



## 3D Systems

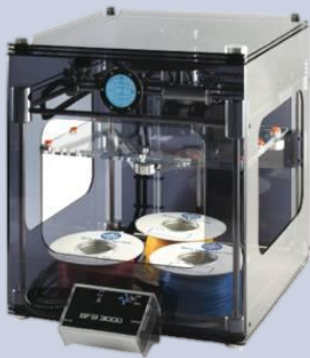
[www.3dsystems.com](http://www.3dsystems.com)

NASDAQ:TDSC

## Conference Call & Webcast

October 28, 2010

## Third Quarter 2010 Results



Create **with** Confidence

# Participants

**Stacey Witten**

- **Investor Relations Coordinator**

**Abe Reichental**

- **President & Chief Executive Officer**

**Damon Gregoire**

- **Senior Vice President & Chief Financial Officer**

**Bob Grace**

- **Vice President & General Counsel**

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session, please dial:**

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# Forward Looking Statements

Certain statements made in this presentation that are not statements of historical or current facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements may involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the company to be materially different from historical results or from any future results expressed or implied by such forward-looking statements.

In addition to statements which explicitly describe such risks and uncertainties, readers are urged to consider statements in the future or conditional tenses or that include the terms “believes,” “belief,” “estimates,” “expects,” “intends,” “anticipates” or “plans” to be uncertain and forward-looking. Forward-looking statements may include comments as to the company’s beliefs and expectations as to future events and trends affecting its business.

Forward-looking statements are based upon management’s current expectations concerning future events and trends and are necessarily subject to uncertainties, many of which are outside the control of the company.

The factors stated under the headings “Forward-Looking Statements,” “Cautionary Statements and Risk Factors,” and “Risk Factors” that appear in the company’s periodic filings with the Securities and Exchange Commission, as well as other factors, could cause actual results to differ materially from those reflected or predicted in forward-looking statements.



# Operating Results

Abe Reichental President & CEO



# Third Quarter 2010 Overview

We are pleased with our performance and results

We enjoyed quarter-over-quarter revenue growth from all revenue buckets led by production systems and parts and enjoyed record 3D Printer sales

We expanded gross profit margin

Our improved performance and record results are closing in on our long term operating model



# Financial Review

Damon Gregoire Senior Vice President & CFO

# Third Quarter 2010 Operating Results

(\$ in millions, except per share amounts)

Third Quarter 2010			
Operating Results	2010	2009	% Change Favorable (Unfavorable)
Revenue	\$41.5	\$27.7	50%
Gross Profit	\$18.8	\$12.3	53%
% of Revenue	45%	45%	
Operating Expenses	\$13.7	\$11.2	(22%)
% of Revenue	33%	41%	
Net Income	\$5.4	\$0.9	495%
% of Revenue	13%	3%	
Depreciation & Amortization	\$1.9	\$1.3	(46%)
% of Revenue	5%	5%	
Diluted Earnings Per Share	\$0.23	\$0.04	475%

\*\*Percents are rounded to the nearest whole number

Planned V-Flash<sup>®</sup> ramp up negatively impacted gross margin by 1.2 percentage points (\$0.5 million), or 2 cents per share and legal costs of \$1.9 million negatively impacted EPS by 8 cents per share



# Nine Months 2010 Operating Results

(\$ in millions, except per share amounts)

Nine Months			
Operating Results	2010	2009	% Change Favorable (Unfavorable)
Revenue	\$108.3	\$76.4	42%
Gross Profit	\$49.1	\$33.6	46%
% of Revenue	45%	44%	
Operating Expenses	\$37.9	\$35.0	(8%)
% of Revenue	35%	46%	
Net Income (Loss)	\$10.1	(\$2.5)	NM
% of Revenue	9%	3%	
Depreciation & Amortization	\$5.4	\$4.3	(23%)
% of Revenue	5%	6%	
Diluted Earnings (Loss) Per Share	\$0.43	(\$0.11)	NM

\*\*Percents are rounded to the nearest whole number

NM: Not Meaningful

Planned V-Flash<sup>®</sup> ramp up negatively impacted gross margin by 1.4 percentage points (\$1.5 million), or 7 cents per share and legal costs of \$4.1 million negatively impacted EPS by 18 cents per share

# Across-The-Board Revenue Growth

(\$ in millions)

## Nine Months

Production  
Systems

2009

\$9.5

2010

\$19.2

104%

Printers

2009

\$8.1

2010

\$14.7

82%

Services

2009

\$23.4

2010

\$32.5

39%

Materials

2009

\$35.5

2010

\$41.8

18%

Health Care

2009

\$11.7

2010

\$14.5

23%

# Healthcare Solutions Third Quarter Revenue



Healthcare solutions revenue consists of systems, materials and services sales for hearing aids, dental and medical device applications



Healthcare solutions grew sequentially by \$1.5 million and represented \$6.0 million of total revenue



Recurring revenue from materials and services amounted to 58% of total healthcare solutions revenue



Healthcare solutions revenue may fluctuate due to timing of Production Systems sales within a reporting period

# Factors Shaping Third Quarter Results

(\$ in millions)

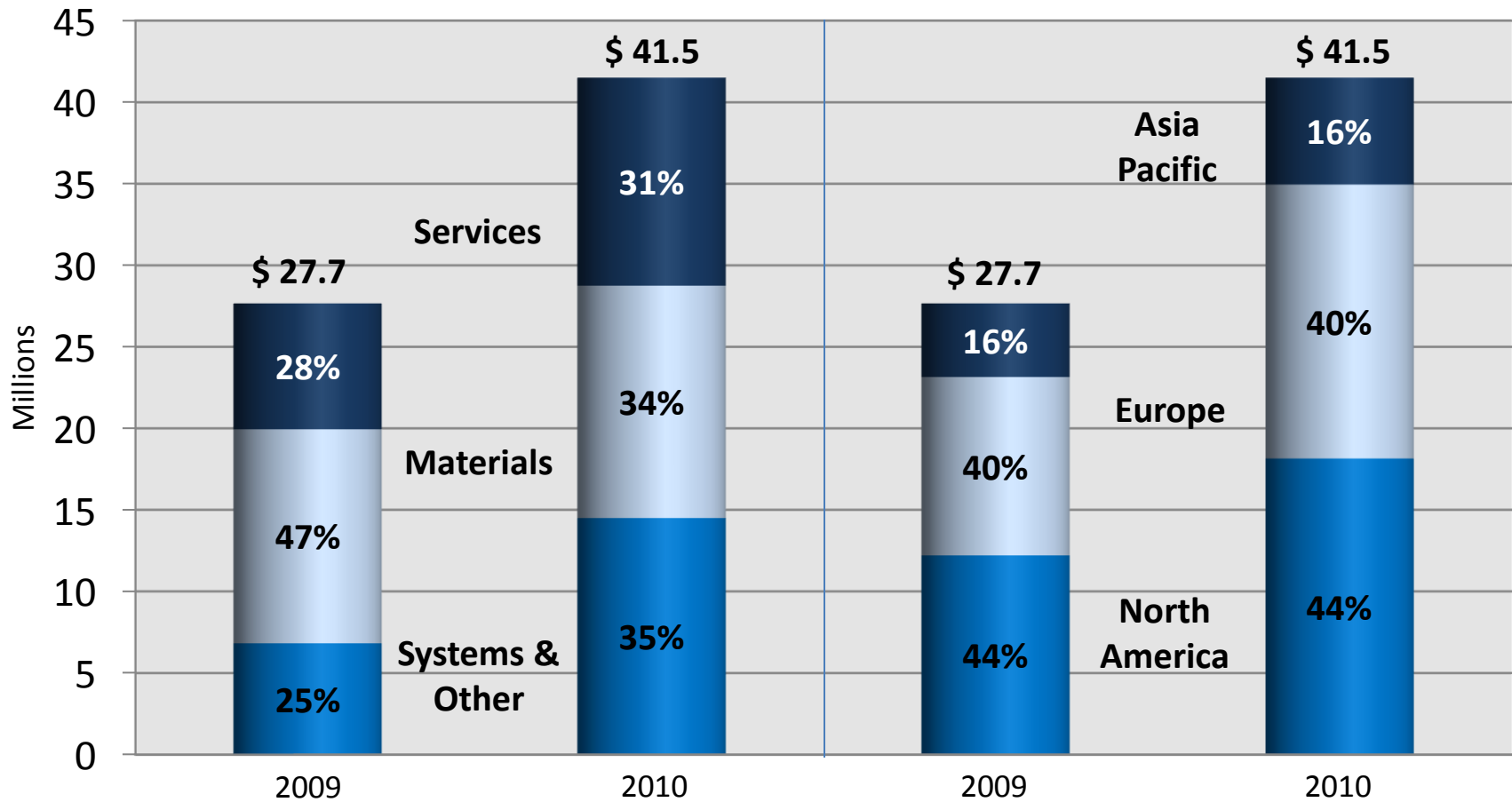
	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10
Operating Expenses	\$ 11.2	\$ 11.7	\$ 11.7	\$ 12.5	\$ 13.7
Gross Profit Margin	45%	44%	45%	45%	45%
Cash	\$ 24.0	\$ 24.9	\$ 26.6	\$ 25.9	\$ 33.8
Inventory	\$ 20.3	\$ 18.4	\$ 20.3	\$ 22.0	\$ 20.8

\*\*Percents are rounded to the nearest whole number

**Available cash as of October 26, 2010 was \$25.4 million after using \$11.0 million for acquisition activities since September 30, 2010**

- Net income of \$5.4 million included \$2.4 million of non-cash expenses
- Cash position increased from the previous quarter to \$33.8 million, after funding our acquisitions of CEP, ProtoMetal and Express Pattern
- We continue to carry no debt on our balance sheet
- Inventory decreased \$1.2 million from the second quarter of 2010

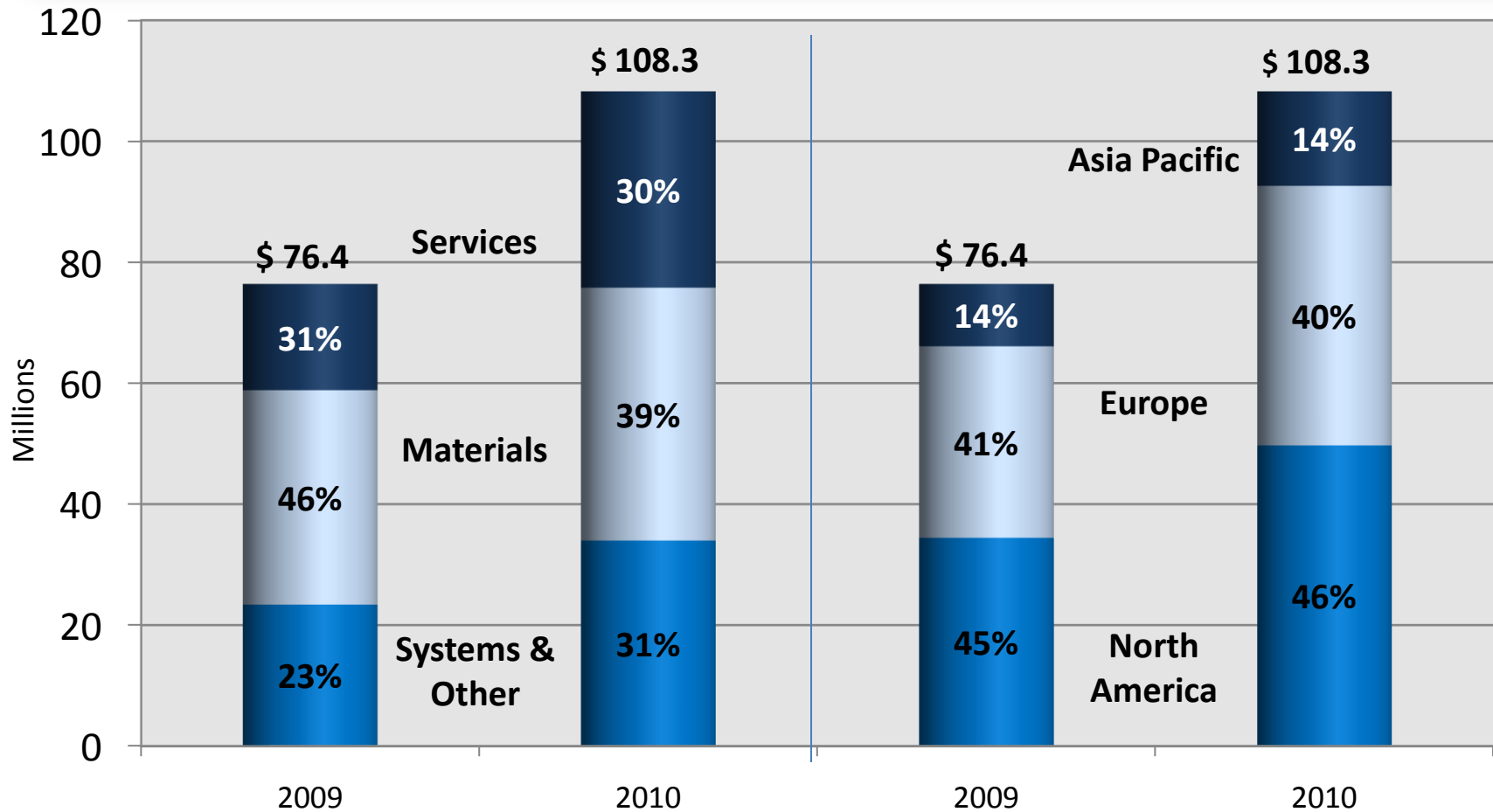
# Q3 Revenue Composition by Category and Region



Recurring revenue represents 65% of total revenue



# Nine Months Revenue by Category and Region



Recurring revenue represents 69% of total revenue

# Third Quarter Gross Profit and Margin

	2010		2009		Yr-Yr %	
	\$ Millions	Gross Profit Margin	\$ Millions	Gross Profit Margin	\$	Margin
Systems	\$ 5.3	36%	\$ 1.1	16%	371%	121%
Materials	\$ 8.7	61%	\$ 7.5	57%	16%	7%
Services	\$ 4.8	38%	\$ 3.7	48%	32%	(20%)
<b>TOTAL</b>	<b>\$ 18.8</b>	<b>45%</b>	<b>\$12.3</b>	<b>45%</b>	<b>53%</b>	<b>2%</b>

\*\*Columns may not foot due to rounding

\*\*Percents are rounded to nearest whole number

## Systems gross profit margin benefited from:

- The continued favorable impact of operational and cost improvements
- Better overhead absorption over a larger revenue base
- Reduced drag from V-Flash® ramp up

# Gross Profit Margin Trend

Q1-09  
43.6%

Q2-09  
43.8%

Q3-09  
44.5%

Q4-09  
44.2%

Q1-10  
45.3%

Q2-10  
45.4%

Q3-10  
45.4%

Gross margin for the first nine months was 45.4% compared to 44.0% for the same period in 2009

Higher revenue results in margin expansion from improved overhead absorption

Improved margin, notwithstanding the fact that higher margin recurring revenue components made up a smaller percentage of revenue

# Third Quarter Operating Expenses

(\$ Millions)

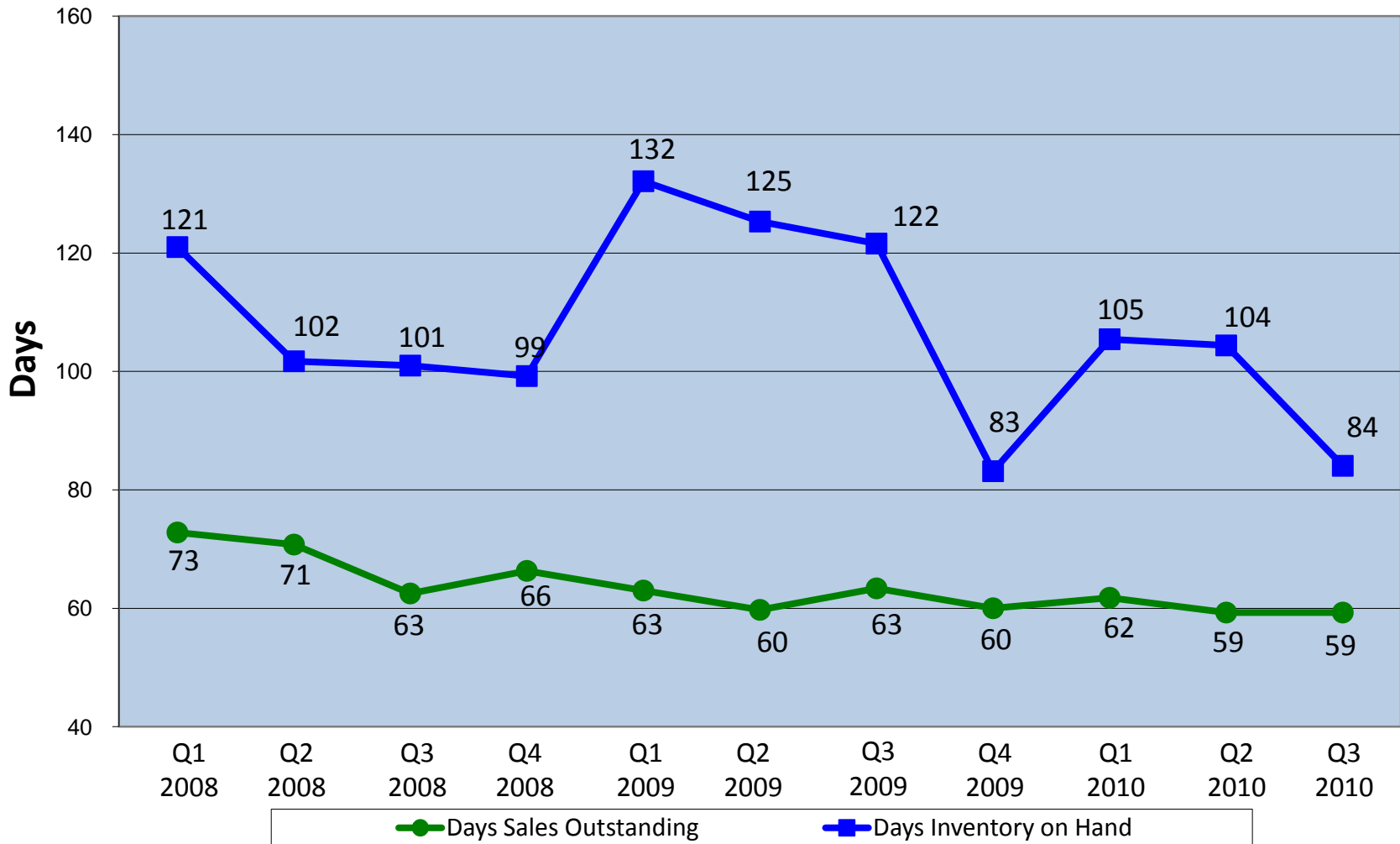
Third Quarter 2010			
Operating Expenses	2010	2009	% Change Favorable (Unfavorable)
Selling, General & Administrative	\$11.0	\$8.4	(31%)
Research and Development	\$2.7	\$2.9	5%
Total Operating Expenses	\$13.7	\$11.2	(22%)
% of Revenue	33%	41%	19%

\*\*Columns may not foot due to rounding

## Improved leverage through reduced operating expenses

- Selling, general & administrative expenses decreased to 26% of revenue from 30% in the third quarter of 2009
- Increase in operating expenses due primarily to:
  - Compensation costs due to higher commissions from increased revenue and acquisitions
  - Legal expenses of \$1.9 million primarily due to litigation concentration and timing

# Third Quarter Working Capital Management





# Progress Towards Long Term Operating Model

(\$ Millions)

	Operating Model		Actual Results	
			<u>Q3 2010</u>	<u>YTD 2010</u>
Revenue	\$150.0	\$200.0	\$41.5	\$108.3
Gross Profit	48%	58%	45%	45%
SG&A	25%	23%	26%	28%
R&D	8%	7%	7%	7%
Operating Income	15%	28%	12%	10%
Net Income After Tax	10%	20%	13%	9%
Depreciation & Amortization	4%	4%	5%	5%
Capital Expenditures	2%	2%	1%	1%
Recurring Revenue	70%	80%	65%	69%

This target model is not intended to constitute financial guidance related to the company's expected performance. It is based upon management's current expectations concerning future events and trends and is necessarily subject to uncertainties.

**3**  
®  
**SYSTEMS**



# Outlook And Progress

Abe Reichental President & CEO

# Recent Developments

We expanded our 3Dparts™ services by:

- Acquiring CEP, ProtoMetal and Express Pattern
- Acquiring Provel early in the fourth quarter
- Adding capabilities and capacity

We expanded our 3D printer reach and technology breadth by acquiring Bits From Bytes

We grew our healthcare solutions revenue and installed base year over year and sequentially

We expanded our reseller channel and grew 3D Printer revenues by 74% over the comparable 2009 quarter

# Bits From Bytes Acquisition



Proven simple technology with significant marketplace acceptance and following

Complementary capabilities and price points

Engineered for performance and cost

Printing technology and know-how to unleash growth

Marketplace credibility and presence

Financial strength and flexibility

Time to Market

Create **with** Confidence



# Growth Drivers



**We entered the fourth quarter of 2010 with a strong sales funnel**



**We expect 3D printer sales to continue to grow, helped by expanding channel and our V-Flash<sup>®</sup>, ProJet<sup>™</sup> and BfB<sup>™</sup> printers growing marketplace acceptance**



**We expect revenue from our 3Dparts<sup>™</sup> services to continue to grow globally**



**We expect sales of our Healthcare Solutions to increase, benefiting from our expanding solutions portfolio and growing installed base**



# Revenue Outlook

 We expect continued revenue growth over prior year quarters and sequentially for the fourth quarter of 2010

 We expect continued record 3D printer revenue growth driven by:

- Higher ProJet™, V-Flash® and BfB™ sales

 We expect 3Dproparts™ revenue run-rate to reach 15-20% of our total fourth quarter 2010 revenue

 We expect continued Healthcare Solutions revenue growth

# Gross Profit and Operating Expenses Outlook



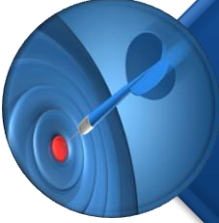
## We expect our gross profit margin to remain stable despite:

- Potential adverse systems mix in favor of lower margin printers
- Integration period of acquired businesses and
- V-Flash® drag that is expected to decrease and end all together during the second quarter of 2011



## We expect SG&A for the fourth quarter to be in the range of \$11.0 - \$12.0 million:


- Inclusive of our anticipated litigation expenses as we currently understand them
- Increased operating costs associated with 3Dproparts™ acquisitions we made thus far



## We expect R&D spending for the fourth quarter to be in the range of \$2.5 – \$3.0 million while keeping pace with our planned new product introductions

# Bottom Line

Our sales funnel remains robust and our growing backlog reflects the strength of our business model



Our Parts, Printers and Production Systems are expected to generate increased customer demand



Our business model is built around significant, recurring revenue components that generate improved margins



We remain committed to our long-term growth objectives and confident in our ability to provide value to our customers and stockholders

# Q&A Session

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Please direct all questions through the teleconference portion of this call.

To ask questions:

- U.S.: 1-888-626-7452
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