

A detailed 3D rendering of the International Space Station (ISS) in orbit above Earth. The station's complex structure, including the central truss, multiple modules, and large solar panel arrays, is clearly visible against the dark background of space. The Earth's blue and white horizon is visible at the bottom left, and a bright light source, likely the sun, is visible in the upper left, creating a lens flare effect.

VELO 3D

Third Quarter 2023 Supplemental Slides

Without Compromise

November 6, 2023



Disclaimer

Forward Looking Statement

This presentation includes “forward-looking statements” within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1996. The company’s actual results may differ from its expectations, estimates and projections and consequently, you should not rely on these forward-looking statements as predictions of future events. Words such as “expect”, “estimate”, “project”, “budget”, “forecast”, “anticipate”, “intend”, “plan”, “may”, “will”, “could”, “should”, “believes”, “predicts”, “potential”, “continue”, and similar expressions are intended to identify such forward-looking statements. These forward-looking statements include, without limitation, the company’s guidance for the fourth quarter and full year 2023 (including the company’s estimates for revenue, gross margin and non-GAAP operating expenses), the company’s expectations regarding certain one-time charges and additional cash flow items for the fourth quarter 2023, the company’s expectations regarding its ability to reach free cash flow break even by the second quarter of 2024, the company’s expectations regarding its ability to achieve profitability by 2024, the company’s strategic realignment and initiatives (including the company’s plans and targets for non-GAAP operating expense reduction, manufacturing, inventory and working capital reduction, and bookings growth), the company’s expectations regarding its liquidity and capital requirements, and the company’s other expectations, hopes, beliefs, intentions or strategies for the future. These forward-looking statements involve significant risks and uncertainties that could cause the actual results to differ materially from the expected results. You should carefully consider the risks and uncertainties described in the “Risk Factors” section of the company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the “FY 2022 10-K”), which was filed by the company with the SEC on March 20, 2023 and the other documents filed by the company from time to time with the SEC. 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. Most of these factors are outside the company’s control and are difficult to predict. Factors that may cause such differences include, but are not limited to: (1) the inability of the company to execute its business plan, which may be affected by, among other things, competition, the ability of the company to grow and manage growth profitably, maintain relationships with customers and suppliers and retain its key employees; (2) changes in the applicable laws or regulations; (3) the possibility that the company may be adversely affected by other economic, business, and/or competitive factors; (4) the impact of the global COVID-19 pandemic; and (5) other risks and uncertainties indicated from time to time described in the FY 2022 10-K, including those under “Risk Factors” therein, and in the company’s other filings with the SEC. The company cautions that the foregoing list of factors is not exclusive and not to place undue reliance upon any forward-looking statements, including projections, which speak only as of the date made. The company does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based.

* Additional information on the use of Non-GAAP financial information, industry and market data and trademarks is included in the appendix of this presentation

Q323 Summary

Significant free cash flow progress

>30% sequential improvement – ending cash of \$72M

Expect quarterly free cash flow improvement through FY 2024

Revenue and bookings below plan

Revenue of \$24M – reflects impact of delayed shipments

Bookings of \$11M – new / existing customer order delays

Reducing 2023 full year guidance to \$91 - 103M

Initiated strategic realignment – goal to achieve profitability in 2024

Expected 40% reduction in cash expenditures

Implemented new go-to-market strategy to rebuild bookings pipeline

Q423 to be transition quarter – enter 2024 in stronger position

Believe we have sufficient liquidity to achieve our goals in 2024

Shifting strategic emphasis to drive free cash flow and long-term profitability



Q423 Strategic Initiatives

Expenditure reduction

Solidify path to 2024 profitability goal

Inventory constrained manufacturing plan – reduces working capital

Indefinite pause on procurement of new inventory

Drive improved customer satisfaction and system performance

Direct impact on existing customer demand

Execution of new sales / service programs to accelerate bookings

To resume bookings growth in Q423

Initiatives will position the company for profitable long term growth



▽^{3D} Expenditure and Cash Flow Initiatives

Reducing expenditures

Expected 40% reduction in total quarterly spend (Q124 vs Q323)

Lowering quarterly cash opex / fixed cost COGS spend

20% headcount reduction complete / facility consolidation

Inventory constrained manufacturing plan

Backlog driven procurement vs forecast based production

Expected to improve individual system cash flow economics

Comprehensive inventory review

Additional initiatives

Prioritizing R+D spend to only high ROI projects

Prudent management of discretionary spend



▽^{3D} Rapid Growth Impacted Customer Support

Significant growth in FY 2022

Revenue tripled year over year – reflected strong customer demand

Driven by new product launches - Sapphire XC, Sapphire 1MZ, Sapphire XC-1MZ

Rapid growth affected capability to support expanding customer base

Customer support organization expansion behind the pace of strong install ramp

Insufficient service training on new products

Increased time to resolve field issues

Drop in customer satisfaction reduced existing customer bookings /orders in 2023

Instituted strategic initiatives to address and correct support / field issues

Reallocating resources to expand customer support organization

Increasing investment in new product training programs

Closer partnership between engineering and support to quickly resolve field issues – top priority Q423



▽^{3D} Initiatives to Re-build Bookings / Backlog

Bookings growth affected by weak new customer acquisitions

Result of sales process / proof of concept execution

Offset by strong demand from existing customers in 2022

Impacted 2023 bookings growth as existing customer demand declined

Building a disciplined sales process - accountability and execution

Hired Michelle Sidwell as EVP of sales to create a world class organization

New initiatives - improve coordination / streamline process / increase close rates

Re-focusing sales team on opportunities we can win

Emphasis on markets with demonstrated success - Space / Defense / Aerospace

Developing partnerships to expand non-US markets / applications

Clarity on value realization and proposition

Expect rebound of existing customer bookings

Driven by successful execution of customer satisfaction improvement initiatives



▽^{3D} Strategic Summary

Q423 to be a transition quarter – position company for profitable growth

Right-sized business – expected 40% cost reduction (Q124 vs Q323)

Adjusted procurement / manufacturing plan – improving cash flow

Prioritization to ensure customer success - drives follow-on sales

Laying strong foundation to successfully re-build pipeline for 2024 growth

Initiatives will extend runway to achieve sustainable profitability goal in 2024





Bernard Chung

CFO

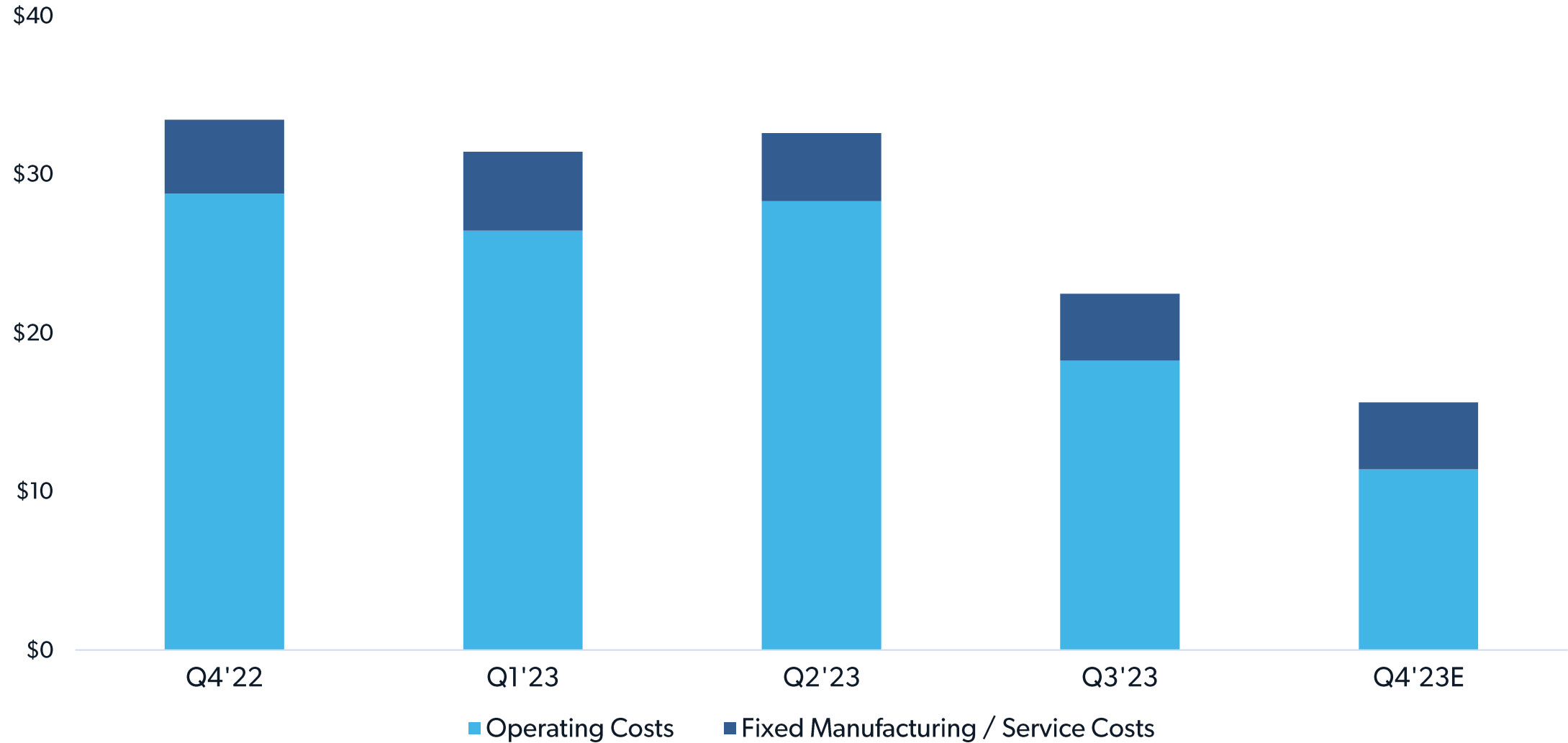


Financial Summary

	Q3 23	Q2 23	Q3 22
Total Revenue	\$24.1	\$25.1	\$19.1
Year of Sale	21.7	23.2	16.5
Recurring Revenue	2.4	1.9	2.6
Cost of Goods Sold	22.3	22.2	19.2
Gross Profit	1.7	3.0	(0.1)
% Gross Margin	7%	12%	(1%)
Total Operating Expenses	26.7	28.7	27.8
Non-GAAP Operating Expenses ¹	20.0	22.2	22.7
Adjusted EBITDA¹	(16.3)	(17.5)	(21.2)
Net Income (Loss)	(17.1)	(23.2)	(75.2)

1. Reconciliations to U.S. generally accepted accounting principles (GAAP) financial measures are presented under "Non-GAAP Financial Information." Non-GAAP Operating Expenses excludes stock-based compensation. Adjusted EBITDA excludes interest expense, tax expense, depreciation and amortization, stock-based compensation and fair value liabilities.

▽^{3D} Significant Free Cash Flow Improvement*



* Excludes impact of financing activities

▽^{3D} Realignment Costs / Cash Highlights

Expected Q423 one-time charges

Severance costs - \$1.0 - \$2.0M

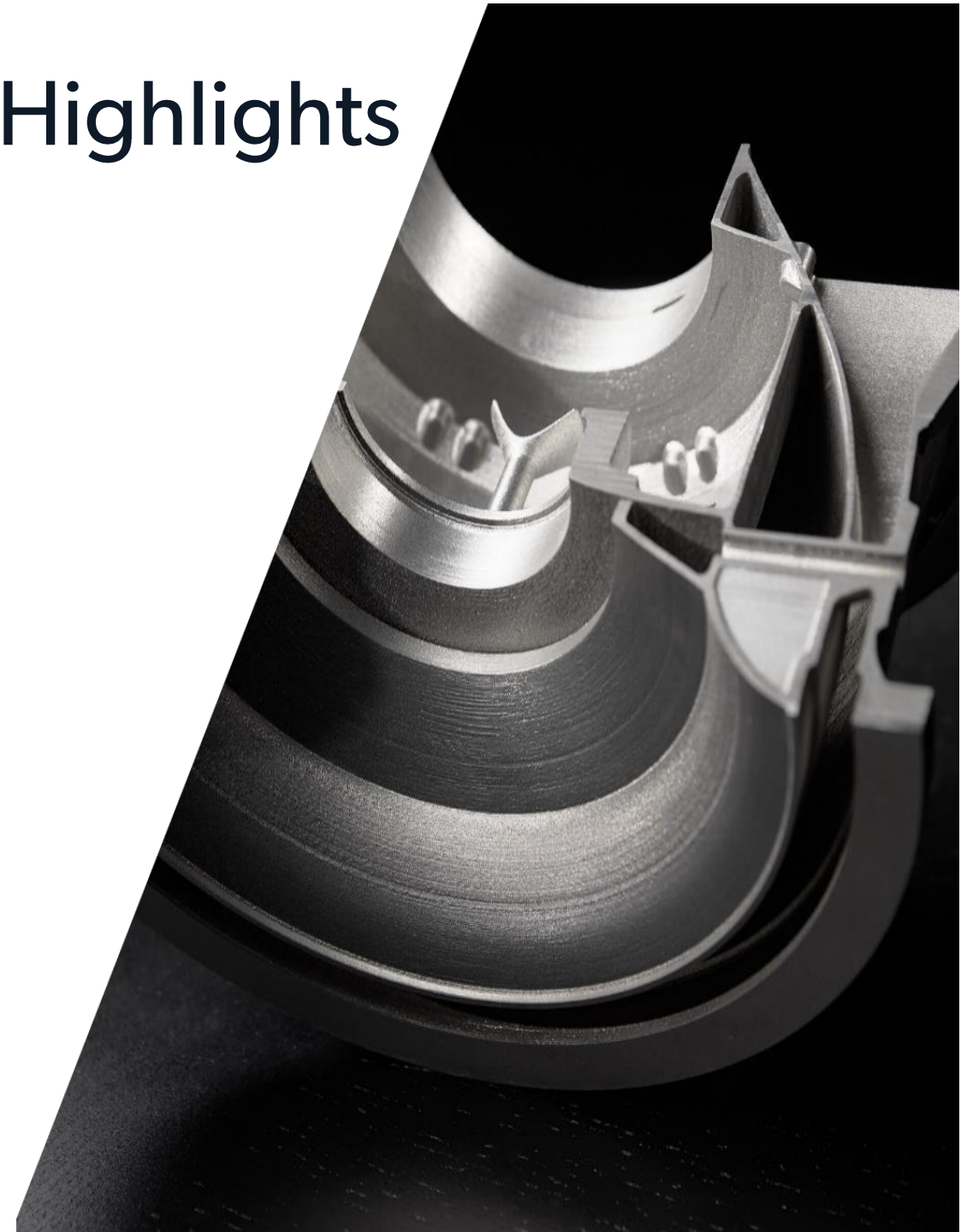
Facility consolidation - \$2.0 - \$3.0M

Review of current inventory valuation

Additional expected Q423 cash flow highlights

Customer lease terminations - \$3.0 - \$6.0M

Return of Physics X investment - \$3.0M



∇^{3D} 2023 Outlook

Q4 2023 Guidance

Revenue: \$15 - \$27M

Gross margin: 5% - 17%*

Non-GAAP Opex: \$15 - \$18M**

Updated FY 2023 Guidance

Revenue: \$91 - \$103M

Gross margin: 9% - 12%*

Non-GAAP Opex: \$78 - \$81M**

Expect to achieve free cash flow breakeven in Q224*



* Excludes impact of one-time realignment / financing activities

** The Company has not provided a reconciliation of non-GAAP operating expense guidance measures to the most directly comparable GAAP measures because certain items excluded from GAAP cannot be reasonably calculated or predicted at this time. Accordingly, a reconciliation is not available without unreasonable effort.



Q&A





VELO 3D

Appendix

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▽^{3D} Non-GAAP Reconciliation

- Non-GAAP Operating Expenses (Unaudited)

Velo3D, Inc.
NON-GAAP Adjusted Operating Expenses Reconciliation
(Unaudited)

	Three months ended				Nine months ended				Three months ended			
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022		June 30, 2023		June 30, 2022	
		% of Rev		% of Rev		% of Rev		% of Rev		% of Rev		% of Rev
Revenue	\$ 24,058	100.0 %	\$ 19,115	100.0 %	\$ 76,006	100.0 %	\$ 50,977	100.0 %	\$ 25,134	100.0 %	\$ 19,644	100.0 %
Operating expenses												
Research and development	9,819	40.8 %	12,558	65.7 %	32,820	43.2 %	38,438	75.4 %	12,454	49.6 %	12,965	66.0 %
Selling and marketing	5,772	24.0 %	5,632	29.5 %	18,054	23.8 %	17,864	35.0 %	6,108	24.3 %	6,249	31.8 %
General and administrative	11,118	46.2 %	9,642	50.4 %	31,569	41.5 %	27,191	53.3 %	10,124	40.3 %	8,259	42.0 %
Total operating expenses	26,709	111.0 %	27,832	145.6 %	82,443	108.5 %	83,493	163.8 %	28,686	114.1 %	27,473	139.9 %
Stock-based compensation	6,707	27.9 %	5,157	27.0 %	19,478	25.6 %	15,090	29.6 %	6,535	26.0 %	4,976	25.3 %
Adjusted operating expenses	\$ 20,002	83.1 %	\$ 22,675	118.6 %	\$ 62,965	82.8 %	\$ 68,403	134.2 %	\$ 22,151	88.1 %	\$ 22,497	114.5 %



Non-GAAP Reconciliation - Adjusted EBITDA (Unaudited)

	Velo3D, Inc. NON-GAAP Adjusted EBITDA Reconciliation (Unaudited)											
	Three months ended				Nine months ended				Three months ended			
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022		June 30, 2023		June 30, 2022	
		% of Rev		% of Rev		% of Rev		% of Rev		% of Rev		% of Rev
Revenue	\$ 24,058	100.0 %	\$ 19,115	100.0 %	\$ 76,006	100.0 %	\$ 50,977	100.0 %	\$ 25,134	100.0 %	\$ 19,644	100.0 %
Net Income (Loss)	(17,146)	(71.3)%	(75,195)	(393.4)%	(76,545)	(100.7)%	(12,587)	(24.7)%	(23,201)	(92.3)%	127,950	651.3 %
Interest expense	1,107	4.6 %	129	0.7 %	1,671	2.2 %	362	0.7 %	344	1.4 %	92	0.5 %
Tax expense	—	— %	—	— %	—	— %	—	— %	—	— %	—	— %
Depreciation and amortization	1,490	6.2 %	1,220	6.4 %	4,516	5.9 %	3,328	6.5 %	1,466	5.8 %	1,087	5.5 %
EBITDA	\$ (14,549)	(60.5)%	\$ (73,846)	(386.3)%	\$ (70,358)	(92.6)%	\$ (8,897)	(17.5)%	\$ (21,391)	(85.1)%	\$ 129,129	657.3 %
Stock-based compensation	6,707	27.9 %	5,157	27.0 %	19,478	25.6 %	15,090	29.6 %	6,535	26.0 %	4,976	25.3 %
(Gain) Loss on fair value of warrants	(1,587)	(6.6)%	6,612	34.6 %	138	0.2 %	(11,039)	(21.7)%	(828)	(3.3)%	(23,665)	(120.5)%
(Gain) Loss on fair value of contingent earnout liabilities	(10,810)	(44.9)%	40,885	213.9 %	(3,000)	(3.9)%	(58,110)	(114.0)%	(1,843)	(7.3)%	(130,227)	(662.9)%
Loss on fair value of debt extinguishment	3,648	15.2 %	—	— %	3,648	4.8 %	—	— %	—	— %	—	— %
Loss on extinguishment of debt	253	1.1 %	—	— %	253	0.3 %	—	— %	—	— %	—	— %
Adjusted EBITDA	\$ (16,338)	(67.9)%	\$ (21,192)	(110.9)%	\$ (49,841)	(65.6)%	\$ (62,956)	(123.5)%	\$ (17,527)	(69.7)%	\$ (19,787)	(100.7)%



Non-GAAP Reconciliation - Non-GAAP Net Loss (Unaudited)

Velo3D, Inc.
NON-GAAP Net Income (Loss) Reconciliation
(Unaudited)

	Three months ended				Nine months ended				Three months ended			
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022		June 30, 2023		June 30, 2022	
		% of Rev		% of Rev		% of Rev		% of Rev		% of Rev		% of Rev
Revenue	\$ 24,058	100.0 %	\$ 19,115	100.0 %	\$ 76,006	100.0 %	\$ 50,977	100.0 %	\$ 25,134	100.0 %	\$ 19,644	100.0 %
Gross Profit	1,738	7.2 %	(121)	(0.6)%	7,643	10.1 %	1,126	2.2 %	2,980	11.9 %	1,232	6.3 %
Net Income (Loss)	\$ (17,146)	(71.3)%	\$ (75,195)	(393.4)%	\$ (76,545)	(100.7)%	\$ (12,587)	(24.7)%	\$ (23,201)	(92.3)%	\$ 127,950	651.3 %
Stock-based compensation	6,707	27.9 %	5,157	27.0 %	19,478	25.6 %	15,090	29.6 %	6,535	26.0 %	4,976	25.3 %
(Gain) Loss on fair value of warrants	(1,587)	(6.6)%	6,612	34.6 %	138	0.2 %	(11,039)	(21.7)%	(828)	(3.3)%	(23,665)	(120.5)%
(Gain) Loss on fair value of contingent earnout liabilities	(10,810)	(44.9)%	40,885	213.9 %	(3,000)	(3.9)%	(58,110)	(114.0)%	(1,843)	(7.3)%	(130,227)	(662.9)%
Loss on fair value of debt extinguishment	3,648	15.2 %	—	— %	3,648	4.8 %	—	— %	—	— %	—	— %
Loss on extinguishment of debt	253	1.1 %	—	— %	253	0.3 %	—	— %	—	— %	—	— %
Non-GAAP Net Loss	\$ (18,935)	(78.7)%	\$ (22,541)	(117.9)%	\$ (56,028)	(73.7)%	\$ (66,646)	(130.7)%	\$ (19,337)	(76.9)%	\$ (20,966)	(106.7)%



Industry and Market Data

In this presentation, the Company relies on and refers to publicly available information and statistics regarding the market in which the Company competes and other industry data. The Company obtained this information and statistics from third-party sources, including reports by market research firms and company filings. While the Company believes such third-party information is reliable, there can be no assurance as to the accuracy or completeness of the indicated information. The Company has not independently verified the information provided by third-party sources.

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Non-GAAP Financial Information

The Company uses non-GAAP financial measures, such as Non-GAAP / Adjusted operating expenses, EBITDA, Adjusted EBITDA, Adjusted EBITDA excluding merger related transactional costs, loss on convertible note modification, and Non-GAAP net (loss), to help it make strategic decisions, establish budgets and operational goals for managing its business, analyze its financial results and evaluate its performance. The Company also believes that the presentation of these non-GAAP financial measures in this presentation provides an additional tool for investors to use in comparing the Company's core business and results of operations over multiple periods. However, the non-GAAP financial measures presented in this presentation may not be comparable to similarly titled measures reported by other companies due to differences in the way that these measures are calculated. The non-GAAP financial measures presented in this presentation should not be considered as the sole measure of the Company's performance and should not be considered in isolation from, or as a substitute for, comparable financial measures calculated in accordance with generally accepted accounting principles accepted in the United States ("GAAP"). For reconciliations of these non-GAAP financial measures to the Company's GAAP financial measures, see Appendix A to this presentation. You should review these reconciliations and not rely on any single financial measure to evaluate the Company business.