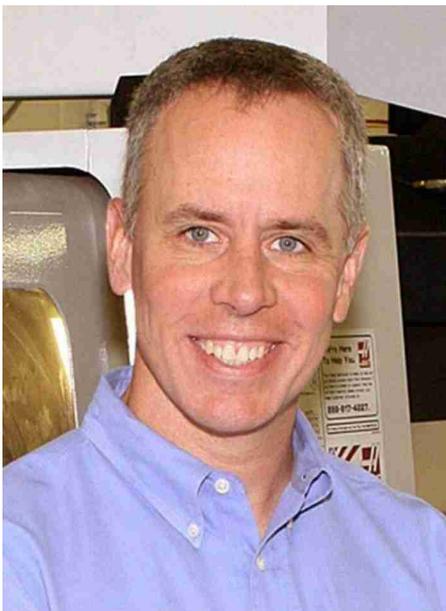


**Custom Manufacturer offering CNC Machining and Injection Molding Services,  
Proto Labs, Inc. is the Future of Manufacturing in the United States**

**Custom Manufacturer  
CNC Machining and  
Injection Molding Services  
(PRLB-NYSE)**

**Proto Labs, Inc.**

**5540 Pioneer Creek Drive  
Maple Plain, MN 55359  
Phone: 763-479-3680  
Website: www.protolabs.com**



**Bradley A. Cleveland  
President and Chief Executive Officer**

**BIO:** Brad Cleveland is the President and CEO of Proto Labs, Inc., a leading online and technology-enabled quick-turn manufacturer of low-volume CNC machined and injection molded custom parts. During Brad's tenure, Proto Labs has grown from a \$1 million revenue company with 10 employees to a \$100 million global corporation

with over 500 employees in five countries.

Brad has been the CEO and a board member of Proto Labs since November 2001, prior to which he was employed by MTS Systems Corporation and Honeywell in a number of software development, engineering management, marketing and business development roles. He holds a BA degree in Physics and Mathematics from St. Olaf College in Northfield, Minnesota and a MS degree in Computer Science from the University of Minnesota.

**Company Profile:**

Proto Labs is a leading online and technology-enabled quick-turn manufacturer of custom parts for prototyping and short-run production. Proto Labs provides "Real Parts, Really Fast" to product developers worldwide. Proto Labs utilizes computer numerical control (CNC) machining and injection molding to manufacture custom parts for our customers. For more information, visit [www.protolabs.com](http://www.protolabs.com)

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFO Magazine**

**CEOCFO:** Mr. Cleveland, would you give us an overview on Proto Labs?

**Mr. Cleveland:** Proto Labs is the world's fastest supplier of quick turn CNC (computer numerically controlled) machined parts and plastic injection molded parts. We make custom prototype and low-volume parts in plastics and metals for product developers across many different industries. We have technology that allows us to do this in days instead of the

weeks that are normally required by most companies. We operate in the United States, in Europe and in Japan.

**CEOCFO:** What does Proto Labs do differently that allows you to have the speed?

**Mr. Cleveland:** Normally, if you are a company that does CNC machining or injection molding, you have a very manual non-recurring engineering process. That is a very technical person sitting at a computer workstation doing manual work to do things like design molds or program CNC milling machines. We have developed software that automates that process, so we go directly from a customer's part design to commands for our machines to manufacture those parts. Therefore, we have almost entirely eliminated the non-recurring engineering step upfront, which allows us to be both faster and less expensive.

**CEOCFO:** Are your potential customers and the community you service aware that you exist or is that an area that needs to be developed?

**Mr. Cleveland:** A very tiny fraction of the people in the world that can use us actually know about us. Therefore, we have a tremendous opportunity ahead of us.

**CEOCFO:** How do you reach potential customers?

**Mr. Cleveland:** For the most part, we reach people who have not heard of us yet using a multifaceted direct marketing strategy that offers content of interest to product developers. This can be educational materials, for example parts that illustrate how to go about designing parts to be machined or injection molded. We make those

things available to them to encourage them to register with us, and then over time we teach them about our capabilities so that at some point when they actually need a part or some parts made very quickly, they will think of us and try us.

**CEOCFO:** Do customers typically use your service on a one-time basis or recurring?

**Mr. Cleveland:** Our customers are product developers across many different industries. When they are finished developing a product, that product may transition into high volume production and they start developing a new product, so there is a constant need for our services. Once people have discovered us, they almost always come back. Then when they do come back, they tend to use us even more than they did before. We are a very attractive business from the product developer standpoint, because of how fast and inexpensive we are compared to conventional suppliers.

**CEOCFO:** Proto Labs has recently become a public company; why was this the right time?

**Mr. Cleveland:** As we talked about earlier, there is very little awareness of our company in the world and we felt that the IPO would be a great branding opportunity. We also were interested in better positioning ourselves to make technology or incremental capacity acquisitions at some point. We spent about a year getting ready and we felt we would be a great public company, so it seemed like the time was right.

**CEOCFO:** What about your facilities; they certainly look very attractive on your website?

**Mr. Cleveland:** We have three primary locations. In the United States, we are in the Minneapolis area. We have about 290,000 square feet of facilities in the Minneapolis area that consist of four different plants. We have a headquarters building that also does research and development, and our other plants support our Firstcut quick turn CNC machining service and our Protomold quick turn injection

molding service. We have about 400 employees in the Twin Cities of Minneapolis and St. Paul, which is our world headquarters. Then in England we have a 130,000 square foot facility with about 130 people and they serve all of the European Union. We also have sales and customer service organizations in Germany and France. Finally, we have a relatively new facility in Japan that has about thirty-five people now within a 32,000 square foot facility that supports Japan. Both the England and Japan facilities include complete set of manufacturing, sales, customer service, and marketing; the works. All together today, we have about 530 employees worldwide and in 2011 we did about \$99 million in business.

**CEOCFO:** If hundreds of people discover Proto Labs tomorrow, are you equipped?

**Proto Labs is a wonderful combination of an internet business and a manufacturing business in the United States. In my opinion, it is a great example of what the future of manufacturing is going to be for this country, because it demonstrates the amazing things that can happen where innovation is combined with hard work. - Bradley A. Cleveland**

**Mr. Cleveland:** Yes, and hundreds of people will discover us tomorrow. We send out many hundreds of quotations per day to people that have not tried us before, so it is a very fast growth business. For example, we grew by over 50% from 2010 to 2011.

**CEOCFO:** Are there geographic areas that you would like to penetrate that you have not yet?

**Mr. Cleveland:** Yes, but we are not going to work on that sort of geographical expansion for another couple of years. We are going to focus on the areas that we are in for the time being.

**CEOCFO:** What is an example of the process?

**Mr. Cleveland:** The first one that we like to talk about is when a major printer maker came to us several years ago with a printer that they wanted to get to market. To get their new printer to market, they first

needed to get 200 of them prototyped, assembled and out for trials. The problem was they needed to do that in a couple of weeks and every one of these printers had 60 different plastic parts. Therefore, they needed to get 200 of each of 60 different plastic parts molded as quickly as possible, and they were having a very difficult time finding somebody able to do that. Through our marketing materials they discovered Protomold and were able to get all 60 injection molds made by us and 200 parts off each one of those molds in about 10 business days. That allowed them to get their 200 printers assembled and tested, and they were able to get to market much more quickly than they could have without us. So that is an example of how a big company can put us to use in helping them win a larger market share.

Another case study is a medical device company that had a different sort of problem. Their problem was that they felt that they had a complex injection molded part design in their blood pressure sensor that would need to be iterated a few times to make sure that it worked properly. The problem

is that their injection molder could only give them a chance to make one part, because they only had enough time to make one version of the injection mold. That is why they gave Protomold, our injection molding service a try. We helped them test several versions of their design by reducing the iteration time from weeks down to days. As a result, they were able to get to market with a much more functional product. Those are two examples of how the time that we save our customers is very valuable to them.

**CEOCFO:** Are there industries that you do not serve today where you would like to have a presence?

**Mr. Cleveland:** There are no industries that we cannot serve. Our limitations currently come primarily in the form of the geometric complexity that our software can support. Very often, a customer will come to us with a very complex geometry and our software is not able to handle the conversion of

that into a mold design or commands for our CNC milling equipment. In general, if we cannot make a part, it is usually because it is either too complex, too large or too small. However, we are constantly working to eliminate these limitations with our process.

**CEO CFO:** Would you tell us about the patent protection for your technology?

**Mr. Cleveland:** We have a strong IP portfolio with about twenty either granted or pending patents surrounding many aspects of our process and our software. However, our competitive advantage is more along the line of how much time and effort has gone into the software over the last decade, how far ahead we are and how fast we are moving, as opposed relying on patents.

**CEO CFO:** What is the financial picture for the company?

**Mr. Cleveland:** The company had a \$99 million revenue year last year with strong margins as reflected in the published in S-1 documents.

**CEO CFO:** Have you found the overall economy to be a big challenge or in some ways helpful as people are looking at alternatives they did not look at before?

**Mr. Cleveland:** What I would say about the overall economy is that while we are not immune to it, I do not think we are as sensitive to it as most

companies, given that we focus on new product development, which is always going on. When the economy went into the great recession of 2008 and most of 2009, our customers needed us less, so our revenue was flat that year. However, we did add many new customers that year, which certainly helped us keep revenue flat. Our business has grown quickly ever since, so more than other businesses, we seem to be less sensitive to major economic issues and we also can recover very quickly.

**CEO CFO:** Regarding the cost of your service, do people understand immediately the benefit of getting it quickly, versus the cost or do they need a little push to understand?

**Mr. Cleveland:** It is a mixed bag, but we have two services. We have Protomold and Firstcut. Protomold is quick turn injection molding and Firstcut is quick turn CNC machining of parts. In both cases, we are typically both faster and less expensive in low quantities. Therefore, it is not hard to understand the value we offer when someone sends us a part to quote and we show that we are both faster and less expensive. They get that just fine.

**CEO CFO:** What if any challenges are you on the lookout for as you continue to grow and develop?

**Mr. Cleveland:** The number-one challenge is making people aware of

us and the number-two challenge is keeping up with the demand when they do find us.

**CEO CFO:** What should we look for in the next year or so?

**Mr. Cleveland:** We will be bigger than we are today, introducing new processes and new materials. We will continue to pursue all the growth initiatives that we always have.

**CEO CFO:** Why should investors pay attention to Proto Labs?

**Mr. Cleveland:** We are a company that is growing very quickly. We have already achieved very strong margins, which we intend to maintain and we have very high barriers to entry. It is a very strong niche business with no organized competitor.

**CEO CFO:** What should people remember most when they read the Proto Labs story?

**Mr. Cleveland:** Proto Labs is a wonderful combination of an internet business and a manufacturing business in the United States. In my opinion, it is a great example of what the future of manufacturing is going to be for this country, because it demonstrates the amazing things that can happen where innovation is combined with hard work.



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