- Ric Fulop, Founder & CEO
- Jason Cole, CFO
- Jay Gentzkow, VP Investor Relations

Webcast

- Domestic callers: (888) 999-3182
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- Audio webcast archive available at https://ir.desktopmetal.com

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Disclaimers

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Non-GAAP Financial Information

This presentation contains non-GAAP financial measures, including non-GAAP gross margin, non-GAAP operating expenses, EBITDA and Adjusted EBITDA. 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. The presentation of these financial measures is not intended to be considered in isolation, or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. We believe that this non-GAAP financial information, when taken collectively, may be helpful to investors in assessing Desktop Metal's operating performance; however, investors are cautioned that there are material limitations associated with the use of non-GAAP measures as an analytical tool. Our computation of these measures, especially Adjusted EBITDA, may be different from computations used by other companies, limiting their usefulness for comparative purposes. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA and Adjusted EBITDA on a supplemental basis. Investors should review the reconciliation of net loss to EBITDA and Adjusted EBITDA and not rely on any single financial measure to evaluate our business. 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.

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Additional Information about the Transaction and Where to Find It

In connection with the proposed transaction, Stratasys filed with the SEC a registration statement on Form F-4 that includes a joint proxy statement of Stratasys and Desktop Metal and that also constitutes a prospectus of Stratasys. Each of Stratasys and Desktop Metal may also file other relevant documents with the SEC regarding the proposed transaction. This document is not a substitute for the joint proxy statement/prospectus or registration statement or any other document that Stratasys or Desktop Metal may file with the SEC. The registration statement has not yet become effective. After the registration statement is effective, the definitive joint proxy statement/prospectus will be mailed to shareholders of Stratasys and Desktop Metal. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT, THE JOINT PROXY STATEMENT/PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS THAT MAY BE FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, CAREFULLY AND IN THEIR ENTIRETY IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Investors and security holders will be able to obtain free copies of the registration statement and definitive joint proxy statement/prospectus (if and when available) and other documents containing important information about Stratasys, Desktop Metal and the proposed transaction, once such documents are filed with the SEC through the website maintained by the SEC at http://www.sec.gov. Copies of the documents filed with, or furnished, to the SEC by Stratasys will be available free of charge on Stratasys' website at https://investors.stratasys.com/sec-filings. Copies of the documents filed with the SEC by Desktop Metal will be available free of charge on Desktop Metal's website at https://ir.desktopmetal.com/sec-filings/all-sec-filings.

Participants in the Solicitation

Stratasys, Desktop Metal and certain of their respective directors and executive officers may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information about the directors and executive officers of Stratasys, including a description of their direct or indirect interests, by security holdings or otherwise, is set forth in Stratasys' proxy statement for its 2023 Annual General Meeting of Shareholders, which was filed with the SEC on July 12, 2023, and Stratasys' Annual Report on Form 20-F for the fiscal year ended December 31, 2022, which was filed with the SEC on March 3, 2023. Information about the directors and executive officers of Desktop Metal, including a description of their direct or indirect interests, by security holdings or otherwise, is set forth in Desktop Metal's proxy statement for its 2023 Annual Meeting of Stockholders, which was filed with the SEC on April 25, 2023 and Desktop Metal's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which was filed with the SEC on March 1, 2023. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, is contained in the joint proxy statement/prospectus and other relevant materials filed with the SEC regarding the proposed transaction. Investors should read the joint proxy statement/prospectus carefully before making any voting or investment decisions. You may obtain free copies of these documents from Stratasys or Desktop Metal using the sources indicated above.

Executive Summary | Second Quarter 2023

Total Revenue

$53.3M

Growth of 29.0% q/q
Decreased 7.6% y/y

Gross Margin (non-GAAP)

31.0%

Expanded 1,300 bps q/q
Expanded 435 bps y/y

Adj. EBITDA

$(15.0)M

Improved $9.4M q/q
Improved $12.5M y/y

Business Highlights

- Best quarter for adj. EBITDA since going public – on track for adj. EBITDA breakeven by end of 2023
  - Reduced fixed costs base in COGS (six site closures completed end of Q2)
  - Driving durable Gross Margin improvement – projecting continued GM expansion in H2'23
  - Q3'23 will be the first full quarter recognizing majority of second tranche of cost savings
- Top line strength with expected continued momentum into H2'23
  - Customer activity to end Q2 providing confidence in demand trends for 2023, and start of new potential industry growth cycle
- Production System™ P-50 continues strong commercial progress in consumer electronics
- New Production System™ P-50 order from Ryerson (NYSE: RYI) targeting heavy equipment, transportation, industrial, energy, medical, and aerospace and defense value-added parts
- Growing healthcare & dental business
  - Supply agreement with Carbon3D™ for Flexcera™ materials with additional opportunities to leverage IP portfolio expected
  - Growing business with Align Technology with another quarter of strength
  - New generation of printed tissue engineering solutions, 3D-Bioplotter® with industry first capabilities for 3D printed stents, vascular, digestive and respiratory grafts(1)
- Committed to highly complementary combination with Stratasys to drive value for customers and shareholders

1. https://www.youtube.com/watch?v=yDnvrdBJXXA

AM 2.0 market leadership in the processes for mass production

Binder Jetting

TAM: $70+ billion[1]

Best-selling binder jet system (Shop System)[2]

Fastest binder jet printer (Production System™ P-50)[3]

Largest metal binder jet build envelope (X160 PRO™)

Best-selling digital casting binder jet portfolio

Photopolymers

TAM: $200+ billion[4]

Best-in-class DLP photopolymer systems (Einstein™ and Xtreme 8K)

Leading Class II FDA-cleared materials (Flexcera™ and SmileGuard™)

Strategic partnership with Align Technology

1. Grand View Research: Metal 3D Printing Market Size, Share & Trends Analysis Report, 2022 – 2030. 2023 American Foundry Society Metalcasting forecast report (2020 – 2023).
2. Based on published figures of total units sold available as of August 3, 2023.
3. Calculated using NIST Additive Manufacturing Test Artifact and print times from competitor build preparation software, published print speed data, and mgmt. estimates.
4. Precedence Research: Medical Implants Market, (January 2022). Global Industry Analysts, Inc., Dental Laboratories – Global Market Trajectory & Analytics (July 2020). Grand View Research: Industrial Plastic Market Size, Share & Trends Analysis Report, 2020 – 2027.

Incremental growth opportunities in large addressable markets

Foams

TAM: $170+ billion(1)

FreeFoam™, a revolutionary, expandable 3D printable foam for mass production

Sheet Metal Forming

TAM: $300+ billion(2)

Figur G15, first platform of its kind to digitally shape standard sheet metal forming on-demand

Printed Hydraulics

TAM: $50+ billion(3)

Global market leader in 3D printed hydraulic parts

First company with DNV certification for printed hydraulics

1. Grand View Research Report: Polymer Foam Market Size, Share & Trends Analysis Report By Type (Polystyrene, Polyurethane, Polyolefin, Melamine, Phenolic, PVC), By Application, By Region, And Segment Forecasts, 2022 – 2030.
2. Sheet Metal Market Research Report Information By Material Type (Steel and Aluminum), By Process, By End Users, and By Region, 2023 – 2030.
3. Markets and Markets Research: Hydraulics Market by Components (Motors, Pumps, Cylinders, Valves, Filters, Accumulators, Transmissions), Type (Mobile Hydraulics, Industrial Hydraulics), End User (Construction, Agriculture, Material Handling), Sensors & Region - Global Forecast to 2027.

Desktop Metal binder jet is the first and only metal 3D printing technology currently used at scale in automotive

Today's cars are built with a process called Body in White (BIW) where sheet metal is stamped and eventually welded by robots in an assembly line. Many OEMs working with DM and our customers have started to use a new approach called Giga Casting where portions of the car are made as a complex casting replacing thousands of welds and hundreds stamped parts. DM is the leader in this segment with many OEM customers. 3D printed Giga Casting is enabled by binder jet and die casting. **DM believes it has more end use metal printed parts in cars today than any other AM manufacturer.** This process has a lower CO2 footprint than alternative metal printing processes[1] and delivers parts at lower cost with greater throughput.

BMW Landshut plant hosts one of the largest super fleets of DM's ExOne Exerial printers for mass production of metal parts. These complex parts have geometry that can only be made with 3D printing and are used in nearly every vehicle produced by BMW

Mercedes Benz AMG subframe manufactured by a DM customer who employs a super fleet of 11 S-Max printers. This single 3D printed digital casting reduces weight by consolidating multiple previously stamped and welded sheet metal parts parts into a single part

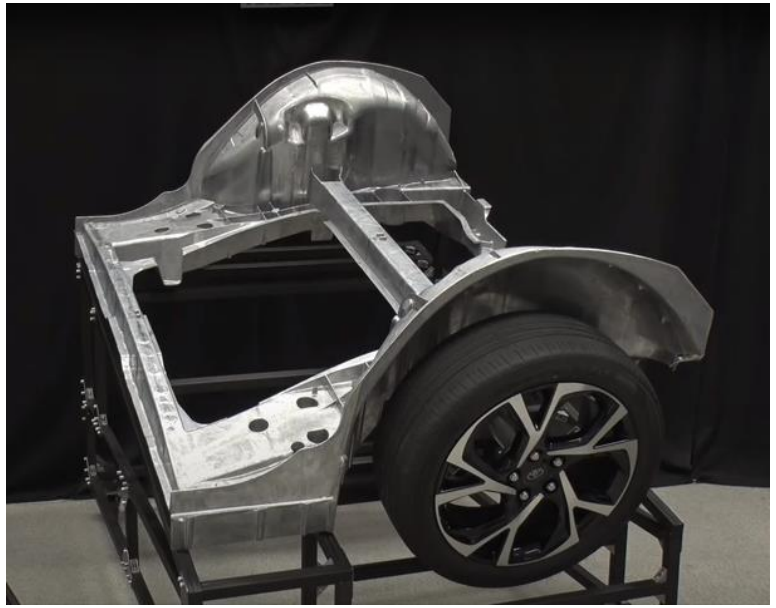
1. According to AM Power
2. https://blog.gwcast.com/gw-celebrates...the-tesla-giga-casting

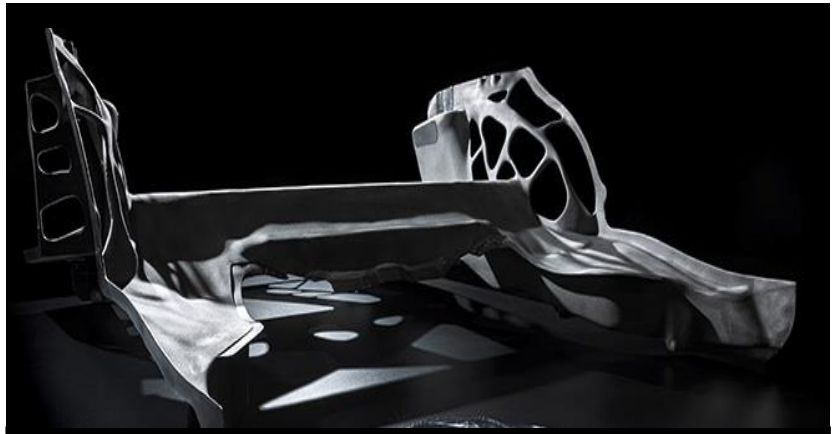
Vehicle OEMs are now looking to catch up to Giga Casting

TOYOTA

VOLVO

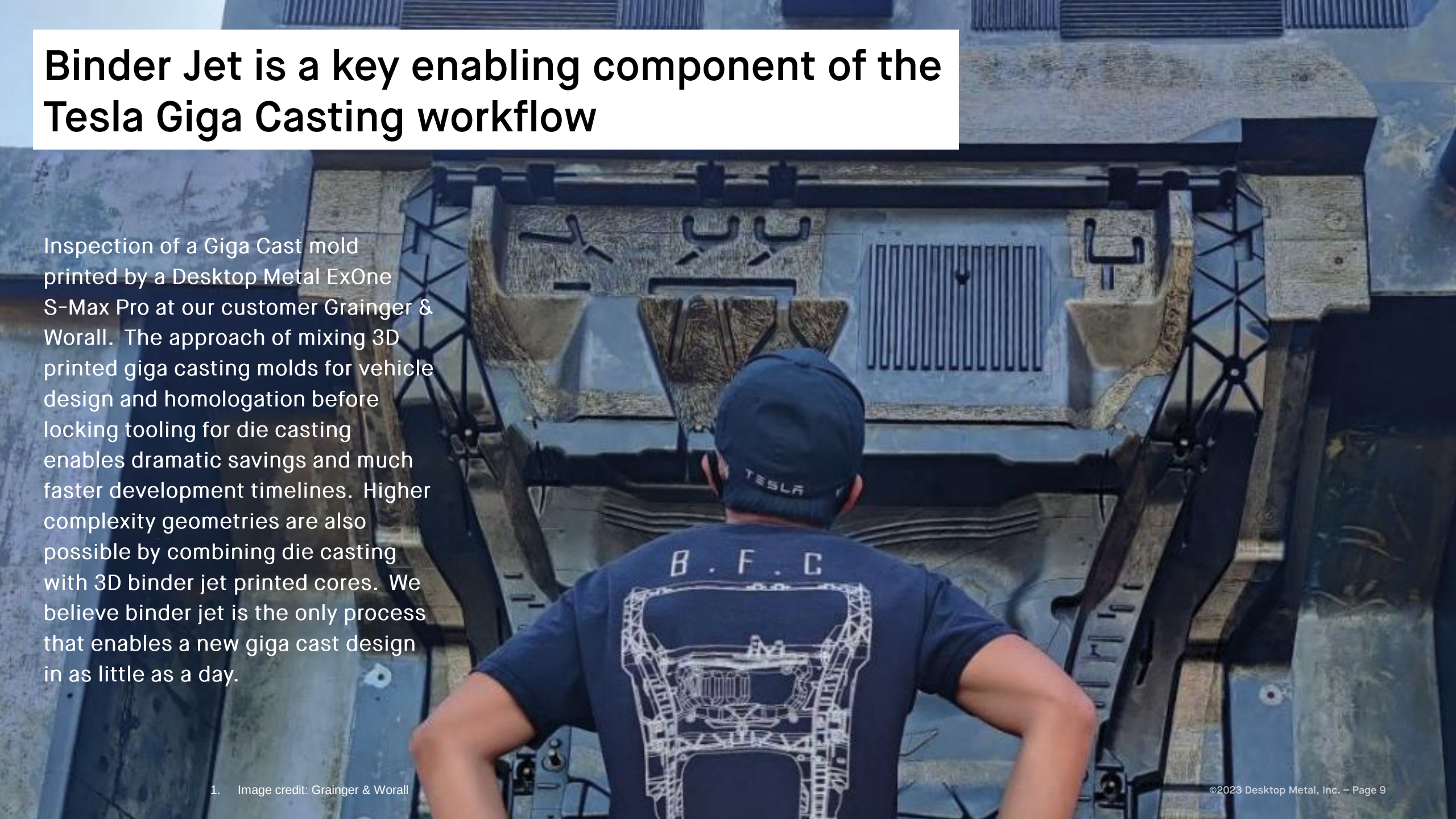
Mercedes-Benz





Mercedes Benz AMG BIONICAST damper dome accommodates rear floor and suspension components saving weight vs legacy processes

Binder Jet is a key enabling component of the Tesla Giga Casting workflow

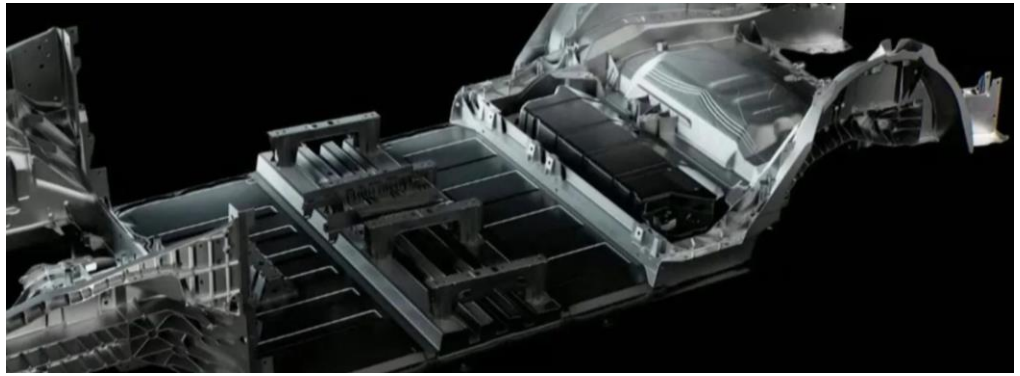


Inspection of a Giga Cast mold printed by a Desktop Metal ExOne S-Max Pro at our customer Grainger & Worall. The approach of mixing 3D printed giga casting molds for vehicle design and homologation before locking tooling for die casting enables dramatic savings and much faster development timelines. Higher complexity geometries are also possible by combining die casting with 3D binder jet printed cores. We believe binder jet is the only process that enables a new giga cast design in as little as a day.

1. Image credit: Grainger & Worall

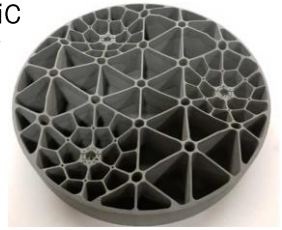
Strategic markets in production binder jet printing

PRODUCTION



SiC power electronics for EV

Printed SiC optics for space



Printed TRISO nuclear fuel for Gen 4 MMR/SMR

SiC wafers

Giga Casting for automotive, electric vehicles, and large aerospace printed castings being adopted by major OEMs and their supply chains

SiC power electronics for electric vehicles, single crystal SiC wafers, non oxide ceramics, 3D sputtering targets, high temperature ceramic heat exchangers, optics for space comm / telescopes, printed nuclear fuel

Why Binder Jet?

It's the fastest print process with the lowest cost parts, and its gaining share as a mass production process

	3D Systems DMP-500 Laser	Velo XC 1MZ Laser	DM Metal P-50/160Pro Binder Jet	DM Casting S-Max/Exerial Binder Jet
Throughput	<80 cc/hr	~80 cc/hr	+12,000cc/hr 10,000cc/hr	+145,000cc/hr 350,000cc/hr
Cost per part	est. $1,000/kg	est. $600/kg	< $50/kg	< $10/kg
Materials	10***	11***	+30	+100s of alloys
Properties	+99% dense parts	+99% dense parts	+99% dense parts	Superior fatigue properties and well understood microstructures
Max part size	500mm long	1,000mm long	380mm long 800mm long	Up to 2,200mm long
Min feature	150um	150um	300um	500um
Other	Not fully closed loop	Best closed loop laser process*	Support free**	Support free
Used in production	Mainly used in implants. Not competitive vs state of art in laser (Velo3D and SLM)	Best in class for large parts in rocket engines and turbo machinery	Small parts in Auto, Medical, Defense, Consumer Electronics	Large aerospace parts and only metal AM technology at scale in auto
Summary	**Losing share**	**Gaining share**	**Gaining share, 100X faster 1/20 cost**	**Gaining share 1000X faster 1/60 cost**

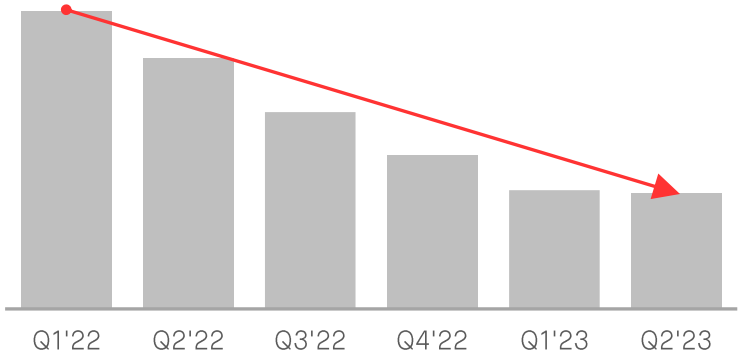
		Market Share	2022 est. Metal Printer Revenue	Technology	Gain/ Lose Share
1	EOS	15.2%	$ 158,950,128	Laser	↑
2	Desktop Metal	12.3%	$ 128,300,000	Binder Jet & BMD	↑
3	SLM Solutions	10.1%	$ 105,700,000	Laser	↑
4	Velo3D	7.7%	$ 80,757,001	Laser	↑
5	HBD	7.4%	$ 77,465,695	Laser	n/a
6	Eplus3D	5.3%	$ 55,075,778	Laser	n/a
7	Bright Laser	4.9%	$ 50,803,280	Laser	n/a
8	GE Additive	4.5%	$ 46,907,095	Binder Jet/Laser	↓
9	Farsoon	4.3%	$ 44,778,522	Laser	n/a
10	Renishaw	3.1%	$ 32,005,533	Laser	↓
11	TRUMPF	2.9%	$ 30,776,917	Laser	↑
12	VoxelJet	2.8%	$ 29,610,000	Binder Jet	↑
13	3D Systems	2.7%	$ 28,513,208	Laser	↓
14	DMG MORI	1.9%	$ 19,487,251	Laser	↓
15	Additive Industries	1.2%	$ 12,725,145	Laser	↓
16	MarkForged	0.9%	$ 10,000,000	Binder Jet & BMD	↑
17	HP (New)	0.5%	$ 5,000,000	Binder Jet	↑
18	Other		$ 134,900,218		
			$ 1,045,755,771	Total powder based metal AM	

Source: 3rd party market share data from Context Market Intelligence, publicly reported revenue figures, and Management estimates. Numbers include all DM binder jet products.
* Velo3D has best in class closed loop support free technology for LPBF. ** Non-welded supports and best in class sinter simulation process with LiveSinter
*** Limited to non-weldable materials. Number of materials count based on publicly disclosed information at DDD and Velo3D website

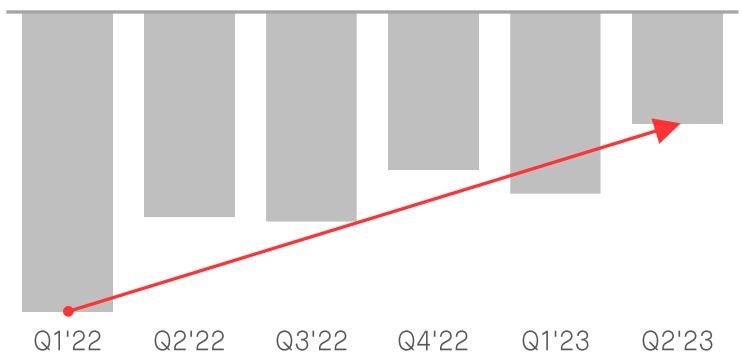
Committed to Adj. EBITDA profitability this year

Delivering on our $100M annualized cost savings

Operating Expenses (non-GAAP)



Adj. EBITDA



- Committed to reaching adj. EBITDA breakeven by Q4 2023
- Cost reduction plans on track to achieve $100M annualized savings
  - Six production facility closures completed end of Q2 (on plan)
  - Q3 2023 results will reflect majority of second tranche of cost reductions
- Strong progress in eliminating fixed cost base in COGS
  - Second tranche of cost reductions weighted more toward COGS positively impacted Q2 2023 gross margins
  - Expect gross margin expansion continuing into H2 2023

stratasys + Desktop Metal

Creating the powerhouse in global industrial additive manufacturing

01
Category leader at scale

- First AM company to achieve comprehensive scale across full manufacturing lifecycle – metals and polymers
- Combination creates $1.1B[1] revenue platform to lead AM industry into mass production

02
Diversified product portfolio

- Fully complementary AM platform with minimal overlap
- Largest materials and SW platform
- +50% of revenue from high growth mass production solutions

03
Innovation & expertise

- Substantial combined R&D team and patent portfolio
  - 800+ scientists and engineers
  - 3,400+ patents issued and pending

04
Unparalleled distribution

- One of the largest global go to market networks in 3D printing
- Creates significant cross sell potential for recognizable brands
- World class customer support capabilities

05
Powerful synergies

- $50M+ in additional run rate cost synergies[2]
- ~$50M in expected run rate revenue synergies

06
Robust financial profile

- Scaled and profitable pro forma entity
- Combined business expected to generate $300M+ adj. EBITDA in 2026 (~20% PF margin)
- Well-capitalized to drive future growth

Highly complementary combination creating significant value for customers & shareholders

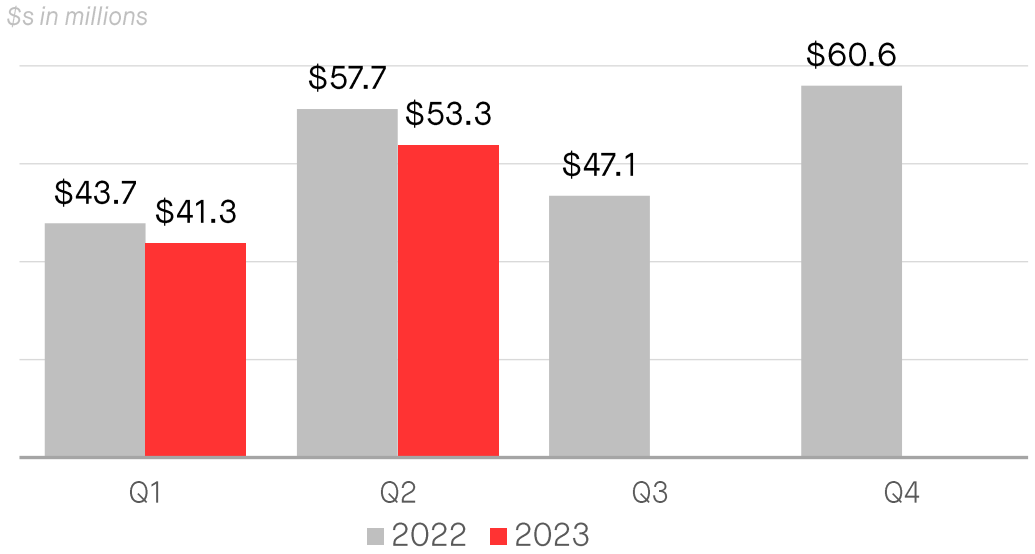
1. Source: SSYS and DM Management; Note: SSYS adjusted for MakerBot
2. In addition to the previously announced $100 million in annualized savings from Desktop Metal cost reduction plans

Financial Summary

Second Quarter 2023

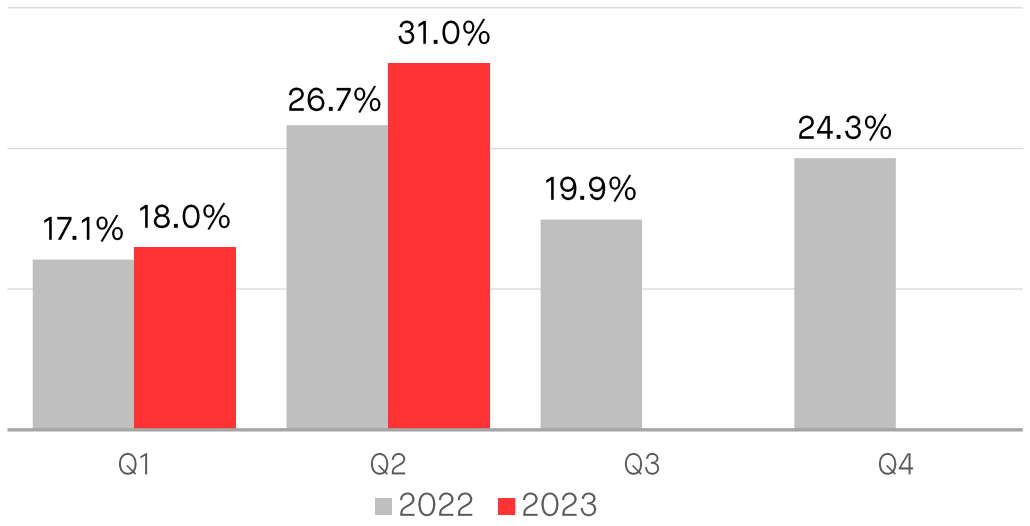
Financial review | revenue & gross margin

Revenue



- Q2'23 revenue of $53.3 million
  - Up 29.0% sequentially from Q1'23
  - Down 7.6% from Q2'22
  - Strength in metal binder jetting solutions, and growth in consumables, services and subscription
  - Customer demand trends improving, including strong order momentum to end Q2'23

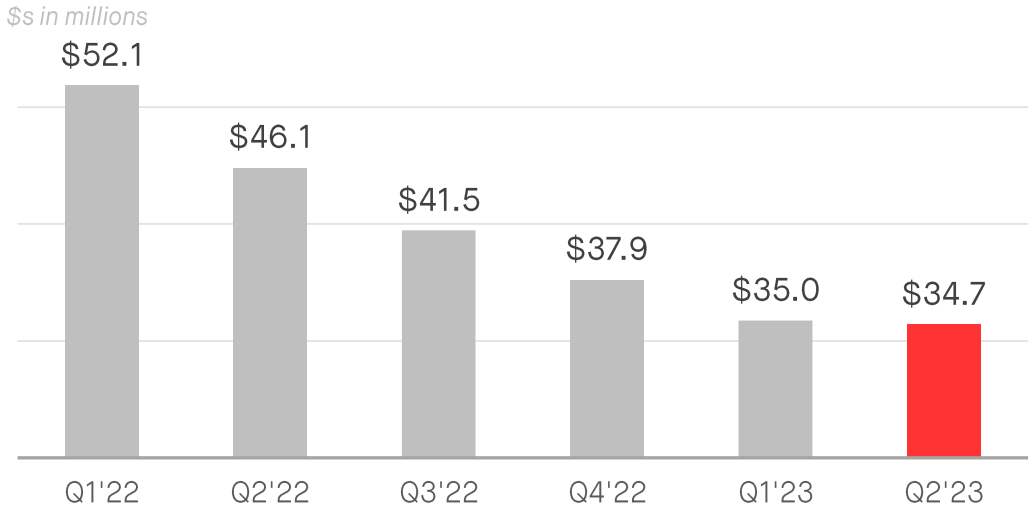
Gross Margin non-GAAP



- Q2'23 gross margin (non-GAAP) of 31.0%
  - Increased 1,300 bps sequentially from Q1'23
  - Increased 435 bps from Q2'22
  - GM expansion driven by lower fixed cost structure in COGS
  - Expect continued GM expansion in H2'23 with Q3'23 reflecting first full quarter with majority of second tranche of cost reductions

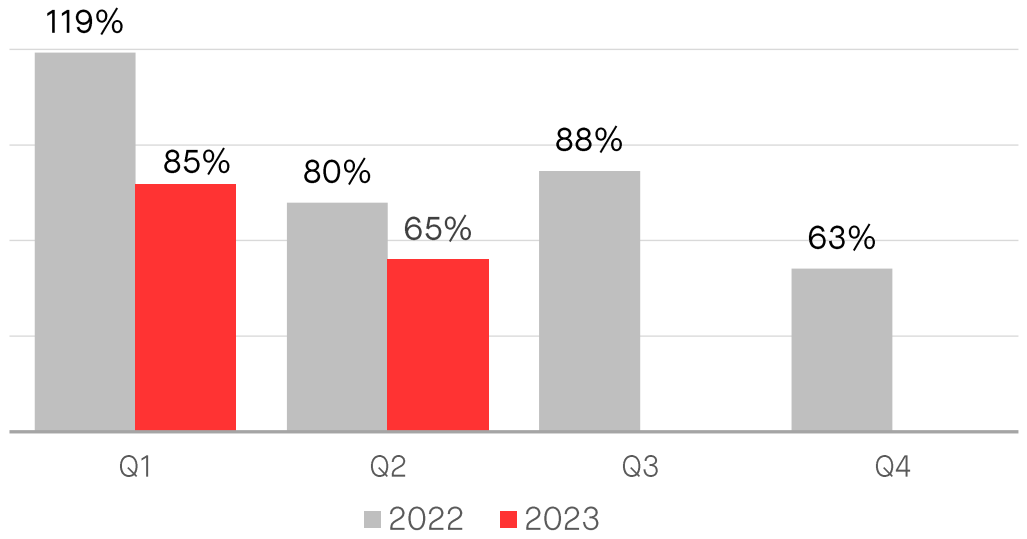
Financial review | operating expenses

Operating Expenses — non-GAAP



- Q2’23 operating expenses (non-GAAP) declined $11.4 million from Q2’22
  - Driven by actions under Cost Reduction Plans
  - Another quarter of improvements despite one-time investments in sales & marketing opportunities in Q2’23

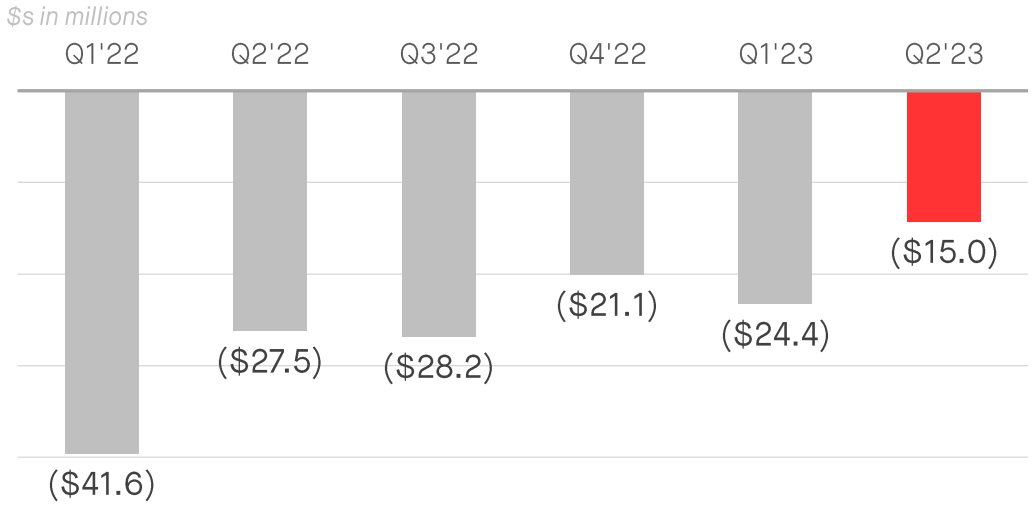
Operating Expenses (% of revenue) — non-GAAP



- Operating expenses (non-GAAP) as a percentage of revenue was 65% in Q2’23 vs. 80% in Q2’22
  - Expect continued trend of improving expense structure into H2’23

Financial review | adj. EBITDA

Adj. EBITDA



- Q2’23 adj. EBITDA of $(15.0) million
  - Best quarter for adj. EBITDA since going public
  - Improvement of $12.5 million from Q2’22 driven by expense reduction efforts
  - OpEx reductions expected to support sequential adj. EBITDA improvements in H2’23 on the way to reaching breakeven before year end

Balance Sheet

- Well-funded with $127.6 million in cash, cash equivalents, and short-term investments as of June 30, 2023
  - Compared to $149.8 million to close Q1’23, for net cash burn of $22.2 million in Q2’23
- Expecting meaningful cash burn improvements in H2’23 with Q3’23 reflecting majority of second tranche of cost reductions, as well as monetization of inventory

Financial Outlook

Full Year 2023 Guidance

2023 financial outlook

FY 2023 guidance	
Revenue	$210 – $260 million
Adj. EBITDA	$(50) – $(25) million

Key planning assumptions

- Continue to see a wider range of variability outcomes
- We expect H2'23 to show significant improvement in adj. EBITDA and cash flow, on our way to reaching adj. EBITDA breakeven by year end 2023
- Outlook excludes impact of future acquisitions and divestitures

2023 strategic focus areas

01

Drive organic revenue growth, at scale

- Deliver on 2023 revenue growth targets despite uncertain macro environment
- Position business to capitalize on long-term growth opportunity

02

Adj. EBITDA breakeven before year end

- Execute on path to profitability commitments
- Dramatically lower cash burn:
  - Cost reduction plans – $100M annualized
  - Reduce inventory levels
  - Working capital management
  - Revenue growth drives operating leverage

03

Intense focus on our customers

- Scaling best-in-class integrated solutions to help customers solve manufacturing problems
- Grow total customers and repeat customers

04

Operational and expense streamlining

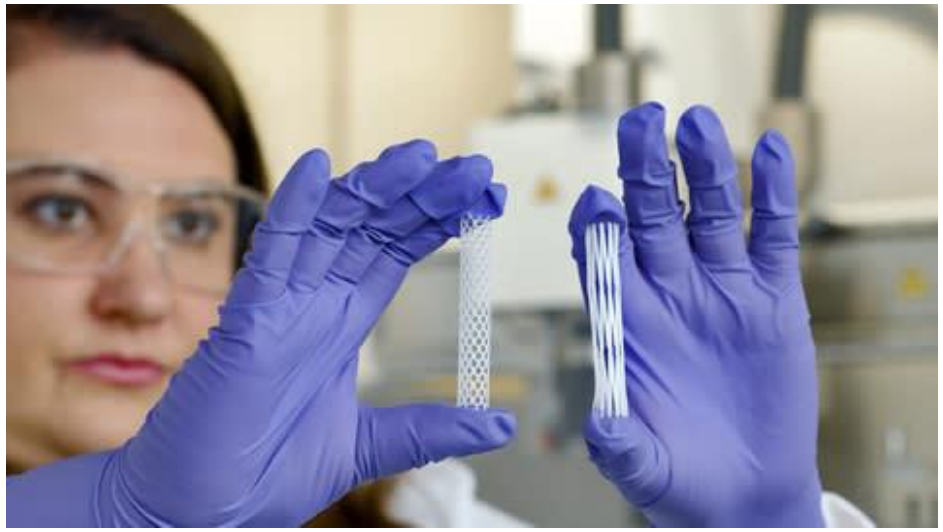
- Site closures
- Production consolidations
- Supply chain synergies
- Operational efficiencies

Appendix

Desktop Metal Production System P-50 printer and auxiliary equipment

Continued progress on healthcare and dental

New Bioplotter for 3D bioprinting with exclusive capabilities to *print stents, vascular, digestive and respiratory grafts*[1]



We're proud to celebrate an industry first milestone achieved using the 3D-Bioplotter®. Our customer Dimension Inx recently received U.S. FDA 510(k) clearance for CMFlex™, the first biofabrication 3D printed product cleared by the FDA

Best in class Desktop Health materials are now available to the Carbon installed customer base

Carbon 3D is known for its high productivity systems and white glove service. It boasts one of the largest fleets of printers at large dental labs in our industry. For the first time, we are proud to partner with our friends at Carbon to provide better materials like our Flexcera resins to their customer base

1. https://www.youtube.com/watch?v=yDnvrdBJXXA

Non-GAAP reconciliations

($ in thousands)	Q2'23	Q1'23	Q4'22	Q3'22	Q2'22	Q1'22	FY 2022
GAAP gross margin	$ 6,089	$ (1,364)	$ 8,311	$ (309)	$ 8,397	$ (1,328)	$ 15,071
Stock-based compensation in cost of sales	590	680	365	734	671	487	2,257
Amortization of acquired intangible assets in cost of sales	6,928	6,927	5,890	5,877	5,950	5,990	23,707
Restructuring expense in cost of sales	2,488	717	147	3,085	41	-	3,273
Acquisition-related and integration costs in cost of sales	434	479	-	-	10	1,138	1,148
Inventory step-up adjustment in cost of sales	-	-	-	-	315	1,181	1,496
Non-GAAP gross margin	**$ 16,529**	**$ 7,439**	**$ 14,713**	**$ 9,387**	**$ 15,384**	**$ 7,468**	**$ 46,952**

($ in thousands)	Q2'23	Q1'23	Q4'22	Q3'22	Q2'22	Q1'22	FY 2022
GAAP operating expenses	$ 54,607	$ 50,953	$ 320,206	$ 57,510	$ 300,967	$ 68,151	$ 746,834
Stock-based compensation in opex	(9,113)	(8,633)	(7,250)	(11,306)	(18,547)	(9,425)	(46,528)
Amortization of acquired intangible assets in opex	(3,529)	(3,515)	(4,250)	(3,192)	(3,719)	(3,794)	(14,955)
Restructuring expense in opex	(362)	(2,901)	(1,341)	-	(1,960)	-	(3,301)
Acquisition-related and integration costs in opex	(6,925)	(927)	(133)	(1,476)	(1,161)	(2,848)	(5,618)
Goodwill impairment	-	-	(269,300)	-	(229,500)	-	(498,800)
Non-GAAP operating expenses	**$ 34,678**	**$ 34,977**	**$ 37,932**	**$ 41,536**	**$ 46,080**	**$ 52,084**	**$ 177,632**

Adjusted EBITDA reconciliation

($ in thousands)	Q2'23	Q1'23	Q4'22	Q3'22	Q2'22	Q1'22	FY 2022
Net loss attributable to common stockholders	$ (49,728)	$ (52,642)	$ (312,353)	$ (60,774)	$ (297,272)	$ (69,944)	$ (740,343)
Interest (income) expense, net	1,109	811	462	680	633	(32)	1,743
Income tax expense (benefit)	23	(557)	104	598	(944)	(1,256)	(1,498)
Depreciation & amortization	13,530	13,433	12,473	12,692	12,719	12,883	50,767
EBITDA	$ (35,066)	$ (38,955)	$ (299,314)	$ (46,804)	$ (284,864)	$ (58,349)	$ (689,331)
Change in fair value of investments	107	179	(329)	2,052	4,741	1,700	8,164
Inventory step-up adjustment	-	-	-	-	315	1,181	1,496
Stock-based compensation	9,703	9,313	7,615	12,040	19,218	9,912	48,785
Restructuring expense	2,850	3,618	1,488	3,085	2,384	-	6,957
Goodwill impairment	-	-	269,300	-	229,500	-	498,800
Acquisition-related and integration costs	7,359	1,406	133	1,476	1,171	3,986	6,766
Adjusted EBITDA	$ (15,047)	$ (24,439)	$ (21,107)	$ (28,151)	$ (27,535)	$ (41,570)	$ (118,363)

