**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16**
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of May 2020

Commission File Number 001-35751

## STRATASYS LTD.

(Translation of registrant's name into English)

| | |
|---|---|
| **c/o Stratasys, Inc.** | **1 Holtzman Street, Science Park** |
| **9600 West 76th Street** | **P.O. Box 2496** |
| **Eden Prairie, Minnesota 55344** | **Rehovot, Israel 76124** |

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F. Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ____

**Note**: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ____

**The contents of this Report of Foreign Private Issuer on Form 6-K (this "Form 6-K"), including Exhibits99.1, 99.2 and 101 annexed hereto, are incorporated by reference into the Registrant's registration statements on Form S-8, SEC file numbers 333-190963 and 333-236880, filed by the Registrant with the SEC on September 3, 2013 and March 4, 2020, respectively, and shall be a part thereof from the date on which thisForm 6-K is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.**

## CONTENTS

On May 14, 2020, Stratasys Ltd., or Stratasys, released its financial results for the three months ended March 31, 2020.

Attached hereto as Exhibit 99.1 are the unaudited, condensed consolidated interim financial statements of Stratasys for the three months ended March 31, 2020 (including the notes thereto) (the "Q1 2020 Financial Statements").

Attached hereto as Exhibit 99.2 is Stratasys' review of its results of operations and financial condition for the three months ended March 31, 2020, including the following:

(i) Operating and Financial Review and Prospects
(ii) Quantitative and Qualitative Disclosures About Market Risk
(iii) Legal Proceedings Update

Attached hereto as Exhibit 101 are the Q1 2020 Financial Statements, formatted in IXBRL (eXtensible Business Reporting Language), consisting of the following sub-exhibits:

| Exhibit Number | Document Description |
|---|---|
| EX-101.INS | IXBRL Taxonomy Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| EX-101.SCH | IXBRL Taxonomy Extension Schema Document |
| EX-101.CAL | IXBRL Taxonomy Calculation Linkbase Document |
| EX-101.DEF | IXBRL Taxonomy Extension Definition Linkbase Document |
| EX-101.LAB | IXBRL Taxonomy Label Linkbase Document |
| EX-101.PRE | IXBRL Taxonomy Presentation Linkbase Document |
| EX-104 | Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

| | | |
|---|---|---|
| | **STRATASYS LTD.** | |
| Dated: May 14, 2020 | By: | /s/ Lilach Payorski |
| | Name: | Lilach Payorski |
| | Title: | Chief Financial Officer |

Exhibit 99.1

**STRATASYS LTD.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED**

**March 31, 2020**

**(UNAUDITED)**

**INDEX TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
**FOR THE THREE MONTHS ENDED MARCH 31, 2020**
**(UNAUDITED)**

**STRATASYS LTD.**
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
**(Unaudited)**

**Consolidated Balance Sheets**
(in thousands, except share data)

| | | March 31, 2020 | | December 31, 2019 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | $ | 297,177 | $ | 293,484 |
| Short-term Deposits | | 28,300 | | 28,300 |
| Accounts receivable, net | | 115,093 | | 132,558 |
| Inventories | | 172,511 | | 168,504 |
| Prepaid expenses | | 7,327 | | 6,567 |
| Other current assets | | 25,424 | | 29,659 |
| Total current assets | | 645,832 | | 659,072 |
| **Non-current assets** | | | | |
| Property, plant and equipment, net | | 191,534 | | 189,706 |
| Goodwill | | 385,409 | | 385,658 |
| Other intangible assets, net | | 81,523 | | 87,328 |
| Operating lease right-of-use assets | | 19,887 | | 20,936 |
| Other non-current assets | | 35,259 | | 38,819 |
| Total non-current assets | | 713,612 | | 722,447 |
| **Total assets** | $ | 1,359,444 | $ | 1,381,519 |
| **LIABILITIES AND EQUITY** | | | | |
| **Current liabilities** | | | | |
| Accounts payable | $ | 34,189 | $ | 35,818 |
| Accrued expenses and other current liabilities | | 33,750 | | 28,528 |
| Accrued compensation and related benefits | | 36,600 | | 34,013 |
| Deferred revenues | | 51,353 | | 52,268 |
| Operating lease liabilities - short term | | 9,254 | | 9,292 |
| Total current liabilities | | 165,146 | | 159,919 |
| **Non-current liabilities** | | | | |
| Deferred revenues - long-term | | 14,463 | | 16,039 |
| Operating lease liabilities - long term | | 11,057 | | 12,445 |
| Other non-current liabilities | | 28,988 | | 35,343 |
| Total non-current liabilities | | 54,508 | | 63,827 |
| **Total liabilities** | $ | 219,654 | $ | 223,746 |
| Contingencies (see note 11) | | | | |
| **Redeemable non-controlling interests** | | 537 | | 622 |
| **Equity** | | | | |
| Ordinary shares, NIS 0.01 nominal value, authorized 180,000 thousands shares; 54,799 thousands shares and 54,441 thousands shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively | | 149 | | 148 |
| Additional paid-in capital | | 2,711,830 | | 2,706,894 |
| Accumulated other comprehensive loss | | (8,848) | | (7,716) |
| Accumulated deficit | | (1,563,878) | | (1,542,175) |
| Total equity | | 1,139,253 | | 1,157,151 |
| **Total liabilities and equity** | $ | 1,359,444 | $ | 1,381,519 |

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**STRATASYS LTD.**
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
**(Unaudited)**

**Consolidated Statements of Operations and Comprehensive Loss**

| | Three Months Ended March 31, | |
|---|---|---|
| *in thousands, except per share data* | **2020** | **2019** |
| **Net sales** | | |
| Products | $ 83,172 | $ 105,091 |
| Services | 49,735 | 50,209 |
| | 132,907 | 155,300 |
| **Cost of sales** | | |
| Products | 39,248 | 44,169 |
| Services | 33,789 | 34,674 |
| | 73,037 | 78,843 |
| **Gross profit** | 59,870 | 76,457 |
| **Operating expenses** | | |
| Research and development, net | 24,194 | 22,574 |
| Selling, general and administrative | 55,576 | 57,154 |
| | 79,770 | 79,728 |
| **Operating loss** | (19,900) | (3,271) |
| **Financial income (expenses), net** | (829) | 753 |
| **Loss before income taxes** | (20,729) | (2,518) |
| Income tax expenses | 221 | 1,218 |
| Share in profits (losses) of associated companies | (838) | 1,423 |
| **Net loss** | $ (21,788) | $ (2,313) |
| Net loss attributable to non-controlling interests | (85) | (43) |
| Net loss attributable to Stratasys Ltd. | $ (21,703) | $ (2,270) |
| **Net loss per ordinary share attributable to Stratasys Ltd**- basic and diluted | $ (0.40) | $ (0.04) |
| **Weighted average ordinary shares outstanding** - basic and diluted | 54,544 | 53,966 |
| **Comprehensive loss** | | |
| Net loss | (21,788) | (2,313) |
| Other comprehensive income (loss), net of tax: | | |
| Foreign currency translation adjustments | (1,954) | (427) |
| Unrealized gains on derivatives designated as cash flow hedges | 822 | 995 |
| Other comprehensive income (loss), net of tax | (1,132) | 568 |
| Comprehensive loss | (22,920) | (1,745) |
| Less: comprehensive loss attributable to non-controlling interests | (85) | (43) |
| **Comprehensive loss attributable to Stratasys Ltd.** | $ (22,835) | $ (1,702) |

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**Consolidated Statements of Changes in Equity**
(in thousands )
**Three Months Ended March 31, 2020 and 2019**

| | Ordinary Shares | | Additional | | Accumulated Other | Total |
|---|---|---|---|---|---|---|
| | Number of shares | Par Value | Paid-In Capital | Accumulated deficit | Comprehensive Loss | Equity |
| **Balance as of December 31, 2019** | 54,441 | 148 | 2,706,894 | (1,542,175) | (7,716) | 1,157,151 |
| **Issuance of shares in connection with stock-based compensation plans** | 358 | 1 | 29 | - | - | 30 |
| **Stock-based compensation** | - | - | 4,907 | - | - | 4,907 |
| **Comprehensive loss** | - | - | - | (21,703) | (1,132) | (22,835) |
| **Balance as of March 31, 2020** | 54,799 | $ 149 | $ 2,711,830 | $ (1,563,878) | $ (8,848) | $ 1,139,253 |

| | Ordinary Shares | | Additional | | Accumulated Other | |
|---|---|---|---|---|---|---|
| | Number of shares | Par Value | Paid-In Capital | Accumulated deficit | Comprehensive Loss | Total Equity |
| **Balance as of December 31, 2018** | 53,881 | 146 | 2,681,048 | (1,531,326) | (7,753) | 1,142,115 |
| **Issuance of shares in connection with stock-based compensation plans** | 167 | * | 2,222 | - | - | 2,222 |
| **Stock-based compensation** | - | - | 4,229 | - | - | 4,229 |
| **Comprehensive loss** | - | - | - | (2,270) | 568 | (1,702) |
| **Balance as of March 31, 2019** | 54,048 | $ 146 | $ 2,687,499 | $ (1,533,596) | $ (7,185) | $ 1,146,864 |

* Represents an amount less than 0.5 thousand

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**STRATASYS LTD.**
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
**(Unaudited)**

**Consolidated Statements of Cash Flows**

| *in thousands* | Three Months Ended March 31, 2020 | 2019 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss | $ (21,788) | $ (2,313) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 12,457 | 12,700 |
| Stock-based compensation | 4,907 | 4,229 |
| Foreign currency transaction loss (gain) | 3,428 | (210) |
| Deferred income taxes | (409) | (685) |
| Share in (profits) losses of associated companies | 838 | (1,423) |
| Other non-cash items, net | 201 | 1,018 |
| Change in cash attributable to changes in operating assets and liabilities: | | |
| Accounts receivable, net | 16,541 | 9,124 |
| Inventories | (5,659) | (9,598) |
| Net investment in sales-type leases | 400 | 1,052 |
| Other current assets and prepaid expenses | 3,119 | (2,133) |
| Other non-current assets | 902 | (219) |
| Accounts payable | (3,086) | (2,805) |
| Other current liabilities | 9,047 | (5,172) |
| Deferred revenues | (2,154) | (781) |
| Other non-current liabilities | (7,470) | 1,820 |
| **Net cash provided by operating activities** | 11,274 | 4,604 |
| **Cash flows from investing activities** | | |
| Purchase of property and equipment | (6,291) | (6,114) |
| Net proceeds from divestitures of subsidiaries and associated companies | 1,000 | - |
| Investment in unconsolidated entities | - | (310) |
| Proceeds from sale of plant and property | - | 118 |
| Purchase of intangible assets | (413) | - |
| Other investing activities | 206 | 577 |
| **Net cash used in investing activities** | (5,498) | (5,729) |
| **Cash flows from financing activities** | | |
| Repayment of debt | - | (27,293) |
| Proceeds from exercise of stock options | 30 | 2,222 |
| **Net cash provided by (used in) financing activities** | 30 | (25,071) |
| **Effect of exchange rate changes on cash, cash equivalents and restricted cash** | (2,116) | 878 |
| **Net change in cash, cash equivalents and restricted cash** | 3,690 | (25,318) |
| **Cash, cash equivalents and restricted cash,** beginning of period | 293,597 | 393,734 |
| **Cash, cash equivalents and restricted cash,** end of period | $ 297,287 | $ 368,416 |
| **Supplemental disclosures of cash flow information:** | | |
| Transfer of inventory to fixed assets | 832 | 1,028 |
| Transfer of fixed assets to inventory | 5 | 97 |

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**Note 1. Business Description and Basis of Presentation**

Stratasys Ltd. (collectively with its subsidiaries, the "Company") is a global provider of applied additive technology solutions for a broad range of industries. The Company focuses on customers' business requirements and seeks to create new value for its customers across their product lifecycle processes, from design prototypes to manufacturing tools and final production parts. The Company operates a 3D printing ecosystem of solutions and expertise, comprised of: 3D printers ranging from entry-level desktop 3D printers to systems for rapid prototyping ("RP") and large production systems for direct digital manufacturing ("DDM") based on precise fused deposition modeling ("FDM") and PolyJet technologies; advanced materials for use with its 3D printers; software with voxel level control; application-based services; on-demand parts; and key partnerships.

The condensed consolidated interim financial statements include the accounts of Stratasys Ltd. and its subsidiaries. All intercompany accounts and transactions, including profits from intercompany sales not yet realized outside the Company, have been eliminated in consolidation.

The consolidated interim financial information herein is unaudited; however, such information reflects all adjustments (consisting of normal, recurring adjustments), which are, in the opinion of management, necessary for a fair statement of results for the interim period. The results of operations for the three months ended March 31, 2020 are not necessarily indicative of the results to be expected for the full year. Certain financial information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted. The reader is referred to the audited consolidated financial statements and notes thereto for the year ended December 31, 2019, filed with the U.S. Securities and Exchange Commission (the "SEC") as part of the Company's Annual Report on Form 20-F for such year on February 26, 2020.

**Note 2. New Accounting Pronouncements**

*Accounting Pronouncements Adopted in the Current Period*

In August 2018, the FASB issued an Accounting Standard update ("ASU") that clarifies the accounting for implementation costs in cloud computing arrangements. This ASU requires the implementation costs incurred by customers in cloud computing arrangements to be deferred and recognized over the term of the arrangement, if those costs would be capitalized by the customers in a software licensing arrangement. The Company adopted this guidance effective January 1, 2020, with no material impact on its consolidated financial statements.

In June 2016, the FASB issued an ASU that supersedes the existing impairment model for most financial assets to a current expected credit loss model. The new guidance requires an entity to recognize an impairment allowance equal to its current estimate of all contractual cash flows the entity does not expect to collect. The ASU also requires that credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses. The Company adopted this guidance effective January 1, 2020, with no material impact on its consolidated financial statements.

*Recently Issued Accounting Pronouncements Not Yet Adopted*

In December 2019, the FASB issued new guidance to simplify the accounting for income taxes by removing certain exceptions to the general principles and simplification of areas such as franchise taxes, step-up in tax basis goodwill, separate entity financial statements and interim recognition of enactment of tax laws or rate changes The guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact of the adoption of the new guidance on its consolidated financial statements.

**Note 3. Revenues**

Disaggregation of Revenues

The following table presents the Company's revenues disaggregated by geographical region (based on the Company's customers' locations) and revenue types for the three months ended March 31, 2020 and 2019:

| | Three months ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (U.S. $ in thousands) | |
| **Americas** | | |
| **Products** | $ 48,244 | $ 58,054 |
| **Service** | 38,329 | 38,444 |
| **Total Americas** | **86,573** | **96,498** |
| **EMEA** | | |
| **Products** | 20,747 | 28,085 |
| **Service** | 6,173 | 6,698 |
| **Total EMEA** | **26,920** | **34,783** |
| **Asia Pacific** | | |
| **Products** | 14,181 | 18,952 |
| **Service** | 5,233 | 5,067 |
| **Total Asia Pacific** | **19,414** | **24,019** |
| **Total Revenues** | **$ 132,907** | **$ 155,300** |

The following table presents the Company's revenues disaggregated based on the timing of revenue recognized for the three months ended March 31, 2020 and 2019:

| | Three months ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (U.S. $ in thousands) | |
| **Revenues recognized in point in time from:** | | |
| **Products** | $ 83,172 | $ 105,091 |
| **Services** | 10,644 | 31,435 |
| **Total revenues recognized in point in time** | **93,816** | **136,526** |
| **Revenues recognized over time from:** | | |
| **Services** | 39,091 | 18,774 |
| **Total revenues recognized over time** | **39,091** | **18,774** |
| **Total Revenues** | **$ 132,907** | **$ 155,300** |

Contract Assets and Contract Liabilities

Contract assets are recorded when the Company's right to consideration is conditional on constraints other than the passage of time. The Company had no material contract assets as of March 31, 2020.

Contract liabilities include advance payments and billings in excess of revenue recognized, which are primarily related to advanced billings for service type warranty. Contract liabilities are presented under deferred revenues. The Company's deferred revenues as of March 31, 2020 and December 31, 2019 were as follows:

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| | U.S. $ in thousands | |
| Deferred revenues* | 65,816 | 68,307 |

*Includes $14.5 million and $16.0 million under long term deferred revenues in the Company's consolidated balance sheets as of March 31, 2020 and December 31, 2019, respectively.

Revenue recognized in the first quarter of 2020 that was included in the deferred revenue balance as of January 1, 2020 was $18.0 million.

Remaining Performance Obligations

Remaining Performance Obligations ("RPO") represents contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. As of March 31, 2020, the total RPO amounted to $90.8 million. The Company expects to recognize $74.4 million of this RPO during the next 12 months, $12.0 million over the subsequent 12 months and $4.4 million in the remainder thereafter.

Incremental Costs of Obtaining a Contract

Sales commissions earned mainly by the Company's sales agents are considered incremental costs of obtaining a contract with a customer, as the Company expects the benefit of those commissions to be longer than one year. The majority of the sales commissions are not subject to capitalization, as the commission expense is recognized as the related revenue is recognized. Sales commissions for initial contracts related to the service type warranty are deferred and then amortized on a straight-line basis over the expected customer relationship period if the Company expects to recover those costs. Amortization expense is included in selling, general and administrative expenses in the consolidated statements of operations. As of March 31, 2020 and December 31, 2019, the deferred commissions amounted to $4.0 million and $3.9 million, respectively.

**Note 4. Inventories**

Inventories consisted of the following:

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| | U.S. $ in thousands | |
| Finished goods | $ 89,570 | $ 87,967 |
| Work-in-process | 2,271 | 3,106 |
| Raw materials | 80,670 | 77,431 |
| | 172,511 | 168,504 |

**Note 5. Goodwill and Other Intangible Assets**

*Goodwill*

Changes in the carrying amount of the Company's goodwill for the three-months ended March 31, 2020 were as follows:

| | U.S. $ in thousands |
|---|---|
| Goodwill as of January 1, 2020 | $ 385,658 |
| Foreign currency translation adjustments | (249 ) |
| Goodwill as of March 31, 2020 | $ 385,409 |

During the fourth quarter of 2019, as part of the annual impairment test, the Company performed a quantitative assessment for goodwill impairment for its Stratasys-Objet reporting unit.

Following its quantitative assessment, the Company concluded that the fair value of its Stratasys-Objet reporting unit exceeded its carrying amount by approximately 8.7%, with a carrying amount of goodwill assigned to this reporting unit in an amount of $386 million.

When evaluating the fair value of its Stratasys-Objet reporting unit the Company used a discounted cash flow model which utilized Level 3 measures that represent unobservable inputs into the valuation method. Key assumptions used to determine the estimated fair value include: (a) expected cash flows for five years following the assessment date which were based on, among other factors, expected revenue growth, costs to produce, operating profit margins and estimated capital needs; (b) an estimated terminal value that utilized a terminal year growth rate of 3.1% that was determined based on the growth prospects of the reporting unit; and (c) a discount rate of 13.5% based on management's best estimate of the after-tax weighted average cost of capital. If any of these were to vary materially from the Company's estimates, the Company could face impairment of goodwill allocated to this reporting unit in the future.

Actual results may differ from those assumed in the Company's valuation method. It is reasonably possible that the Company's assumptions described above could change in future periods. If any of these were to vary materially from the Company's plans, it may record impairment of goodwill allocated to this reporting unit in the future.

A hypothetical decrease in the growth rate of 1% or an increase of 1% to the discount rate would have reduced the fair value of Stratasys-Objet reporting unit by approximately $45 million and $81 million, respectively.

Based on the Company's assessment as of December 31, 2019, no goodwill was determined to be impaired.

During the first quarter of 2020, the Company performed an analysis of the impact of recent events, including business and industry specific considerations, on the fair value of Stratasys-Objet reporting unit. As part of this analysis the Company considered the potential impacts of COVID-19 and the sensitivity of estimates and assumptions used in the last annual impairment test as well as changes in market capitalization. While the goodwill of the reporting unit is not currently impaired, there can be no assurances that goodwill will not be impaired in future periods. The Company will continue to monitor the impact of COVID-19 as well as events and changes in circumstances such as a deterioration in the business climate or operating results, significant decline in the Company's share price, changes in management's business strategy or downward changes of the Company's cash flows projections.

*Other Intangible Assets*

Other intangible assets consisted of the following:

| | March 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Carrying Amount, Net of Impairment | Accumulated Amortization | Net Book Value | Carrying Amount, Net of Impairment | Accumulated Amortization | Net Book Value |
| | U.S. $ in thousands | | | | | |
| Developed technology | $ 299,242 | $ (256,077) | $ 43,165 | $ 299,100 | $ (252,136) | $ 46,964 |
| Patents | 15,552 | (7,421) | 8,131 | 15,142 | (7,067) | 8,075 |
| Trademarks and trade names | 25,994 | (20,256) | 5,738 | 25,991 | (19,966) | 6,025 |
| Customer relationships | 102,847 | (78,358) | 24,489 | 102,936 | (76,813) | 26,123 |
| Capitalized software development costs | 18,489 | (18,489) | - | 18,630 | (18,489) | 141 |
| | **$ 462,124** | **$ (380,601)** | **$ 81,523** | **$ 461,799** | **$ (374,471)** | **$ 87,328** |

Amortization expense relating to intangible assets for the three-month periods ended March 31, 2020 and 2019 was approximately $6.2 million and $6.1 million, respectively. As of March 31, 2020, the estimated amortization expense relating to intangible assets for each of the following periods was as follows:

| | Estimated amortization expense (U.S. $ in thousands) |
|---|---|
| Remaining 9 months of 2020 | $ 18,612 |
| 2021 | 24,699 |
| 2022 | 24,633 |
| 2023 | 7,698 |
| Thereafter | 5,881 |
| Total | 81,523 |

**Note 6. Loss Per Share**

The following table presents the numerator and denominator of the basic and diluted net loss per share computations for the three months ended March 31, 2020 and 2019:

| | Three months ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | In thousands, except per share amounts | |
| **Numerator:** | | |
| Net loss attributable to Stratasys Ltd. for basic and diluted loss per share | $ (21,703) | $ (2,270) |
| **Denominator:** | | |
| Weighted average shares - denominator for basic and diluted net loss per share | 54,544 | 53,966 |
| Net loss per share attributable to Stratasys Ltd. | | |
| Basic | $ (0.40) | $ (0.04) |
| Diluted | $ (0.40) | $ (0.04) |

The computation of diluted net loss per share excluded share awards of5.3 million shares and 5.1 million shares for the three months ended March 31, 2020 and 2019, respectively, because their inclusion would have had an anti-dilutive effect on the diluted net loss per share.

**Note 7. Income Taxes**

The Company had a negative effective tax rate of1.1% for the three-month periods ended March 31, 2020 compared to a negative effective tax rate of48.4% for the three-month periods ended March 31, 2019, the Company’s effective tax rate as of March 31, 2020 was primarily impacted by the geographic mix of its earnings and losses, as well as a valuation allowance on losses of the Company's US subsidiaries.

**Note 8. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

The fair value hierarchy is categorized into three Levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date. Level 2 inputs include inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

***Financial instruments measured at fair value***

The following tables summarize the Company’s financial assets and liabilities that are carried at fair value on a recurring basis, in its consolidated balance sheets:

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| | (U.S. $ in thousands) | |
| **Assets:** | | |
| Foreign exchange forward contracts not designated as hedging instruments | $ 579 | $ 63 |
| Foreign exchange forward contracts designated as hedging instruments | 1,558 | 315 |
| **Liabilities:** | | |
| Foreign exchange forward contracts not designated as hedging instruments | (351) | (388) |
| Foreign exchange forward contracts designated as hedging instruments | (747) | (326) |
| | $ 1,039 | $ (336) |

The Company’s foreign exchange forward contracts are classified as Level 2, as they are not actively traded and are valued using pricing models that use observable market inputs, including interest rate curves and both forward and spot prices for currencies (Level 2 inputs).

Other financial instruments consist mainly of cash and cash equivalents, current and non-current receivables, net investment in sales-type leases, bank loan, accounts payable and other current liabilities. The fair value of these financial instruments approximates their carrying values.

**Note 9. Derivative instruments and hedging activities**

The Company carries out transactions involving foreign currency exchange derivative financial instruments. The transactions are designed to hedge the Company's exposure in currencies other than the U.S. dollar. The Company is primarily exposed to foreign exchange risk with respect to recognized assets and liabilities and forecasted transactions denominated in the New Israeli Shekel ("NIS"), Euro, Korean Won, Chinese Yuan and the Japanese Yen. The gains and losses on the hedging instruments partially offset losses and gains on the hedged items. Financial markets and currency volatility may limit the Company's ability to hedge these exposures.

The following table summarizes the consolidated balance sheets classification and fair values of the Company's derivative instruments:

| | | Fair Value | | Notional Amount | |
|---|---|---|---|---|---|
| | **Balance sheet location** | **March 31, 2020** | **December 31, 2019** | **March 31, 2020** | **December 31, 2019** |
| | | U. S. $ in thousands | | | |
| Assets derivatives - Foreign exchange contracts, not designated as hedging instruments | Other current assets | $ 579 | $ 63 | $ 72,871 | $ 11,001 |
| Assets derivatives-Foreign exchange contracts, designated as cash flow hedge | Other current assets | 1,558 | 315 | 54,701 | 25,045 |
| Liability derivatives -Foreign exchange contracts, not designated as hedging instruments | Accrued expenses and other current liabilities | (351) | (388) | 33,360 | 92,929 |
| Liability derivatives - Foreign exchange contracts, designated as hedging instruments | Accrued expenses and other current liabilities | (747) | (326) | 32,870 | 45,262 |
| | | $ 1,039 | $ (336) | $ 193,802 | $ 174,237 |

*Foreign exchange contracts not designated as hedging instruments*

As of March 31, 2020, the notional amounts of the Company's outstanding exchange forward contracts, not designated as hedging instruments, were $106.2 million, and were used to reduce foreign currency exposures. With respect to such derivatives, gains of $1.5 million and of $1.2 million were recognized under financial income (expenses), net for the three-month periods ended March 31, 2020 and 2019, respectively. Such gains or losses partially offset the foreign currencies revaluation changes of the balance sheet items. These foreign currencies revaluation changes are also recognized under financial income (expenses), net.

*Cash Flow Hedging—Hedges of Forecasted Foreign Currency Payroll*

As of March 31, 2020, the Company had in effect foreign exchange forward contracts, designated as cash flow hedge for accounting purposes, for the conversion of $36.6 million into NIS. The Company uses short-term cash flow hedge contracts to reduce its exposure to variability in expected future cash flows resulting mainly from payroll costs denominated in NIS. The changes in fair value of those contracts are included in the Company's accumulated other comprehensive loss. These contracts mature through March 2021.

*Cash Flow Hedging—Hedges of Forecasted Foreign Currency Revenue*

As of March 31, 2020, the Company had in effect foreign exchange forward contracts, designated as cash flow hedge for accounting purposes, for the conversion of Euro 45.0 million in USD. The Company transact business in U.S. Dollars and in various other currencies. The Company may use foreign exchange or forward contracts to hedge certain cash flow exposures resulting from changes in these foreign currency exchange rates. These foreign exchange contracts, carried at fair value, have maturities of up to twelve months. The Company enter into these foreign exchange contracts to hedge a portion of our forecasted foreign currency denominated revenue in the normal course of business and accordingly, they are not speculative in nature.

**Note 10. Equity**

**a. Stock-based compensation plans**

Stock-based compensation expenses for equity-classified stock options, restricted share units (“RSUs”) and performance stock units ("PSUs") were allocated as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | U.S. $ in thousands | |
| Cost of sales | $ 402 | $ 354 |
| Research and development, net | $ 1,556 | 759 |
| Selling, general and administrative | $ 2,949 | 3,116 |
| Total stock-based compensation expenses | $ 4,907 | $ 4,229 |

A summary of the Company’s stock option activity for the three months ended March 31, 2020 is as follows:

| | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| Options outstanding as of January 1, 2020 | 1,961,532 | $ 31.16 |
| Granted | 300,000 | 16.41 |
| Forfeited | (49,371 ) | 32.64 |
| Options outstanding as of March 31, 2020 | 2,212,161 | $ 29.13 |
| Options exercisable as of March 31, 2020 | 1,625,889 | $ 33.04 |

As of March 31, 2020, the unrecognized compensation cost of $3.6 million related to all unvested, equity-classified stock options is expected to be recognized as an expense over a weighted-average period of 1.8 years.

A summary of the Company's RSUs and PSUs activity for the three months ended March 31, 2020 is as follows:

| | Number of RSUs and PSUs | Weighted Average Grant Date Fair Value |
|---|---|---|
| Unvested as of January 1, 2020 | 2,362,991 | $ 24.10 |
| Granted | 1,176,436 | 18.17 |
| Vested | (361,118) | 25.97 |
| Forfeited | (127,520) | 21.68 |
| Unvested as of March 31, 2020 | **3,050,789** | **$ 21.69** |

The fair value of RSUs and PSUs is determined based on the quoted price of the Company's ordinary shares on the date of the grant.

As of March 31, 2020, the unrecognized compensation cost of $56.7 million related to all unvested, equity-classified RSUs and PSUs is expected to be recognized as expense over a weighted-average period of 3 years.

**b. Accumulated other comprehensive loss**

The following tables present the changes in the components of accumulated other comprehensive income (loss), net of taxes, for the three months ended March 31, 2020 and 2019, respectively:

| | Three months ended March 31, 2020 | | |
|---|---|---|---|
| | Net unrealized gain (loss) on cash flow hedges | Foreign currency translation adjustments | Total |
| | U.S. $ in thousands | | |
| Balance as of January 1, 2020 | $ (10) | $ (7,706) | $ (7,716) |
| Other comprehensive income (loss) before reclassifications | 849 | (1,954) | (1,105) |
| Amounts reclassified from accumulated other comprehensive loss | (27) | - | (27) |
| Other comprehensive income (loss) | 822 | (1,954) | (1,132) |
| Balance as of March 31, 2020 | $ 812 | $ (9,660) | $ (8,848) |

| | Three months ended March 31, 2019 | | |
|---|---|---|---|
| | Net unrealized gain (loss) on cash flow hedges | Foreign currency translation adjustments | Total |
| | U.S. $ in thousands | | |
| Balance as of January 1, 2019 | $ (627) | $ (7,126) | $ (7,753) |
| Other comprehensive income (loss) before reclassifications | 1,011 | (427) | 584 |
| Amounts reclassified from accumulated other comprehensive loss | (16) | - | (16) |
| Other comprehensive income (loss) | 995 | (427) | 568 |
| Balance as of March 31, 2019 | $ 368 | $ (7,553) | $ (7,185) |

**Note 11. Contingencies**

*Legal proceedings*

The Company is a party to various legal proceedings from time to time, the outcome of which, in the opinion of management, will not have a significant effect on the financial position, profitability or cash flows of the Company.

## OPERATING AND FINANCIAL REVIEW AND PROSPECTS.

*The following discussion and analysis of our financial condition and results of operations should be read inconjunction with our unaudited consolidated financial statements and the related notes included as Exhibit 99.1 to the Report of Foreign Private Issuer on Form 6-K to which this Operating and Financial Review and Prospects is attached, or the Form 6-K. The discussion below contains forward-looking statements (within the meaning of theUnited States federal securities laws) that are based upon our current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to inaccurate assumptions and known or unknown risks and uncertainties, including those identified in "Forward-Looking Statements and Factors that May Affect Future Results of Operations", below, as well in the "Risk Factors" in Item 3.D of our Annual Report on Form 20-F for the year ended December 31, 2019, or our 2019 Annual Report.*

### Overview of Business and Trend Information

We are a leading global provider of applied additive technology solutions for industries including aerospace, automotive, healthcare, consumer products and education. We focus on customers' business requirements and seek to create new value for our customers across their product lifecycle processes, from design prototypes to manufacturing tools and final production parts. We operate a 3D printing ecosystem of solutions and expertise, comprised of advanced materials; software with voxel level control; precise, repeatable and reliable fused deposition modeling 3D printers (utilizing proprietary FDM™ technology) and inkjet-based 3D printers (utilizing proprietary PolyJet™ technology); application-based services; on-demand parts and key partnerships. We strive to ensure that our solutions are integrated seamlessly into each customer's evolving workflow. Our applications are industry-specific and geared towards accelerating business processes, optimizing value chains and driving business performance improvements. Our customers range from individuals and smaller businesses to large, global enterprises, and we include a number of Fortune 100 companies among our customers.

Our 3D printers include systems ranging from entry-level desktop 3D printers to systems for rapid prototyping, or RP, and large production systems for direct digital manufacturing, or DDM. We also develop, manufacture and sell materials for use with our systems and provide related services offerings. We offer a powerful range of additive manufacturing materials, including clear, rubberlike and biocompatible photopolymers, and tough high-performance thermoplastics. We believe that the range of 3D printing consumable materials that we offer, consisting of over 60 FDM™ spool-based filament materials, over 45 PolyJet cartridge-based resin materials, 158 non-color digital materials, and over 500,000 color variations, is the widest in the industry. Our service offerings include Stratasys Direct Manufacturing printed parts services, as well as our professional services.

We conduct our business globally and provide products and services to our global customer base through our offices in North America and internationally, including: Baden-Baden, Germany; Shanghai, China; and Tokyo, Japan, as well as through our worldwide network of approximately 160 agents and resellers. Additionally, through our MakerBot subsidiary, we deploy an online sales channel. We have approximately 2,300 employees and hold approximately 1,000 granted patents and have approximately 500 pending patent applications worldwide.

Our results of operations for the quarter ended March 31, 2020 should be understood in light of the global outbreak of COVID-19, which disrupted businesses on a global scale. On March 11, 2020, the World Health Organization classified the outbreak as a pandemic. The timing of our revenues in fiscal quarters tends to be late, with a significant portion of business traditionally occurring in the final few weeks of each quarter. Consequently, the impact of the global pandemic outbreak late in the quarter on our quarterly results was more notable. However, even earlier in the quarter, our business in Asia had been already affected by the pandemic, followed by Europe and then the United States.

As we entered this global crisis, our top priority was securing the well-being of our employees worldwide. Consequently, as early as February 3 we imposed travel restrictions on our staff and have tried to be ahead of the curve wherever possible. Soon thereafter, we also implemented work-from-home options. To help mitigate the economic impact of the pandemic, we began to implement cost-control measures at the end of February and continue to closely manage them. During the second quarter, all of our employees were effectively reduced to a four-day work-week, we have instituted a nonessential hiring freeze and we have adjusted our cost base and production plan accordingly.

In our efforts to support the global fight against the pandemic, we were quick to mobilize our additive manufacturing network, leverage our application expertise, our channel and partner network and our corporate-wide resources to help get a variety of printed parts quickly to where they were most needed.

Because of the unprecedented nature, scope and uncertainty associated with this global crisis, the full duration and extent of its ongoing impact on our business cannot be reasonably estimated at this time. We have therefore decided to withdraw our 2020 financial guidance. Nevertheless, in the near term, we currently anticipate that our revenues for the second quarter of 2020, ending June 30, 2020, could decline between 5%-10% relative to our revenues in the quarter ended March 31, 2020.

We will continue to monitor the situation, assessing further possible implications on our operations, supply chain, liquidity, cash flow and customer orders, and will act in an effort to mitigate adverse consequences if and as needed.

**Summary of Financial Results**

Our unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. In the opinion of our management, all adjustments considered necessary for a fair statement of the unaudited condensed consolidated interim financial statements have been included herein and are of a normal recurring nature. The following discussion compares the actual results, on a GAAP basis, for the three months ended March 31, 2020 with the corresponding period in 2019.

**Results of Operations**

**Comparison of Three Months Ended March 31, 2020 to Three Months Ended March 31, 2019**

The following table sets forth certain statement of operations data for the periods indicated:

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | U.S. $ in thousands | % of Revenues | U.S. $ in thousands | % of Revenues |
| Revenues | $ 132,907 | 100.0% | $ 155,300 | 100.0% |
| Cost of sales | 73,037 | 55.0% | 78,843 | 50.8% |
| Gross profit | 59,870 | 45.0% | 76,457 | 49.2% |
| Research and development, net | 24,194 | 18.2% | 22,574 | 14.5% |
| Selling, general and administrative | 55,576 | 41.8% | 57,154 | 36.8% |
| Operating loss | (19,900) | -15.0% | (3,271) | -2.1% |
| Financial income (expenses) | (829) | -0.6% | 753 | 0.5% |
| Loss before income taxes | (20,729) | -15.6% | (2,518) | -1.6% |
| Income tax expenses | 221 | 0.2% | 1,218 | 0.8% |
| Share in profits (losses) of associated companies | (838) | -0.6% | 1,423 | 0.9% |
| Net loss attributable to non-controlling interests | (85) | -0.1% | (43) | 0.0% |
| Net loss attributable to Stratasys Ltd. | (21,703) | -16.3% | (2,270) | -1.5% |

**Discussion of Results of Operations**

**Revenues**

Our products and services revenues in the first quarter of each of 2020 and 2019, as well as the percentage change reflected thereby, were as follows:

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | % Change |
| | U.S. $ in thousands | | |
| Products | $ 83,172 | $ 105,091 | -20.9% |
| Services | 49,735 | 50,209 | -0.9% |
| | $ 132,907 | $ 155,300 | -14.4% |

***Products Revenues***

Revenues derived from products (including AM systems and consumable materials) decreased by $21.9 million, or 20.9%, for the three months ended March 31, 2020, as compared to the three months ended March 31, 2019.

Systems revenues for the three months ended March 31, 2020 decreased by 39.5% as compared to the three months ended March 31, 2019. Consumables revenues for the three months ended March 31, 2020 decreased by 5.8% as compared to the three months ended March 31, 2019.

The decrease in product revenues was driven primarily by portion of our customer base being effectively shut down from a purchasing and consumption perspective due to the COVID-19 effects.

***Services Revenues***

Services revenues (including SDM, maintenance contracts, time and materials and other services decreased by $0.5 million for the three months ended March 31, 2020, or 0.9%, as compared to the three months ended March 31, 2019. Within services revenues, customer support revenue, which includes revenue generated mainly by maintenance contracts on our systems, increased by 2.2%, reflecting the growth in our installed base of systems.

***Revenues by Region***

Revenues and the percentage of revenues by region for the first quarter of each of 2020 and 2019, as well as the percentage change in revenues in each such region reflected thereby, were as follows:

| | Three Months Ended March 31, | | | | |
|---|---|---|---|---|---|
| | 2020 | | 2019 | | % Change |
| | U.S.$ in thousands | % of Revenues | U.S.$ in thousands | % of Revenues | |
| Americas* | $ 86,573 | 65.1% | $ 96,498 | 62.1% | -10.3% |
| EMEA | 26,920 | 20.3% | 34,783 | 22.4% | -22.6% |
| Asia Pacific | 19,414 | 14.6% | 24,019 | 15.5% | -19.2% |
| | $ 132,907 | 100.0% | $ 155,300 | 100.0% | -14.4% |

* Represent the United States, Canada and Latin America

Revenues in the Americas region decreased by $9.9 million, or 10.3%, to $86.6 million for the three months ended March 31, 2020, compared to $96.5 million for the three months ended March 31, 2019. The decrease was primarily driven by lower systems and consumables revenues, mainly due to the impact of COVID-19.

Revenues in the EMEA region decreased by $7.9 million, or 22.6%, to $26.9 million for the three months ended March 31, 2020, compared to $34.8 million for the three months ended March 31, 2019. The decrease was primarily driven by lower systems revenues, mainly due to the impact of COVID-19. On a constant currency basis when using the prior period's exchange rates, revenues decreased by $7.2 million, or 20%.

Revenues in the Asia Pacific region decreased by $4.6 million, or 19.2%, to $19.4 million for the three months ended March 31, 2020, compared to $24.0 million for the three months ended March 31, 2019. The decrease was primarily driven by lower systems revenues, mainly due to the impact of COVID-19, which impacted certain territories in Asia starting January.

**Gross Profit**

Gross profit from our products and services, as well as the percentage change reflected thereby, was as follows:

| | Three Months Ended March 31, 2020 | Three Months Ended March 31, 2019 | |
|---|---|---|---|
| | U.S. $ in thousands | | Change in % |
| **Gross profit attributable to:** | | | |
| Products | $ 43,924 | $ 60,922 | -27.9% |
| Services | 15,946 | 15,535 | 2.6% |
| | $ 59,870 | $ 76,457 | -21.7% |

Gross profit as a percentage of revenues from our products and services was as follows:

| | Three Months Ended March 31, 2020 | Three Months Ended March 31, 2019 |
|---|---|---|
| **Gross profit as a percentage of revenues from:** | | |
| Products | 52.8% | 58.0% |
| Services | 32.1% | 30.9% |
| Total gross profit | 45.0% | 49.2% |

Gross profit attributable to products revenues decreased by $17.0 million, or 27.9%, to $43.9 million for the three months ended March 31, 2020, compared to gross profit of $60.9 million for the three months ended March 31, 2019. Gross profit attributable to products revenues as a percentage of products revenues decreased to 52.8% in the three months ended March 31, 2020, compared to gross profit of 58.0% for the three months ended March 31, 2019.

Gross profit attributable to services revenues increased by $0.4 million, or 2.6%, to $15.9 million for the three months ended March 31, 2020, compared to $15.5 million for the three months ended March 31, 2019. Gross profit attributable to services revenues as a percentage of services revenues in the three months ended March 31, 2020 increased to 32.1%, as compared to 30.9% for the three months ended March 31, 2019. Our gross profit from services revenues was impacted by the mix of revenue sources, as well as an unfavorable impact of foreign currencies translation.

The decrease in gross profit was primarily driven by product mix which was based on the lower proportion of hardware and consumables out of the total revenue due to the impact of COVID-19 and unfavorable impact of foreign currencies translation.

**Operating Expenses**

The amount of each type of operating expense for the first quarter of each of 2020 and 2019, as well as the percentage change reflected thereby, and total operating expenses as a percentage of our total revenues in each quarter, were as follows:

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | % Change |
| | U.S. $ in thousands | | |
| Research and development, net | $ 24,194 | $ 22,574 | 7.2% |
| Selling, general & administrative | 55,576 | 57,154 | -2.8% |
| | $ 79,770 | $ 79,728 | 0.1% |
| Percentage of revenues | 60.0% | 51.3% | |

Research and development expenses, net increased by $1.6 million, or 7.2%, to $24.2 million for the three months ended March 31, 2020, compared to $22.6 million for the three months ended March 31, 2019. The amount of research and development expenses constituted 18.2% of our revenues for the three months ended March 31, 2020, as compared to 14.5% for the three months ended March 31, 2019.

Our research and development expenses were impacted by the timing of project spending and product launches. Our research and development expenses, net reflects our commitment to invest in long-term initiatives that include advancements in our core FDM and PolyJet technologies, as well as our new metal additive manufacturing platform, advanced composite materials, and software and application development.

Selling, general and administrative expenses decreased by $1.6 million, or 2.8%, to $55.6 million for the three months ended March 31, 2020, compared to $57.2 million for the three months ended March 31, 2019, partially due to cost reduction measures taken by the Company. The amount of selling, general and administrative expenses constituted 41.8% of our revenues for the three months ended March 31, 2020, as compared to 36.8% for the three months ended March 31, 2019.

**Operating Loss**

Operating loss and operating loss as a percentage of our total revenues were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | U.S. $ in thousands | |
| Operating loss | $ (19,900) | $ (3,271) |
| Percentage of revenues | -15.0% | -2.1% |

Operating loss amounted to $19.9 million for the three months ended March 31, 2020, compared to an operating loss of $3.3 million for the three months ended March 31, 2019. The increase in operating loss was primarily attributable to lower gross profit for the three months ended March 31, 2020 compared to the three months ended March 31, 2019, mainly resulted from COVID-19, as discussed above.

**Financial Income (Expenses), net**

Financial expenses, net, which were primarily comprised of foreign currencies effects, interest income and interest expenses, were $0.8 million for the three months ended March 31, 2020, compared to financial income, net of $0.8 million for the three months ended March 31, 2019.

**Income Taxes**

Income taxes and income taxes as a percentage of net loss before taxes, as well as the percentage change in each reflected thereby, were as follows:

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | |
| | U.S. $ in thousands | | Change in % |
| Income tax expense | $ 221 | $ 1,218 | -81.9% |
| As a percent of loss before income taxes | -1.1% | -48.4% | -97.8 % |

We had a negative effective tax rate of 1.1% for the three-month period ended March 31, 2020, compared to a negative effective tax rate of 48.4% for the three-month period ended March 31, 2019. Our effective tax rate was primarily impacted by different geographic mixes of earnings and losses, as well as a valuation allowance on losses of our US subsidiaries.

**Share in Profits (Losses) of Associated Companies**

Share in profit (losses) of associated companies reflects our proportionate share of the earnings of unconsolidated entities accounted for by using the equity method of accounting. During the three months ended March 31, 2020, the loss from our proportionate share of the earnings of our equity method investments was $0.8 million, compared to a profit of $1.4 million in the three months ended March 31, 2019. The difference is primarily due to gains resulting from the divestment of one of our equity method investments during the first quarter of 2019.

**Net Loss Attributable to Stratasys Ltd. and Net Loss Per Share**

Net loss attributable to Stratasys Ltd., and diluted net loss per share were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| | U.S. $ in thousands | |
| Net loss attributable to Stratasys Ltd. | $ (21,703) | $ (2,270) |
| Percentage of revenues | -16.3% | -1.5% |
| Basic and diluted net loss per share | $ (0.40) | $ (0.04) |

Net loss attributable to Stratasys Ltd. was $21.7 million for the three months ended March 31, 2020 compared to net loss of $2.3 million for the three months ended March 31, 2019. The increase in the net loss attributable to Stratasys Ltd. was primarily attributable to decreased gross profit, mainly resulted from COVID-19, as described above.

Diluted net loss per share was $0.4 and $0.04 for the three months ended March 31, 2020 and 2019, respectively. The weighted average fully diluted share count was 54.5 million for the three months ended March 31, 2020, compared to 54.0 million for the three months ended March 31, 2019.

**Supplemental Operating Results on a Non-GAAP Basis**

The following non-GAAP data, 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 (i) on an ongoing basis after excluding mergers, acquisitions and divestments related expense or gains and reorganization-related charges or gains, and (ii) 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 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 in a table below.

**Reconciliation of GAAP to Non-GAAP Results of Operations**

The following tables present the GAAP measures, the corresponding non-GAAP amounts and the related non-GAAP adjustments for the applicable periods:

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 GAAP | Non-GAAP Adjustments | 2020 Non-GAAP | 2019 GAAP | Non-GAAP Adjustments | 2019 Non-GAAP |
| | S. dollars and shares in thousands (except per share amounts) | | | | | |
| Gross profit (1) | $ 59,870 | $ 4,414 | $ 64,284 | $ 76,457 | $ 4,252 | $ 80,709 |
| Operating income (loss) (1,2) | $ (19,900) | $ 11,491 | $ (8,409) | (3,271) | 10,075 | 6,804 |
| Net income (loss) attributable to Stratasys Ltd. (1,2,3) | $ (21,703) | $ 11,137 | $ (10,566) | (2,270) | 7,927 | 5,657 |
| Net income (loss) per diluted share attributable to Stratasys Ltd. (4) | $ (0.40) | $ 0.21 | $ (0.19) | $ (0.04) | $ 0.14 | $ 0.10 |
| | | | | | | |
| (1) Acquired intangible assets amortization expense | | 4,065 | | | 3,898 | |
| Non-cash stock-based compensation expense | | 402 | | | 354 | |
| Reorganization and other related costs | | (53) | | | | |
| | | 4,414 | | | 4,252 | |
| | | | | | | |
| (2) Acquired intangible assets amortization expense | | 2,142 | | | 1,889 | |
| Non-cash stock-based compensation expense | | 4,503 | | | 3,875 | |
| Reorganization and other related costs | | 31 | | | 59 | |
| Merger and acquisition and other expense | | 401 | | | - | |
| | | 7,077 | | | 5,823 | |
| | | 11,491 | | | 10,075 | |
| | | | | | | |
| (3) Corresponding tax effect | | (431) | | | (544) | |
| Gain from equity method divestment, related write-offs and amortization | | 77 | | | (1,604) | |
| | | $ 11,137 | | | $ 7,927 | |
| | | | | | | |
| (4) Weighted average number of ordinary shares outstanding- Diluted | 54,544 | | 54,544 | 53,966 | | 54,477 |

**Liquidity and Capital Resources**

A summary of our statement of cash flows is as follows:

| | Three Months Ended March 31, 2020 | 2019 |
|---|---|---|
| | U.S $ in thousands | |
| Net loss | $ (21,788) | $ (2,313) |
| Depreciation and amortization | 12,457 | 12,700 |
| Deferred income taxes | (409) | (685) |
| Stock-based compensation | 4,907 | 4,229 |
| Other non-cash item, net | 4,467 | (615) |
| Change in working capital and other items | 11,640 | (8,712) |
| Net cash provided by operating activities | 11,274 | 4,604 |
| Net cash provided by (used in) investing activities | (5,498) | (5,729) |
| Net cash provided by (used in) by financing activities | 30 | (25,071) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (2,116) | 878 |
| Net change in cash, cash equivalents and restricted cash | 3,690 | (25,318) |
| Cash, cash equivalents and restricted cash, beginning of period | 293,597 | 393,734 |
| Cash, cash equivalents and restricted cash, end of period | $ 297,287 | $ 368,416 |

Our cash, cash equivalents and restricted cash balance increased to $297.3 million as of March 31, 2020 from $293.6 million as of December 31, 2019. The increase in cash and cash equivalents in the three months ended March 31, 2020 was primarily due to net cash provided by operating activities in an amount of $11.3 million, partially offset by net cash used in by investing activities of $5.5 million.

***Cash flows from operating activities***

We generated $11.3 million of cash from operating activities during the three months ended March 31, 2020. That cash generation reflects our $21.8 million net loss, as adjusted upwards to eliminate non-cash charges included in net loss, including $12.5 million of depreciation and amortization and $4.9 million of stock-based compensation expense. Favorable changes in our working capital balances were mainly driven by decrease in our accounts receivables balances.

***Cash flows from investing activities***

We used $5.5 million of cash in our investing activities during the three months ended March 31, 2020. Cash was primarily used to invest $6.3 million to purchase property and equipment. Our principal property and equipment purchases were for our new buildings complex under construction in Rehovot, Israel. The new facility in Rehovot, Israel, which will contain two buildings, houses our Israeli headquarters, research and development facilities and certain marketing activities.

***Cash flows from financing activities***

Amounts provided by financing activities for the first three months ended March 31, 2020, were immaterial.

**Capital resources and capital expenditures**

Our total current assets amounted to $645.8 million as of March 31, 2020, of which $297.3 million consisted of cash, cash equivalents and restricted cash and $28.3 million of short term deposits. Total current liabilities amounted to $165.1 million. Most of our cash and cash equivalents are held in banks in Israel and the U.S.

The credit risk related to our accounts receivable is limited due to the relatively large number of customers and their wide geographic distribution. In addition, we seek to reduce the credit exposure related to our accounts receivable by imposing credit limits, by conducting ongoing credit evaluation, and by implementing account monitoring procedures, as well as credit insurance for many of our customers.

We believe that we will have adequate cash and cash equivalents to fund our ongoing operations and that these sources of liquidity will be sufficient to satisfy our capital expenditure and working capital needs for the next twelve months.

*Repayment of Long-Term Bank Loan and Credit Line*

In December 2016, our company entered into a secured loan agreement with Bank Hapoalim Ltd. in connection with our new office facility in Israel, which agreement we refer to as the Bank Loan Agreement. Pursuant to the Bank Loan Agreement, our company borrowed $26 million initially in December 2016, which we refer to as the Bank Loan, and secured a credit line for an additional $24 million, or the Credit Line. Any loans to be drawn upon the Credit Line were to be under similar terms as the Bank Loan. The Bank Loan was to mature in December 2023 and was payable in equal consecutive quarterly principal installments of principal and accrued interest. Any early repayment of the Bank Loan was subject to, within the initial three year term of the Bank Loan, a maximum 1% penalty of the amount prepaid. The repayment of the Bank Loan was secured by a first-priority lien on all of our company's rights in the property of our new office facility in Israel. The Bank Loan bore interest at the rate of LIBOR plus 3.35%. The Bank Loan Agreement contained customary representations and warranties, affirmative covenants and negative covenants, which included, without limitation, restrictions on indebtedness, liens, investments, and certain dispositions with respect to the property secured by the lien.

The Bank Loan Agreement also contained customary events of default that entitled the lender to cause any or all of our company's indebtedness to become immediately due and payable and to foreclose on the lien, and included customary grace periods before certain events were to be deemed events of default. Borrowings under the Bank Loan Agreement were available mainly for the financing of our new facility in Israel.

In the first quarter of 2019, we repaid the full outstanding principal amount of the Bank Loan, in an aggregate amount of $27.3 million, plus all interest accrued thereon, thereby fulfilling all of our remaining obligations under the Bank Loan Agreement. In connection with the repayment, the first-priority lien on all of our rights with respect to the property of our new office facility in Israel was removed.

**Critical Accounting Policies**

We have prepared our consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America. This has required us to make estimates, judgments, and assumptions that affected the amounts we reported. Actual results may differ from those estimates. To facilitate the understanding of our business activities, certain accounting policies that are important to the presentation of our financial condition and results of operations and that require management's subjective judgments are described in our 2019 Annual Report. We base our judgments on our experience and various assumptions that we believe to be reasonable under the circumstances.

**Forward-Looking Statements and Factors That May Affect Future Results of Operations**

Certain information included in or incorporated by reference into the Report of Foreign Private Issuer on Form 6-K to which this Operating and Financial Review is appended, or the Form 6-K, may be deemed to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. You can generally identify forward-looking statements as statements containing the words "may," "will," "could," "should," "expect," "anticipate," "intend," "estimate," "believe," "project," "plan," "assume" or other similar expressions, or negatives of those expressions, although not all forward-looking statements contain these identifying words.

These forward-looking statements may include, but are not limited to, statements regarding our future strategy, future operations, projected financial position, proposed products, estimated future revenues, projected costs, future prospects, the future of our industry and results that might be obtained by pursuing management's current plans and objectives.

You should not place undue reliance on our forward-looking statements because the matters they describe are subject to certain risks, uncertainties and assumptions that are difficult to predict. Our forward-looking statements are based on the information currently available to us and speak only as of the date of this Form 6-K. Over time, our actual results, performance or achievements may differ from those expressed or implied by our forward-looking statements, and such difference might be significant and materially adverse to our shareholders. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Important factors that could cause actual results, developments and business decisions to differ materially from those anticipated in these forward-looking statements include, among other things:

- the extent of our success at introducing new or improved products and solutions that gain market share;
- the extent of growth of the 3D printing market generally;
- the duration of the global COVID-19 pandemic, which may continue to have material adverse consequences for our operations, financial position, cash flows, and those of our customers and suppliers;
- changes in our overall strategy, including as related to any reorganization activities and our capital expenditures;
- the impact of shifts in prices or margins of the products that we sell or services we provide;
- the impact of competition and new technologies;
- impairments of goodwill or other intangible assets in respect of companies that we acquire;
- the extent of our success at efficiently and successfully integrating the operations of various companies that we have acquired or may acquire;
- global market, political and economic conditions, and in the countries in which we operate in particular;
- government regulations and approvals;
- litigation and regulatory proceedings;
- infringement of our intellectual property rights by others (including for replication and sale of consumables for use in our systems), or infringement of others' intellectual property rights by us;
- the extent of our success at maintaining our liquidity and financing our operations and capital needs;
- impact of tax regulations on our results of operations and financial conditions; and

- those factors referred to in Item 3.D, “Key Information - Risk Factors”, Item 4, “Information on the Company”, and Item 5, “Operating and Financial Review and Prospects” in our 2019 Annual Report, as supplemented herein as well as in the 2019 Annual Report generally.

Readers are urged to carefully review and consider the various disclosures made throughout the Form 6-K, our 2019 Annual Report, and in 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.

**QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

Reference is made to Item 11, “Quantitative and Qualitative Disclosures about Market Risk” in our 2019 Annual Report.

**LEGAL PROCEEDINGS**

We are subject to various litigation and other legal proceedings from time to time. For a discussion of our litigation status, see Note 11-“Contingencies” in the notes to our unaudited condensed consolidated interim financial statements attached as Exhibit 99.1 to the form 6-K.

**RISK FACTORS**

***The global COVID-19 health pandemic has been adversely affecting and could potentially severely adverselyaffect, our business, results of operations and financial condition due to impacts on the industries in which our customers operate, as well as impacts from remote work arrangements, actions taken to contain the disease ortreat its impact, and the speed and extent of the recovery from the disease.***

COVID-19, which was discovered in Wuhan, China in December 2019 and which was declared by the World Health Organization to be a global pandemic on March 11, 2020, has had numerous adverse effects on the global economy. Governmental authorities around the world have implemented measures to reduce the spread of COVID-19. These measures, including shutdowns and “shelter-in-place” orders suggested or mandated by governmental authorities or otherwise elected by companies as a preventative measure, have adversely affected workforces, customers, consumer sentiment, economies and financial markets, and, along with decreased consumer spending, have led to an economic downturn in many of the markets into which we sell our products and services.

Those effects of the pandemic have been adversely impacting our financial results, beginning already in the first quarter of 2020. While the global outbreak of the pandemic occurred relatively late in that quarter, its impact on our quarterly results was nevertheless substantial, as the timing of our revenues in fiscal quarters tends to be late, with a significant portion of business traditionally occurring in the final few weeks of each quarter. Moreover, our business in Asia was already affected by the pandemic early in the quarter, followed by Europe and then the United States.

While we have imposed counter-measures to try to mitigate the impact of the pandemic on our operating results, there is no certainty that those measures will succeed. As early as February 3, 2020, we imposed travel restrictions on our staff and have tried to proactively prevent any harm to our workforce wherever possible. Soon thereafter we also implemented work-from-home options. In order to try to lessen the impact of the pandemic on our profitability, we began to implement cost-control measures at the end of February 2020 and continue to closely manage them. All of our employees were effectively reduced to a four-day work-week during the second quarter of 2020, and we have instituted a nonessential hiring freeze and have adjusted our cost base and production plan accordingly.

While we will continue to monitor the situation, assessing further possible implications for our operations, supply chain, liquidity, cash flow and customer orders, and will act in an effort to mitigate adverse consequences if and as needed, while simultaneously abiding by any government-imposed restrictions, market by market, there is no assurance that we can succeed at doing so. For example, our remote work arrangements could negatively impact the execution of our business plans and operations. If a natural disaster, power outage, connectivity issue, or other event occurs that impacts our employees’ ability to work remotely, it may be difficult for us to allow our employees to continue to work in that manner. The increase in remote working also raises potential IT security and fraud concerns.

In addition to the adverse impact of the COVID-19 pandemic on our business and operating results, we furthermore face uncertainty as to the degree and duration of that impact going forward. We do not know the length of time that the pandemic and related disruptions will continue, the impact of governmental regulations or easement of regulations in response to the strengthening or weakening of the pandemic, and the degree of overall potentially permanent changes in consumer behavior that may be caused by the pandemic. The pandemic may furthermore even lead to a global economic downturn that is more than temporary and that could adversely affect demand for our products and services generally. A downturn could also have a material adverse impact on our business partners’ stability and financial strength. Given the uncertainties associated with COVID-19, it is difficult to fully predict the magnitude of effects on our, and our business partners’, business, financial condition and results of operations.

As a result of the disruption in the industries into which we sell our products and services, and the lack of visibility as to the severity and duration of the pandemic, we have withdrawn our full-year guidance for 2020. We cannot predict whether we will be able to restore our guidance later in 2020.

The COVID-19 pandemic may also have the effect of amplifying many of the other risks described under the caption “Item 3. Key Information— D. Risk Factors” in our 2019 Form 20-F.