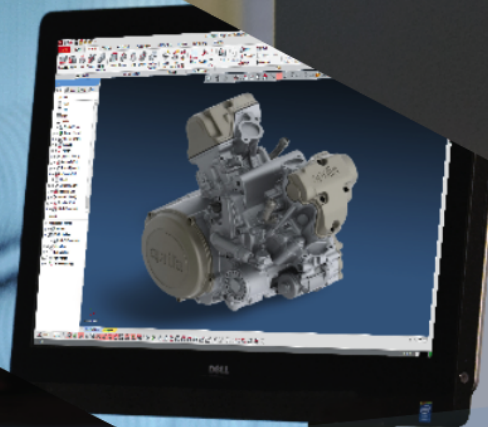




# Third Quarter 2019 Financial Results

October 30, 2019



# Welcome and Participants

## **Vyomesh Joshi**

President and Chief Executive Officer

## **Todd Booth**

Executive Vice President and Chief Financial Officer

## **Andrew Johnson**

Executive Vice President and Chief Legal Officer

## **Melanie Solomon**

Investor Relations

To participate via phone,  
please dial:

1-201-689-8345

# Forward Looking Statements

This presentation contains certain statements 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 include statements concerning plans, objectives, goals, strategies, expectations, intentions, projections, developments, future events, performance or products, underlying assumptions, and other statements which are other than statements of historical facts. In some cases, you can identify forward-looking statements by terms such as “believes,” “beliefs,” “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “estimates,” “predicts,” “projects,” “potential,” “continue,” and other similar terminology or the negative of these terms. From time to time, we may publish or otherwise make available forward-looking statements of this nature. All such forward-looking statements, whether written or oral, and whether made by us or on our behalf, are expressly qualified by the cautionary statements described on this message including those set forth below.

Forward-looking statements are based upon management’s beliefs, assumptions and current expectations concerning future events and trends, using information currently available, and are necessarily subject to uncertainties, many of which are outside our control. In addition, we undertake no obligation to update or revise any forward-looking statements made by us or on our behalf, whether as a result of future developments, subsequent events or circumstances, or otherwise, or to reflect the occurrence or likelihood of unanticipated events, and we disclaim any such obligation.

Forward-looking statements are only predictions that relate to future events or our future performance and are subject to known and unknown risks, uncertainties, assumptions, and other factors, many of which are beyond our control, that may cause actual results, outcomes, levels of activity, performance, developments, or achievements to be materially different from any future results, outcomes, levels of activity, performance, developments, or achievements expressed, anticipated, or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, forward-looking statements are not, and should not be relied upon as a guarantee of future performance or results, nor will they necessarily prove to be accurate indications of the times at or by which any such performance or results will be achieved. 3D System’s actual results could differ materially from those stated or implied in forward-looking statements. Past performance is not necessarily indicative of future results. We do not undertake any obligation to and do not intend to update any forward-looking statements whether as a result of future developments, subsequent events or circumstances or otherwise.

Further, we encourage you to review “Risk Factors” in Part 1 of our Annual Report on Form 10-K and Part II of our quarterly reports on Form 10-Q filed with the SEC as well as other information about us in our filings with the SEC. These are available at [www.SEC.gov](http://www.SEC.gov).



# Vyomesh Joshi (VJ)

President & Chief Executive Officer

# Third Quarter Results

- GAAP revenue of \$155.3 million and non-GAAP revenue of \$155.1 million
  - GAAP decrease of 5.6% YoY
  - Excluding Entertainment business, the decline was 3.6% YoY
- GAAP gross profit margin of 43.3% and non-GAAP gross profit margin of 44.4%
- GAAP loss of \$0.15 per share and non-GAAP loss of \$0.04 per share

# Third Quarter Highlights

- Returned to growth in Materials: 3% YoY
- Introduced 8 new production materials for Figure 4 platform since last earnings call, which will enable us to open up new production workflows in our target markets

# New Production Materials for Industrial Figure 4<sup>®</sup> Platform



**Figure 4 Modular**  
Scalable 3D production solution



**Figure 4 PRO-BLK 10**  
Breakthrough material for direct digital production



**Figure 4 TOUGH-BLK 20**  
Tough, durable material with industry-leading environmental stability



**Figure 4 HI TEMP 300-AMB**  
High temperature resistant material with HDT over 300°C



**Figure 4 MED-AMB 10**  
**Figure 4 MED-WHT 10**  
Biocompatible materials



**Figure 4 RUBBER-BLK 10**  
Durable material for hard, rubber-like parts



**Figure 4 EGGHELL-AMB 10**  
Process-optimized material for sacrificial tooling to cast silicone



**Figure 4 FLEX-BLK 20**  
High stability, durable and flexible plastic

# Third Quarter Highlights (cont'd)

- Healthcare grew 6%, and 15% excluding large enterprise customer
- Committed to operational excellence and keenly focused on cost structure
  - Reduced inventory by \$11.2 million sequentially
  - Generated \$6.5 million cash from operations
  - Reduced non-GAAP SG&A by 5% YoY and 6% in first 9 months
  - Reduced non-GAAP R&D by 8% YoY and 11% in first 9 months
  - Total non-GAAP OpEx reduced by 8% in first 9 months





# Todd Booth

Executive Vice President & Chief Financial Officer

# GAAP Operating Results

	Third Quarter			Nine Months Ended		
	2019	2018	Y/Y Better/ (Worse)	2019	2018	Y/Y Better/ (Worse)
<i>(in millions, except per share amounts)</i>						
<b>Revenue</b>	\$ 155.3	\$ 164.5	(6) %	\$ 464.5	\$ 506.9	(8) %
<b>Gross Profit</b>	67.3	77.8	(14) %	206.3	241.8	(15) %
<i>Gross Profit Margin</i>	43 %	47 %	(400) bps	44 %	48 %	(400) bps
<b>SG&amp;A</b>	58.3	65.6	11 %	195.0	206.2	5 %
<b>R&amp;D</b>	20.9	23.2	10 %	63.7	71.8	11 %
<b>Operating Expenses</b>	79.2	88.8	11 %	258.7	278.0	7 %
<i>% of Revenue</i>	51 %	54 %		56 %	55 %	
<b>Operating Loss</b>	(11.9)	(11.0)	(8) %	(52.4)	(36.2)	(45) %
<i>% of Revenue</i>	(8) %	(7) %		(11) %	(7) %	
<b>Net Loss per 3D Systems</b>	\$ (16.8)	\$ (11.6)	(45) %	\$ (65.2)	\$ (41.4)	(57) %
<i>% of Revenue</i>	(11) %	(7) %		(14) %	(8) %	
<b>Loss Per Share</b>	\$ (0.15)	\$ (0.10)	(50) %	\$ (0.57)	\$ (0.37)	(54) %

# Non-GAAP Financial Measures

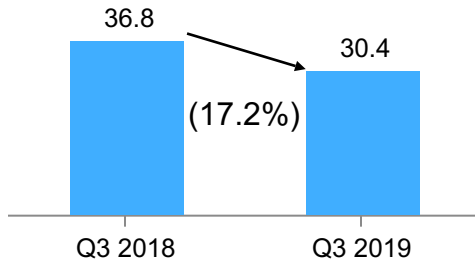
	Third Quarter			Nine Months Ended		
	2019	2018	Y/Y Better/ (Worse)	2019	2018	Y/Y Better/ (Worse)
<i>(in millions, except per share amounts)</i>						
Non-GAAP R&D Expense	\$ 20.9	\$ 22.8	8 %	\$ 63.3	\$ 71.3	11 %
Non-GAAP SG&A Expense	48.3	50.8	5 %	150.6	160.9	6 %
<b>Non-GAAP Operating Expenses</b>	<b>\$ 69.3</b>	<b>\$ 73.7</b>	<b>6 %</b>	<b>\$ 213.9</b>	<b>\$ 232.2</b>	<b>8 %</b>
Non-GAAP Net income (loss) attributable to 3D Systems Corporation	\$ (4.5)	\$ 2.4	(288) %	\$ (15.1)	\$ 5.1	(396) %
<b>Non-GAAP Net income (loss) per share available to 3D Systems Corporation common stockholders - basic and diluted</b>	<b>\$ (0.04)</b>	<b>\$ 0.02</b>	<b>(300) %</b>	<b>\$ (0.13)</b>	<b>\$ 0.05</b>	<b>(360) %</b>

We use non-GAAP measures to supplement our financial statements presented on a GAAP basis because management believes non-GAAP financial measures are useful to investors in evaluating our operating performance and to facilitate a better understanding of the impact that strategic acquisitions, non-recurring charges and certain non-cash expenses had on our financial results. See appendix for reconciliation of non-GAAP items.

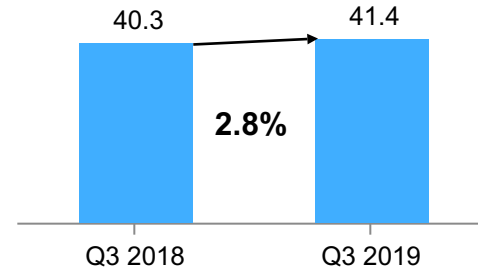
\* Tables may not foot due to rounding; amounts calculated based on dollars in thousands.

# Revenue

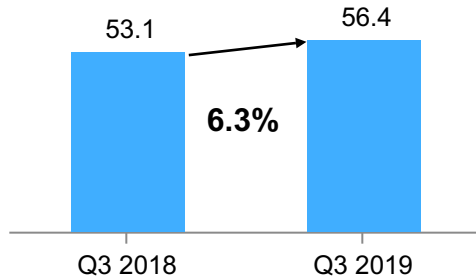
## Printer Revenue



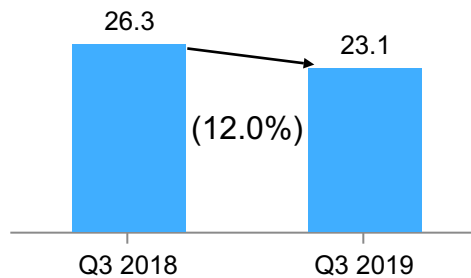
## Materials Revenue



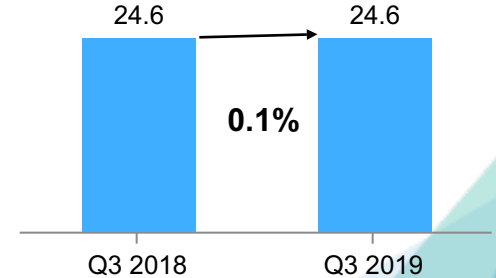
## Healthcare Revenue



## On Demand Revenue

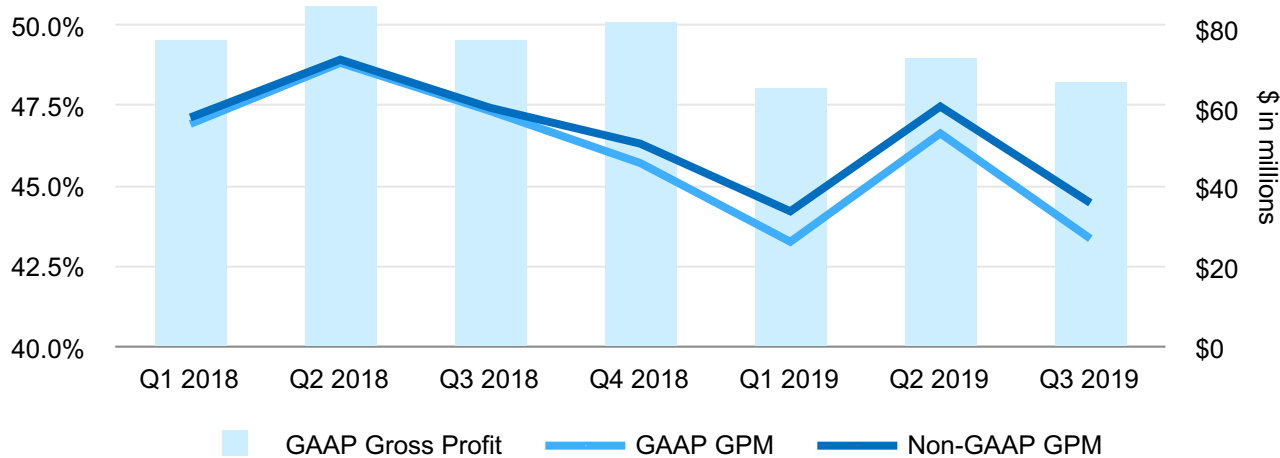


## Software Revenue



# Gross Profit and Margin

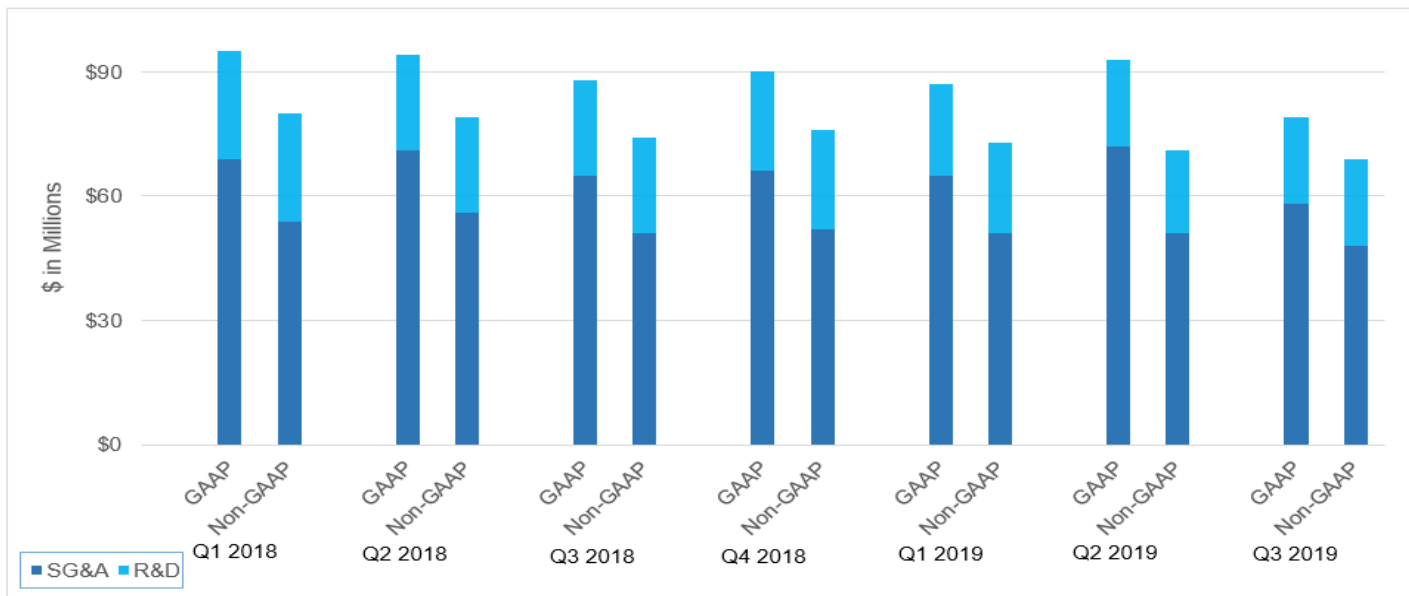
- GAAP GPM was 43.3% and non-GAAP GPM was 44.4% in Q3 2019
- GPM impacted by factory utilization, mix and inventory adjustments
- Driving supply chain optimization, manufacturing efficiency and process improvements



– For the periods presented above, GAAP and non-GAAP GPM were within 10 basis points; therefore, the lines overlap.

# Operating Expenses

- GAAP operating expenses decreased 10.8% and non-GAAP operating expenses decreased 6.0% compared to the third quarter of the prior year with decreases in both SG&A and R&D
- R&D is focused on materials and software development in 2019



See appendix for a reconciliation of non-GAAP operating expenses.

# Balance Sheet and Cash

- Ended the September quarter with \$127.6 million of unrestricted cash on hand, after paying down \$21.0 million on the term loan
- Generated \$6.5 million of cash from operations
- Improved working capital performance while also reducing inventory levels
- While cash use and generation will fluctuate, we are pleased with the cash results in the third quarter



# Vyomesh Joshi (VJ)

President & Chief Executive Officer



# Conclusion

- Spent the last 3 years stabilizing the company
- Excited about our traction with new Figure 4 production materials
- Confident we will ramp metal factory system solutions by the end of first quarter 2020
- Structuring the company to be lean and profitable
- Our focus on innovative production workflows including hardware platforms, materials, software and professional services will drive profitable revenue growth in 2020

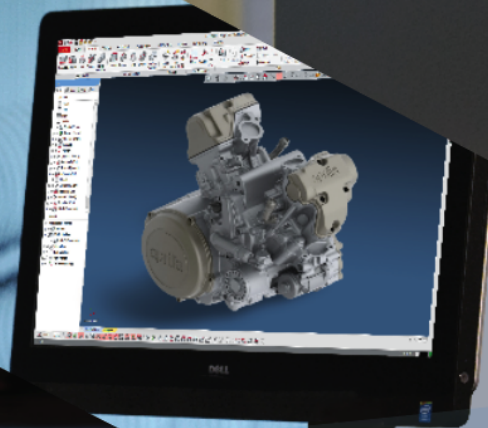


# Q&A Session

1-201-689-8345

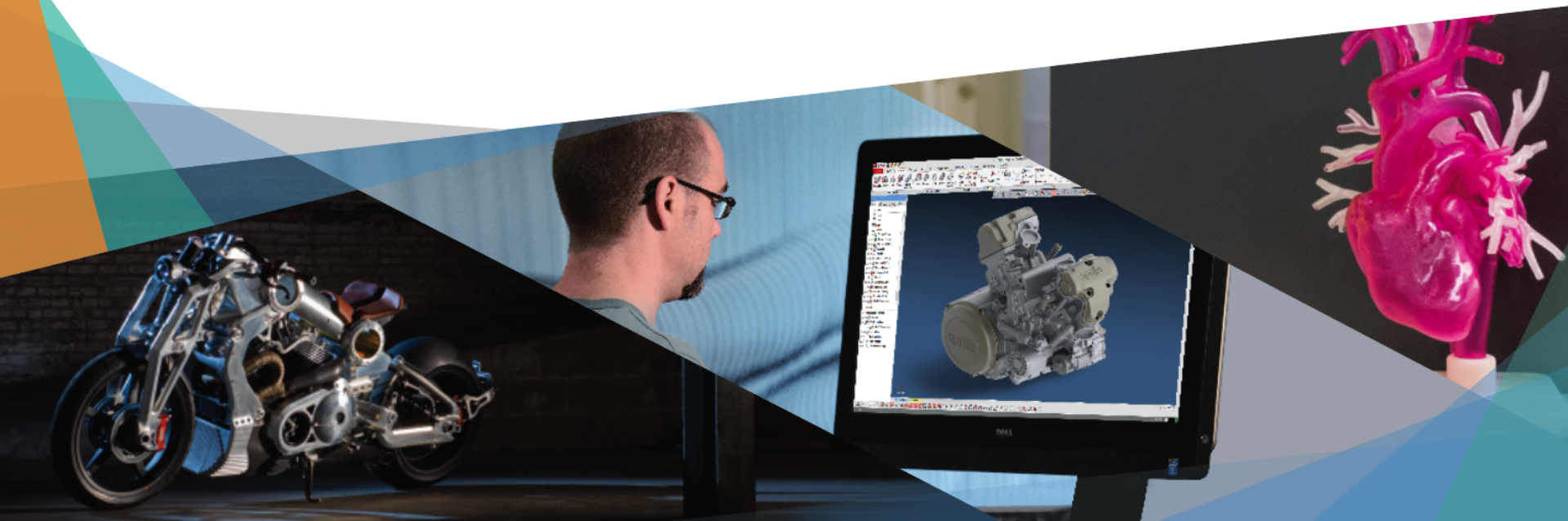


Thank You





# Appendix



# GAAP Revenue Summary by Category

<i>(in millions)</i>	Q3 2019	Q2 2019	Q3 2018	Sequential Better/ (Worse)	Y/Y Better/ (Worse)
Printers	\$ 30.4	\$ 30.0	\$ 36.8	1 %	(17) %
Software Products	13.3	13.7	13.6	(3) %	(2) %
Other Products	9.4	8.9	9.3	6 %	1 %
<b>Total Products</b>	<b>53.1</b>	<b>52.5</b>	<b>59.6</b>	<b>1 %</b>	<b>(11) %</b>
<b>Total Materials</b>	<b>41.4</b>	<b>41.2</b>	<b>40.3</b>	<b>— %</b>	<b>3 %</b>
On Demand Manufacturing	23.1	24.0	26.3	(4) %	(12) %
Software Services	11.3	11.4	11.0	(1) %	3 %
Other Services	26.4	28.1	27.3	(6) %	(3) %
<b>Total Services</b>	<b>60.8</b>	<b>63.5</b>	<b>64.6</b>	<b>(4) %</b>	<b>(6) %</b>
<b>Total Revenue</b>	<b>\$ 155.3</b>	<b>\$ 157.3</b>	<b>\$ 164.5</b>	<b>(1) %</b>	<b>(6) %</b>
Software	\$ 24.6	\$ 25.1	\$ 24.6	(2) %	— %
Healthcare	\$ 56.4	\$ 56.4	\$ 53.1	— %	6 %

\* Tables may not foot due to rounding; amounts calculated based on dollars in thousands.

# Non-GAAP Reconciliation - EPS

## Third Quarter Non-GAAP Earnings (Loss) per Share

<i>(in millions, except per share amounts)</i>	Quarter Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
GAAP Net loss attributable to 3D Systems Corporation	\$ (16.8)	\$ (11.6)	\$ (65.2)	\$ (41.4)
Adjustments:				
Amortization, stock-based compensation & other <sup>1</sup>	10.9	15.2	35.7	44.8
Legal, acquisition and divestiture related <sup>2</sup>	(0.2)	(2.1)	7.0	(2.1)
Cost optimization plan, including severance costs <sup>3</sup>	1.4	0.9	7.1	2.4
Impairment of cost-method investments <sup>4</sup>	0.3	—	0.3	1.4
Non-GAAP net income attributable to 3D Systems Corporation	\$ (4.5)	\$ 2.4	\$ (15.1)	\$ 5.1
Non-GAAP net income per share available to 3D Systems common stock holders - basic and diluted <sup>5</sup>	\$ (0.04)	\$ 0.02	\$ (0.13)	\$ 0.05

<sup>1</sup> For the quarter ended September 30, 2019, the adjustment included \$0.1 in COGS and \$10.8 in SG&A. For the quarter ended September 30, 2018, the adjustment included \$0.1 in COGS and \$15.1 in SG&A. For the nine months ended September 30, 2019, the adjustment included \$0.3 in COGS and \$35.4 in SG&A. For the nine months ended September 30, 2018, the adjustment included \$0.3 in COGS and \$44.5 in SG&A.

<sup>2</sup> For the quarter ended September 30, 2019, the adjustment included \$(0.2) in Revenues, \$0.7 in COGS, \$(1.2) in SG&A and \$0.5 in other income (expense). For the nine months ended September 30, 2019, the adjustment included \$(2.9) in Revenues, \$4.0 in COGS, \$4.1 in SG&A, and \$1.8 in other income (expense). For the quarter and nine months ended September 30, 2018, the adjustment included \$(0.7) in SG&A and \$(1.4) in other income (expense).

<sup>3</sup> For the quarter ended September 30, 2019, the adjustment included \$1.0 in COGS and \$0.4 in SG&A. For the quarter ended September 30, 2018, the adjustment included \$0.1 in COGS, \$0.4 in SG&A and \$0.3 in R&D. For the nine months ended September 30, 2019, the adjustment included \$1.7 in COGS, \$5.0 in SG&A and \$0.3 in R&D. For the nine months ended September 30, 2018, the adjustment included \$0.4 in COGS, \$1.5 in SG&A and \$0.5 in R&D.

<sup>4</sup> For the quarter and nine months ended September 30, 2019, the adjustment included \$0.3 in interest and other income (expense), net. For the nine months ended September 30, 2018, the adjustment included \$1.4 in interest and other income (expense), net.

<sup>5</sup> Denominator based on weighted average shares used in the GAAP EPS calculation.

\* Tables may not foot due to rounding; amounts calculated based on dollars in thousands.

# Non-GAAP Reconciliation - Revenue

## 2019 Non-GAAP Revenue

<i>(in millions)</i>	Quarter Ended			Nine Months Ended
	March 31	June 30	September 30	September 30
<b>GAAP Revenue</b>	\$ 152.0	\$ 157.3	\$ 155.3	\$ 464.5
Adjustments:				
Legal, acquisition and divestiture related	\$ (1.8)	\$ (0.9)	(0.2)	(2.9)
<b>Non-GAAP Revenue</b>	\$ 150.2	\$ 156.4	\$ 155.1	\$ 461.7

\* Tables may not foot due to rounding; amounts calculated based on dollars in thousands.

# Non-GAAP Reconciliation - GP and GPM

## 2019 Non-GAAP Gross Profit & Margin

<i>(in millions)</i>	Quarter Ended			Year to Date
	March 31	June 30	September 30	September 30
<b>GAAP Gross Profit</b>	\$ 65.7	\$ 73.3	\$ 67.3	\$ 206.3
<b>GAAP Gross Profit Margin</b>	43.2 %	46.6 %	43.3 %	44.4 %
Adjustments:				
Amortization, stock-based compensation & other	0.1	0.1	0.1	0.3
Legal, acquisition and divestiture related	0.1	0.4	0.5	1.1
Cost optimization plan, including severance costs	0.4	0.3	1.0	1.7
<b>Non-GAAP Gross Profit</b>	<u>\$ 66.4</u>	<u>\$ 74.2</u>	<u>\$ 68.9</u>	<u>\$ 209.5</u>
<b>Non-GAAP Gross Profit Margin</b>	<u>44.2 %</u>	<u>47.4 %</u>	<u>44.4 %</u>	<u>45.4 %</u>

\* Tables may not foot due to rounding; amounts calculated based on dollars in thousands.



# Non-GAAP Reconciliation - Operating Expense

## 2019 Non-GAAP Operating Expenses

<i>(in millions)</i>	Quarter Ended			Year to Date
	March 31	June 30	September 30	September 30
<b>GAAP R&amp;D Expenses</b>	\$ 21.9	\$ 20.8	\$ 20.9	\$ 63.7
<b>GAAP SG&amp;A Expenses</b>	65.1	71.7	58.3	195.0
<b>GAAP Operating Expenses</b>	87.0	92.5	79.2	258.7
Adjustments to R&D Expenses:				
Cost optimization plan	—	0.3	—	0.3
<b>Non-GAAP R&amp;D Expenses</b>	<b>21.9</b>	<b>20.5</b>	<b>20.9</b>	<b>63.3</b>
Adjustments to SG&A Expenses:				
Amortization, stock-based compensation & other	12.1	12.5	10.8	35.4
Legal, acquisition and divestiture related	0.7	4.6	(1.2)	4.1
Cost optimization plan, including severance costs	1.2	3.3	0.4	5.0
Total Adjustments to SG&A Expenses	14.1	20.4	10.0	44.4
<b>Non-GAAP SG&amp;A Expenses</b>	<b>51.0</b>	<b>51.2</b>	<b>48.3</b>	<b>150.6</b>
<b>Non-GAAP Operating Expenses</b>	<b>\$ 72.9</b>	<b>\$ 71.7</b>	<b>\$ 69.3</b>	<b>\$ 213.9</b>

\* Tables may not foot due to rounding; amounts calculated based on dollars in thousands.

# Non-GAAP Reconciliation - GP and GPM

## Full Year 2018 Non-GAAP Gross Profit & Margin

<i>(in millions)</i>	2018				
	Quarter Ended				Year Ended
	March 31	June 30	September 30	December 31	December 31
<b>GAAP Gross Profit</b>	\$ 77.9	\$ 86.2	\$ 77.8	\$ 82.6	\$ 324.4
<b>GAAP Gross Profit Margin</b>	46.9 %	48.8 %	47.3 %	45.7 %	47.2 %
Adjustments:					
Amortization, stock-based compensation & other	0.1	0.1	0.1	(0.2)	0.1
Legal and acquisition-related	—	—	—	0.6	0.6
Cost optimization plan	0.2	0.2	0.1	0.7	1.1
<b>Non-GAAP Gross Profit</b>	\$ 78.1	\$ 86.4	\$ 78.0	\$ 83.6	\$ 326.2
<b>Non-GAAP Gross Profit Margin</b>	47.1 %	48.9 %	47.4 %	46.3 %	47.4 %

\* Tables may not foot due to rounding; amounts calculated based on dollars in thousands.

# Non-GAAP Reconciliation - Operating Expense

## Full Year 2018 Non-GAAP Operating Expenses

<i>(in millions)</i>	2018				
	Quarter Ended				Year Ended
	March 31	June 30	September 30	December 31	December 31
<b>GAAP R&amp;D Expenses</b>	\$ 25.9	\$ 22.7	\$ 23.2	\$ 23.5	\$ 95.3
<b>GAAP SG&amp;A Expenses</b>	69.5	71.2	65.6	66.1	272.3
<b>GAAP Operating Expenses</b>	<b>95.3</b>	<b>93.9</b>	<b>88.8</b>	<b>89.6</b>	<b>367.6</b>
Adjustments to R&D Expenses:					
Cost optimization plan <sup>1</sup>	—	0.2	0.3	—	0.5
<b>Non-GAAP R&amp;D Expenses</b>	<b>25.9</b>	<b>22.5</b>	<b>22.8</b>	<b>23.5</b>	<b>94.8</b>
Adjustments to SG&A Expenses:					
Amortization, stock-based compensation & other	15.1	14.3	15.1	14.1	58.6
Legal and acquisition-related	0.4	(0.4)	(0.7)	(1.0)	(1.7)
Cost optimization plan	0.4	0.7	0.4	0.8	2.4
Total Adjustments to SG&A Expenses	15.9	14.6	14.8	13.9	59.2
<b>Non-GAAP SG&amp;A Expenses</b>	<b>53.6</b>	<b>56.6</b>	<b>50.8</b>	<b>52.2</b>	<b>213.1</b>
<b>Non-GAAP Operating Expenses</b>	<b>\$ 79.4</b>	<b>\$ 79.1</b>	<b>\$ 73.7</b>	<b>\$ 75.7</b>	<b>\$ 307.9</b>

<sup>1</sup> For the quarter ended March 31, 2018, the adjustment included approximately \$32 thousand and therefore rounded down.

\* Tables may not foot due to rounding; amounts calculated based on dollars in thousands.



Thank You

