

# First Quarter 2020 Financial Results

May 6, 2020

# 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



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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.

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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

# On Demand Manufacturing Network



# COVID-19 Response: Face Shield Frame



Our employees wanted to focus on a high impact way to help healthcare workers on the front lines

- Designed and developed in 2 days
- Our printers can print 100 face shields every 24 hours
- Gave the data file to the community to print on their own SLS printer
  - 300 downloads in the first 24 hours
- Printed on medical grade nylon 12

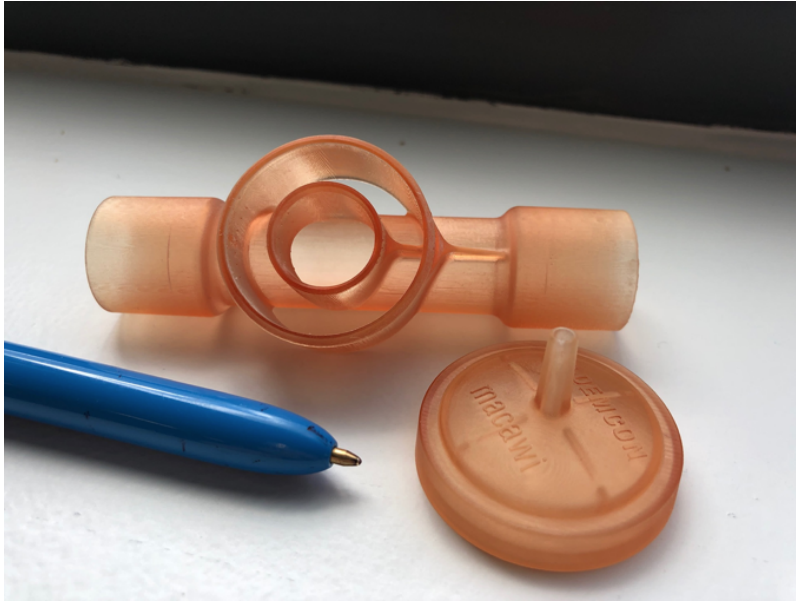
# COVID-19 Response: Venturi Valve



In a hospital in Italy, urgently needed Venturi Valves were in low supply and traditional OEMs were not able to supply them in such a short time

- Customer Lonati SpA reverse-engineered, prototyped, tested and printed 100 valves in 3 days
- Using SLS ProX 6100
- Printed on medical grade nylon

# COVID-19 Response: Ventilator Parts



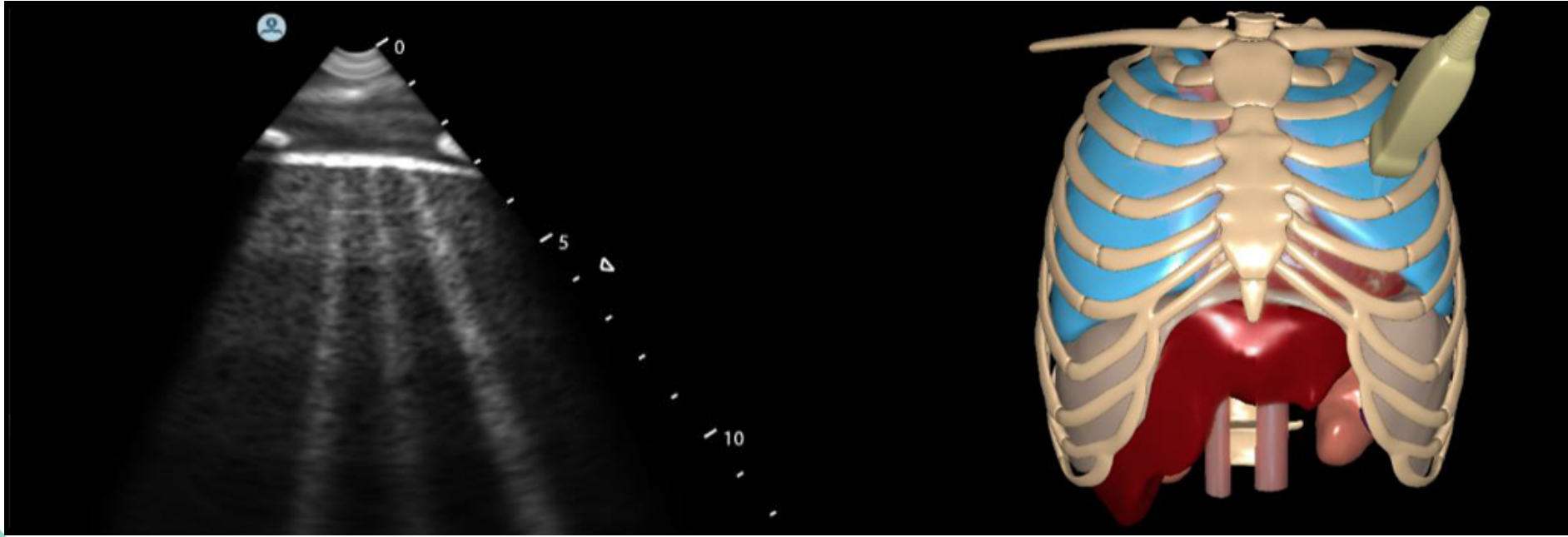
Multiple ventilator projects ongoing around the world and in hospitals, including with the NHS in U.K.



*Photo credit: Demcon*



# COVID-19 Response: Lung Ultrasound



New Ultrasound Module to train physicians on COVID-19 diagnosis through lung ultrasound

- Physicians can immediately diagnose and monitor patients at the point of care
- Module has already been deployed globally and was received enthusiastically

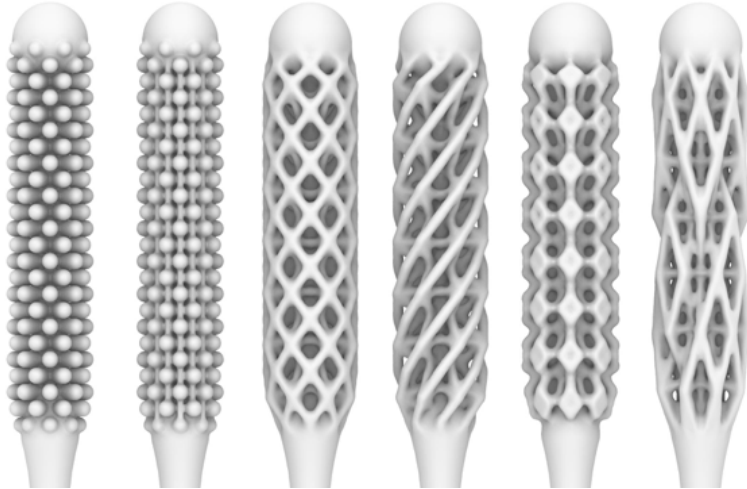
# COVID-19 Response: CPAP Mask Adapter



As the general trend is moving from ventilator to CPAP masks, hospitals need to have adapter components

- A typical 1-2 month project was done in 1 day
- Unit build time just over 1 hour
- Using Figure 4 standalone printer
- Printed on PRO BLK-10 material

# COVID-19 Response: Nasal Swabs



With known shortages of diagnostic tools such as nasal swabs, our customers have been looking at repurposing dental and industrial DLP system/Figure 4 printers to 3D print nasal swabs

- Using dental and industrial grade resins and medical grade nylon 12
- Demonstrated ability to produce over 18,000 swabs per week per Figure 4 printer
- Interest from both hospitals and OEMs



# COVID-19 Impact to 3D Systems

- End user demand - overall capex spend is down in the industries we serve, affecting demand for new hardware and associated software licenses
- Dental market - demand has slowed for elective procedures
- Supply chain disruption - facilities in China could not operate for a period of time, limited capacity in Europe
- Services - could not dispatch service technicians because customer sites were closed



# First Quarter Summary

- GAAP revenue of \$134.7 million, decrease of 11% YoY
  - Materials flat YoY
- GAAP gross profit margin of 42.4% and non-GAAP gross profit margin of 43.1%
  - Materials margin of 69%
- GAAP loss of \$0.17 per share and non-GAAP loss of \$0.04 per share
  - Tax benefit of \$3.2M related to CARES Act
- Reduced operating expenses by 13% YoY; shut down On Demand Brazil operations



# Second Quarter Focus

- Actions taken on cost optimization
  - Executive and Director pay cuts of 10%
  - Temporary employee furloughs of 2 weeks on average
  - Pushed out some R&D programs
  - Reduced hiring significantly
- Balance between near-term cost savings and being prepared when the market comes back
- Focused on generating revenue, reducing operating expenses and preserving cash



# Todd Booth

Executive Vice President & Chief Financial Officer





# GAAP Operating Results

	First Quarter		
	2020	2019	Y/Y Better/ (Worse)
<i>(in millions, except per share amounts)</i>			
<b>Revenue</b>	\$ 134.7	\$ 152.0	(11.4) %
<b>Gross Profit</b>	57.1	65.7	(13.0) %
<i>Gross Profit Margin</i>	42.4 %	43.2 %	(80) bps
<b>SG&amp;A</b>	56.1	65.1	13.8 %
<b>R&amp;D</b>	19.2	21.9	12.1 %
<b>Operating Expenses</b>	75.4	87.0	13.4 %
<i>% of Revenue</i>	55.9 %	57.2 %	
<b>Operating Loss</b>	(18.2)	(21.3)	14.6 %
<i>% of Revenue</i>	(13.5) %	(14.0) %	
<b>Net Loss per 3D Systems</b>	\$ (18.9)	\$ (24.4)	22.5 %
<i>% of Revenue</i>	(14.0) %	(16.0) %	
<b>Loss Per Share</b>	\$ (0.17)	\$ (0.22)	22.7 %



# Non-GAAP Financial Measures

	First Quarter		
	2020	2019	Y/Y Better/ (Worse)
<i>(in millions, except per share amounts)</i>			
Non-GAAP R&D Expense	\$ 19.1	\$ 21.9	12.8 %
Non-GAAP SG&A Expense	43.9	51.0	13.9 %
<b>Non-GAAP Operating Expenses</b>	<b>\$ 63.0</b>	<b>\$ 72.9</b>	13.6 %
Non-GAAP Net income (loss) attributable to 3D Systems Corporation	\$ (4.5)	\$ (10.1)	55.4 %
<b>Non-GAAP Net income (loss) per share available to 3D Systems Corporation common stockholders - basic and diluted</b>	<b>\$ (0.04)</b>	<b>\$ (0.09)</b>	55.6 %

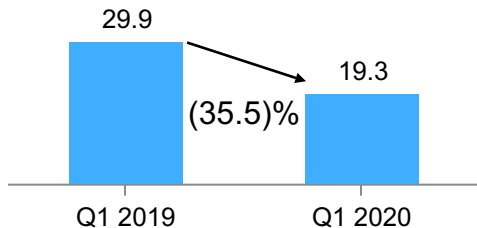
We use non-GAAP measures to supplement our financial statements presented on a GAAP basis because management believes non-GAAP financial measures are useful to investors in evaluating our operating performance and to facilitate a better understanding of the impact that strategic acquisitions, non-recurring 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.

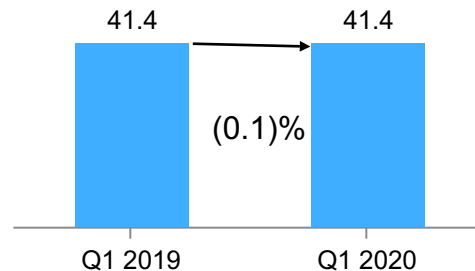


# Revenue

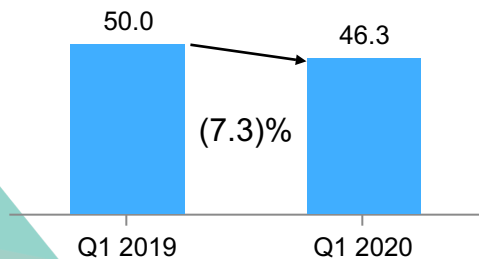
## Printer Revenue



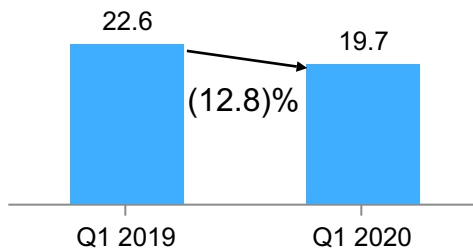
## Materials Revenue



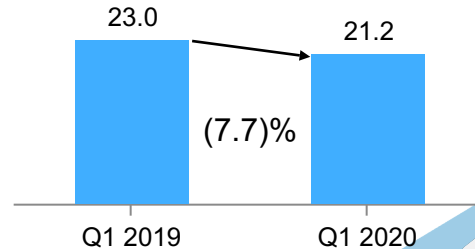
## Healthcare Revenue



## On Demand Revenue

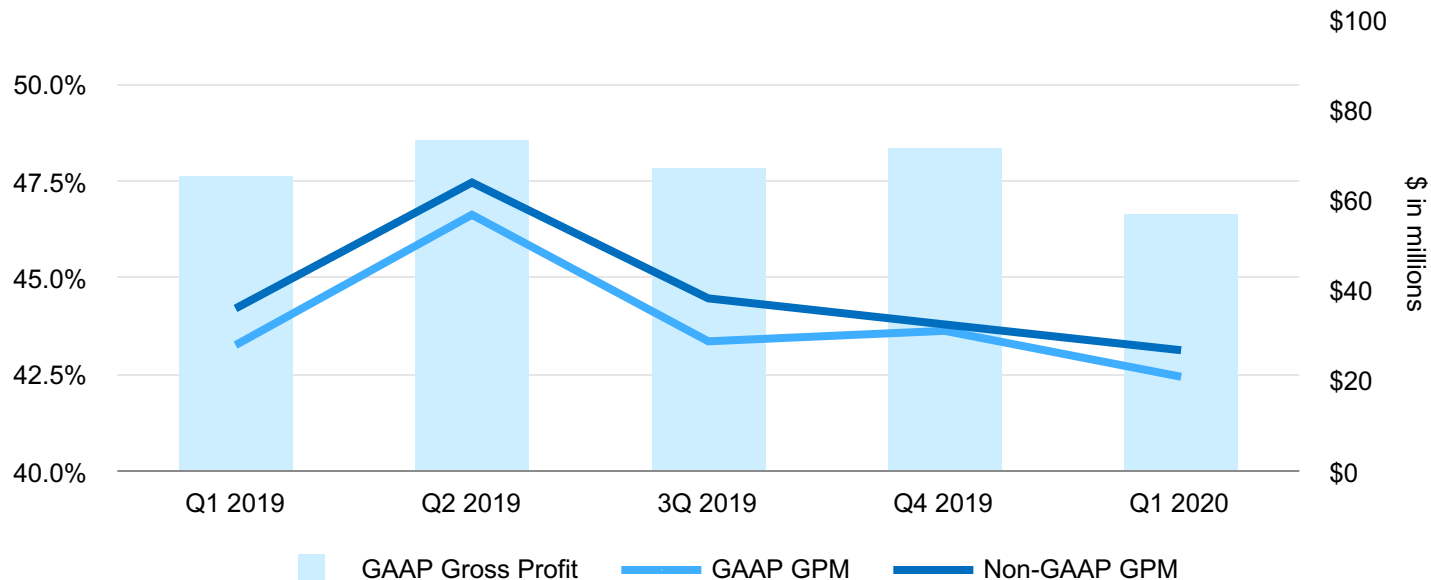


## Software Revenue



# Gross Profit and Margin

- GAAP GPM was 42.4% and non-GAAP GPM was 43.1%

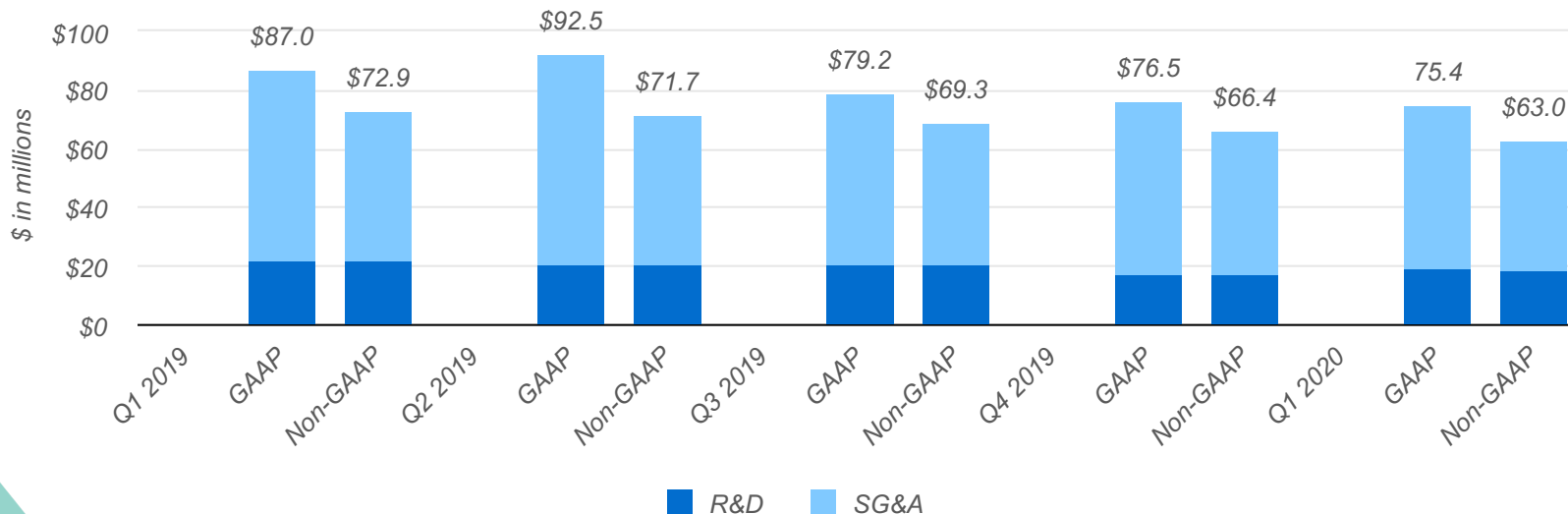


See appendix for a reconciliation of non-GAAP operating expenses.



# Operating Expenses

- GAAP operating expenses decreased 13.4% and non-GAAP operating expenses decreased 13.6% compared to the first quarter of the prior year
- Decreases in both SG&A and R&D
- Continued focus on reducing cost structure



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



# Balance Sheet and Cash

- Ended Q1 with \$112.8 million of cash and cash equivalents
- Used \$2.3 million of cash from operations, generated \$1.2 million dollars of cash from financing activities, and paid \$4.4 million for capital expenditures
- As of today we have not drawn on our revolver
- Focused on preserving cash along with reducing cost and working capital



# Vyomesh Joshi (VJ)

President & Chief Executive Officer



# Thoughts on 2020

- Our business is sound and our products are relevant, but our near-term results will continue to be impacted by the COVID-19 pandemic
- Remain focused on cash generation and optimizing costs
- Good progress on CEO search
- As a leader in additive manufacturing and healthcare applications, we are helping healthcare professionals and companies bridge the manufacturing gap and accelerate new design ideas
- Clear value proposition demonstrated by the speed of our technology to produce necessary supplies provides confidence in our long-term potential





# Q&A Session

1-201-689-8345



# Thank You

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**Find out more at:**  
[www.3dsystems.com](http://www.3dsystems.com)



# Appendix

# GAAP Revenue Summary by Category

<i>(in millions)</i>	Q1 2020	Q4 2019	Q1 2019	Sequential Better/ (Worse)	Y/Y Better/ (Worse)
Printers	\$ 19.3	\$ 33.6	\$ 29.9	(42.6) %	(35.5) %
Software Products	10.8	14.5	12.2	(25.5) %	(11.5) %
Other Products	7.4	10.9	8.9	(32.1) %	(16.9) %
<b>Total Products</b>	<b>37.4</b>	<b>59.0</b>	<b>50.9</b>	<b>(36.6) %</b>	<b>(26.5) %</b>
<b>Total Materials</b>	<b>41.4</b>	<b>45.0</b>	<b>41.4</b>	<b>(8.0) %</b>	<b>— %</b>
On Demand Manufacturing	19.7	23.0	22.6	(14.3) %	(12.8) %
Software Services	10.4	11.3	10.8	(8.0) %	(3.7) %
Other Services	25.8	26.4	26.3	(2.3) %	(1.9) %
<b>Total Services</b>	<b>55.9</b>	<b>60.6</b>	<b>59.6</b>	<b>(7.8) %</b>	<b>(6.2) %</b>
<b>Total Revenue</b>	<b>\$ 134.7</b>	<b>\$ 164.6</b>	<b>\$ 152.0</b>	<b>(18.2) %</b>	<b>(11.4) %</b>
Software	\$ 21.2	\$ 25.8	\$ 23.0	(17.8) %	(7.8) %
Healthcare	\$ 46.3	\$ 54.9	\$ 50.0	(15.7) %	(7.4) %



# Non-GAAP Reconciliation - EPS

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

	Quarter Ended March 31,	
	2020	2019
<i>(in millions, except per share amounts)</i>		
GAAP Net loss attributable to 3D Systems Corporation	\$ (18.9)	\$ (24.4)
Adjustments:		
Amortization, stock-based compensation & other <sup>(1)</sup>	10.7	12.2
Legal, acquisition and divestiture related <sup>(2)</sup>	0.4	0.4
Cost optimization plan, including severance costs <sup>(3)</sup>	2.3	1.7
Impairment of cost-method investments <sup>(4)</sup>	1.1	—
Non-GAAP net income attributable to 3D Systems Corporation	\$ (4.5)	\$ (10.1)
Non-GAAP net income per share available to 3D Systems common stock holders - basic and diluted <sup>(5)</sup>	\$ (0.04)	\$ (0.09)

<sup>(1)</sup> For the quarter ended March 31, 2020, the adjustment included \$0.1 in COGS and \$10.6 in SG&A. For the quarter ended March 31, 2019, the adjustment included \$0.1 in COGS and \$12.1 in SG&A.

<sup>(2)</sup> For the quarter ended March 31, 2020, the adjustment included \$0.1 in COGS and \$0.2 in SG&A. For the quarter ended March 31, 2019 the adjustment included \$(1.8) in Revenue, \$1.9 in COGS, \$0.7 in SG&A, and \$(0.5) in other income (expense).

<sup>(3)</sup> For the quarter ended March 31, 2020, the adjustment included \$0.7 in COGS \$1.5, in SG&A and \$0.1 in R&D. For the quarter ended March 31, 2019, the adjustment included \$0.4 in COGS and \$1.2 in SG&A.

<sup>(4)</sup> For the quarter March 31, 2020 the adjustment included \$1.1 in interest and other income (expense), net, respectively.

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



# Non-GAAP Reconciliation - Revenue

## 2020 Non-GAAP Revenue

	Quarter Ended
	March 31
<i>(in millions)</i>	
<b>GAAP Revenue</b>	\$ 134.7
Adjustments:	
Legal, acquisition and divestiture related	—
<b>Non-GAAP Revenue</b>	<u>\$ 134.7</u>



# Non-GAAP Reconciliation - GP and GPM

## 2020 Non-GAAP Gross Profit & Margin

	Quarter Ended	
	March 31	
<i>(in millions)</i>		
<b>GAAP Gross Profit</b>	\$	57.1
<b>GAAP Gross Profit Margin</b>		42.4 %
Adjustments:		
Amortization, stock-based compensation & other		0.1
Legal, acquisition and divestiture related		0.1
Cost optimization plan, including severance costs		0.7
<b>Non-GAAP Gross Profit</b>	\$	58.0
<b>Non-GAAP Gross Profit Margin</b>		43.1 %



# Non-GAAP Reconciliation - Operating Expense

## 2020 Non-GAAP Operating Expenses

	Quarter Ended
	March 31
<i>(in millions)</i>	
<b>GAAP R&amp;D Expenses</b>	<b>\$ 19.2</b>
<b>GAAP SG&amp;A Expenses</b>	<b>56.1</b>
<b>GAAP Operating Expenses</b>	<b>75.4</b>
Adjustments to R&D Expenses:	
Cost optimization plan	0.1
<b>Non-GAAP R&amp;D Expenses</b>	<b>19.1</b>
Adjustments to SG&A Expenses:	
Amortization, stock-based compensation & other	10.6
Legal, acquisition and divestiture related	0.2
Cost optimization plan, including severance costs	1.5
Total Adjustments to SG&A Expenses	12.2
<b>Non-GAAP SG&amp;A Expenses</b>	<b>43.9</b>
<b>Non-GAAP Operating Expenses</b>	<b>\$ 63.0</b>





# Non-GAAP Reconciliation - Revenue

## Full Year 2019 Non-GAAP Revenue

	2019				
	Quarter Ended				Year Ended
					December
	March 31	June 30	September 30	December 31	31
<i>(in millions)</i>					
<b>GAAP Revenue</b>	\$ 152.0	\$ 157.3	\$ 155.3	\$ 164.6	\$ 629.1
Adjustments:					
Legal, acquisition and divestiture related	(1.8)	(0.9)	(0.2)	—	(2.8)
<b>Non-GAAP Revenue</b>	\$ 150.2	\$ 156.4	\$ 155.1	\$ 164.6	\$ 626.2



# Non-GAAP Reconciliation - GP and GPM

## Full Year 2019 Non-GAAP Gross Profit & Margin

	2019				
	Quarter Ended				Year Ended
	March 31	June 30	September 30	December 31	December 31
<i>(in millions)</i>					
<b>GAAP Gross Profit</b>	\$ 65.7	\$ 73.3	\$ 67.3	\$ 71.8	\$ 278.0
<b>GAAP Gross Profit Margin</b>	43.2 %	46.6 %	43.3 %	43.6 %	44.2 %
Adjustments:					
Amortization, stock-based compensation & other	0.1	0.1	0.1	0.1	0.4
Legal and acquisition-related	0.1	0.4	0.5	0.1	1.2
Cost optimization plan	0.4	0.3	1.0	—	1.8
<b>Non-GAAP Gross Profit</b>	\$ 66.4	\$ 74.2	\$ 68.9	\$ 72.0	\$ 281.5
<b>Non-GAAP Gross Profit Margin</b>	44.2 %	47.4 %	44.4 %	43.8 %	45.0 %



# Non-GAAP Reconciliation - Operating Expense

## Full Year 2019 Non-GAAP Operating Expenses

(in millions)	2019				
	Quarter Ended				Year Ended
	March 31	June 30	September 30	December	December
<b>GAAP R&amp;D Expenses</b>	\$ 21.9	\$ 20.8	\$ 20.9	\$ 17.1	\$ 80.8
<b>GAAP SG&amp;A Expenses</b>	65.1	71.7	58.3	59.3	254.4
<b>GAAP Operating Expenses</b>	87.0	92.5	79.2	76.5	335.1
Adjustments to R&D Expenses:					
Cost optimization plan	—	0.3	—	—	0.3
<b>Non-GAAP R&amp;D Expenses</b>	21.9	20.5	20.9	17.1	80.5
Adjustments to SG&A Expenses:					
Amortization, stock-based compensation & other	12.1	12.5	10.8	8.1	43.4
Legal and acquisition-related	0.7	4.6	(1.2)	1.4	5.5
Cost optimization plan	1.2	3.3	0.4	0.6	5.6
Total Adjustments to SG&A Expenses	14.1	20.4	10.0	10.1	54.5
<b>Non-GAAP SG&amp;A Expenses</b>	51.0	51.2	48.3	49.2	199.8
<b>Non-GAAP Operating Expenses</b>	\$ 72.9	\$ 71.7	\$ 69.3	\$ 66.4	\$ 280.3



# Thank You

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**Find out more at:**  
[www.3dsystems.com](http://www.3dsystems.com)

