STRATASYS
Q3 2018

Financial Results Conference Call
November 1, 2018
Q3 2018 Conference Call and Webcast Details

Speakers
• Elan Jaglom – Interim CEO
• David Reis – Vice-Chairman
• Lilach Payorski – CFO
• Yonah Lloyd – VP, Investor Relations

Live webcast and replay:
https://edge.media-server.com/m6/p/a8omzkp4

Live Dial-in Information
Primary Dial-in:
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International Dial-in:
+1-409-350-3596

Participant Passcode:
2963439
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”), filed with the Securities and Exchange Commission (the “SEC”) on February 28th, 2018. Readers are urged to carefully review and consider the various disclosures made throughout our 2017 Annual Report, and the Report on Form 6-K that attaches Stratasys’ unaudited, condensed consolidated financial statements as of, and for the quarter and nine months ended, September 30, 2018, and its review of its results of operations and financial condition for those periods, which has been furnished to the SEC on or about the date hereof, 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 press release 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 mergers, acquisitions and divestments related expense or gains and reorganization-related charges or gains, and (y) excluding non-cash items such as stock-based compensation expenses, acquired intangible assets amortization, including intangible assets amortization related to equity method investments, impairment of long-lived assets, changes in fair value of obligations in connection with acquisitions and the corresponding tax effect of those items. 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 20.
Elan Jaglom
Interim CEO

Opening Remarks
• Pleased with third quarter results
• Continued recovery in high-end system orders
• Improved results at Stratasys Direct Manufacturing
• Steady growth in consumables and services

Make it Better. Make it with Stratasys.
FINANCIAL UPDATE

Lilach Payorski – CFO
# Financial Results

<table>
<thead>
<tr>
<th></th>
<th>GAAP</th>
<th>Non-GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3 ’17</td>
<td>Q3 ’18</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>155.9</td>
<td>162.0</td>
</tr>
<tr>
<td>Gross Profit % Margin</td>
<td>75.2</td>
<td>78.9</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>(6.9)</td>
<td>3.4</td>
</tr>
<tr>
<td>Pre-Tax Income (Loss)</td>
<td>(7.2)</td>
<td>3.3</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>-35.8%</td>
<td>9.2%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>9.4</td>
<td>14.7</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>(10.2)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>EPS (Diluted)</td>
<td>(0.19)</td>
<td>(0.01)</td>
</tr>
<tr>
<td>Diluted Shared</td>
<td>53.0</td>
<td>53.8</td>
</tr>
</tbody>
</table>

($ in millions unless noted otherwise)

- Revenue 4%
- GAAP Gross Profit 5%
- GAAP Operating Income 149%
- Non-GAAP Gross Profit 3%
- Non-GAAP Operating Income 1%
Financial Results Revenue

Total Revenue - Quarterly Trend

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Total Revenue</th>
<th>Product</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 '17</td>
<td>155.9</td>
<td>108.4</td>
<td>47.5</td>
</tr>
<tr>
<td>Q4 '17</td>
<td>179.3</td>
<td>129.8</td>
<td>49.6</td>
</tr>
<tr>
<td>Q1 '18</td>
<td>153.8</td>
<td>103.9</td>
<td>50.0</td>
</tr>
<tr>
<td>Q2 '18</td>
<td>170.2</td>
<td>118.4</td>
<td>51.8</td>
</tr>
<tr>
<td>Q3 '18</td>
<td>162.0</td>
<td>109.6</td>
<td>52.4</td>
</tr>
</tbody>
</table>

- Product Revenue 1%
- System Revenue 0%
- Consumable Revenue 3%
- Service Revenue 10%
- Customer Support 7%

($) in millions unless noted otherwise
Financial Results – Gross Margin Trends

**GAAP**

<table>
<thead>
<tr>
<th></th>
<th>Q3 ‘17</th>
<th>Q4 ‘17</th>
<th>Q1 ‘18</th>
<th>Q2 ‘18</th>
<th>Q3 ‘18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Gross Margin</td>
<td>54.0%</td>
<td>53.8%</td>
<td>56.5%</td>
<td>55.0%</td>
<td>55.6%</td>
</tr>
<tr>
<td>Service Gross Margin</td>
<td>48.3%</td>
<td>48.7%</td>
<td>49.2%</td>
<td>49.1%</td>
<td>48.7%</td>
</tr>
<tr>
<td>Total Gross Margin</td>
<td>35.1%</td>
<td>35.2%</td>
<td>34.0%</td>
<td>35.7%</td>
<td>34.2%</td>
</tr>
</tbody>
</table>

**Non-GAAP**

<table>
<thead>
<tr>
<th></th>
<th>Q3 ‘17</th>
<th>Q4 ‘17</th>
<th>Q1 ‘18</th>
<th>Q2 ‘18</th>
<th>Q3 ‘18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Gross Margin</td>
<td>59.6%</td>
<td>58.8%</td>
<td>61.7%</td>
<td>59.6%</td>
<td>60.6%</td>
</tr>
<tr>
<td>Service Gross Margin</td>
<td>52.5%</td>
<td>52.5%</td>
<td>52.8%</td>
<td>52.5%</td>
<td>52.1%</td>
</tr>
<tr>
<td>Total Gross Margin</td>
<td>36.3%</td>
<td>35.9%</td>
<td>34.4%</td>
<td>36.2%</td>
<td>34.5%</td>
</tr>
</tbody>
</table>
Financial Results – Operating Expense and Margin

GAAP

**Q3 '17**
- R&D Expense (% of revenue): 14.0%
- SG&A Expense (% of revenue): 38.7%

**Q3 '18**
- R&D Expense (% of revenue): 15.9%
- SG&A Expense (% of revenue): 30.7%

△ GAAP Operating Expense 8%
▲ Non-GAAP Operating Expense 3%
▲ GAAP R&D Expense 18%
▼ GAAP SG&A Expense 17%

Operating Margin

- Q3 '17: 5.2%
- Q4 '17: 7.6%
- Q1 '18: 3.2%
- Q2 '18: 6.2%
- Q3 '18: 5.0%

- Q3 '17: 2.1%
- Q4 '17: -1.1%
- Q1 '18: -4.2%
- Q2 '18: -3.3%
- Q3 '18: -4.4%

GAAP Non-GAAP

Stratasys
## Financial Results – Balance Sheet Summary & Cash Flow From Operations

<table>
<thead>
<tr>
<th></th>
<th>Dec ’17</th>
<th>June ’18</th>
<th>Sept ’18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>328.8</td>
<td>346.7</td>
<td>348.9</td>
</tr>
<tr>
<td>Accounts Receivable, net</td>
<td>132.7</td>
<td>123.5</td>
<td>129.5</td>
</tr>
<tr>
<td>Inventories</td>
<td>115.7</td>
<td>117.0</td>
<td>118.1</td>
</tr>
<tr>
<td>Net Working Capital</td>
<td>451.6</td>
<td>453.1</td>
<td>483.9</td>
</tr>
</tbody>
</table>

($ in millions unless noted otherwise)

### Cash Flow From Operating Activities

<table>
<thead>
<tr>
<th></th>
<th>Q3 ’17</th>
<th>Q3 ’18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 ’17 YTD</td>
<td>40.9</td>
<td>45.0</td>
</tr>
<tr>
<td>Q3 ’18 YTD</td>
<td>4.6</td>
<td>5.0</td>
</tr>
</tbody>
</table>
Lilach Payorski  
CFO

Financial Summary
- Revenue results in-line with expectations and reflect continued recovery in high-end system sales
- Pleased with growth in services revenue, including improvements at Stratasys Direct Manufacturing
- Recurring revenue demonstrates strength of installed base of systems
- Pleased with operating expense controls - while investing for short and long-term growth
- Continued trend of positive cash generation from operating activities, and maintain healthy balance sheet
UPDATE ON
CEO SEARCH

Elan Jaglom – Interim CEO
Update on CEO Search

Executive Search Committee

Elan Jaglom
Chairman of Board and Interim CEO

Victor Leventhal
Chairman of Compensation Committee

Candidates Being Interviewed:

✓ Strong leaders
✓ Global backgrounds
✓ Operational experience
Q3 UPDATE

David Reis – Vice Chairman
Manufacturing Customer Commitment Increasing

Siemens Mobility – AM Adoption

- April 2017 - Siemens Mobility begins providing rail industry with 3D printed parts
- Sept 2018 – Siemens Mobility announced its first digital rail maintenance center – the Siemens Mobility RRX Rail Service Center in Germany

Manufacturing Customers – Featured at IMTS

- FedEx – developing supply chain efficiencies
- SSL – Aerospace lay-up tooling with FDM
- Lockheed Martin – Antero PEKK for space program
- Team Penske – End use parts for NASCAR racing

New Innovations to Drive Adoption & Expand Addressable Markets

Metal/FDM/PolyJet
Stratasys Direct Manufacturing (SDM)

Improved performance driven by:

• SDM benefiting from organizational changes – now under North American sales
• Beginning to realize cross-selling synergies
  Parts sell printers ≫ Printers sell parts
• Strong growth in manufacturing orders
• Increase in larger orders for complex projects and programs to top OEMs
• Positive mix shift toward AM vs. legacy traditional technologies
Revenue & Earnings Guidance

Revenue (M)
$670 - $680

GAAP Diluted EPS
$(0.19) - $(0.04)

Non-GAAP Diluted EPS
$0.50 - $0.55

Reconciliation of GAAP to Non-GAAP Guidance
($ in millions, except per share data)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$670 to $680</td>
</tr>
<tr>
<td>GAAP Net Loss</td>
<td>($10) to $(2)</td>
</tr>
<tr>
<td>(1) Stock-Based Compensation Expense</td>
<td>$16 to $17</td>
</tr>
<tr>
<td>(2) Intangible Assets Amortization Expense</td>
<td>$34</td>
</tr>
<tr>
<td>(3) Net Gains from Divestitures</td>
<td>($23) to ($22)</td>
</tr>
<tr>
<td>(4) Reorganization Related Expense</td>
<td>$6 to $7</td>
</tr>
<tr>
<td>(5) Tax Expense (Income) Related to Non-GAAP Adjustments</td>
<td>($1) to $1</td>
</tr>
<tr>
<td>Non-GAAP Net Income</td>
<td>$27 to $30</td>
</tr>
<tr>
<td>GAAP Loss Per Share</td>
<td>($0.19) to ($0.04)</td>
</tr>
<tr>
<td>Non-GAAP Diluted Earnings Per Share</td>
<td>$0.50 to $0.55</td>
</tr>
</tbody>
</table>
Thank You

Make it Better. Make it with Stratasys.
<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended September 30, 2018</th>
<th></th>
<th>Three Months Ended September 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GAAP</td>
<td>Adjustments</td>
<td>Non-GAAP</td>
</tr>
<tr>
<td>Gross Profit (1)</td>
<td>$78,928</td>
<td>$5,545</td>
<td>$84,473</td>
</tr>
<tr>
<td>Operating income (Loss) (1,2)</td>
<td>3,350</td>
<td>4,815</td>
<td>8,165</td>
</tr>
<tr>
<td>Net income (Loss) attributable to Stratasys Ltd. (1,2,3)</td>
<td>(679)</td>
<td>6,383</td>
<td>5,704</td>
</tr>
<tr>
<td>Net income (Loss) per diluted share attributable to Stratasys Ltd. (4)</td>
<td>($0.01)</td>
<td>$0.12</td>
<td>$0.11</td>
</tr>
</tbody>
</table>

(1) Acquired intangible assets amortization expense
Non-cash stock-based compensation expense
Reorganization and other related costs
Merger and acquisition related expense

5,221
351
(27)
0

5,545

5,688
642
72
196

6,598

(2) Acquired intangible assets amortization expense
Non-cash stock-based compensation expense
Changes in fair value of obligations in connection with acquisitions
Gain from divestiture, net of transaction costs
Reorganization and other related costs
Merger and acquisition related expense

2,532
3,662
0
(7,016)
92
0

-730
4,815

8,335
14,933

(3) Corresponding tax effect
Acquired intangibles assets amortization and write-off related to equity method investments

(750)
2,318

$6,383

(836)
202

$14,299

(4) Weighted average number of ordinary shares outstanding – Diluted

53,769
53,992

53,012
53,664

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