



STRATASYS

Q4 2017

FINANCIAL RESULTS CONFERENCE CALL

February 28th, 2018

stratasys[®]

Q4 2017 Conference and webcast details

Speakers

Ilan Levin
CEO

Lilach Payorski
CFO

Yonah Lloyd
VP, Investor
Relations

Live Dial-in Information

Primary Dial-in:
866-394-5776

**International Dial-
in:**
409-350-3596

**Participant
Passcode:**
3897278

Live webcast and replay:

<https://edge.media-server.com/m6/p/6oa934zt>

stratasys

Forward Looking Statement

The statements in this presentation regarding Stratasys' strategy, and the statements regarding its projected future financial performance, including the financial guidance concerning its expected results for 2018, are forward-looking statements reflecting management's current expectations and beliefs. These forward-looking statements are based on current information that is, by its nature, subject to rapid and even abrupt change. Due to risks and uncertainties associated with Stratasys' business, actual results could differ materially from those projected or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to: the degree of market acceptance of our 3D printers, high-performance systems and consumables, and the software and technology included in those systems; potential declines in the demand for, or the prices of, our products and services, or volume of our sales, due to decreased demand either for them specifically or in the 3D printing market generally; potential further charges against earnings that we could be required to take due to impairment of additional goodwill or other intangible assets; potential shifts in our product mix to lower-margin products or in our revenues mix towards our AM services business; any failure to adequately adapt our infrastructure and properly integrate the internal and external sources of our growth to generate intended benefits (including from the companies that we recently acquired); the impact of competition and new technologies; risks related to our relationships with our suppliers, resellers and independent sales agents, and our operations at our manufacturing sites; risks related to the international scope of our operations and regulatory compliance (including reporting, environmental, anti-corruption and other regulatory compliance) related to that scope of operations; risks related to the security of our information systems (including risks related to potential cyber-attacks); changes in the overall global economic environment or in political and economic conditions in the countries in which we operate; changes in our strategy; costs and potential liability relating to litigation and regulatory proceedings; and those additional factors referred to in Item 3.D "Key Information - Risk Factors", Item 4, "Information on the Company", Item 5, "Operating and Financial Review and Prospects," and all other parts of our Annual Report on Form 20-F for the year ended December 31, 2017 (the "2017 Annual Report"), which report is being filed with the Securities and Exchange Commission (the "SEC") on the same day on which this press release is being issued. Readers are urged to carefully review and consider the various disclosures made throughout our 2017 Annual Report and our other reports filed with or furnished to the SEC, which are designed to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects. Any guidance provided, and other forward-looking statements made, in this presentation are made as of the date hereof, and Stratasys 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.

Use of Non-GAAP Financial Information

The non-GAAP data that appears below, which excludes certain items as described below, are non-GAAP financial measures. Our management believes that these non-GAAP financial measures are useful information for investors and shareholders of our company in gauging our results of operations (x) on an ongoing basis after excluding merger and acquisition related expense and reorganization-related charges, and (y) excluding non-cash items such as stock-based compensation expenses, acquired intangible assets amortization, impairment of goodwill and other long-lived assets, changes in fair value of obligations in connection with acquisitions and the corresponding tax effect of those items. We also exclude, when applicable, non-recurring changes of non-cash valuation allowance on deferred tax assets, as well as, non-recurring significant tax charges or benefits that relate to prior periods which we do not believe are reflective of ongoing business and operating results. These non-GAAP adjustments either do not reflect actual cash outlays that impact our liquidity and our financial condition or have a non-recurring impact on the statement of operations, as assessed by management. These non-GAAP financial measures are presented to permit investors to more fully understand how management assesses our performance for internal planning and forecasting purposes. The limitations of using these non-GAAP financial measures as performance measures are that they provide a view of our results of operations without including all items indicated above during a period, which may not provide a comparable view of our performance to other companies in our industry. Investors and other readers should consider non-GAAP measures only as supplements to, not as substitutes for or as superior measures to, the measures of financial performance prepared in accordance with GAAP. Reconciliation between results on a GAAP and non-GAAP basis is provided on slide 19.

Ilan Levin – CEO



Opening Remarks

- Pleased with Q4 and full year 2017 results – strengthening customer relationships and deepening penetration in target verticals
- Positive market reception to new product introductions throughout 2017
- Investments in go-to-market initiatives showing positive results
- Continued operational focus and positive cash generation driven by alignment of resources and execution of strategy

Lilach Payorski – CFO

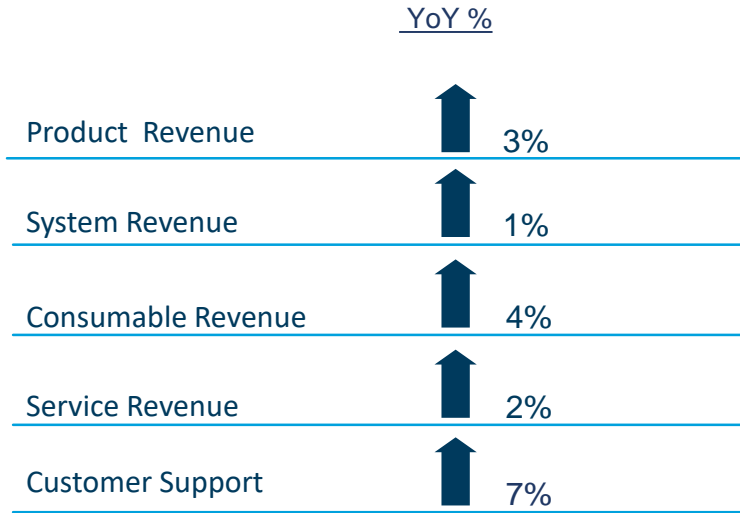
Financial Update

Financial Results Stratasys, Ltd.

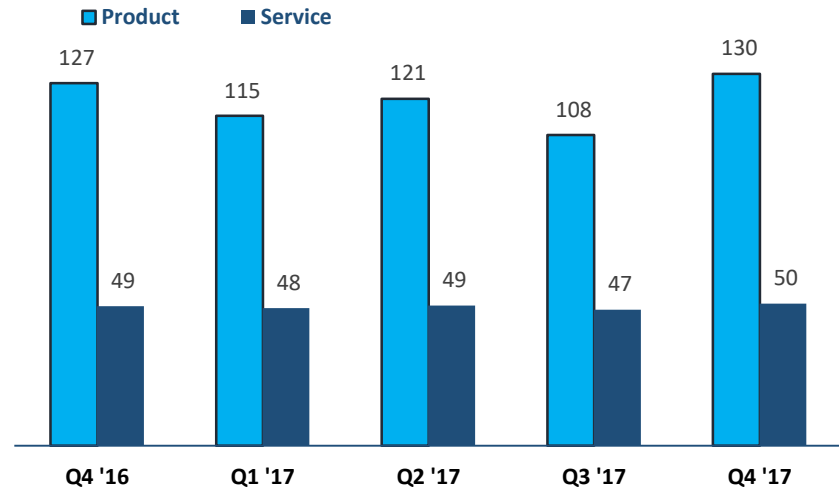
| | YoY % | GAAP | | | Non-GAAP | | | |
|---------------------------|-------|---------------------------------------------|-----------|------------|----------|---------|------------|--------|
| | | Q4-16 | Q4-17 | Change YOY | Q4-16 | Q4-17 | Change YOY | |
| Revenue | ↑ 2% | \$175.3 | \$179.3 | 2.3% | \$175.3 | \$179.3 | 2.3% | |
| GAAP Gross Profit | ↑ 5% | 82.9 | 87.3 | 4.3 | 94.0 | 94.1 | 0.1 | |
| GAAP Operating Loss | ↓ 80% | 47.3% | 48.7% | 5.2% | 53.6% | 52.5% | 0.1% | |
| Non-GAAP Gross Profit | 0% | Operating Profit (Loss) | -29.2 | -6.0 | 23.2 | 11.6 | 13.5 | 2.0 |
| Non-GAAP Operating Profit | ↑ 17% | % margin | -16.6% | -3.3% | -79.5% | 6.6% | 7.6% | 17.1% |
| | | Pre-tax Profit (Loss) | -30.0 | -5.3 | 24.7 | 10.7 | 14.2 | 3.5 |
| | | % margin | -17.1% | -3.0% | -82.3% | 6.1% | 7.9% | 32.7% |
| | | Tax Rate | 52.4% | -77.3% | 19.8 | 24.5% | 37.7% | 2.7 |
| | | | | | -126.1% | | | 104.2% |
| | | EBITDA | -7.5 | 13.4 | -279.7% | 19.3 | 22.7 | 17.6% |
| | | Net Income (loss) (attributed to SSYS Ltd.) | -14.8 | -10.0 | 4.7 | 7.8 | 8.4 | 0.6 |
| | | % margin | -8.4% | -5.6% | -32.2% | 4.5% | 4.7% | 7.9% |
| | | EPS (Diluted) | \$ (0.30) | \$ (0.19) | -37.1% | \$ 0.15 | \$ 0.16 | 7.1% |
| | | Diluted Shares | 52.8 | 53.4 | 1.1% | 53.3 | 53.6 | 0.6% |

(\$ in millions unless noted otherwise)

Financial Results – Revenue Stratasys, Ltd.



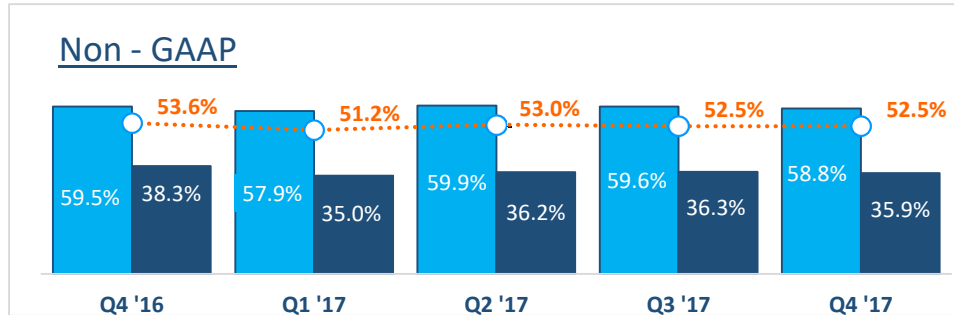
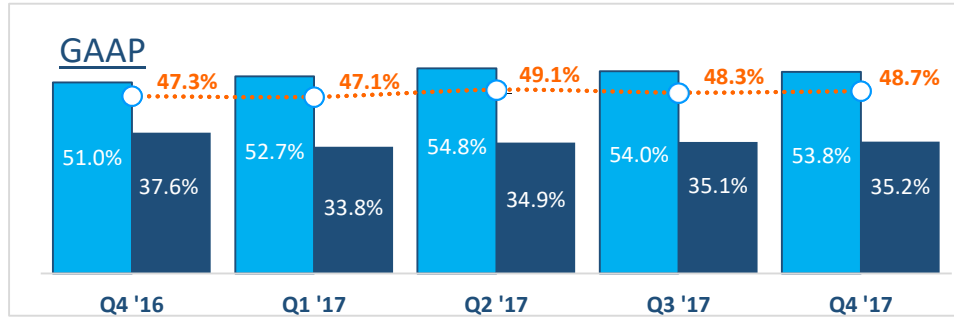
Total Revenue - Quarterly Trend



(\$ in millions unless noted otherwise)

Financial Results – Gross Margin Trends

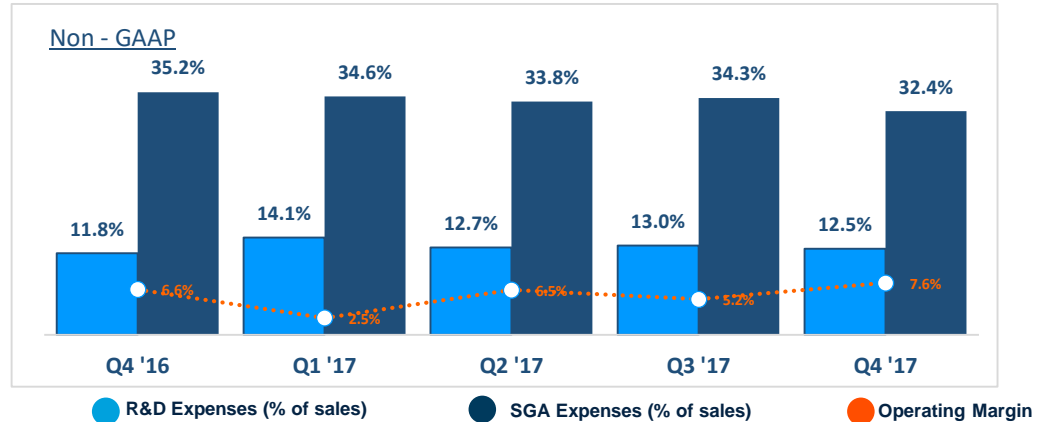
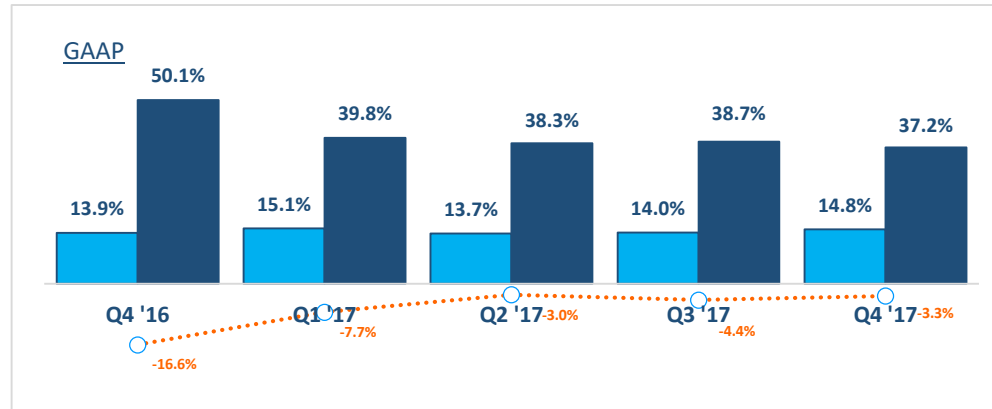
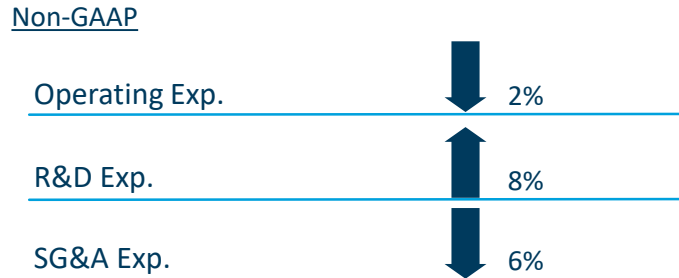
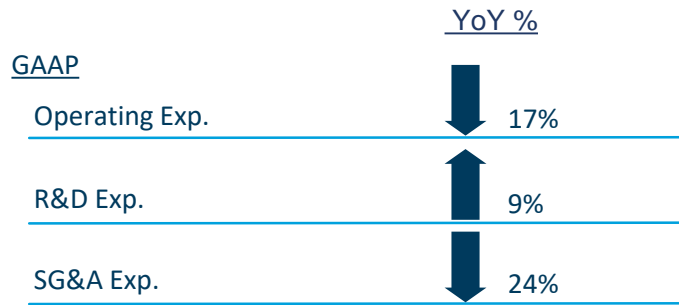
Stratasys, Ltd.



● Product Gross Margin ● Service Gross Margin ● Total Gross Margin

Financial Results – Operating Expenses & Margin Trends

Stratasys, Ltd.



Financial Results – Balance Sheet Summary & Cash Flow from Operations - Stratasy, Ltd.

| Selected Balance Sheet Items (\$ in millions) | Q4-16 | Q4-17 | |
|--------------------------------------------------|-------|-------|---|
| Cash and Cash Equivalents | 280.3 | 328.8 | ↑ |
| Accounts Receivable | 120.4 | 132.7 | ↑ |
| Inventories | 117.5 | 115.7 | ↓ |
| Net Working Capital | 338.4 | 451.6 | ↑ |

| (\$ in millions) | Q4-16 | Q4-17 | YTD Q4-16 | YTD Q4-17 |
|--------------------------------|--------|--------|-----------|-----------|
| Cash from operating activities | \$26.0 | \$21.0 | \$62.0 | \$61.9 |

(\$ in millions unless noted otherwise)

Lilach Payorski – CFO



Financial Summary

- Maintaining financial discipline and observing continued improvements in profitability
- Pleased with results of customer-centric product development
- Continuing trend of positive cash generation and maintain a strong balance sheet
- Well positioned to leverage favorable cash level on emerging opportunities going forward

Ilan Levin – CEO

STRATEGIC OVERVIEW

STRATASYS OVERVIEW

For nearly 30 years, Stratasys has been a global leader in the application of additive manufacturing technology solutions

DEEP KNOWLEDGE BASE

at SDM and largest installed base of industrial 3D printing systems

COMMITMENT TO R&D

resulting in highly proliferated, versatile, & stable FDM & PolyJet 3D printing platforms

PURPOSEFUL INNOVATION

drives development of new technology to expand markets and meet customer needs

NEW PRODUCTS

such as F123 and J700 seeing positive reception while addressing customer requirements

Stratasys Technology Platforms

FDM builds durable, accurate concept models, functional prototypes, and tools, jigs, fixtures & end-use parts for aerospace and automotive

POLYJET multi-material & multi-color for medical modeling, dental, consumer goods and packaging, and advanced prototyping



Investment Focus to Expand Addressable Markets

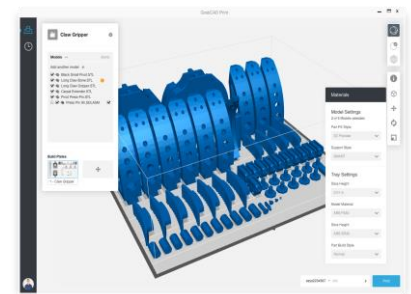
Increasing investments in following areas:

- ✓ **Composite materials for advanced manufacturing applications**
 - Composite materials increasingly playing critical role in the aerospace and automotive industries – significant growth opportunity
- ✓ **Further advancements for FDM and PolyJet technologies**
 - Versatile, stable, and highly proliferated technology platforms
 - Continued innovation driving new applications and advancements
- ✓ **Software solutions targeting high value applications**
 - Recent introductions include GrabCAD Print and GrabCAD Voxel Print, and specialized software for Fortus 900mc Aircraft Interiors Certification Solution - designed to deliver highly repeatable mechanical properties

Robotic Composite 3D Demonstrator



**GRABCAD
PRINT**



New Metal Platform

Revealing internally developed metal additive manufacturing platform

- New metal additive manufacturing platform for short run manufacturing applications
 - Incorporating proprietary jetting technology
- Current conventional solutions limited due to high costs for tooling and labor
- Adoption of current additive manufacturing alternatives held back by material variety, post-processing, and associated costs

New Stratasys metal platform designed from inception to:

- ✓ Bring values of additive manufacturing technology for short run metal production
- ✓ Utilize commonly used powder metallurgy, starting with aluminum
- ✓ Be economically competitive on cost-per-part and throughput
- ✓ Provide easy to implement post processing and high part quality

Revenue & Earnings Guidance

Revenue (M)

\$670 - \$700

GAAP Diluted EPS

\$(0.75) - \$(0.46)

Non-GAAP Diluted EPS

\$0.30 - \$0.50

Reconciliation of GAAP to Non-GAAP Guidance

(\$ in millions, except per share data)

| | |
|-------------------------------------------------|----------------------|
| Revenue | \$670 to \$700 |
| GAAP Net Loss | (\$41) to (\$25) |
| (1) Stock-Based Compensation Expense | \$17 to \$19 |
| (2) Intangible Assets Amortization Expense | \$32 to \$34 |
| (3) Reorganization and Other Related Costs | \$7 to \$9 |
| (4) Tax Expense Related to Non-GAAP Adjustments | (\$4) to (\$5) |
| Non-GAAP Net Income | \$16 to \$27 |
| GAAP Loss Per Share | (\$0.75) to (\$0.46) |
| Non-GAAP Diluted Earnings Per Share | \$0.30 to \$0.50 |

WE ARE

A GLOBAL LEADER IN APPLIED ADDITIVE TECHNOLOGY SOLUTIONS

Reconciliation of GAAP to Non-GAAP - Results of Operations Stratasys Ltd.

| | Three Months Ended December 31, 2017 | | | Three Months Ended December 31, 2016 | | |
|------------------------------------------------------------------------|--------------------------------------|-----------------|----------|--------------------------------------|-----------------|----------|
| | GAAP | Adjustments | Non-GAAP | GAAP | Adjustments | Non-GAAP |
| Gross Profit (1) | \$87,266 | \$6,864 | \$94,130 | \$82,924 | \$11,093 | \$94,017 |
| Operating income (Loss) (1,2) | (5,976) | 19,518 | 13,542 | (29,165) | 40,733 | 11,568 |
| Net income (Loss) attributable to Stratasys Ltd. (1,2,3) | (9,980) | 18,429 | 8,449 | (14,761) | 22,588 | 7,827 |
| Net income (Loss) per diluted share attributable to Stratasys Ltd. (4) | (\$0.19) | \$0.35 | \$0.16 | (\$0.30) | \$0.45 | \$0.15 |
| (1) Acquired intangible assets amortization expense | | 5,687 | | | 10,394 | |
| Impairment charges of other intangible assets | | 646 | | | 0 | |
| Non-cash stock-based compensation expense | | 497 | | | 648 | |
| Reorganization and other related costs | | 34 | | | 276 | |
| Merger and acquisition and other expense | | 0 | | | (225) | |
| | | 6,864 | | | 11,093 | |
| (2) Acquired intangible assets amortization expense | | 2,594 | | | 3,822 | |
| Non-cash stock-based compensation expense | | 3,092 | | | 4,238 | |
| Changes in fair value of obligations in connection with acquisitions | | 0 | | | (988) | |
| Impairment charges of intangible assets and other long-lived assets | | 3,742 | | | 21,774 | |
| Reorganization and other related costs | | 3,136 | | | 251 | |
| Merger and acquisition and other expense | | 90 | | | 543 | |
| | | 12,654 | | | 29,640 | |
| | | 19,518 | | | 40,733 | |
| (3) Corresponding tax effect | | (1,295) | | | (18,355) | |
| Amortization expense of associated company | | 206 | | | 210 | |
| | | \$18,429 | | | \$22,588 | |
| (4) Weighted average number of ordinary shares outstanding – Diluted | 53,356 | | 53,584 | 52,784 | | 53,255 |

(\$ in thousands except per share data)