STRATASYS LTD.
Form 424B5
September 09, 2013

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**Subject to completion, dated September 9, 2013**

**The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**Filed Pursuant to Rule 424(b)(5)**
**Registration File No. 333-190965**

**Preliminary prospectus supplement**
**(To Prospectus dated September 3, 2013)**

# *4,000,000 ordinary shares*

We are offering 4,000,000 ordinary shares, nominal value 0.001 New Israeli Shekels per share.

Our ordinary shares trade on The NASDAQ Global Select Market under the symbol "SSYS". The last reported sale price on September 6, 2013 was $106.38 per share.

| | Per share | Total |
|---|---|---|
| Public offering price | $ | $ |
| Underwriting discounts and commissions | $ | $ |
| Proceeds, before expenses, to us | $ | $ |

We have granted the underwriters an option for a period of up to 30 days from the date of this prospectus supplement to purchase up to an additional 600,000 ordinary shares at the public offering price less the underwriting discounts and commissions, to cover over-allotments, if any.

INVESTING IN OUR ORDINARY SHARES INVOLVES RISK. SEE "RISK FACTORS" BEGINNING ON PAGE S-11.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.**

The underwriters expect to deliver the shares on or about September , 2013.

*Sole book-running manager*

**J.P. Morgan**

*Co-managers*

**Piper Jaffray** **Morgan Stanley** **BofA Merrill Lynch**

**Needham & Company**

September , 2013

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## Prospectus supplement



## Prospectus

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## About this prospectus supplement

This prospectus supplement and the accompanying prospectus are part of an "automatic shelf" registration statement that we filed with the U.S. Securities and Exchange Commission, or the Commission, as a "well-known seasoned issuer" as defined in Rule 405 under the Securities Act of 1933, as amended, or the U.S. Securities Act, using a "shelf" registration process. We sometimes refer to our ordinary shares as the "shares" throughout this prospectus supplement and the accompanying prospectus.

This prospectus supplement describes the terms of the offering by us and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The accompanying prospectus, dated September 3, 2013, including the documents incorporated by reference therein, provides more general information. Generally, when we refer to this prospectus, we are referring to this prospectus supplement and the accompanying prospectus combined. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or in any document incorporated by reference that was filed with the Commission before the date of this prospectus supplement, on the other hand, you should rely on the information in this prospectus supplement. If any statement in one of these documents is inconsistent with a statement in another document having a later date for example, a document incorporated by reference into the accompanying prospectus the statement in the document having the later date modifies or supersedes the earlier statement. You should read this prospectus supplement and the accompanying prospectus, including the information incorporated by reference and in any free writing prospectus we have authorized for use in connection with this offering, in their entirety before making an investment decision.

Neither we nor the underwriters have authorized anyone to provide you with different information from or in addition to that contained or incorporated by reference into this prospectus supplement, the accompanying prospectus or any free writing prospectus authorized for use in connection with this offering. Neither we nor the underwriters take any responsibility for, and can provide no assurance as to, the reliability of any information other than the information contained in the foregoing documents. This document may only be used where it is legal to sell these shares. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, and in any free writing prospectus authorized for use in connection with this offering, is accurate as of any date other than its respective date, regardless of when this prospectus supplement and the accompanying prospectus is delivered, or when any sale of our ordinary shares occurs. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement and the accompanying prospectus to:

"Stratasys," the "Company," the "Registrant," "us," "we" and "our" are to Stratasys Ltd., an Israeli company, and its consolidated subsidiaries.

"Our shares," "ordinary shares" and similar expressions refer to our Ordinary Shares, nominal value 0.01 New Israeli Shekels, or NIS, per share.

"Dollars", "US dollars" or "$" are to United States Dollars.

"2012 Annual Report" is our Annual Report on Form 20-F for the year ended December 31, 2012, as filed with the Commission.

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# Prospectus supplement summary

*This summary highlights selected information appearing elsewhere or incorporated by reference into this prospectus supplement and the accompanying prospectus and any free writing prospectus that we have authorized for use in connection with this offering and may not contain all of the information that is important to you. You should read this prospectus supplement, the accompanying prospectus and any free writing prospectus that we have authorized for use in connection with this offering carefully, including "Risk factors" beginning on page S-11 in this prospectus supplement, before making an investment decision.*

## Business overview

We are a leading global provider of additive manufacturing, or AM, solutions for the creation of parts used in the processes of designing and manufacturing products and for the direct manufacture of end parts. Our solutions are sold under eight brands, with products ranging from entry-level desktop 3D printers to systems for rapid prototyping, or RP, and large production systems for direct digital manufacturing, or DDM, and related services offerings. We also develop, manufacture and sell materials for use with our systems. We believe that the range of more than 130 3D printing consumable materials that we offer is the widest in the industry. Our services offerings include professional services as well as paid parts.

AM, which is also referred to as 3D printing, is transforming prototype development manufacturing processes and is displacing certain segments of traditional, or subtractive, manufacturing methodologies such as metal extrusion, computer-controlled machining and manual modeling techniques. With respect to product design and prototype development, 3D printing significantly improves the design process, reduces the time required for product development and facilitates creativity, while keeping the entire design process in-house. 3D printing also enables the direct manufacture of parts that are subsequently incorporated into a user's end product. In addition, manufacturers are increasingly using 3D printing systems to produce manufacturing tools and fixtures that aid in their production and assembly processes. While 3D printing has historically been focused on design and manufacturing applications, 3D printing is beginning to show signs of broader adoption with the growth of entry-level desktop 3D printers.

We offer a broad range of systems, consumables and services for the AM market. Our wide range of solutions, based on our proprietary AM technologies and production materials, enhance the ability of designers, engineers and manufacturers to:

- visualize and communicate product ideas and designs;
- verify the form, fit and function of prototypes;
- manufacture tools, jigs, fixtures, casts and injection molds used in the process of manufacturing end-products;
- manufacture customized and short-run end-products more efficiently and with greater agility; and
- produce objects that could not otherwise be manufactured through subtractive manufacturing methodologies.

Our products and services are used in different applications by customers in a broad array of verticals, including aerospace, automotive, dental and jewelry. Our customers range from individuals and smaller

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businesses to large, global enterprises, and we include a number of Fortune 100 companies amongst our customers.

As of June 30, 2013, we have sold approximately 52,000 systems globally, including approximately 20,000 systems sold by MakerBot. We benefit from recurring revenues from the sale of resin and plastic consumables and the provision of related services. We provide products and services to our global customer base through our offices in the United States, Germany, Italy, Japan, China, Hong Kong, Brazil, India and Israel, as well as through our worldwide network of more than 280 agents and resellers. Additionally, through our MakerBot acquisition, we have added an online sales channel. We have more than 1,500 employees and hold more than 500 granted or pending patents internationally.

## Recent developments

### MakerBot transaction

***Description of transaction***

On August 15, 2013 we completed a transaction, which we refer to as the MakerBot transaction, whereby we acquired Cooperation Technology Corporation, or MakerBot, which was the direct parent company of MakerBot Industries, LLC, a leader in desktop 3D printing, and which owned and operated Thingiverse.com, a website dedicated to the sharing of user-created digital design files. The MakerBot transaction was consummated on August 15, 2013 pursuant to an Agreement and Plan of Merger, dated as of June 19, 2013, or the MakerBot merger agreement, and the business of MakerBot (including Thingiverse.com) is now operated by a subsidiary of our company.

Pursuant to the MakerBot merger agreement, we issued, at the closing of the MakerBot transaction, 3,921,660 of our ordinary shares to MakerBot's stockholders in exchange for 100% of the outstanding capital stock of MakerBot. We may also issue up to an additional 3,010,347 ordinary shares through the end of 2014 to MakerBot's stockholders and certain MakerBot employees as of the effective time of the MakerBot transaction for performance-based earn-outs, awards under a Performance Bonus Plan and the release of holdback shares that secure MakerBot's indemnification obligations to us under the MakerBot merger agreement. Earn-out payments and Performance Bonus Plan awards, if earned, may also be paid in cash (in an amount reflecting the value of our ordinary shares that would otherwise be issuable at the relevant earn out determination date), or in a combination of our ordinary shares and cash, at our discretion.

***Impact of transaction on our business***

MakerBot, founded in 2009, helped to develop the demand for entry-level desktop 3D printing and has built the largest installed base of 3D printers in the category by making 3D printers accessible to a broad set of customers. MakerBot sold more than 20,000 and 9,300 3D printers from inception through June 30, 2013 and June 30, 2012, respectively, compared to approximately 13,400, 6,400 and 2,600 through December 31, 2012, 2011 and 2010, respectively.

We believe that our acquisition of MakerBot will drive faster adoption of 3D printing for multiple applications, as desktop 3D printers are becoming a mainstream tool across many market segments. MakerBot also drives the accessibility and rapid adoption of its desktop 3D printers through Thingiverse.com, a collection of downloadable digital designs for making physical objects, which is empowered by a growing community of makers and creators. The MakerBot 3D Ecosystem also includes MakerWare software, MakerCare service, MakerBot Filament, the MakerBot Retail Store and the MakerBot 3D Photo Booth.

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We intend to preserve MakerBot's existing brand and retain its management, thereby helping to preserve the relationships it has built with its users and partners. MakerBot, together with Stratasys, intends to continue to innovate, expand its product offering, provide attentive service to its users and make more 3D printing content available through Thingiverse.com.

We expect that Stratasys and MakerBot will jointly develop and implement strategies for building on their complementary strengths, intellectual property and technical know-how, and their respective assets and capabilities. We believe that we can leverage our extensive know-how in Fused Deposition Modeling, or FDM, to enhance MakerBot's product line.

## Other developments

We are currently in negotiations to enter into a five-year, unsecured $250 million revolving credit facility. There can be no assurance that we will successfully negotiate and complete this credit facility.

## About Stratasys Ltd.

We have dual headquarters. One of our two principal places of business is located at 7665 Commerce Way, Eden Prairie, Minnesota, and our telephone number there is (952) 937-3000. Our registered office and our other principal place of business is located at 2 Holtzman Street, Science Park, P.O. Box 2496, Rehovot 76124, Israel, and our telephone number at that office is (+972)-74-745-4400. Our agent in the United States is S. Scott Crump, our Chairman of the Board, whose address is c/o Stratasys, Inc. at the address of our Eden Prairie, Minnesota headquarters. We maintain a website at www.stratasys.com. The information contained on or accessible through that web site (or on our other web sites, including www.objet.com and www.makerbot.com) is not a part of this prospectus supplement or the accompanying prospectus. As an Israeli company, we operate under the provisions of Israel's Companies Law 5759-1999, or the Companies Law.

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## Summary financial data

Stratasys, Inc. was considered as the acquiring company, for accounting purposes, in the Stratasys-Objet merger and, accordingly, the merger was accounted for as a reverse acquisition under the accounting for business combinations. As a result, the historical financial statements of Stratasys, Inc. prior to the effective time of the Stratasys-Objet merger on December 1, 2012, became our historical financial statements. Our consolidated financial statements for 2012 and prior periods, incorporated by reference into this prospectus supplement and accompanying prospectus, include the operations of Stratasys Ltd. (formerly Objet Ltd.) for only one month (December 2012) because the merger was consummated on December 1, 2012.

## Historical and pro forma combined financial data including the Stratasys-Objet merger and the MakerBot transaction

Below is unaudited pro forma combined statement of operations data for our company. The columns entitled "Pro Forma including Objet" for the years ended December 31, 2011 and 2012, respectively, give effect to the Stratasys-Objet merger. The columns entitled "Pro Forma including MakerBot" for the year ended December 31, 2012 and the six-month period ended June 30, 2013, give effect to both the Stratasys-Objet merger and the MakerBot transaction. This data has been prepared consistent with Commission Regulation S-X, Article 11. For a more complete presentation of this data and an explanation of the underlying assumptions used in deriving it, please see the unaudited pro forma condensed combined statements of operations that are included in the "Operating Results" section of "Operating and Financial Review and Prospects" in our 2012 Annual Report, condensed combined statements of operations that are included in Exhibit 99.1 of our Report of Foreign Private Issuer on Form 6-K furnished to the Commission on August 8, 2013, and the unaudited pro forma condensed combined statements of operations that are included in Exhibit 99.2 and 99.3 of our Reports of Foreign Private Issuer on Form 6-K furnished to the Commission on September 3, 2013 and September 4, 2013, respectively, each of which are incorporated by reference into this prospectus supplement and accompanying prospectus.

| (in thousands, except per share data) (unaudited) | Year ended December 31, 2011 Pro forma including Objet(1) | 2012 Pro forma including Objet(2) | 2012 Pro forma including MakerBot(3) | Six months ended June 30, 2013 Stratasys Ltd. GAAP | 2013 Pro forma including MakerBot(4) |
|---|---|---|---|---|---|
| **Statement of operations data:** | | | | | |
| Net sales | $ 276,990 | $ 359,054 | $ 374,802 | $ 203,692 | $ 231,991 |
| Gross profit | 113,039 | 163,923 | 163,963 | 87,779 | 98,242 |
| Research and development expense | 31,934 | 36,923 | 42,496 | 21,126 | 30,027 |
| Selling, general and administrative expense | 104,928 | 141,232 | 170,366 | 85,990 | 92,070 |
| Operating loss | (23,823) | (14,232) | (48,899) | (19,337) | (23,855) |
| Net loss | (30,853) | (21,515) | (42,301) | (18,268) | (19,449) |
| Net loss attributable to Stratasys Ltd. | (30,853) | (21,577) | (42,363) | (18,336) | (19,517) |
| Net loss per basic and diluted share attributable to Stratasys Ltd. | (0.84) | (0.58) | (1.04) | (0.47) | (0.46) |
| Weighted average basic and diluted shares outstanding | 36,577 | 36,987 | 40,909 | 38,637 | 42,559 |

(1) Gives effect to the Stratasys-Objet merger as if it had been completed on January 1, 2011.

(2) Gives effect to the Stratasys-Objet merger as if it had been completed on January 1, 2012.

(3) Gives effect to the Stratasys-Objet merger and the MakerBot transaction as if they had been completed on January 1, 2012.

(4) Gives effect to the MakerBot transaction as if it had been completed on January 1, 2012.

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## Key GAAP financial data

The following table summarizes GAAP financial data for Stratasys Ltd. This information has been derived from and should be read in conjunction with our 2012 Annual Report, and the unaudited consolidated statements of operations that are included in Exhibit 99.1 of our Form 6-K furnished to the Commission on August 8, 2013 each of which are incorporated by reference into this prospectus supplement and the accompanying prospectus.

| (in thousands, except per share data) | 2011 | Year ended December 31, 2012 | Six months ended June 30, 2013 |
|---|---|---|---|
| **(unaudited)** | **Stratasys Ltd.** | **Stratasys Ltd.** | **Stratasys Ltd.** |
| **Statement of operations data:** | | | |
| Net sales | $ 155,894 | $ 215,244 | $ 203,692 |
| Gross profit | 82,404 | 109,911 | 87,779 |
| Operating income (loss) | 29,006 | 17,122 | (19,337) |
| Net income (loss) attributable to Stratasys Ltd. | 20,626 | 8,491 | (18,336) |
| Net income (loss) per basic share attributable to Stratasys Ltd. | 0.98 | 0.37 | (0.47) |
| Weighted average basic shares outstanding | 21,133 | 22,812 | 38,637 |
| Net income (loss) per diluted share attributable to Stratasys Ltd. | $ 0.95 | $ 0.36 | $ (0.47) |
| Weighted average diluted shares outstanding | 21,653 | 23,776 | 38,637 |

## Key pro forma non-GAAP financial data

The following pro forma combined non-GAAP data, which exclude the categories of expenses described below, are non-GAAP financial measures. We believe that these non-GAAP financial measures are useful information for our management, and for investors and shareholders of the company in gauging results of operations (x) on an ongoing basis after the Stratasys-Objet merger and the MakerBot transaction, as the exceptional expenses related to these transactions, and to Objet's proposed initial public offering in 2012, will not recur, and (y) excluding non-cash charges for share-based compensation, amortization of intangible assets, and amortization of the purchase accounting adjustments to fair value of inventory and deferred revenue, which do not reflect actual cash outlays that impact our liquidity or our financial condition, as assessed by management. These non-GAAP financial measures are presented solely to permit investors to more fully understand how management assesses our performance. 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 events during a period, such as the effects of merger-related, non-cash compensation and other charges, and may not provide a comparable view of our company's performance to other companies in the industry. The presentation of these non-GAAP measures is not meant to be considered in isolation or as an alternative to any measure of financial performance calculated in

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accordance with GAAP. A reconciliation of pro forma to pro forma non-GAAP results of operations follows this non-GAAP data.

| (dollars in thousands, except per share data) (unaudited) | 2011 Pro forma non-GAAP including Objet | 2012 Pro forma non-GAAP including Objet | Year ended December 31, 2012 Pro forma non-GAAP including MakerBot | 2013 non-GAAP Stratasys Ltd. | Six months ended June 30, 2013 Pro forma non-GAAP including MakerBot |
|---|---|---|---|---|---|
| **Non-GAAP Statement of operations data:** | | | | | |
| Net Sales | $ 276,990 | $ 359,054 | $ 374,802 | $ 204,906 | $ 233,205 |
| Gross profit | 156,369 | 208,362 | 214,662 | 121,026 | 134,619 |
| Percentage gross profit | 56% | 58% | 57% | 59% | 58% |
| Operating income | 50,799 | 74,158 | 70,082 | 42,011 | 46,900 |
| Percentage operating income | 18% | 21% | 19% | 21% | 20% |
| Net income attributable to Stratasys Ltd. | 37,170 | 59,588 | 57,156 | 36,145 | 39,078 |
| Net income per basic share attributable to Stratasys Ltd. | 1.02 | 1.61 | 1.40 | 0.94 | 0.92 |
| Weighted average basic shares outstanding | 36,577 | 36,987 | 40,909 | 38,637 | 42,559 |
| Net income per diluted share attributable to Stratasys Ltd. | $ 0.94 | $ 1.49 | $ 1.28 | $ 0.88 | $ 0.85 |
| Weighted average diluted shares outstanding | 39,656 | 39,970 | 44,620 | 41,111 | 45,761 |

A reconciliation of pro forma combined and pro forma combined non-GAAP results of operations is as follows:

| (in thousands, unaudited) | 2011 including Objet | 2012 including Objet | Year ended December 31, 2012 including MakerBot | 2013 Stratasys Ltd. | Six months ended June 30, 2013 including MakerBot |
|---|---|---|---|---|---|
| **Statement of operations data:** | | | | | |
| **Pro forma net sales** | $ 276,990 | $ 359,054 | $ 374,802 | $ 203,692 | $ 231,991 |
| Deferred revenue purchasing price adjustments | | | | 1,214 | 1,214 |
| **Pro forma non-GAAP net sales** | **$ 276,990** | **$ 359,054** | **$ 374,802** | **$ 204,906** | **$ 233,205** |
| **Pro forma gross profit** | $ 113,039 | $ 163,923 | $ 163,963 | $ 87,779 | $ 98,242 |
| Deferred revenue and inventory purchase price adjustments | | | | | |