

Desktop Metal Announces Second Quarter 2023 Financial Results

- Revenue of \$53.3 million, up 29% sequentially
- GAAP gross margin of 11%; non-GAAP gross margin of 31%
- Best quarter of adjusted EBITDA since going public
- Year-over-year improvements to non-GAAP gross margins, operating expenses, adjusted EBITDA, and operating cash flow in second quarter 2023
- Cash, cash equivalents, and short-term investments closed second quarter 2023 at \$127.6 million, down \$22.2 million from the close of first quarter 2023
- Reaffirming full year 2023 guidance of revenue between \$210 to \$260 million, and adjusted EBITDA between \$(50) to \$(25) million, with expectation to achieve adjusted EBITDA breakeven before year end 2023
- Announced definitive agreement to combine with Stratasys in an approximately \$1.8 billion all-stock transaction

BOSTON--(BUSINESS WIRE)-- Desktop Metal, Inc. (NYSE: DM) today announced its financial results for the second quarter ended June 30, 2023.

“We are very pleased with our operational execution this quarter as we delivered strong sequential revenue growth, driving significant gross margin expansion and the best adjusted EBITDA since going public,” said Ric Fulop, Founder and CEO of Desktop Metal. “Desktop Metal continues to execute on our cost reduction plans, and with strong growth drivers and customer demand trends entering second half 2023, we are confident in our growth projections, improving margin profile, and adjusted EBITDA commitments.”

Fulop continued, “We also recently signed a definitive agreement to combine with Stratasys in an approximately \$1.8 billion all-stock transaction, establishing a powerhouse in global industrial additive manufacturing. We are very committed to this combination as we believe the combined company’s scale, complementary portfolio with minimal overlap, and enhanced growth and profitability are well-positioned to serve the evolving needs of customers in manufacturing.”

Second Quarter 2023 and Recent Business Highlights:

- Continued execution of cost reduction plans with year-over-year improvements to non-GAAP gross margins, operating expenses, adjusted EBITDA, and operating cash flow in second quarter 2023
- 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
- Progress on monetizing DLP intellectual property portfolio, including signed commercial supply agreement of Flexcera™ materials for Carbon 3D

- Desktop Health introduced PrintRoll™ rotating build platform for the 3D-Bioplotter®, a first-of-its-kind bioprinting tool to develop tubular solutions for vascular, digestive, respiratory, and other channels
- Successfully showcased the leadership of our ExOne digital casting brand at GIFA, the world's leading foundry trade fair held every four years in Germany, where our S-Max printer brand dominates digital casting market share

Second Quarter 2023 Financial Highlights:

- Revenue of \$53.3 million, up 29.0% from first quarter 2023 revenue of \$41.3 million
- GAAP gross margin of 11.4%; non-GAAP gross margin of 31.0%, an improvement of 1,300 basis points from first quarter 2023, and 435 basis points from second quarter 2022
- GAAP net loss of \$49.7 million, including \$10.5 million amortization of acquired intangibles; non-GAAP net loss of \$19.3 million
- Adjusted EBITDA of \$(15.0) million, an improvement of \$12.5 million from second quarter 2022, and the best quarter of adjusted EBITDA since going public
- Cash, cash equivalents, and short-term investments of \$127.6 million as of June 30, 2023, down \$22.2 million from the close of first quarter 2023

Financial Outlook:

- Reaffirming revenue expectation of between \$210 to \$260 million for full year 2023
- Reaffirming Adjusted EBITDA expectation of between \$(50) to \$(25) million for full year 2023, with expectation to achieve Adjusted EBITDA breakeven before year end 2023

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. See “Non-GAAP Financial Information.”

Combination with Stratasys:

- As announced on May 25, 2023, Stratasys and Desktop Metal entered into a definitive agreement whereby the companies will combine in an all-stock transaction valued at approximately \$1.8 billion. The proposed agreement has been unanimously approved by the Boards of Directors of both companies, and is expected to close during the fourth quarter of 2023, subject to customary closing conditions, including regulatory and shareholder approval of both companies
- Under the terms of the agreement, Desktop Metal stockholders will receive 0.123 ordinary shares of Stratasys for each share of Desktop Metal Class A common stock. Following the closing of the transaction, legacy Desktop Metal stockholders will own approximately 41% of the combined company, and existing Stratasys shareholders will own approximately 59% of the combined company, in each case, on a fully diluted basis

Conference Call Information:

Desktop Metal will host a conference call on Thursday, August 3, 2023 to discuss second quarter 2023 results. Participants may access the call at 1-888-999-3182, international callers may use 1-848-280-6330, and request to join the Desktop Metal financial results

conference call. A simultaneous webcast of the conference call and the accompanying summary presentation may be accessed online at the Events & Presentations section of ir.desktopmetal.com. A replay will be available shortly after the conclusion of the conference call at the same website.

About Desktop Metal:

Desktop Metal (NYSE:DM) is driving Additive Manufacturing 2.0, a new era of on-demand, digital mass production of industrial, medical, and consumer products. Our innovative 3D printers, materials, and software deliver the speed, cost, and part quality required for this transformation. We're the original inventors and world leaders of the 3D printing methods we believe will empower this shift, binder jetting and digital light processing. Today, our systems print metal, polymer, sand and other ceramics, as well as foam and recycled wood. Manufacturers use our technology worldwide to save time and money, reduce waste, increase flexibility, and produce designs that solve the world's toughest problems and enable once-impossible innovations. Learn more about Desktop Metal and our #TeamDM brands at www.desktopmetal.com.

Forward-looking Statements:

This press release contains forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical facts contained in these communications, including statements regarding Desktop Metal's future results of operations and financial position, financial targets, business strategy, plans and objectives for future operations, and statements relating to the proposed transaction between Stratasys Ltd. ("Stratasys") and Desktop Metal, including statements regarding the benefits of the transaction and the anticipated timing of the transaction, are forward-looking statements. Forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are predictions, projections and other statements about future events that are based on current expectations and assumptions and, as a result, are subject to risks and uncertainties. Many factors could cause actual future events to differ materially from the forward-looking statements in this document, including but not limited to: risks associated with the integration of the business and operations of acquired businesses; Desktop Metals' ability to realize the benefits from cost saving measures; supply and logistics disruptions, including shortages and delays, the ultimate outcome of the proposed transaction between Stratasys and Desktop Metal, including the possibility that Stratasys or Desktop Metal shareholders will reject the proposed transaction; the effect of the announcement of the proposed transaction on the ability of Desktop Metal to operate its business and retain and hire key personnel and to maintain favorable business relationships; the timing of the proposed transaction; the occurrence of any event, change or other circumstance that could give rise to the termination of the proposed transaction; the ability to satisfy closing conditions to the completion of the proposed transaction (including any necessary shareholder approvals); other risks related to the completion of the proposed transaction and actions related thereto. For more information about risks and uncertainties that may impact Desktop Metal's business, financial condition, results of operations and prospects generally, please refer to Desktop Metal's reports filed with the SEC, including without limitation the "Risk Factors" and/or other information included in the Form 10-Q filed

with the SEC on August 3, 2023, and such other reports as Desktop Metal has filed or may file with the SEC from time to time. 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. Forward-looking statements speak only as of the date they are made. Readers are cautioned not to put undue reliance on forward-looking statements, and Desktop Metal, Inc. assumes no obligation and does not intend to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise.

Risks related to the proposed transaction are included in the registration statement on Form F-4, including the preliminary joint proxy statement/prospectus, that has been filed with the Securities and Exchange Commission ("SEC") in connection with the proposed transaction. While the list of factors presented here is, and the list of factors presented in the registration statement on Form F-4 are, considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. For additional information about other factors that could cause actual results to differ materially from those described in the forward-looking statements, please refer to Stratasys' and Desktop Metal's respective periodic reports and other filings with the SEC, including the risk factors identified in Stratasys' and Desktop Metal's Annual Reports on Form 20-F and Form 10-K, respectively, and Stratasys' most recent Form 6-K report that published its quarterly results, and Desktop Metal's most recent Quarterly Reports on Form 10-Q. The forward-looking statements included in this press release are made only as of the date hereof. Neither Stratasys nor Desktop Metal undertakes any obligation to update any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

No Offer or Solicitation

This press release is not intended to and shall not constitute an offer to buy or sell or the solicitation of an offer to buy or sell any securities, or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made, except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended.

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 Stratasy, 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 Stratasy will be available free of charge on Stratasy's website at <https://investors.stratasy.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

Stratasy, 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 Stratasy, including a description of their direct or indirect interests, by security holdings or otherwise, is set forth in Stratasy's proxy statement for its 2023 Annual General Meeting of Shareholders, which was filed with the SEC on July 12, 2023, and Stratasy's 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 Stratasy or Desktop Metal using the sources indicated above.

DESKTOP METAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in thousands, except share and per share amounts)

	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 121,660	\$ 76,291
Current portion of restricted cash	824	4,510
Short-term investments	5,933	108,243
Accounts receivable	41,235	38,481
Inventory	100,330	91,736
Prepaid expenses and other current assets	17,041	16,325
Assets held for sale	—	830
Total current assets	287,023	336,416
Restricted cash, net of current portion	612	1,112
Property and equipment, net	42,307	56,271
Goodwill	112,741	112,955
Intangible assets, net	199,609	219,830
Other noncurrent assets	34,806	27,763
Total Assets	\$ 677,098	\$ 754,347
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 25,041	\$ 25,105
Customer deposits	9,275	11,526
Current portion of lease liability	5,931	5,730
Accrued expenses and other current liabilities	28,724	26,723
Current portion of deferred revenue	12,799	13,719
Current portion of long-term debt	389	584
Total current liabilities	82,159	83,387
Long-term debt, net of current portion	187	311
Convertible notes	112,199	111,834
Lease liability, net of current portion	23,196	17,860
Deferred revenue, net of current portion	3,711	3,664
Deferred tax liability	8,060	8,430
Other noncurrent liabilities	3,127	1,359
Total liabilities	232,639	226,845
Commitments and Contingencies (Note 17)		
Stockholders' Equity		
Preferred Stock, \$0.0001 par value—authorized, 50,000,000 shares; no shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	—	—
Common Stock, \$0.0001 par value—500,000,000 shares authorized; 322,656,280 and 318,235,106 shares issued at June 30, 2023 and December 31, 2022, respectively, 322,630,201 and 318,133,434 shares outstanding at June 30, 2023 and December 31, 2022, respectively	32	32
Additional paid-in capital	1,893,548	1,874,792
Accumulated deficit	(1,411,323)	(1,308,954)
Accumulated other comprehensive loss	(37,798)	(38,368)
Total Stockholders' Equity	444,459	527,502
Total Liabilities and Stockholders' Equity	\$ 677,098	\$ 754,347

See notes to condensed consolidated financial statements.

DESKTOP METAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues				
Products	\$ 47,398	\$ 52,672	\$ 84,095	\$ 92,148
Services	5,888	5,002	10,507	9,232
Total revenues	53,286	57,674	94,602	101,380
Cost of sales				
Products	43,224	44,913	82,115	86,815
Services	3,973	4,364	7,762	7,496
Total cost of sales	47,197	49,277	89,877	94,311
Gross profit	6,089	8,397	4,725	7,069
Operating expenses				
Research and development	21,223	31,370	44,367	55,975
Sales and marketing	10,440	20,406	20,047	40,070
General and administrative	22,944	19,691	41,145	43,573
Goodwill impairment	—	229,500	—	229,500
Total operating expenses	54,607	300,967	105,559	369,118
Loss from operations	(48,518)	(292,570)	(100,834)	(362,049)
Interest expense	(1,109)	(633)	(1,920)	(601)
Interest and other (expense) income, net	(78)	(5,013)	(149)	(6,766)
Loss before income taxes	(49,705)	(298,216)	(102,903)	(369,416)
Income tax benefit (expense)	(23)	944	534	2,200
Net loss	\$ (49,728)	\$ (297,272)	\$ (102,369)	\$ (367,216)
Net loss per share—basic and diluted	\$ (0.15)	\$ (0.95)	\$ (0.32)	\$ (1.17)
Weighted average shares outstanding, basic and diluted	321,655,818	313,556,886	320,382,809	312,798,328

See notes to condensed consolidated financial statements.

DESKTOP METAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net loss	\$ (49,728)	\$ (297,272)	\$ (102,369)	\$ (367,216)
Other comprehensive loss, net of taxes:				
Unrealized gain (loss) on available-for-sale marketable securities, net	148	(41)	337	(29)
Foreign currency translation adjustment	(1,316)	(27,411)	233	(38,458)
Total comprehensive loss, net of taxes of \$0	\$ (50,896)	\$ (324,724)	\$ (101,799)	\$ (405,703)

See notes to condensed consolidated financial statements.

DESKTOP METAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(in thousands, except share amounts)

Three Months Ended June 30, 2023

	Common Stock Voting		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
BALANCE—April 1, 2023	320,401,389	\$ 32	\$ 1,883,764	\$ (1,361,595)	\$ (36,630)	\$ 485,571
Exercise of Common Stock options	472,235	—	560	—	—	560
Vesting of restricted Common Stock	50,218	—	—	—	—	—
Vesting of restricted stock units	1,266,620	—	—	—	—	—
Repurchase of shares for employee tax withholdings	(5,054)	—	(11)	—	—	(11)
Issuance of Common Stock related to settlement of contingent consideration	444,793	—	797	—	—	797
Stock-based compensation expense	—	—	8,438	—	—	8,438
Net loss	—	—	—	(49,728)	—	(49,728)
Other comprehensive income (loss)	—	—	—	—	(1,168)	(1,168)
BALANCE—June 30, 2023	322,630,201	\$ 32	\$ 1,893,548	\$ (1,411,323)	\$ (37,798)	\$ 444,459

Six Months Ended June 30, 2023

	Common Stock Voting		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
BALANCE—January 1, 2023	318,133,434	\$ 32	\$ 1,874,792	\$ (1,308,954)	\$ (38,368)	\$ 527,502
Exercise of Common Stock options	968,111	—	1,157	—	—	1,157
Vesting of restricted Common Stock	75,593	—	—	—	—	—
Vesting of restricted stock units	3,075,042	—	—	—	—	—
Repurchase of shares for employee tax withholdings	(66,772)	—	(109)	—	—	(109)
Issuance of Common Stock related to settlement of contingent consideration	444,793	—	797	—	—	797
Stock-based compensation expense	—	—	16,911	—	—	16,911
Net loss	—	—	—	(102,369)	—	(102,369)
Other comprehensive income (loss)	—	—	—	—	570	570
BALANCE—June 30, 2023	322,630,201	\$ 32	\$ 1,893,548	\$ (1,411,323)	\$ (37,798)	\$ 444,459

See notes to condensed consolidated financial statements.

DESKTOP METAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (102,369)	\$ (367,216)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	26,965	25,602

Stock-based compensation	19,016	26,917
Goodwill impairment	—	229,500
Amortization (accretion) of discount on investments	(484)	390
Amortization of deferred costs on convertible notes	365	39
Provision for bad debt	962	554
Provision for slow-moving, obsolete, and lower of cost or net realizable value inventories, net	—	—
Loss on disposal of property and equipment	496	156
Net increase (decrease) in accrued interest related to marketable securities	238	917
Net unrealized (gain) loss on equity investment	148	5,080
Net unrealized (gain) loss on other investments	—	800
Deferred tax benefit	(534)	(2,188)
Change in fair value of contingent consideration	—	4
Foreign currency transaction (gain) loss	97	430
Changes in operating assets and liabilities:		
Accounts receivable	(3,661)	8,250
Inventory	(8,760)	(25,384)
Prepaid expenses and other current assets	(675)	(2,994)
Other assets	1,595	1,117
Accounts payable	(407)	(2,767)
Accrued expenses and other current liabilities	1,097	(7,337)
Customer deposits	(2,322)	(1,412)
Deferred revenue	(918)	(70)
Change in right of use assets and lease liabilities, net	(3,110)	(1,467)
Other liabilities	1,767	30
Net cash used in operating activities	(70,494)	(111,049)
Cash flows from investing activities:		
Purchases of property and equipment	(1,305)	(6,747)
Proceeds from sale of property and equipment	9,942	6
Purchase of marketable securities	(4,973)	(126,771)
Proceeds from sales and maturities of marketable securities	107,719	177,150
Cash paid for acquisitions, net of cash acquired	(500)	(23)
Net cash provided by investing activities	110,883	43,615
Cash flows from financing activities:		
Proceeds from the exercise of stock options	1,157	1,266
Payment of taxes related to net share settlement upon vesting of restricted stock units	(108)	(191)
Repayment of loans	(328)	(231)
Proceeds from issuance of convertible notes	—	115,000
Costs incurred in connection with the issuance of convertible notes	—	(3,619)
Net cash provided by financing activities	721	112,225
Effect of exchange rate changes on cash, cash equivalents and restricted cash	73	(819)
Net increase (decrease) in cash, cash equivalents, and restricted cash	41,183	43,972
Cash, cash equivalents, and restricted cash at beginning of period	81,913	68,258
Cash, cash equivalents, and restricted cash at end of period	\$ 123,096	\$ 112,230
Supplemental disclosures of cash flow information		
Reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets that sum to the total shown in the condensed consolidated statements of cash flows:		
Cash and cash equivalents	\$ 121,660	\$ 107,966
Restricted cash included in other current assets	824	3,152
Restricted cash included in other noncurrent assets	612	1,112
Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows	<u>\$ 123,096</u>	<u>\$ 112,230</u>
Supplemental cash flow information:		
Interest paid	\$ —	\$ —
Taxes paid	\$ —	\$ —
Non-cash investing and financing activities:		
Net unrealized (gain) loss on investments	\$ (337)	\$ 29

Common Stock issued for settlement of contingent consideration	\$ 797	\$ 500
Deferred contract costs	\$ —	\$ 1,341
Additions to right of use assets and lease liabilities	\$ 8,489	\$ 7,784
Purchase of property and equipment included in accounts payable	\$ 365	\$ 1,022
Purchase of property and equipment included in accrued expense	\$ 32	\$ —
Transfers from property and equipment to inventory	\$ 841	\$ 1,954
Transfers from PP&E to Asset Held-For-Sale	\$ —	\$ —
Transfers from inventory to property and equipment	\$ 1,345	\$ 1,531

See notes to condensed consolidated financial statements.

Non-GAAP Financial Information

This press release contains non-GAAP financial measures, including non-GAAP gross margin, non-GAAP operating loss, non-GAAP net loss, non-GAAP operating expense, EBITDA and Adjusted EBITDA.

- We define non-GAAP gross margin as GAAP gross margin excluding the effect of stock-based compensation, amortization of acquired intangible assets, restructuring, acquisition-related and integration costs, and inventory step-up adjustments
- We define non-GAAP operating loss as GAAP operating loss excluding the effect of stock-based compensation, amortization of acquired intangible assets, restructuring, inventory step-up adjustments, and acquisition-related and integration costs
- We define non-GAAP net loss as GAAP net loss excluding the effect of stock-based compensation, amortization of acquired intangible assets, restructuring, inventory step-up adjustments, acquisition-related and integration costs, and change in fair value of investments
- We define non-GAAP operating expense as GAAP operating expense excluding the effect of stock-based compensation, amortization of acquired intangible assets, restructuring, and acquisition-related and integration costs including in operating expenses
- We define EBITDA as GAAP net income (loss) excluding interest, income taxes, and depreciation and amortization expense
- We define Adjusted EBITDA as EBITDA excluding change in fair value of investments, inventory step-up adjustments, stock-based compensation, restructuring, and acquisition-related and integration costs

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. We believe that this non-GAAP financial information, when taken collectively, may be helpful to investors in assessing Desktop Metal's operating performance.

We believe that the use of Non-GAAP gross margin, non-GAAP operating loss, non-GAAP net loss, non-GAAP operating expense, EBITDA and Adjusted EBITDA provides an additional tool for investors to use in evaluating ongoing operating results and trends because it eliminates the effect of financing, capital expenditures, and non-cash expenses such as stock-based compensation and warrants, and provides investors with a means to compare Desktop Metal's financial measures with those of comparable companies, which may present similar non-GAAP financial measures to investors. However, investors should

be aware that when evaluating non-GAAP gross margin, non-GAAP operating loss, non-GAAP net loss, non-GAAP operating expense, EBITDA and Adjusted EBITDA, we may incur future expenses similar to those excluded when calculating these measures. In addition, our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our computation of these measures may not be comparable to other similarly titled measures computed by other companies because not all companies calculate these measures in the same fashion.

Because of these limitations, non-GAAP gross margin, non-GAAP operating loss, non-GAAP net loss, non-GAAP operating expense, EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using non-GAAP gross margin, non-GAAP operating loss, non-GAAP net loss, non-GAAP operating expense, EBITDA and Adjusted EBITDA on a supplemental basis. Management uses, and investors should consider, our non-GAAP financial measures only in conjunction with our GAAP results. 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.

Set forth below is a reconciliation of each non-GAAP financial measure used in this press release to its most directly comparable GAAP financial measure.

DESKTOP METAL, INC.
NON-GAAP RECONCILIATION TABLE
(in thousands)

(Dollars in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
GAAP gross margin	\$ 6,089	\$ 8,397	\$ 4,725	\$ 7,069
Stock-based compensation included in cost of sales ⁽¹⁾	590	671	1,270	1,158
Amortization of acquired intangible assets included in cost of sales	6,928	5,950	13,855	11,940
Restructuring expense in cost of sales	2,488	41	3,205	41
Acquisition-related and integration costs included in cost of sales	434	10	913	1,148
Inventory step-up adjustment in cost of sales	—	315	—	1,496
Non-GAAP gross margin	<u>\$ 16,529</u>	<u>\$ 15,384</u>	<u>\$ 23,968</u>	<u>\$ 22,852</u>
GAAP operating loss	\$ (48,518)	\$ (292,570)	\$ (100,834)	\$ (362,049)
Stock-based compensation ^{(2),(3)}	9,703	19,218	19,016	29,130
Amortization of acquired intangible assets	10,457	9,669	20,899	19,453
Restructuring expense	2,850	2,001	6,469	2,001
Inventory step-up adjustment in cost of sales	—	315	—	1,496
Acquisition-related and integration costs	7,359	1,171	8,765	5,157
Goodwill impairment	—	229,500	—	229,500
Non-GAAP operating loss	<u>\$ (18,149)</u>	<u>\$ (30,696)</u>	<u>\$ (45,685)</u>	<u>\$ (75,312)</u>
GAAP net loss	\$ (49,728)	\$ (297,272)	\$ (102,369)	\$ (367,216)
Stock-based compensation ^{(2),(3)}	9,703	19,218	19,016	29,130
Amortization of acquired intangible assets	10,457	9,669	20,899	19,453
Restructuring expense	2,850	2,384	6,469	2,384
Inventory step-up adjustment in cost of sales	—	315	—	1,496
Acquisition-related and integration costs	7,359	1,171	8,765	5,157
Goodwill impairment	—	229,500	—	229,500
Change in fair value of investments	107	4,741	286	6,441
Non-GAAP net loss	<u>\$ (19,252)</u>	<u>\$ (30,274)</u>	<u>\$ (46,934)</u>	<u>\$ (73,655)</u>

(1) Includes \$0.2 million and \$0.4 million of liability-award stock-based compensation expense for the three and six months ended June 30, 2023, respectively. Includes \$0.1 million of liability-award stock-based compensation expense for the three and six months ended June 30, 2022.

(2) Includes \$1.3 million and \$2.9 million of liability-award stock-based compensation expense for the three and six months ended June 30, 2023, respectively. Includes \$2.2 million of liability-award stock-based compensation expense for the three and six months ended June 30, 2022.

(3) Includes \$0.0 million of stock-based compensation expense associated with the restructuring initiative for the three and six months ended June 30, 2023. Includes \$7.3 million of stock-based compensation expense associated with the restructuring initiative for the three and six months ended June 30, 2022.

DESKTOP METAL, INC.
NON-GAAP OPERATING EXPENSE RECONCILIATION TABLE
(in thousands)

(Dollars in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
GAAP operating expenses	\$ 54,607	\$ 300,967	\$ 105,559	\$ 369,118
Stock-based compensation included in operating expenses ^{(1),(2)}	(9,113)	(18,547)	(17,746)	(27,972)
Amortization of acquired intangible assets included in operating expenses	(3,529)	(3,719)	(7,044)	(7,513)
Restructuring expense included in operating expenses	(362)	(1,960)	(3,264)	(1,960)
Acquisition-related and integration costs included in operating expenses	(6,925)	(1,161)	(7,852)	(4,009)
Goodwill impairment	—	(229,500)	—	(229,500)
Non-GAAP operating expenses	\$ 34,678	\$ 46,080	\$ 69,653	\$ 98,164

(1) Includes \$1.1 million and \$2.5 million of liability-award stock-based compensation expense for the three and six months ended June 30, 2023, respectively. Includes \$2.1 million of liability-award stock-based compensation expense for the three and six months ended June 30, 2022.

(2) Includes \$0.0 million of stock-based compensation expense associated with the restructuring initiative for the three and six months ended June 30, 2023. Includes \$7.3 million of stock-based compensation expense associated with the restructuring initiative for the three and six months ended June 30, 2022.

DESKTOP METAL, INC.
NON-GAAP ADJUSTED EBITDA RECONCILIATION TABLE
(in thousands)

(Dollars in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Net loss attributable to common stockholders	\$ (49,728)	\$ (297,272)	\$ (102,369)	\$ (367,216)
Interest (income) expense, net	1,109	633	1,920	601
Income tax expense (benefit)	23	(944)	(534)	(2,200)
Depreciation and amortization	13,530	12,719	26,965	25,602
EBITDA	(35,066)	(284,864)	(74,018)	(343,213)
Change in fair value of investments	107	4,741	286	6,441
Inventory step-up adjustment	—	315	—	1,496
Stock-based compensation expense ^{(1),(2)}	9,703	19,218	19,016	29,130
Restructuring expense	2,850	2,384	6,469	2,384
Goodwill impairment	—	229,500	—	229,500
Acquisition-related and integration costs	7,359	1,171	8,765	5,157
Adjusted EBITDA	\$ (15,047)	\$ (27,535)	\$ (39,482)	\$ (69,105)

(1) Includes \$0.0 million of stock-based compensation expense associated with the restructuring initiative for the three and six months ended June 30, 2023. Includes \$7.3 million of stock-based compensation expense associated with the restructuring initiative for the three and six months ended June 30, 2022.

(2) Includes \$1.3 million and \$2.9 million of liability-award stock-based compensation for the

three months ended June 30, 2023 and 2022, respectively.

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Investor Relations:

Jay Gentzkow

(781) 730-2110

jaygentzkow@desktopmetal.com

Media Relations:

Sarah Webster

(313) 715-6988

sarahwebster@desktopmetal.com

Source: Desktop Metal, Inc.