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 2023

Commission File Number 001-35751

STRATASYS LTD.

(Translation of registrant's name into English)

c/o Stratasys, Inc. 9600 West 76th Street Eden Prairie, Minnesota 55344	1 Holtzman Street, Science Park P.O. Box 2496 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 Exhibits 99.1, 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, 333-236880, 333-253694, 333-262951, 333-262952 and 333-27049 filed by the Registrant with the SEC on September 3, 2013, March 4, 2020, March 1, 2021, February 24, 2022, February 24, 2022 and March 3, 2023, respectively, and Form F-3, SEC file numbers 333-251938 and 333-253780, filed by the Registrant with the SEC on January 7, 2021 and March 2, 2021, respectively, as amended, and shall be a part thereof from the date on which this Form 6-K is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.

CONTENTS

On May 16, 2023, Stratasys Ltd., or Stratasys, released its financial results for the three months ended March 31, 2023.

Attached hereto as Exhibit 99.1 are the unaudited, condensed consolidated financial statements of Stratasys for the three months ended March 31, 2023 (including the notes thereto) (the "Q1 2023 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, 2023, including the following:

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

Attached hereto as Exhibit 101 are the Q1 2023 Financial Statements, formatted in IXBRL (eXtensible Business Reporting Language), consisting of the following sub-exhibits:

Exhibit Number	Document Description
99.1	Unaudited, Condensed Consolidated Financial Statements of Stratasys Ltd. as of, and for the quarterended, March 31, 2023
99.2	Review of StratasysLtd. Results of Operations and Financial Condition for the three monthsended March 31, 2023
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.

Dated: May 16, 2023

STRATASYS LTD.

By:	/s/ Eitan Zamir
Name:	Eitan Zamir
Title:	Chief Financial Officer

Exhibit 99.1

STRATASYS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

MARCH 31, 2023

(UNAUDITED)

INDEX TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(UNAUDITED)

STRATASYS LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
Consolidated Balance Sheets
(in thousands, except per share data)

	March 31, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 209,139	$ 150,470
Short-term deposits	78,448	177,367
Accounts receivable, net of allowance for credit losses of $0.8 million and $0.9 million as of March 31, 2023 and December 31, 2022, respectively	144,519	144,739
Inventories	201,997	194,054
Prepaid expenses	8,466	5,767
Other current assets	22,468	27,823
Total current assets	665,037	700,220
Non-current assets		
Property, plant and equipment, net	196,986	195,063
Goodwill	69,735	64,953
Other intangible assets, net	129,756	121,402
Operating lease right-of-use assets	16,884	18,122
Long-term investments	140,621	141,610
Other non-current assets	18,076	18,420
Total non-current assets	572,058	559,570
Total assets	$ 1,237,095	$ 1,259,790
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	$ 54,834	$ 72,921
Accrued expenses and other current liabilities	49,554	45,912
Accrued compensation and related benefits	37,261	34,432
Deferred revenues - short term	53,774	50,220
Operating lease liabilities - short term	6,724	7,169
Total current liabilities	202,147	210,654
Non-current liabilities		
Deferred revenues - long term	25,439	25,214
Deferred income taxes - long term	7,075	5,638
Operating lease liabilities - long term	9,880	10,670
Contingent consideration - long term	24,222	23,707
Other non-current liabilities	23,869	24,475
Total non-current liabilities	90,485	89,704
Total liabilities	$ 292,632	$ 300,358
Contingencies (see note 12)		
Equity		
Ordinary shares, NIS 0.01 nominal value, authorized 180,000 thousand shares; 68,103 thousand shares and 67,086 thousand shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	$ 190	$ 187
Additional paid-in capital	3,057,157	3,048,915

Accumulated other comprehensive loss		(13,808)		(12,818)
Accumulated deficit		(2,099,076)		(2,076,852)
Total equity		944,463		959,432
Total liabilities and equity	$	1,237,095	$	1,259,790

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
(in thousands, except per share data)

	Three Months Ended March 31,			
	2023		2022	
Revenues				
Products	$	100,971	$	113,073
Services		48,406		50,356
		149,377		163,429
Cost of revenues				
Products		51,113		59,373
Services		32,869		34,379
		83,982		93,752
Gross profit		65,395		69,677
Operating expenses				
Research and development, net		21,475		23,998
Selling, general and administrative		60,717		65,263
		82,192		89,261
Operating loss		(16,797)		(19,584)
Financial income (expenses), net		773		(1,362)
Loss before income taxes		(16,024)		(20,946)
Income tax benefit (expenses)		(3,775)		73
Share in losses of associated companies		(2,425)		(75)
Net loss	$	(22,224)	$	(20,948)
Net loss per share - basic and diluted	$	(0.33)	$	(0.32)
Weighted average ordinary shares outstanding - basic and diluted		67,583		65,721
Comprehensive loss				
Net loss		(22,224)		(20,948)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments		(2,245)		(702)
Unrealized gains (losses) on derivatives designated as cash flow hedges		1,255		(351)
Other comprehensive income (loss), net of tax		(990)		(1,053)
Comprehensive loss	$	(23,214)	$	(22,001)

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 Changes in Equity
(in thousands)
Three Months Ended March 31, 2023

	Ordinary Shares											
	Number of shares		Par Value		Additional Paid-In Capital		Accumulated deficit		Accumulated Other Comprehensive Loss		Total Equity
Balance as of December 31, 2022	67,086	$	187	$	3,048,915	$	(2,076,852)	$	(12,818)	$	959,432
Issuance of shares in connection with stock-based compensation plans	1,017		3		1		-		-		4
Stock-based compensation	-		-		8,241		-		-		8,241
Comprehensive loss	-		-		-		(22,224)		(990)		(23,214)
Balance as of March 31, 2023	68,103	$	190	$	3,057,157	$	(2,099,076)	$	(13,808)	$	944,463

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 Changes in Equity
(in thousands)
Three Months Ended March 31, 2022

	Ordinary Shares		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Total
	Number of shares	Par Value	Capital	deficit	Loss	Equity
Balance as of December 31, 2021	65,677	$ 182	$ 3,012,481	$ (2,047,878)	$ (8,771)	$ 956,014
Issuance of shares in connection with stock-based compensation plans	731	3	152	-	-	155
Stock-based compensation	-	-	8,533	-	-	8,533
Comprehensive income (loss)	-	-	-	(20,948)	(1,053)	(22,001)
Balance as of March 31, 2022	66,408	$ 185	$ 3,021,166	$ (2,068,826)	$ (9,824)	$ 942,701

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,	
	2023	2022
Cash flows from operating activities		
Net loss	$ (22,224)	$ (20,948)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	11,680	15,290
Stock-based compensation	8,241	8,533
Foreign currency transaction loss	531	2,792
Share in losses of associated companies	2,425	75
Revaluation of investments	1,042	1,061
Other non-cash items, net	(95)	83
Change in cash attributable to changes in operating assets and liabilities:		
Accounts receivable, net	1,081	(7,950)
Inventories	(10,123)	(14,775)
Other current assets and prepaid expenses	2,945	7,386
Other non-current assets	2,746	(85)
Accounts payable	(18,547)	7,194
Other current liabilities	1,622	(16,037)
Deferred revenues	3,387	2,522
Deferred income taxes, net and uncertain tax positions	2,581	(381)
Other non-current liabilities	(5,218)	(823)
Net cash used in operating activities	(17,926)	(16,063)
Cash flows from investing activities		
Cash paid for acquisitions, net of cash acquired	(16,480)	-
Purchase of property and equipment	(3,723)	(3,741)
Investments in short-term bank deposits	(12,448)	(40,000)
Proceeds from short-term bank deposits	111,367	117,000
Purchase of intangible assets	(311)	(444)
Other investing activities	(30)	(47)
Investments in unconsolidated entities	(2,453)	(5,030)
Net cash provided by investing activities	75,922	67,738
Cash flows from financing activities		
Proceeds from exercise of stock options	4	155
Other financing activities	851	866
Net cash provided by financing activities	855	1,021
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(168)	(2,228)
Net change in cash, cash equivalents and restricted cash	58,683	50,468
Cash, cash equivalents and restricted cash, beginning of period	150,686	243,293
Cash, cash equivalents and restricted cash, end of period	$ 209,369	$ 293,761
Supplemental disclosures of cash flow information:		
Transfer of inventory to fixed assets	3,604	188

Transfer of fixed assets to inventory	97	120
Reconciliation of cash, cash equivalents and restricted cash reported in the consolidated balance sheets:		
Cash and cash equivalents	209,139	293,649
Restricted cash included in other current assets	230	112
Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	$ 209,369	$ 293,761

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

Note 1. Business Description and Basis of Presentation

Stratasys Ltd. (collectively with its subsidiaries, the "Company" or "Stratasys") is a global leader in connected, polymer-based 3D printing solutions, across the entire manufacturing value chain. The Company leverages its competitive advantages, which include a broad set of best-in-class 3D printing platforms, software, a materials and technology partner ecosystem, innovative leadership, and global GTM infrastructure, in order to position itself to capture share in a significant and growing global marketplace, with a focus on manufacturing, which the Company views as having the largest and fastest growing total addressable market The Company's approximately 1,700 granted and pending additive technology patents to date have been used to create models, prototypes, manufacturing tools, and production parts for a multitude of industries including aerospace, automotive, transportation, healthcare, consumer products, dental, medical, fashion and education. Stratasys' products and comprehensive solutions improve product quality, development time, cost, time-to-market and patient care. The Company's 3D ecosystem of solutions and expertise includes 3D printers, materials, software, expert services, and on-demand parts production.

The condensed 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 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 Company's financial statements are prepared in conformity with U.S. generally accepted accounting principles ("GAAP"), which require the Company to make estimates based on assumptions about current and, for some estimates, future economic and market conditions which affect reported amounts and related disclosures in its financial statements. Although the Company's current estimates contemplate current and expected future conditions, as applicable, it is reasonably possible that actual conditions could differ from the Company's expectations, which could materially affect its results of operations and financial position.

In particular, a number of estimates have been and will continue to be affected by the trends that have arisen in the aftermath of the COVID-19 pandemic, including global events and other longer-term macroeconomic conditions, most prominently, rising inflation, increasing interest rates, tightening of capital markets and global supply chain delays. As a result, the accounting estimates and assumptions may change over time. Such changes could have an additional impact on the Company's long-lived asset and intangible asset valuation; and the allowance for expected credit losses. These consolidated financial statements reflect the financial statement effects based upon management's estimates and assumptions utilizing the most currently available information.

The results of operations for the three months ended March 31, 2023 are not necessarily indicative of results that could be expected for the entire fiscal year. Certain financial information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. The reader is referred to the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2022, filed with the U.S. Securities and Exchange Commission (the "SEC") on March 3, 2023 as part of the Company's Annual Report on Form 20-F for such year.

Note 2. New Accounting Pronouncements

Accounting Pronouncements Adopted in 2023

In October 2021, the FASB issued ASU 2021-08 "Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers", which requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, Revenue from Contracts with Customers. The guidance will result in the acquirer recognizing contract assets and contract liabilities at the same amounts recorded by the acquiree. The guidance should be applied prospectively to acquisitions occurring on or after the effective date. The guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted this guidance effective January 1, 2023, with no material impact on its consolidated financial statements.

Note 3. Certain Transactions

MakerBot and Ultimaker transaction ("Ultimaker")

On August 31, 2022, Stratasys completed the merger of MakerBot (previously, a fully owned subsidiary) with Ultimaker, which together formed a new entity under the name Ultimaker. The Company recorded a net gain of $39.1 million from deconsolidation of MakerBot, representing the difference between the book value of MakerBot's net assets and the fair value allocated to such net assets in the transaction as follows:

	U.S. $ in thousands
Fair value, net	$ 55,751
Net assets deconsolidated	(14,146)
Transaction expenses	(2,469)
Gain on deconsolidation of subsidiary	$ 39,136

The Company accounts for its investment in the combined company Ultimaker according to the equity method in accordance with ASC Topic 323, as it has retained the ability to exercise significant influence but does not control the new entity. The Company recognized an equity method investment in a total amount of $105.6 million comprised of the assumed fair value of the MakerBot shares and additional amount invested in cash by the Company, representing a share of 46.5% in the new entity.

The preliminary allocation of the purchase price ("PPA") to net assets acquired and liability assumed resulted in the recognition of intangible assets with a value of $57.8 million, goodwill of $22.3 million and other net assets of $25.5 million. The value assigned to intangible assets is amortized over a period of 5 to 10 years and the related amortization is included under share in net losses (profits) from associated companies. The estimated fair values are preliminary and based on the information that was available as of August 31, 2022. Thus, the measurements of fair value reflected in these assets are subject to changes and such changes could be significant.

As of March 31, 2023 and December 31, 2022 the equity investment in Ultimaker amounted to $97.8 million and $100.2 million, respectively, which represented the original investment in Ultimaker, net of share in net losses for the period in amounts of $2.3 million and $5.4 million, respectively. Following the acquisition, the Company will act as an agent to Ultimaker and will distribute products of Ultimaker. Transactions with Ultimaker for the period were immaterial.

Covestro acquisition

On August 8, 2022, the Company announced that it signed a definitive agreement to acquire the additive manufacturing materials business of Covestro AG. On April 3, 2023 the Company completed the acquisition of Covestro. The purchase price was approximately $46.7 million (Euro 43 million) in cash (which is subject to adjustment to reflect the amount of inventory acquired under the Covestro asset purchase agreement, and the accrual with respect to liabilities being assumed under the Covestro asset purchase agreement), as well as 317,505 newly issued Stratasys ordinary shares, par value 0.01 New Israeli Shekels per share ("**Stratasys ordinary shares**") as the consideration for the purchased assets. Under the terms of the Covestro asset purchase agreement, Covestro may also earn up to an additional Euro 37 million of consideration, subject to the achievement of specified performance metrics, which will be payable via the issuance of additional Stratasys ordinary shares.

Other investments

In addition to the investment in Ultimaker, other investments included under Long-term investments primarily consist of investments in non-marketable equity securities of several companies without readily determinable fair value in which the Company does not have a controlling interest or significant influence. During the first quarter of 2023 and during 2022, the Company invested a total of $2.4 million and $16.7 million, respectively, in non-marketable equity securities and convertible notes of several companies.

Note 4. 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 type for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,	
	2023	**2022**
	(U.S. $ in thousands)	
Americas		
Systems	$ 21,186	$ 28,982
Consumables	32,572	31,354
Service	36,322	38,231
Total Americas	90,080	98,567
EMEA		
Systems	11,402	15,076
Consumables	18,911	17,825
Service	7,567	7,153
Total EMEA	37,880	40,055
Asia Pacific		
Systems	7,864	10,458
Consumables	9,036	9,377
Service	4,517	4,972
Total Asia Pacific	21,417	24,807
Total Revenues	**$** 149,377	**$** 163,429

The following table presents the Company's revenues disaggregated based on the timing of revenue recognition (at a specific point in time or over the course of time) for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,	
	2023	**2022**
	(U.S. $ in thousands)	
Revenues recognized in point in time from:		
Products	$ 100,971	$ 113,073
Services	13,691	12,492
Total revenues recognized in point in time	114,662	125,565
Revenues recognized over time from:		
Services	34,715	37,864
Total revenues recognized over time	34,715	37,864

Total Revenues	$ 149,377	$ 163,429

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, 2023 and December 31, 2022.

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 revenue. The Company's deferred revenue as of March 31, 2023 and December 31, 2022 was as follows:

	March 31, 2023	**December 31, 2022**
	U.S. $ in thousands	
Deferred revenue*	$ 79,213	$ 75,434

*Includes $25.4 million and $25.2 million under long term deferred revenue in the Company's consolidated balance sheets as of March 31, 2023 and December 31, 2022, respectively.

Revenue recognized in 2023 that was included in deferred revenue balance as of December 31, 2022 was $16.1 million for the three months ended March 31, 2023.

Remaining Performance Obligations

Remaining Performance Obligations ("RPO") represent 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, 2023, the total RPO amounted to $111.9 million. The Company expects to recognize $79.1 million of this RPO during the next 12 months, $19.1 million over the subsequent 12 months and the remaining $13.7 million 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, 2023 and December 31, 2022, the deferred commissions amounted to $9.5 million and $9.6 million, respectively.

Note 5. Inventories

Inventories consisted of the following:

	March 31, 2023	**December 31, 2022**
	U.S. $ in thousands	
Finished goods	$ 86,214	$ 81,564
Work-in-process	8,319	7,562
Raw materials	107,464	104,928
	$ 201,997	$ 194,054

Note 6. Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying amount of the Company's goodwill during the three months ended March 31, 2023 were as follows:

	U.S. $ in thousands
Goodwill as of January 1, 2023	$ 64,953
Goodwill acquired	4,743
Foreign currency translation adjustments	39
Goodwill as of March 31, 2023	$ 69,735

Other Intangible Assets

Other intangible assets consisted of the following:

	March 31, 2023			**December 31, 2022**		
	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	$ 392,867	$ (287,704)	$ 105,163	$ 387,603	$ (283,671)	$ 103,932

Patents	17,808	(9,302)	8,506	17,508	(8,970)	8,538
Trademarks and trade names	17,291	(14,328)	2,963	16,278	(14,030)	2,248
Customer relationships	101,619	(88,495)	13,124	93,609	(86,925)	6,684
Capitalized software development costs	7,066	(7,066)	-	7,066	(7,066)	-
	$ 536,651	$ (406,895)	$ 129,756	$ 522,064	$ (400,662)	$ 121,402

Amortization expenses relating to intangible assets for the three-month period ended March 31, 2023 and 2022 were approximately $6.2 million and $9.2 million, respectively.

As of March 31, 2023, the estimated amortization expenses relating to intangible assets for each of the following future periods were as follows:

	Estimated amortization expenses (U.S. $ in thousands)
Remaining 9 months of 2023	$ 19,362
2024	21,627
2025	19,149
2026	19,063
2027	18,099
2028 and thereafter	32,456
Total	$ 129,756

Note 7. Net 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, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
	(In thousands, except per share amounts)	
Numerator:		
Net loss for basic and diluted loss per share	$ (22,224)	$ (20,948)
Denominator:		
Weighted average shares - for basic and diluted net loss per share	67,583	65,721
Net loss per share		
Basic and diluted	$ (0.33)	$ (0.32)

The computation of diluted net loss per share excluded share awards of3.4 million and 5.4 million shares for the three months ended March 31, 2023 and 2022, respectively, because the inclusion of those shares would have had an anti-dilutive effect on the diluted net loss per share.

Note 8. Income Taxes

The Company had tax expense of $3.8 million for the three-month period ended March 31, 2023 compared to tax benefit of $0.1 million for the three-month period ended March 31, 2022. The Company's effective tax rate as of March 31, 2023 was primarily impacted by the geographic mix of its earnings and losses, movements in its valuation allowance and changes in its uncertain tax positions.

Note 9. Fair Value Measurements

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

	March 31, 2023		December 31, 2022	
	Level 2	Level 3	Level 2	Level 3
	(U.S. $ in thousands)			
Assets:				
Foreign exchange forward contracts not designated as hedging instruments	$ 73	-	$ 159	-
Foreign exchange forward contracts designated as hedging instruments	220	-	3	-
Liabilities:				
Foreign exchange forward contracts not designated as hedging instruments	(100)	-	(38)	-
Foreign exchange forward contracts designated as hedging instruments	(2,610)	-	(1,640)	-
Convertible notes		4,327	-	1,894
Contingent consideration*		38,606	-	38,341

(2,417)	42,933	(1,516)	40,235

*Includes $14.4 million and $14.6 million under Accrued expenses and other current liabilities in the Company's consolidated balance sheets as of March 31, 2023 and December 31, 2022, respectively.

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).

Contingent consideration represents liabilities recorded at fair value in connection with acquisitions, and thus represents a Level 3 measurement within the fair value hierarchy (refer to Note 3).

Other financial instruments consist mainly of cash and cash equivalents, short-term deposits, current and non-current receivables, accounts payable and other current liabilities. The fair value of these financial instruments approximates their carrying values.

Note 10. Derivative instruments and hedging activities

Since the Company conducts its operations globally, it is exposed to global market risks and to the risk that its earnings, cash flows and equity could be adversely impacted by fluctuations in foreign currency exchange rates. The Company enters into transactions involving foreign currency exchange derivative financial instruments. The Company manages its foreign currency exposures on a consolidated basis, which allows the Company to net exposures and take advantage of any natural hedging. The transactions are designed to manage the Company's net exposure to foreign currency exchange rates and to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates. The Company does not enter into derivative transactions for trading purposes.

The Company is primarily exposed to foreign exchange risk with respect to recognized assets and liabilities and forecasted transactions denominated in New Israeli Shekels ("NIS"), Euro, British Pound, 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. These contracts mature through December 2023.

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, 2023**	**December 31, 2022**	**March 31, 2023**	**December 31, 2022**
		U.S. $ in thousands			
Assets derivatives -Foreign exchange contracts, not designated as hedging instruments	Other current assets	$ 73	$ 159	$ 40,375	$ 101,733
Assets derivatives -Foreign exchange contracts, designated as cash flow hedge	Other current assets	220	3	31,480	4,900
Liability derivatives -Foreign exchange contracts, not designated as hedging instruments	Accrued expenses and other current liabilities	(100)	(38)	22,311	16,751
Liability derivatives -Foreign exchange contracts, designated as hedging instruments	Accrued expenses and other current liabilities	(2,610)	(1,640)	52,115	72,273
		$ (2,417)	$ (1,516)	$ 146,281	$ 195,657

Foreign exchange contracts not designated as hedging instruments

As of March 31, 2023, the notional amounts of the Company's outstanding exchange forward contracts, not designated as hedging instruments, were $62.7 million, and were used to reduce foreign currency exposures of the Euro, NIS, Japanese Yen, Korean Won and Chinese Yuan. With respect to such derivatives, loss of $ 0.4 million and gain of $0.7 million were recognized under financial income, net for the three-month period ended March 31, 2023 and 2022, respectively. Such gains or losses partially offset the foreign currency revaluation changes of the balance sheet items. These foreign currencies revaluation changes are also recognized under financial income, net.

Cash Flow Hedging - Hedges of forecasted foreign currency payroll and other operating expenses

As of March 31, 2023, the Company had in effect foreign exchange forward contracts, designated as cash flow hedges for accounting purposes, for the conversion of $48.9 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 and other operating expenses denominated in NIS. The changes in fair value of those contracts are included in the Company's accumulated other comprehensive loss.

Cash Flow Hedging - Hedges of forecasted foreign currency revenue

As of March 31, 2023, the Company had in effect foreign exchange forward contracts, designated as cash flow hedges for accounting purposes, for the conversion of 34.7 million Euro into U.S. dollars. The Company transacts 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 enters into these foreign exchange contracts to hedge a portion of its forecasted foreign currency denominated revenue in the normal course of business, and, accordingly, they are not speculative in nature.

Note 11. Equity

a. Stock-based compensation plans

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

	Three Months Ended March 31,	
	2023	**2022**

		U.S $ in thousands		
Cost of revenues	$	932	$	900
Research and development, net		2,089		1,786
Selling, general and administrative		5,220		5,847
Total stock-based compensation expenses	$	8,241	$	8,533

A summary of the Company's stock option activity for the three months ended March 31, 2023 is as follows:

		Number of Options		Weighted Average Exercise Price
Options outstanding as of January 1, 2023	$	1,619,559	$	27.62
Granted		-		-
Exercised		(1,083)		3.58
Forfeited		(2,910)		34.73
Options outstanding as of March 31, 2023		1,615,566		27.62
Options exercisable as of March 31, 2023	$	1,243,725	$	31.13

As of March 31, 2023, the unrecognized compensation cost of $1.1 million related to all unvested, equity-classified stock options is expected to be recognized as an expense over a weighted-average period of 1.66 years.

A summary of the Company's RSUs and PSUs activity for the three months ended March 31, 2023 is as follows:

		Number of RSUs and PSUs		Weighted Average Grant Date Fair Value
Unvested as of January 1, 2023	$	3,496,099	$	23.98
Granted		1,642,257		13.02
Vested		(996,094)		25.58
Forfeited		(104,741)		25.03
Unvested as of March 31, 2023	$	4,037,521	$	19.10

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, 2023, the unrecognized compensation cost of $63.5 million related to all unvested, equity-classified RSUs and PSUs is expected to be recognized as expense over a weighted-average period of 2.4 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, 2023 and 2022, respectively:

	Three Months Ended March 31, 2023					
		Net Unrealized Gain (Loss) on Cash Flow Hedges		Foreign Currency Translation Adjustments		Total
				U.S. $ in thousands		
Balance as of January 1, 2023	$	(299)	$	(12,519)	$	(12,818)
Other comprehensive income (loss) before reclassifications		(1,828)		1,255		(573)
Amounts reclassified from accumulated other comprehensive loss		(417)		-		(417)
Other comprehensive income (loss)		(2,245)		1,255		(990)
Balance as of March 31, 2023	$	(2,544)	$	(11,264)	$	(13,808)

	Three Months Ended March 31, 2022					
		Net Unrealized Gain (Loss) on Cash Flow Hedges		Foreign Currency Translation Adjustments		Total
				U.S. $ in thousands		
Balance as of January 1, 2022	$	1,572	$	(10,343)	$	(8,771)
Other comprehensive income (loss) before reclassifications		271		(702)		(431)
Amounts reclassified from accumulated other comprehensive loss		(622)		-		(622)
Other comprehensive income (loss)		(351)		(702)		(1,053)

Balance as of March 31, 2022	$ 1,221	$ (11,045)	$ (9,824)

Note 12. Contingencies

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 in conjunction 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 the United 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, 2022, filed with the Securities and Exchange Commission, or SEC, on March 3, 2023, or our 2022 Annual Report, as updated by the “Risk Factors” section below.

Overview of Business and Trend Information

We are a global leader in connected, polymer-based 3D printing solutions, across the entire manufacturing value chain. Leveraging distinct competitive advantages that include a broad set of best-in-class 3D printing platforms, software, a materials and technology partner ecosystem, innovative leadership, and global GTM infrastructure, we are positioned to capture share in a significant and growing global marketplace, with a focus on manufacturing, which we view as having the largest and fastest growing total addressable market.

Our approximately 1,700 granted and pending additive technology patents to date have been used to create models, prototypes, manufacturing tools, and production parts for a multitude of industries including aerospace, automotive, transportation, healthcare, consumer products, dental, medical, fashion and education. Our products and comprehensive solutions improve product quality, development time, cost, time-to-market and patient care. Our 3D ecosystem of solutions and expertise includes 3D printers, materials, software, expert services, and on-demand parts production. By end of 2022, we estimate that we derived over 32.5% of our revenues from manufacturing solutions.

A series of recent acquisitions and other transactions has strengthened our leadership in various facets of our business, and haveadded incremental growth engines to our platform. Our acquisition, in December 2020, of Origin Laboratories, Inc., or Origin, significantly strengthened our leadership in mass production for polymer 3D printing. Origin’s pioneering approach to additive manufacturing of end-use parts has enabled us to serve a large market with manufacturing-grade 3D printers, utilizing P^3 Programmable PhotoPolymerization. Our acquisition, in the first quarter of 2021, of UK-based RP Support Ltd., or RPS, a provider of industrial stereolithography 3D printers and solutions, provided us with a complementary technology that further expanded our polymer suite of solutions across the product life cycle. Similarly, our acquisition, in November 2021, of all remaining shares of Xaar 3D Ltd. or Xaar, has begun to accelerate our growth in production-scale 3D printing. The recently completed transaction between our former subsidiary, MakerBot, a leader in desktop 3D printing, and Ultimaker, gave us a significant (approximately 46.5%) stake in a new entity that has a broad technology offering, a larger scale, and that is well-capitalized and is therefore better equipped to compete in the attractive desktop 3D printing segment. Our October 2022 asset acquisition from the quality assurance software company Riven, a Berkeley, California-based start-up, enables us to fully integrate its cloud-based software solution into our GrabCAD® Additive Manufacturing Platform, thereby enabling more manufacturing customers to adopt Stratasys solutions for end-use parts production. Our acquisition, in April 2023, of Covestro’s additive manufacturing business will give us the ability to accelerate innovative developments in 3D printing materials and to thereby further grow adoption of our newest technologies, including our Origin P3™, Neo® stereolithography, and H350™ printers, with which Covestro’s resins can be used. Also, we acquired an IP portfolio comprised of hundreds of patents and pending patents.

Business Performance in Macro-Economic Environment

Our current outlook, as well as our results of operations for the first quarter of 2023, should be evaluated in light of current global macroeconomic conditions, including challenging trends that have arisen in the post-COVID-19 period. Our revenues in the first quarter of 2023 decreased by 8.6% relative to the corresponding quarter of 2022, evidencing macro-economic pressure on capital expenditure budgets of our customers, which has been causing longer sales cycles for our systems and occasional deferral of orders of our systems. The decrease in systems revenues was also attributable in part to the disposition of our former subsidiary, MakerBot, in August 2022, and unfavorable currency exchange rates. On the other hand, the first quarter results also evidence stronger utilization of our installed systems by our customers, which drove higher revenues in both consumables and customer service. We are cautiously optimistic that we will achieve sequential revenue growth during the remaining quarters of 2023, most notably in the second half of the year, evidencing stronger top-line results from systems that contain recently acquired technology.

We continue to closely monitor macro-economic conditions, including the headwinds caused by supply chain problems, inflation, increased interest rates and other trends that have been adversely impacting economic activity on a global scale, and which have also adversely affected us. We have been assessing, on an ongoing basis, the implications of those global conditions for our operations, supply chain, liquidity, cash flow and customer orders, and have been acting in an effort to mitigate adverse consequences as needed. We estimate that those conditions have impacted us most notably by limiting our ability to increase our gross margins and our operating margins more significantly in the short-term, given the increased cost of goods and operating expenses associated with global supply chain problems and inflation. We have used price increases to offset those cost pressures. Assuming that those logistical issues and inflationary pressures ease, and the global economy remains relatively stable, we expect that those margins will improve, as we execute on our growth plans and as a result of a favorable products mix.

Specific developments that may potentially impact our operating performance in an adverse manner include:

- further actions taken by central banks in Europe and the U.S. to increase interest rates as a means to slow down inflation, which may worsen credit/financing conditions for our customers who purchase our products; and

- potential contraction of economic activities and recessionary conditions that could arise as a result of interest rate increases and a decrease in consumer demand;

We cannot provide any assurances as to the extent of our resilience to the adverse impact of these specific developments in future periods.

We ended the first quarter of 2023 with $287.6 million in cash,cash equivalents and short-term deposits. We believe that we are well suited to continue to manage the current global macro-economic climate with a strong balance sheet and no debt, while focusing on cost controls and cash generation. We have continued to selectively apply certain cost controls, which we began doing at the start of the COVID-19 pandemic, while ensuring that our NPI programs are well-funded, and we plan to continue investing as needed in order to support our new product development programs.

Summary of Financial Results

Our unaudited condensed consolidated 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 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, 2023 with the corresponding period in 2022.

Results of Operations

Comparison of Three Months Ended March 31, 2023 to Three Months Ended March 31, 2022

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

	Three Months Ended March 31,

	2023		2022	
	U.S. $ in thousands	% of Revenues	U.S. $ in thousands	% of Revenues
Revenues	$ 149,377	100.0%	$ 163,429	100.0%
Cost of revenues	83,982	56.2%	93,752	57.4%
Gross profit	65,395	43.8%	69,677	42.6%
Research and development, net	21,475	14.4%	23,998	14.7%
Selling, general and administrative	60,717	40.6%	65,263	39.9%
Operating loss	16,797	11.2%	19,584	12.0%
Financial expenses (income), net	(773)	(0.5)%	1,362	0.8%
Loss before income taxes	16,024	10.7%	20,946	12.8%
Income tax benefit (expenses)	(3,775)	2.5%	73	0.0%
Share in losses of associated companies	2,425	1.6%	75	0.0%
Net loss	22,224	14.9%	20,948	12.8%

Discussion of Results of Operations

Revenues

Our products and services revenues in the three months ended March 31, 2023 and 2022, as well as the percentage change reflected thereby, were as follows:

	Three Months Ended March 31,		
	2023	2022	% Change
	U.S. $ in thousands		
Products	$ 100,971	$ 113,073	(10.7)%
Services	48,406	50,356	(3.9)%
	$ 149,377	$ 163,429	(8.6)%

Products Revenues

Revenues derived from products (including systems and consumables materials) decreased by $12.1 million, or 10.7%, for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022, mainly due to longer sales cycle, impact of MakerBot divestiture and as a result of unfavorable exchange rates, partially offset by higher consumables revenues of $2.0 million as a result of higher usage of our systems.

Revenues derived from systems decreased by $14.1 million, or 25.8%, for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022. The decrease is mainly attributable to longer sales cycles as well as the impact of divestiture of MakerBot, which occurred at the end of August 2022, as MakerBot's revenues were consolidated with our revenues in the first quarter of 2022 but not the corresponding quarter of 2023, and to unfavorable exchange rates in amount of $0.7 million.

Revenues derived from consumables increased by $2.0 million, or 3.3%, for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022. The increase in consumables reflects higher utilization rates of systems as initial materials are replenished.

Services Revenues

Services revenues (including SDM, maintenance contracts, time and materials and other services) decreased by $2.0 million for the three months ended March 31, 2023, or 3.9%, as compared to the three months ended March 31, 2022. Within services revenues, customer support revenue, which includes revenue generated mainly by maintenance contracts on our systems, increased by 4.9%.

Revenues by Region

Revenues and the percentage of revenues by region for the three months ended March 31, 2023 and 2022, as well as the percentage change in revenues in each such region reflected thereby, were as follows:

	Three Months Ended March 31,				
	2023		2022		% Change
	U.S.$ in thousands	% of Revenues	U.S.$ in thousands	% of Revenues	
Americas*	$ 90,080	60.3%	$ 98,567	60.3%	(8.6)%
EMEA	37,880	25.4%	40,055	24.5%	(5.4)%
Asia Pacific	21,417	14.3%	24,807	15.2%	(13.7)%
	$ 149,377	100.0%	$ 163,429	100.0%	(8.6)%

* Represent the United States, Canada and Latin America

Revenues in the Americas region decreased by $8.5 million, or 8.6%, to $90.1 million for the three months ended March 31, 2023, compared to $98.6 million for the three months ended March 31, 2022. The decrease mainly related to the impact of the MakerBot divestiture at the end of August 2022, which deconsolidated MakerBot and its revenues from our consolidated revenues.

Revenues in the EMEA region decreased by $2.2 million, or 5.4%, to $37.9 million for the three months ended March 31, 2023, compared to $40.1 million for the three months ended March 31, 2022. The decrease was primarily driven by a decrease in systems revenues, partially offset by higher consumables revenues. On a constant currency basis when using prior period's exchange rates, revenues decreased by $0.9 million, or 2.1%.

Revenues in the Asia Pacific region decreased by $3.4 million, or 13.7%, to $21.4 million for the three months ended March 31, 2023, compared to $24.8 million for the three months ended March 31, 2022. The decrease was primarily driven by slowdown in systems revenues. On a constant currency basis when using prior period's exchange rates, revenues decreased by $2.5 million, or 10.0%.

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,		
	2023	2022	Change in %
	U.S. $ in thousands		

Gross profit attributable to:			
Products	$ 49,858	$ 53,700	(7.2)%
Services	15,537	15,977	(2.8)%
	$ 65,395	$ 69,677	(6.1)%

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

	Three Months Ended March 31,	
	2023	2022
Gross profit as a percentage of revenues from:		
Products	49.4%	47.5%
Services	32.1%	31.7%
Total gross profit	43.8%	42.6%

Gross profit attributable to products revenues decreased by $3.8 million, or 7.2%, to $49.9 million for the three months ended March 31, 2023, compared to gross profit of $53.7 million for the three months ended March 31, 2022. Gross profit attributable to products revenues as a percentage of products revenues increased to 49.4% for the three months ended March 31, 2023, compared to 47.5% for the three months ended March 31, 2022. Our gross profit from products revenues increased mainly as a result of a decrease in amortization expense of $3.0 million, favorable product mix and the impact of MakerBot divestiture, partially offset by unfavorable exchange rates. Gross profit attributable to services revenues decreased by $0.4 million, or 2.8%, to $15.5 million for the three months ended March 31, 2023, compared to $16.0 million for the three months ended March 31, 2022. Gross profit attributable to services revenues as a percentage of services revenues increased to 32.1% in the three months ended March 31, 2023, as compared to 31.7% for the three months ended March 31, 2022. Our gross profit from services revenues increased mainly as a result of favorable product mix.

Operating Expenses

The amount of each type of operating expense for the three months ended March 31, 2023 and 2022, as well as the percentage change reflected thereby, and total operating expenses as a percentage of our total revenues in each such quarter, were as follows:

	Three Months Ended March 31,		
	2023	2022	% Change
	U.S. $ in thousands		
Research and development, net	$ 21,475	$ 23,998	(10.5)%
Selling, general and administrative	60,717	65,263	(7.0)%
	$ 82,192	$ 89,261	(7.9)%
Percentage of revenues	55.0%	54.6%	

Operating expenses were $82.2 million in the first quarter of 2023, compared to operating expenses of $89.3 million in the first quarter of 2022. The decrease in operating expenses was driven primarily by the impact of the divestiture of MakerBot, which resulted in a decrease in operational expenses of $5.1 million, a favorable currency exchange rate impact of $2.4 million, partially offset by higher employee-related costs of $1.5 million, among other due to our recent acquisitions, and restructuring and other related costs of $1.2 million.

Research and development expenses, net decreased by $2.5 million, or 10.5%, to $21.5 million for the three months ended March 31, 2023, compared to $24.0 million for the three months ended March 31, 2022. The amount of research and development expenses constituted 14.4% of our revenues for the three months ended March 31, 2023, as compared to 14.7% for the three months ended March 31, 2022. The absolute decrease in research and development expenses, was primarily attributable to the impact of MakerBot divestiture in amount of $1.8 million.

We continue to invest in strategic long-term initiatives that include advancements in our core FDM and PolyJet technologies and in our new powder-based and photopolymer-based, SAF and P3 technologies, advanced composite materials, software and development of new applications that will enhance our current solutions offerings.

Selling, general and administrative expenses decreased by $4.5 million, or 7.0%, to $60.7 million for the three months ended March 31, 2023, compared to $65.3 million for the three months ended March 31, 2022. The absolute decrease in selling, general and administrative expenses, was primarily attributable to the impact of MakerBot divestiture and a favorable currency exchange rate. The amount of selling, general and administrative expenses constituted 40.6% of our revenues for the three months ended March 31, 2023, as compared to 39.9% for the three months ended March 31, 2022, which we deem a non-material increase.

Operating Loss

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

	Three Months Ended March 31,	
	2023	2022
	U.S. $ in thousands	
Operating loss	$ (16,797)	$ (19,584)
Percentage of revenues	(11.2)%	(12.0)%

Operating loss amounted to $16.8 million for the three months ended March 31, 2023, compared to an operating loss of $19.6 million for the three months ended March 31, 2022. The absolute decrease in the operating loss of $2.8 million, as well as the decrease of operating loss as a percentage of revenues by 0.8%, were attributable to the 1.2% increase in gross profit as a percentage of revenues, partially offset by 0.4% increase of operating expenses as a percentage of revenues.

Financial Expenses (Income), net

Financial income, net, which was primarily comprised of foreign currency effects, higher interest income rate and interest expenses, was $.8 million for the three months ended March 31, 2023, compared to financial expenses, net of $1.4 million for the three months ended March 31, 2022.

Income Taxes

Income tax benefit (expenses) and income tax benefit (expenses) as a percentage of net loss before taxes, as well as the percentage change in each, year over year, reflected thereby, were as follows:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
	U.S. $ in thousands	
Income tax benefit (expenses)	$ (3,775)	$ 73
As a percent of loss before income taxes	(23.6)%	0.3%

We had an effective tax rate of 23.6% for the three-month period ended March 31, 2023, compared to an effective tax rate of 0.3% for the three-month period ended March 31, 2022. Our effective tax rate in the first quarter of 2023 was primarily impacted by the geographic mix of foreign taxable earnings and losses, movements in valuation allowance and changes in uncertain tax positions.

Share in Losses of Associated Companies

Share in losses of associated companies reflects our proportionate share of the losses of unconsolidated entities accounted for by using the equity method of accounting. During the three months ended March 31, 2023, the loss from our proportionate share of the losses of our equity method investments was $2.4 million, compared to a loss of $0.1 million in the three months ended March 31, 2022.

Net Loss and Net Loss Per Share

Net loss and net loss per share were as follows:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
	U.S. $ in thousands	
Net loss	$ (22,224)	$ (20,948)
Percentage of revenues	(14.9)%	(12.8)%
Basic and diluted net loss per share	$ (0.33)	$ (0.32)

Net loss was $22.2 million for the three months ended March 31, 2023, compared to net loss of $20.9 million for the three months ended March 31, 2022. The increase in net loss was attributable to share in losses of associated companies and income tax expenses of $2.4 million and $3.8 million, respectively, offset, in part, by more profitable operational results.

Net loss per share was $0.33 and $0.32 for the three-month periods ended March 31, 2023 and 2022, respectively, an insignificant change. The weighted average fully diluted share count was 67.6 million during the three months ended March 31, 2023, compared to 65.7 million during the three months ended March 31, 2022.

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 restructuring-related charges or gains, legal provisions 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 goodwill, revaluation of our investments and the corresponding tax effect of those items.

The items adjusted in our non-GAAP results 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 the 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,					
	2023 GAAP	Non-GAAP Adjustments	2023 Non-GAAP	2022 GAAP	Non-GAAP Adjustments	2022 Non-GAAP
	U.S. dollars and shares in thousands (except per share amounts)					
Gross profit (1)	$ 65,395	$ 5,299	$ 70,694	$ 69,677	$ 7,689	$ 77,366
Operating income (loss) (1,2)	(16,797)	18,315	1,518	(19,584)	21,607	2,023
Net income (loss) (1,2,3)	(22,224)	23,306	1,082	(20,948)	22,158	1,210
Net income (loss) per diluted share (4)	$ (0.33)	$ 0.35	$ 0.02	$ (0.32)	$ 0.34	$ 0.02
(1) Acquired intangible assets amortization expense		4,001			6,966	
Non-cash stock-based compensation expense		932			900	
Restructuring and other related costs		366			(177)	
		5,299			7,689	

(2)	Acquired intangible assets amortization expense		2,194			2,225	
	Non-cash stock-based compensation expense		7,308			7,633	
	Restructuring and other related costs		1,798			555	
	Revaluation of investments		580			1,061	
	Contingent consideration		265			207	
	Other expenses		871			2,237	
			13,016			13,918	
			18,315			21,607	
(3)	Corresponding tax effect		3,038			145	
	Equity method related amortization		1,490			-	
	Finance expenses		463			406	
			4,991			551	
			$ 23,306			$ 22,158	
(4)	Weighted average number of ordinary shares outstanding - Diluted	67,583		68,080	65,721		67,060

Liquidity and Capital Resources

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
	U.S $ in thousands	
Net loss	$ (22,224)	$ (20,948)
Depreciation and amortization	11,680	15,290
Stock-based compensation	8,241	8,533
Foreign currency transactions loss	531	2,792
Other non-cash items, net	3,372	1,219
Change in working capital and other items	(19,526)	(22,949)
Net cash used in operating activities	(17,926)	(16,063)
Net cash provided by investing activities	75,922	67,738
Net cash provided by financing activities	855	1,021
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(168)	(2,228)
Net change in cash, cash equivalents and restricted cash	58,683	50,468
Cash, cash equivalents and restricted cash, beginning of period	150,686	243,293
Cash, cash equivalents and restricted cash, end of period	209,369	293,761

Our cash, cash equivalents and restricted cash balance increased to $ 209.4million as of March 31, 2023 from $150.7 million as of December 31, 2022. Theincrease in cash, cash equivalents and restricted cash in the three months ended March 31, 2023 was primarily due to $75.9 million of cash provided by investing activities, partially offset by $17.9 million of cash used in operating activities.

Cash flows from operating activities

We used $17.9 million of cash in operating activities during the three months ended March 31, 2023. That cash used in operating activities reflects our $22.2 million net loss, negative changes in our working capital of $19.5 million, depreciation and amortization in an aggregate amount of $11.6 million, stock-based compensation of $8.2 million and foreign currency transactions gains of $0.5 million. Change in working capital of $19.5 million was mainly driven by increase in inventory of $10.1 million, as well as a decrease in account payables of $18.5 million, partially offset by a decrease in account receivables, prepaid expenses and non-current assets in total amount of $6.7 million.

Cash flows from investing activities

We generated $75.9 million of cash from our investing activities during the three months ended March 31, 2023. The increase is mostly attributable to $98.9 million net proceeds from short-term bank deposits, partially offset by purchases of property and equipment and cash paid for acquisitions in an aggregate amount of $20.2 million.

Cash flows from financing activities

We generated $0.9 million of cash from financing activities during the three months ended March 31, 2023.

Capital resources and capital expenditures

Our total current assets amounted to $665.0 million as of March 31, 2023, of which $287.6 million consisted of cash, cash equivalents, short-term deposits and restricted cash. Total current liabilities amounted to $202.1 million. Most of our cash and cash equivalents and short-term deposits are held in banks in Israel, US and in the U.K.

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, 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.

Critical Accounting Estimates

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 affect the amounts we report. Actual results may differ from those estimates. To better understand our business activities and those accounting policies that are important to the presentation of our financial condition and results of operations and that require management's subjective judgements, please see our 2022 Annual Report. We base our judgements 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 the 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 global macro-economic environment, including headwinds caused by inflation, rising interest rates, changing currency exchange rates and potential recessionary conditions;
- changes in our overall strategy, including as related to any restructuring 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;
- the degree of our success at locating and acquiring additional value-enhancing, inorganic technology that furthers our business plan to lead in the realm of polymers;
- the potential adverse impact that recent global interruptions and delays involving freight carriers and other third parties have been and may continue to have on our supply chain and distribution network, and, consequently, our ability to successfully sell both our existing and newly-launched 3D printing products;
- the potential adverse effects that inflation, and actions taken to reduce inflation, such as increased interest rates, are having or may have on the macro-economic environment, and the degree of our resilience (and that of our customers and suppliers) to those effects, which may have significant consequences for our operations, financial position and cash flows;
- 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;
- potential cyber attacks against, or other breaches to, our information technologies systems;
- 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;
- 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 2022 Annual Report, as supplemented herein, as well as in other portions of the 2022 Annual Report Readers are urged to carefully review and consider the various disclosures made throughout the Form 6-K, our 2022 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 2022 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, se Note 12-"Contingencies" in the notes to our unaudited condensed consolidated interim financial statements attached as Exhibit 99.1 to the Form 6-K.

RISK FACTORS

Adverse macro-economic trends such as inflation and higher interest rates have been adversely affecting, and may continue to adversely affect, potentially in a more material manner (including due to measures taken to reduce their impact), our business, results of operations and financial condition.

Certain global macro-economic trends that were triggered, in large part, by the COVID-19 pandemic and the world's reaction to it, have been adversely impacting the global economic environment in the post-pandemic period. The infusion of money into circulation as part of a "loose" monetary policy to encourage consumer spending, along with historically low interest rates for an extended period of time, which were designed to ease economic conditions during the pandemic, triggered upwards pressure on prices of goods and services. Supply chain delays, initially caused by closures during the pandemic, and rising shipping costs, which have been exacerbated by the ongoing Russian invasion of the Ukraine, have contributed further towards inflationary pressures on many goods and commodities globally. The high rates of inflation globally have caused governments and central banks to act to curb inflation, including by raising interest rates, which may potentially stifle economic activity and cause a recession, whether in individual countries or regions, or globally. In certain cases, shifts in interest rates have impacted investor preferences as to investments in different countries, which has triggered shifts in exchange rates between various currencies, which has, in turn, exerted an unsteady impact on our results of operations.

We cannot predict what impact these current or prospective macro-economic trends may have on our target markets and our expected results of operations. For example, rising interest rates which are meant to slow down inflation may worsen credit/financing conditions for our customers and adversely impact their ability to purchase our products.

In light of these uncertainties, we continue to monitor the cost-control measures that we first implemented in February 2020, when the COVID-19 pandemic began, some of which we have maintained in place since that time.

While we believe that we are well-positioned to withstand the current adverse macro-economic trends, given our balance sheet (primarily due to our cash reserves and lack of debt) and our emphasis on operational efficiencies and execution, we continue to monitor the situation, assessing further implications for our operations, supply chain, liquidity, cash flow and customer orders, in an effort to mitigate potential new adverse consequences should they arise. However, there is no assurance that we will succeed at doing so.

A potential downturn could also have a material adverse impact on our business partners' stability and financial strength. Given the uncertainties associated with these macroeconomic trends, it is difficult to fully predict the magnitude of their effects on our, and our business partners', business, financial condition and results of operations.

The guidance that we provide for 2023 and future periods (including medium term guidance) may lack the degree of certainty that we once had in providing guidance, due to the number of variables surrounding the current macro-economic environment.

The trends associated with the current economic environment 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 2022 Annual Report.