

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

- ☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended March 31, 2021**  
**OR**  
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File No. 001-34220**



**3D SYSTEMS CORPORATION**

(Exact name of Registrant as specified in its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**95-4431352**  
(I.R.S. Employer  
Identification No.)

**333 Three D Systems Circle**  
**Rock Hill, South Carolina 29730**  
(Address of Principal Executive Offices and Zip Code)

(Registrant's Telephone Number, Including Area Code): **(803) 326-3900**

Securities registered pursuant to Section 12(b) of the Act:

| <b>Title of each class</b>                | <b>Trading Symbol</b> | <b>Name of each exchange on which registered</b> |
|-------------------------------------------|-----------------------|--------------------------------------------------|
| Common Stock, par value \$0.001 per share | DDD                   | New York Stock Exchange                          |

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/>            |                           |                          |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Securities Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes ☐ No ☒

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Shares of Common Stock, par value \$0.001 per share, outstanding as of May 5, 2021: 125,049,759

**3D SYSTEMS CORPORATION**  
**Form 10-Q**  
**For the Quarter Ended March 31, 2021**

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# PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements.

### 3D SYSTEMS CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS

| <i>(In thousands, except par value)</i>                                                | March 31, 2021<br>(unaudited) | December 31, 2020 |
|----------------------------------------------------------------------------------------|-------------------------------|-------------------|
| <b>ASSETS</b>                                                                          |                               |                   |
| Current assets:                                                                        |                               |                   |
| Cash and cash equivalents                                                              | \$ 132,440                    | \$ 75,010         |
| Accounts receivable, net of reserves — \$4,106 and \$4,392                             | 98,117                        | 114,254           |
| Inventories                                                                            | 110,377                       | 116,667           |
| Prepaid expenses and other current assets                                              | 34,821                        | 33,145            |
| Current assets held for sale                                                           | —                             | 18,439            |
| Total current assets                                                                   | 375,755                       | 357,515           |
| Property and equipment, net                                                            | 71,467                        | 75,356            |
| Intangible assets, net                                                                 | 24,896                        | 28,083            |
| Goodwill                                                                               | 156,113                       | 161,765           |
| Right of use assets                                                                    | 50,748                        | 48,620            |
| Deferred income tax asset                                                              | 4,865                         | 6,247             |
| Assets held for sale                                                                   | —                             | 31,684            |
| Other assets                                                                           | 21,663                        | 23,785            |
| Total assets                                                                           | \$ 705,507                    | \$ 733,055        |
| <b>LIABILITIES AND EQUITY</b>                                                          |                               |                   |
| Current liabilities:                                                                   |                               |                   |
| Current portion of long-term debt                                                      | \$ —                          | \$ 2,051          |
| Current right of use liabilities                                                       | 9,238                         | 9,534             |
| Accounts payable                                                                       | 44,945                        | 45,174            |
| Accrued and other liabilities                                                          | 61,230                        | 69,812            |
| Customer deposits                                                                      | 6,973                         | 7,750             |
| Deferred revenue                                                                       | 32,006                        | 30,302            |
| Current liabilities held for sale                                                      | —                             | 11,107            |
| Total current liabilities                                                              | 154,392                       | 175,730           |
| Long-term debt, net of deferred financing costs                                        | —                             | 19,218            |
| Long-term right of use liabilities                                                     | 51,099                        | 48,469            |
| Deferred income tax liability                                                          | 3,331                         | 4,716             |
| Liabilities held for sale                                                              | —                             | 2,952             |
| Other liabilities                                                                      | 34,552                        | 51,247            |
| Total liabilities                                                                      | 243,374                       | 302,332           |
| Commitments and contingencies (Note 14)                                                |                               |                   |
| Stockholders' equity:                                                                  |                               |                   |
| Common stock, \$0.001 par value, authorized 220,000 shares; issued 126,523 and 127,626 | 126                           | 128               |
| Additional paid-in capital                                                             | 1,397,276                     | 1,404,964         |
| Treasury stock, at cost — 1,623 shares and 3,494 shares                                | (10,492)                      | (22,590)          |
| Accumulated deficit                                                                    | (898,075)                     | (943,303)         |
| Accumulated other comprehensive loss                                                   | (26,702)                      | (8,476)           |
| Total stockholders' equity                                                             | 462,133                       | 430,723           |
| Total liabilities and stockholders' equity                                             | \$ 705,507                    | \$ 733,055        |

See accompanying notes to condensed consolidated financial statements.

**3D SYSTEMS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

| <i>(in thousands, except per share amounts)</i> | Quarter Ended March 31, |                    |
|-------------------------------------------------|-------------------------|--------------------|
|                                                 | 2021                    | 2020               |
| Revenue:                                        |                         |                    |
| Products                                        | \$ 93,648               | \$ 79,739          |
| Services                                        | 52,468                  | 55,896             |
| Total revenue                                   | 146,116                 | 135,635            |
| Cost of sales:                                  |                         |                    |
| Products                                        | 53,364                  | 48,453             |
| Services                                        | 28,512                  | 30,050             |
| Total cost of sales                             | 81,876                  | 78,503             |
| Gross profit                                    | 64,240                  | 57,132             |
| Operating expenses:                             |                         |                    |
| Selling, general and administrative             | 49,600                  | 56,106             |
| Research and development                        | 16,599                  | 19,244             |
| Total operating expenses                        | 66,199                  | 75,350             |
| Loss from operations                            | (1,959)                 | (18,218)           |
| Interest and other income (expense), net        | 38,853                  | (2,564)            |
| Income (loss) before income taxes               | 36,894                  | (20,782)           |
| Benefit for income taxes                        | 8,334                   | 1,858              |
| Net income (loss)                               | <u>\$ 45,228</u>        | <u>\$ (18,924)</u> |
| Net income (loss) per common share:             |                         |                    |
| Basic                                           | \$ 0.37                 | \$ (0.17)          |
| Diluted                                         | \$ 0.36                 | \$ (0.17)          |
| Weighted average shares outstanding:            |                         |                    |
| Basic                                           | 121,705                 | 114,590            |
| Diluted                                         | 125,070                 | 114,590            |

See accompanying notes to condensed consolidated financial statements.

**3D SYSTEMS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(Unaudited)**

| <i>(in thousands)</i>                                            | <b>Quarter Ended March 31,</b> |                    |
|------------------------------------------------------------------|--------------------------------|--------------------|
|                                                                  | <b>2021</b>                    | <b>2020</b>        |
| Net income (loss)                                                | \$ 45,228                      | \$ (18,924)        |
| Other comprehensive income (loss), net of taxes:                 |                                |                    |
| Pension adjustments                                              | 181                            | 164                |
| Derivative financial instruments                                 | 721                            | (1,659)            |
| Foreign currency translation                                     | (25,609)                       | (10,172)           |
| Foreign currency translation reclassification - sale of Cimatron | 6,481                          | —                  |
| Total other comprehensive loss, net of taxes                     | (18,226)                       | (11,667)           |
| Total comprehensive income (loss), net of taxes                  | <u>\$ 27,002</u>               | <u>\$ (30,591)</u> |

See accompanying notes to condensed consolidated financial statements.

**3D SYSTEMS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

| <i>(in thousands)</i>                                                                              | Quarter Ended March 31, |             |
|----------------------------------------------------------------------------------------------------|-------------------------|-------------|
|                                                                                                    | 2021                    | 2020        |
| Cash flows from operating activities:                                                              |                         |             |
| Net income (loss)                                                                                  | \$ 45,228               | \$ (18,924) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |                         |             |
| Depreciation and amortization                                                                      | 9,102                   | 11,690      |
| Stock-based compensation                                                                           | 11,050                  | 6,312       |
| Loss on hedge termination                                                                          | 721                     | —           |
| Provision for bad debts                                                                            | (142)                   | 817         |
| (Gain) loss on the disposition of businesses, property, equipment and other assets                 | (39,401)                | 137         |
| Provision for deferred income taxes and reserve adjustments                                        | (8,889)                 | (106)       |
| Impairment of goodwill and assets                                                                  | —                       | 1,100       |
| Changes in operating accounts:                                                                     |                         |             |
| Accounts receivable                                                                                | 15,941                  | 1,568       |
| Inventories                                                                                        | 2,699                   | (2,694)     |
| Prepaid expenses and other current assets                                                          | (2,303)                 | (14,298)    |
| Accounts payable                                                                                   | 1,665                   | 6,616       |
| Deferred revenue and customer deposits                                                             | 1,552                   | 10,242      |
| Accrued and other liabilities                                                                      | (17,491)                | (5,741)     |
| All other operating activities                                                                     | 8,721                   | 996         |
| Net cash provided by (used in) operating activities                                                | 28,453                  | (2,285)     |
| Cash flows from investing activities:                                                              |                         |             |
| Purchases of property and equipment                                                                | (3,878)                 | (4,366)     |
| Proceeds from sale of assets and businesses, net of cash                                           | 54,747                  | 552         |
| Purchase of noncontrolling interest                                                                | (4,000)                 | (12,500)    |
| Other investing activities                                                                         | (306)                   | (284)       |
| Net cash provided by (used in) investing activities                                                | 46,563                  | (16,598)    |
| Cash flows from financing activities:                                                              |                         |             |
| Repayment of borrowings/long-term debt                                                             | (21,392)                | (627)       |
| Proceeds from inventory financing agreements                                                       | —                       | 2,509       |
| Payments related to net-share settlement of stock-based compensation                               | (2,749)                 | (949)       |
| Other financing activities                                                                         | (196)                   | 296         |
| Net cash (used in) provided by financing activities                                                | (24,337)                | 1,229       |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash                      | (2,434)                 | (3,241)     |
| Net increase (decrease) in cash, cash equivalents and restricted cash                              | 48,245                  | (20,895)    |
| Cash, cash equivalents and restricted cash at the beginning of the period <sup>(a)</sup>           | 84,711                  | 134,617     |
| Cash, cash equivalents and restricted cash at the end of the period <sup>(a)</sup>                 | \$ 132,956              | \$ 113,722  |

**Supplemental cash flow information**

|                                                                                    |          |          |
|------------------------------------------------------------------------------------|----------|----------|
| Lease assets obtained in exchange for new lease liabilities (excludes adoption)    | \$ 4,250 | \$ 1,303 |
| Cash interest payments                                                             | \$ 1,182 | \$ 1,069 |
| Cash income tax payments, net                                                      | \$ 1,314 | \$ 1,832 |
| Transfer of equipment from inventory to property and equipment, net <sup>(b)</sup> | \$ 456   | \$ 350   |

a. The amounts for cash and cash equivalents shown above include restricted cash of \$516 and \$946 as of March 31, 2021 and 2020, respectively, and \$540 and \$952 as of December 31, 2020, and 2019, respectively, which were included in Other assets, net, and \$9,161 as of December 31, 2020, which was included in Current assets held for sale in the condensed consolidated balance sheets.

b. Inventory is transferred from inventory to property and equipment at cost when we require additional machines for training or demonstration or for placement into on-demand manufacturing services locations.

See accompanying notes to condensed consolidated financial statements.

**3D SYSTEMS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(Unaudited)**

|                                                                      | Quarters Ended March 31, 2021 and 2020 |                                  |                    |                        |                                                        |                                                               |                                                          |                                  |
|----------------------------------------------------------------------|----------------------------------------|----------------------------------|--------------------|------------------------|--------------------------------------------------------|---------------------------------------------------------------|----------------------------------------------------------|----------------------------------|
|                                                                      | Common Stock                           |                                  |                    |                        | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total 3D<br>Systems<br>Corporation<br>Stockholders'<br>Equity | Equity<br>Attributable to<br>Noncontrolling<br>Interests | Total<br>Stockholders'<br>Equity |
| (in thousands, except par value)                                     | Par Value<br>\$0.001                   | Additional<br>Paid In<br>Capital | Treasury<br>Stock  | Accumulated<br>Deficit |                                                        |                                                               |                                                          |                                  |
| <b>December 31, 2020</b>                                             | \$ 128                                 | \$ 1,404,964                     | \$ (22,590)        | \$ (943,303)           | \$ (8,476)                                             | \$ 430,723                                                    | \$ —                                                     | \$ 430,723                       |
| Payments related to net-share settlement of stock-based compensation | —                                      | (2,749)                          | —                  | —                      | —                                                      | (2,749)                                                       | —                                                        | (2,749)                          |
| Stock-based compensation expense                                     | —                                      | 7,157                            | —                  | —                      | —                                                      | 7,157                                                         | —                                                        | 7,157                            |
| Net income                                                           | —                                      | —                                | —                  | 45,228                 | —                                                      | 45,228                                                        | —                                                        | 45,228                           |
| Pension adjustment                                                   | —                                      | —                                | —                  | —                      | 181                                                    | 181                                                           | —                                                        | 181                              |
| Termination of derivative instrument                                 | —                                      | —                                | —                  | —                      | 721                                                    | 721                                                           | —                                                        | 721                              |
| Retirement of treasury shares                                        | (2)                                    | (12,096)                         | 12,098             | —                      | —                                                      | —                                                             | —                                                        | —                                |
| Foreign currency translation adjustment                              | —                                      | —                                | —                  | —                      | (19,128)                                               | (19,128)                                                      | —                                                        | (19,128)                         |
| <b>March 31, 2021</b>                                                | <u>\$ 126</u>                          | <u>\$ 1,397,276</u>              | <u>\$ (10,492)</u> | <u>\$ (898,075)</u>    | <u>\$ (26,702)</u>                                     | <u>\$ 462,133</u>                                             | <u>\$ —</u>                                              | <u>\$ 462,133</u>                |
| <b>December 31, 2019</b>                                             | \$ 120                                 | \$ 1,371,564                     | \$ (18,769)        | \$ (793,709)           | \$ (37,047)                                            | \$ 522,159                                                    | \$ (8,263)                                               | \$ 513,896                       |
| Issuance (repurchase) of stock                                       | 1                                      | —                                | (949)              | —                      | —                                                      | (948)                                                         | —                                                        | (948)                            |
| Acquisition of non-controlling interest                              | —                                      | (7,702)                          | —                  | —                      | (561)                                                  | (8,263)                                                       | 8,263                                                    | —                                |
| Stock-based compensation expense                                     | —                                      | 6,312                            | —                  | —                      | —                                                      | 6,312                                                         | —                                                        | 6,312                            |
| Net loss                                                             | —                                      | —                                | —                  | (18,924)               | —                                                      | (18,924)                                                      | —                                                        | (18,924)                         |
| Pension adjustment                                                   | —                                      | —                                | —                  | —                      | 164                                                    | 164                                                           | —                                                        | 164                              |
| Derivative financial instrument loss                                 | —                                      | —                                | —                  | —                      | (1,659)                                                | (1,659)                                                       | —                                                        | (1,659)                          |
| Foreign currency translation adjustment                              | —                                      | —                                | —                  | —                      | (10,172)                                               | (10,172)                                                      | —                                                        | (10,172)                         |
| <b>March 31, 2020</b>                                                | <u>\$ 121</u>                          | <u>\$ 1,370,174</u>              | <u>\$ (19,718)</u> | <u>\$ (812,633)</u>    | <u>\$ (49,275)</u>                                     | <u>\$ 488,669</u>                                             | <u>\$ —</u>                                              | <u>\$ 488,669</u>                |

See accompanying notes to condensed consolidated financial statements.

**3D SYSTEMS CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**(1) Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements include the accounts of 3D Systems Corporation and all majority-owned subsidiaries and entities in which a controlling interest is maintained ("3D Systems" or the "Company" or "we" or "us"). All significant intercompany transactions and balances have been eliminated in consolidation.

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC") applicable to interim reports. Accordingly, they do not include all the information and notes required by GAAP for complete financial statements and should be read in conjunction with the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2020 ("2020 Form 10-K"). Our annual reporting period is the calendar year.

In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments, consisting of adjustments of a normal recurring nature, necessary to present fairly the financial position, results of operations and cash flows for the periods presented. The results of operations for the quarter ended March 31, 2021 are not necessarily indicative of the results to be expected for the full year. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results may differ from those estimates and assumptions.

As we continue to closely monitor the COVID-19 pandemic, our top priority remains the health and safety of our employees and their families and communities. Our Crisis Response Steering Committee regularly reviews and adapts our protocols based on evolving research and guidance related to the virus. While essential operations continue, we continue to restrict travel and meetings, publish pertinent information, and adapt to a world where many in our workforce are remote and those coming on-site are following new safety measures. We have a multi-phase plan to return to working on-site and remain committed to protecting our employees, delivering for our customers and supporting our communities.

Our operations in North America and South America (collectively referred to as "Americas"), Europe and the Middle East (collectively referred to as "EMEA") and the Asia Pacific region ("APAC") expose us to risks associated with public health crises and epidemics/pandemics, such as the COVID-19 pandemic. While the COVID-19 pandemic continued to impact our reported results for the quarter ended March 31, 2021, we are unable to predict the longer-term impact that the pandemic may have on our business, results of operations, financial position or cash flows. The extent to which our operations may be impacted by the dynamic nature of the COVID-19 pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including the severity or resurgence of the outbreak and actions by government authorities to contain the outbreak or treat its impact. Furthermore, the impacts of a potential worsening of global economic conditions, further supply chain disruptions, including the ongoing semiconductor chip shortages, and the continued disruptions to, and volatility in, the financial markets remain unknown.

As of January 1, 2021, we determined the Company has two reportable segments, Healthcare and Industrial; whereas, the Company previously only reported its consolidated results in one segment. This change in segment reporting as of January 1, 2021 was the result of changes to how the chief operating decision maker ("CODM") assesses the financial performance of the Company and in the decision-making process driving future operating performance. As a result of this re-segmentation, the Company performed a quantitative analysis for potential impairment of our goodwill immediately following the re-segmentation. Based on available information and analysis as of January 1, 2021, we determined the fair value of the Healthcare and Industrial reporting units exceeded their carrying values.

Fair value was determined using a combination of an income approach, which estimates fair value based upon projections of future revenues, expenses, and cash flows discounted to its present value, and a market approach. The valuation methodology and underlying financial information included in the Company's determination of fair value required significant judgments by management. The principal assumptions used in the Company's discounted cash flow analysis consisted of (a) the long-term projections of future financial performance and (b) the weighted-average cost of capital of market participants, adjusted for the risk attributable to the Company and the industry in which it operates. Under the market approach, the principal assumption included an estimate for a control premium.



All dollar amounts presented in the accompanying footnotes are presented in thousands, except for per share information.

During the first quarter ended March 31, 2021 we became aware that certain amounts previously presented within our statements of operations as products cost of sales related to services cost of sales. We note that the total cost of sales line item was not affected. We further note that this error did not affect our gross profit, loss from operations, net income (loss), consolidated balance sheets or statements of cash flow. We evaluated the materiality of this presentation-only error and concluded it was not material to any previously reported quarter or year-end financial statement. The following schedule depicts the effect on our previously reported statements of operations.

| (in thousands)      | Quarter Ended March 31, 2020 |             |                  | Quarter Ended June 30, 2020 |             |                  |
|---------------------|------------------------------|-------------|------------------|-----------------------------|-------------|------------------|
|                     | As reported                  | Change      | Revised          | As reported                 | Change      | Revised          |
| Cost of sales:      |                              |             |                  |                             |             |                  |
| Products            | \$ 49,826                    | \$ (1,373)  | \$ 48,453        | \$ 53,204                   | \$ (1,920)  | \$ 51,284        |
| Services            | 28,677                       | 1,373       | 30,050           | 24,406                      | 1,920       | 26,326           |
| Total cost of sales | <u>\$ 78,503</u>             | <u>\$ —</u> | <u>\$ 78,503</u> | <u>\$ 77,610</u>            | <u>\$ —</u> | <u>\$ 77,610</u> |

  

| (in thousands)      | Quarter Ended September 30, 2020 |             |                  | Quarter Ended December 31, 2020 |             |                   |
|---------------------|----------------------------------|-------------|------------------|---------------------------------|-------------|-------------------|
|                     | As reported                      | Change      | Revised          | As reported                     | Change      | Revised           |
| Cost of sales:      |                                  |             |                  |                                 |             |                   |
| Products            | \$ 50,038                        | \$ (1,826)  | \$ 48,212        | \$ 74,613                       | \$ (2,146)  | \$ 72,467         |
| Services            | 27,510                           | 1,826       | 29,336           | 25,592                          | 2,146       | 27,738            |
| Total cost of sales | <u>\$ 77,548</u>                 | <u>\$ —</u> | <u>\$ 77,548</u> | <u>\$ 100,205</u>               | <u>\$ —</u> | <u>\$ 100,205</u> |

#### Recently Adopted Accounting Standards

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, "*Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes*," which simplifies the accounting for income taxes by eliminating some exceptions to the general approach in Accounting Standards Codification 740, Income Taxes. It also clarifies certain aspects of the existing guidance to promote more consistent application. This standard is effective for calendar-year public business entities in 2021 and interim periods within that year, and early adoption is permitted. The Company adopted this guidance during the first quarter of 2021. The implementation did not have a material effect on our financial position or results of operations.

No other new accounting pronouncements, issued or effective during 2021, have had or are expected to have a significant impact on our consolidated financial statements.

## **(2) Dispositions**

On January 1, 2021, the Company completed the sale of 100% of the issued and outstanding equity interests of Cimatron Ltd. ("Cimatron"), the subsidiary that operated the Company's Cimatron integrated CAD/CAM software for tooling business and its GibbsCAM CNC programming software business, for approximately \$64,173, after certain adjustments and excluding \$9,476 of cash amounts transferred to the purchaser. We recorded a gain on the sale of \$32,928 included within Interest and other income (expense), net on the accompanying condensed consolidated statements of operations for the three months ended March 31, 2021. Additionally, at the time of the sale, we recognized a gain of \$6,481 for accumulated foreign currency translation gain previously included in Accumulated other comprehensive loss ("AOCL"), which is included within Interest and other income (expense), net. This disposed of business would have been included within the Industrial segment.

### **(3) Revenue**

We account for revenue in accordance with ASC Topic 606, “*Revenue from Contracts with Customers*.”

#### *Performance Obligations*

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC Topic 606. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

At March 31, 2021, we had \$106,797 of outstanding performance obligations, comprised of deferred revenue, customer order backlog and customer deposits. We expect to recognize approximately 94% of our remaining performance obligations as revenue within the next twelve months, an additional 3% by the end of 2022 and the remaining balance thereafter.

#### *Revenue Recognition*

Revenue is recognized when control of the promised products or services is transferred to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We enter into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Many of our contracts with customers include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative stand-alone selling price (“SSP”). Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities. The amount of consideration received and revenue recognized may vary based on changes in marketing incentive programs offered to our customers. Our marketing incentive programs take many forms, including volume discounts, trade-in allowances, rebates and other discounts.

A majority of our revenue is recognized at the point in time when products are shipped or services are delivered to customers. Please see below for further discussion.

#### *Hardware and Materials*

Revenue from hardware and material sales is recognized when control has transferred to the customer, which typically occurs when the goods have been shipped to the customer, risk of loss has transferred to the customer and we have a present right to payment. In limited circumstances, when printer or other hardware sales include substantive customer acceptance provisions, revenue is recognized either when customer acceptance has been obtained, customer acceptance provisions have lapsed, or we have objective evidence that the criteria specified in the customer acceptance provisions have been satisfied.

Printers and certain other products include a warranty under which we provide maintenance for periods up to one year. For these initial product warranties, estimated costs are accrued at the time of the sale of the product. These cost estimates are established using historical information on the nature, frequency and average cost of claims for each type of printer or other product as well as assumptions about future activity and events. Revisions to expense accruals are made as necessary based on changes in these historical and future factors.

#### *Software*

We also market and sell software tools that enable our customers to capture and customize content using our printers, design optimization and simulation software, and reverse engineering and inspection software. Software does not require significant modification or customization and the license provides the customer with a right to use the software as it exists when made available. Revenue from these software licenses is recognized either upon delivery of the product or of a key code which allows the customer to download the software. Customers may purchase post-sale support. Generally, the first year is included but subsequent years are optional. This optional support is considered a separate obligation from the software and is deferred at the time of sale and subsequently recognized ratably over future periods.

### Collaboration and Licensing Agreements

We enter into collaboration and licensing agreements with third parties. The nature of the activities to be performed and the consideration exchanged under the agreements varies on a contract-by-contract basis. We evaluate these agreements to determine whether they meet the definition of a customer relationship for which revenue is recorded. These contracts may contain multiple performance obligations and may contain fees for licensing, research and development services, contingent milestone payments upon the achievement of developmental contractual criteria and/or royalty fees based on the licensees' product revenue. We determine the revenue to be recognized for these agreements based on an evaluation of the distinct performance obligations, the identification and evaluation of material rights, the estimation of variable consideration and the determination of the pattern on transfer of control for each distinct performance obligation. The Company recognized \$1,807 and \$930 in revenue related to collaboration arrangements with customers for the quarters ended March 31, 2021 and 2020, respectively.

### Services

We offer training, installation and non-contract maintenance services for our products. Additionally, we offer maintenance contracts customers can purchase at their option. For maintenance contracts, revenue is deferred at the time of sale based on the stand-alone selling prices of these services and costs are expensed as incurred. Deferred revenue is recognized ratably over the term of the maintenance period on a straight-line basis. Revenue from training, installation and non-contract maintenance services is recognized at the time of performance of the service.

On-demand manufacturing and healthcare service sales are included within services revenue and revenue is recognized upon shipment or delivery of the parts or performance of the service, based on the terms of the arrangement.

### Terms of Sale

Shipping and handling activities are treated as fulfillment costs rather than as an additional promised service. We accrue the costs of shipping and handling when the related revenue is recognized. Our incurred costs associated with shipping and handling are included in product cost of sales.

Credit is extended, and creditworthiness is determined, based on an evaluation of each customer's financial condition. New customers are generally required to complete a credit application and provide references and bank information to facilitate an analysis of creditworthiness. Customers with a favorable profile may receive credit terms that differ from our general credit terms. Creditworthiness is considered, among other things, in evaluating our relationship with customers with past due balances.

Our terms of sale generally provide payment terms that are customary in the countries where we transact business. To reduce credit risk in connection with certain sales, we may, depending upon the circumstances, require significant deposits or payment in full prior to shipment. For maintenance services, we either bill customers on a time-and-materials basis or sell maintenance contracts that provide for payment in advance on either an annual or other periodic basis.

### Significant Judgments

Our contracts with customers often include promises to transfer multiple products and services to a customer. For such arrangements, we allocate revenues to each performance obligation based on its relative SSP.

Judgment is required to determine the SSP for each distinct performance obligation in a contract. For the majority of items, we estimate SSP using historical transaction data. We use a range of amounts to estimate SSP when we sell each of the products and services separately and need to determine whether there is a discount to be allocated based on the relative SSP of the various products and services. In instances where SSP is not directly observable, such as when the product or service is not sold separately, we determine the SSP using information that may include market conditions and other observable inputs.

In some circumstances, we have more than one SSP for individual products and services due to the stratification of those products and services by customers, geographic region or other factors. In these instances, we may use information such as the size of the customer and geographic region in determining the SSP.

The determination of SSP is an ongoing process and information is reviewed regularly in order to ensure SSP reflects the most current information or trends.

The nature of our marketing incentives may lead to consideration that is variable. Judgment is exercised at contract inception to determine the most likely outcome of the contract and resulting transaction price. Ongoing assessments are performed to determine if updates are needed to the original estimates.

#### Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer deposits and deferred revenues (contract liabilities) on the condensed consolidated balance sheets. Timing of revenue recognition may differ from the timing of invoicing to customers. We record a receivable when revenue is recognized at the time of invoicing, or unbilled receivables when revenue is recognized prior to invoicing. For most of our contracts, customers are invoiced when products are shipped or when services are performed resulting in billed accounts receivables for the remainder of the owed contract price. Unbilled receivables generally result from items being shipped where the customer has not been charged, but for which revenue had been recognized. In our on-demand manufacturing business, customers may be required to pay in full before work begins on their orders, resulting in customer deposits. We typically bill in advance for installation, training and maintenance contracts as well as extended warranties, resulting in deferred revenue. Changes in contract asset and liability balances were not materially impacted by any other factors for the period ended March 31, 2021.

For the quarter ended March 31, 2021, we recognized revenue of \$14,473 related to our contract liabilities at December 31, 2020. For the quarter ended March 31, 2020, we recognized revenue of \$12,659 related to our contract liabilities at December 31, 2019.

#### Practical Expedients and Exemptions

We generally expense sales commissions when incurred because the amortization period would be one year or less. These costs are recorded within selling, general and administrative expenses.

#### **(4) Segment Information**

Effective January 1, 2021, we changed our segment reporting under ASC 280 Segment Reporting. For periods prior to January 1, 2021, we operated under one operating segment, consistent with the information that was presented to our CODM. Effective January 1, 2021, we have identified two operating segments, Healthcare and Industrial.

This change in reportable segments was necessitated as a result of changes to our enterprise wide financial reporting system that were launched January 1, 2021 at the request of our CODM. These changes resulted in revisions to the financial information provided to the CODM on a recurring basis in his evaluation of financial performance of the Company and in the decision-making process driving future operating performance. The CODM does not review disaggregated assets on a segment basis; therefore, such information is not presented. In addition, the changes made to our enterprise wide financial reporting system were prospective and prevent historical financial information for the Healthcare and Industrial segments to be available other than for revenue which has been disclosed below. We have evaluated potential alternatives to generate comparative prior period financial information for the Healthcare and Industrial segments, and believe that the practicality exception as proscribed in ASC 280 Segment Reporting is applicable due to the high degree of difficulty involved and the significant expense associated with overhauling the structure of legacy financial systems

The following table sets forth our net sales and operating results by segment:

|                                               | Three Months Ended March 31, |                   |                  |
|-----------------------------------------------|------------------------------|-------------------|------------------|
|                                               | 2021                         | 2020              | 2021             |
|                                               | Net Sales (a)                |                   | Operating Profit |
| <i>(in thousands)</i>                         |                              |                   |                  |
| Operations by segment:                        |                              |                   |                  |
| Healthcare                                    | \$ 72,521                    | \$ 52,293         | \$ 23,109        |
| Industrial                                    | 73,595                       | 83,342            | 8,190            |
| Total                                         | <u>\$ 146,116</u>            | <u>\$ 135,635</u> | 31,299           |
| General corporate expense, net <sup>(b)</sup> |                              |                   | <u>(33,258)</u>  |
| Operating loss, as reported                   |                              |                   | (1,959)          |
| Interest and other income, net                |                              |                   | 38,853           |
| Income before income taxes                    |                              |                   | <u>\$ 36,894</u> |

- a. Approximately 43.8% and 54.0% of sales for the three months ended March 31, 2021 and 2020, respectively, were located outside of the U.S.
- b. General corporate expense, net includes expenses not specifically attributable to our segments for functions such as corporate human resources, finance, and legal, including salaries, benefits, and other related costs.

## (5) Leases

We have various lease agreements for our facilities, equipment and vehicles with remaining lease terms ranging from one to fifteen years. We determine if an arrangement contains a lease at inception. Some leases include the options to purchase, terminate or extend for one or more years; these options are included in the right-of-use ("ROU") asset and liability lease term when it is reasonably certain an option will be exercised. Our leases do not contain any material residual value guarantees or material restrictive covenants.

Most of our leases do not provide an implicit rate; therefore, we use our incremental borrowing rate based on the information available at the commencement date to determine the present value of the future lease payments.

Certain of our leases include variable costs. Variable costs include non-lease components that were incurred based upon actual terms rather than contractually fixed amounts. In addition, variable costs are incurred for lease payments that are indexed to a change in rate or index. Because the ROU asset recorded on the balance sheet was determined based upon factors considered at the commencement date, subsequent changes in the rate or index that were not contemplated in the ROU asset balances recorded on the balance sheet result in variable expenses being incurred when paid during the lease term.

On February 25, 2021, the Company entered into an agreement to amend its lease for its corporate office and extended the term. As part of this amendment, the Company entered into a lease agreement for a new building, containing approximately 80,000 to 100,000 rentable square feet, to be constructed adjacent to our corporate office. The initial lease terms for both the existing building and the expansion site extend through August 2036.

Components of lease cost (income) were as follows:

| (in thousands)                            | Quarter Ended March 31, |                 |
|-------------------------------------------|-------------------------|-----------------|
|                                           | 2021                    | 2020            |
| Operating lease cost                      | \$ 2,695                | \$ 2,895        |
| Finance lease cost - amortization expense | 207                     | 204             |
| Finance lease cost - interest expense     | 124                     | 161             |
| Short-term lease cost                     | 54                      | 27              |
| Variable lease cost                       | 280                     | 914             |
| Sublease income                           | (156)                   | (152)           |
| Total                                     | <u>\$ 3,204</u>         | <u>\$ 4,049</u> |

Balance sheet classifications at March 31, 2021 and December 31, 2020 are summarized below:

| (in thousands)   | March 31, 2021      |                                  |                                    | December 31, 2020   |                                  |                                    |
|------------------|---------------------|----------------------------------|------------------------------------|---------------------|----------------------------------|------------------------------------|
|                  | Right of use assets | Current right of use liabilities | Long-term right of use liabilities | Right of use assets | Current right of use liabilities | Long-term right of use liabilities |
| Operating Leases | \$ 46,315           | \$ 8,608                         | \$ 46,465                          | \$ 40,586           | \$ 8,562                         | \$ 38,296                          |
| Finance Leases   | 4,433               | 630                              | 4,634                              | 8,034               | 972                              | 10,173                             |
| Total            | <u>\$ 50,748</u>    | <u>\$ 9,238</u>                  | <u>\$ 51,099</u>                   | <u>\$ 48,620</u>    | <u>\$ 9,534</u>                  | <u>\$ 48,469</u>                   |

Our future minimum lease payments as of March 31, 2021 under operating lease and finance leases, with initial or remaining lease terms in excess of one year, were as follows:

| <i>(in thousands)</i>              | March 31, 2021   |                 |
|------------------------------------|------------------|-----------------|
|                                    | Operating Leases | Finance Leases  |
| Years ending March 31:             |                  |                 |
| 2022                               | \$ 11,450        | \$ 871          |
| 2023                               | 9,521            | 859             |
| 2024                               | 8,265            | 848             |
| 2025                               | 6,791            | 774             |
| 2026                               | 5,544            | 689             |
| Thereafter                         | 28,824           | 2,273           |
| Total lease payments               | 70,395           | 6,314           |
| Less: imputed interest             | (15,322)         | (1,050)         |
| Present value of lease liabilities | <u>\$ 55,073</u> | <u>\$ 5,264</u> |

Supplemental cash flow information related to our leases for the periods ending March 31, 2021 and March 31, 2020 were as follows:

| <i>(in thousands)</i>                                                   | March 31, 2021 | March 31, 2020 |
|-------------------------------------------------------------------------|----------------|----------------|
| Cash paid for amounts included in the measurement of lease liabilities: |                |                |
| Operating cash outflow from operating leases                            | \$ 2,560       | \$ 3,157       |
| Operating cash outflow from finance leases                              | \$ 97          | \$ 139         |
| Financing cash outflow (inflow) from finance leases                     | \$ 196         | \$ (296)       |

Weighted-average remaining lease terms and discount rate for our leases for the period ending March 31, 2021, were as follows:

|                                       | March 31, 2021 |           |
|---------------------------------------|----------------|-----------|
|                                       | Operating      | Financing |
| Weighted-average remaining lease term | 8.9 years      | 8.0 years |
| Weighted-average discount rate        | 5.71 %         | 4.68 %    |

## (6) Inventories

Components of inventories at March 31, 2021 and December 31, 2020 are summarized as follows:

| <i>(in thousands)</i>    | March 31, 2021    | December 31, 2020 |
|--------------------------|-------------------|-------------------|
| Raw materials            | \$ 25,214         | \$ 23,762         |
| Work in process          | 7,743             | 5,912             |
| Finished goods and parts | 77,420            | 86,993            |
| Inventories              | <u>\$ 110,377</u> | <u>\$ 116,667</u> |

We record a reserve to the carrying value of our inventory to reflect the rapid technological change in our industry that impacts the market for our products. The inventory reserve was \$20,818 and \$20,125 as of March 31, 2021 and December 31, 2020, respectively.

At March 31, 2021, our obligation to repurchase inventory, included in Accrued and other liabilities on our condensed consolidated balance sheets, was \$1,959, relating to the sale of inventory to an assembly manufacturer and we had a commitment of \$3,480 with the assembling manufacturer to purchase certain materials and supplies they acquired from third parties. At March 31, 2021, inventory held at assemblers was \$5,130.

## (7) Intangible Assets

Intangible assets, net, other than goodwill, at March 31, 2021 and December 31, 2020 are summarized as follows:

| (in thousands)                       | March 31, 2021       |                          |                  | December 31, 2020    |                          |                  | Weighted Average Useful Life Remaining (in years) |
|--------------------------------------|----------------------|--------------------------|------------------|----------------------|--------------------------|------------------|---------------------------------------------------|
|                                      | Gross <sup>(a)</sup> | Accumulated Amortization | Net              | Gross <sup>(a)</sup> | Accumulated Amortization | Net              |                                                   |
| Intangible assets with finite lives: |                      |                          |                  |                      |                          |                  |                                                   |
| Customer relationships               | \$ 67,861            | \$ (55,676)              | \$ 12,185        | \$ 71,123            | \$ (56,682)              | \$ 14,441        | 2.1                                               |
| Acquired technology                  | 41,330               | (40,149)                 | 1,181            | 42,472               | (41,201)                 | 1,271            | 5.3                                               |
| Trade names                          | 16,898               | (16,196)                 | 702              | 17,477               | (16,506)                 | 971              | 0.9                                               |
| Patent costs                         | 19,787               | (11,074)                 | 8,713            | 19,828               | (10,999)                 | 8,829            | 3.7                                               |
| Trade secrets                        | 19,679               | (18,065)                 | 1,614            | 20,188               | (18,216)                 | 1,972            | 1.2                                               |
| Acquired patents                     | 16,250               | (15,752)                 | 498              | 16,317               | (15,723)                 | 594              | 2.3                                               |
| Other                                | 19,151               | (19,148)                 | 3                | 19,793               | (19,788)                 | 5                | 0.0                                               |
| Total intangible assets              | <u>\$ 200,956</u>    | <u>\$ (176,060)</u>      | <u>\$ 24,896</u> | <u>\$ 207,198</u>    | <u>\$ (179,115)</u>      | <u>\$ 28,083</u> | 2.6                                               |

a. Change in gross carrying amounts consists primarily of charges for license and patent costs and foreign currency translation.

Amortization expense related to intangible assets was \$2,427 and \$4,402 for the three months ended March 31, 2021 and 2020, respectively.

## (8) Accrued and Other Liabilities

Accrued liabilities at March 31, 2021 and December 31, 2020 are summarized as follows:

| (in thousands)             | March 31, 2021   | December 31, 2020 |
|----------------------------|------------------|-------------------|
| Compensation and benefits  | \$ 22,309        | \$ 24,629         |
| Vendor accruals            | 13,038           | 18,762            |
| Accrued taxes              | 15,572           | 14,952            |
| Accrued other              | 4,750            | 6,138             |
| Product warranty liability | 2,515            | 2,348             |
| Accrued professional fees  | 1,527            | 1,773             |
| Royalties payable          | 1,519            | 1,210             |
| Total                      | <u>\$ 61,230</u> | <u>\$ 69,812</u>  |

Other liabilities at March 31, 2021 and December 31, 2020 are summarized as follows:

| (in thousands)                     | March 31, 2021   | December 31, 2020 |
|------------------------------------|------------------|-------------------|
| Long-term employee indemnity       | \$ 11,662        | \$ 12,228         |
| Long-term tax liability            | 5,527            | 15,532            |
| Defined benefit pension obligation | 9,749            | 10,228            |
| Long-term deferred revenue         | 5,945            | 6,163             |
| Other long-term liabilities        | 1,669            | 7,096             |
| Total                              | <u>\$ 34,552</u> | <u>\$ 51,247</u>  |

## (9) Borrowings

### Credit Facility

We have a 5-year \$100,000 senior secured revolving credit facility (the “Senior Credit Facility”) to support working capital and general corporate purposes. The Senior Credit Facility also had a 5-year \$100,000 senior secured term loan facility (the “Term Facility”) that, as discussed below, has been fully repaid and terminated. The Senior Credit Facility is guaranteed by certain of our subsidiaries. The guarantors guarantee, among other things, all our obligations and each other guarantor's obligations under the Senior Credit Facility. From time to time, we may be required to cause additional domestic subsidiaries to become guarantors under the Senior Credit Facility. The Senior Credit Facility is scheduled to mature on February 26, 2024, at which time all amounts outstanding thereunder will be due and payable. However, the maturity date of the Senior Credit Facility may be extended at our election with the consent of the lenders subject to the terms set forth in the Senior Credit Facility. The Senior Credit Facility contains customary covenants, some of which require us to maintain certain financial ratios that determine the amounts available and terms of borrowings and events of default. We were in compliance with all covenants at March 31, 2021.

The payment of dividends on our common stock is restricted under provisions of the Senior Credit Facility, which limits the amount of cash dividends that we may pay in any one fiscal year to \$30,000. We currently do not pay, and have not paid, any dividends on our common stock, and we currently intend to retain any future earnings for use in our business.

Borrowings under the Senior Credit Facility are subject to interest at varying spreads above quoted market rates and a commitment fee is paid on the total unused commitment. Subject to certain terms and conditions contained in the Senior Credit Facility, we have the right to request up to four increases to the amount of the revolving facility in an aggregate amount not to exceed an additional \$100,000. As of March 31, 2021, there was \$7,000 of outstanding letters of credit and \$92,000 of available borrowings under the revolving facility.

We had a balance of \$21,392 outstanding on the Term Facility at December 31, 2020. On January 1, 2021, the Company completed the sale of Cimatron, the subsidiary that operated the Company’s Cimatron integrated CAD/CAM software for tooling business and its GibbsCAM CNC programming software business. A portion of the proceeds from the sale were used to repay the outstanding balance on the Term Facility. The Term Facility is now fully repaid and terminated. Concurrent with the repayment of the Term Facility, we terminated the interest rate swap, resulting in a marked-to-market payment of \$712. See Note 10 for additional information.

## (10) Hedging Activities and Financial Instruments

### Interest Rate Swap Contract

On July 8, 2019, we entered into a \$50,000 interest rate swap contract, designated as a cash flow hedge, to minimize the risk associated with the variability of cash flows in interest payments from variable-rate debt due to fluctuations in the one-month USD-LIBOR, subject to a 0% floor, through February 26, 2024. Changes in the interest rate swap were expected to offset the changes in cash flows attributable to fluctuations of the one-month USD-LIBOR for the interest payments associated with our variable-rate debt.

On January 4, 2021, in connection with the repayment of the Term Facility, we terminated the interest rate swap agreement, which required a marked-to-market termination payment of \$712 paid in January 2021. Amounts previously recognized in AOCL of \$721 were released and reclassified into Interest and other income (expense), net on the accompanying condensed consolidated statements of operations and comprehensive income (loss) for the three months ended March 31, 2021.

The notional amount and fair value of the derivative on our balance sheet at December 31, 2020 was as follows:

| <i>(in thousands)</i>       | <b>Balance Sheet location</b> | <b>Notional amount</b> | <b>Fair value</b> |
|-----------------------------|-------------------------------|------------------------|-------------------|
| <b>December 31, 2020</b>    |                               |                        |                   |
| Interest rate swap contract | Other liabilities             | \$ 15,000              | \$ (700)          |

Except as noted above, amounts released from AOCL and reclassified into Interest and other income (expense), net did not have a material impact on our condensed consolidated statements of operations and comprehensive income (loss) for the quarters ended March 31, 2021 and 2020.



## Foreign Currency Contracts

We conduct business in various countries using both the functional currencies of those countries and other currencies to effect cross border transactions. As a result, we are subject to the risk that fluctuations in foreign exchange rates between the dates that those transactions are entered into and their respective settlement dates will result in a foreign exchange gain or loss. When practicable, we endeavor to match assets and liabilities in the same currency on our balance sheet and those of our subsidiaries in order to reduce these risks. When appropriate, we enter into foreign currency contracts to hedge exposures arising from those transactions. We have elected not to prepare and maintain the documentation to qualify for hedge accounting treatment under ASC 815, “*Derivatives and Hedging*,” and therefore, all gains and losses (realized or unrealized) are recognized in Interest and other expense, net in the condensed consolidated statements of operations and comprehensive income (loss). Depending on their fair value at the end of the reporting period, derivatives are recorded either in prepaid expenses and other current assets or in accrued liabilities on the condensed consolidated balance sheets.

We had \$82,856 and \$101,781 in notional foreign exchange contracts outstanding as of March 31, 2021 and December 31, 2020, respectively. The fair values of these contracts were not material.

We translate foreign currency balance sheets from each international businesses’ functional currency (generally the respective local currency) to U.S. dollars at end-of-period exchange rates, and statements of earnings at average exchange rates for each period. The resulting foreign currency translation adjustments are a component of other comprehensive income (loss). We do not hedge the fluctuation in reported revenue and earnings resulting from the translation of these international operations’ results into U.S. dollars.

## (11) Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the applicable period. Diluted net income (loss) per share incorporates the additional shares issuable upon assumed exercise of stock options and the release of restricted stock and restricted stock units, except in such case when their inclusion would be anti-dilutive.

| (in thousands, except per share amounts) | Quarter Ended March 31, |             |
|------------------------------------------|-------------------------|-------------|
|                                          | 2021                    | 2020        |
| <i>Numerator:</i>                        |                         |             |
| Net income (loss)                        | \$ 45,228               | \$ (18,924) |
| <i>Denominator:</i>                      |                         |             |
| Weighted average shares - basic          | 121,705                 | 114,590     |
| Dilutive securities                      | 3,365                   | —           |
| Weighted average shares - diluted        | 125,070                 | 114,590     |
| Net income (loss) per share - basic      | \$ 0.37                 | \$ (0.17)   |
| Net income (loss) per share - diluted    | \$ 0.36                 | \$ (0.17)   |

For the three months ended March 31, 2020, the effect of dilutive securities, including non-vested stock options and restricted stock awards/units, was excluded from the denominator for the calculation of diluted net loss per share because we recognized a net loss for the period and their inclusion would be anti-dilutive. Dilutive securities excluded for the three months ended March 31, 2020 were 6,135.

On August 5, 2020, we entered into an Equity Distribution Agreement for an At-The-Market equity offering program (“ATM Program”) under which we could have issued and sold, from time to time, shares of our common stock. On January 6, 2021, following the closing of the sale of Cimatron and the receipt of the related purchase price proceeds, the Company terminated the ATM Program.

## (12) Fair Value Measurements

Fair value is the exchange price to sell an asset or transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. Fair value measurements use market data or assumptions market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs may be readily observable, corroborated by market data, or generally unobservable. Valuation techniques maximize the use of observable inputs and minimize use of unobservable inputs.

Cash equivalents, Israeli severance funds and derivatives are valued utilizing the market approach to measure fair value for financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

| (in thousands)                         | Fair Value Measurements as of March 31, 2021 |          |           |
|----------------------------------------|----------------------------------------------|----------|-----------|
|                                        | Level 1                                      | Level 2  | Total     |
| Description                            |                                              |          |           |
| Cash equivalents <sup>(a)</sup>        | \$ 42,609                                    | \$ —     | \$ 42,609 |
| Israeli severance funds <sup>(b)</sup> | \$ —                                         | \$ 6,353 | \$ 6,353  |

| (in thousands)                                  | Fair Value Measurements as of December 31, 2020 |          |          |
|-------------------------------------------------|-------------------------------------------------|----------|----------|
|                                                 | Level 1                                         | Level 2  | Total    |
| Description                                     |                                                 |          |          |
| Cash equivalents <sup>(a)</sup>                 | \$ 199                                          | \$ —     | \$ 199   |
| Israeli severance funds <sup>(b)</sup>          | \$ —                                            | \$ 6,422 | \$ 6,422 |
| Derivative financial instruments <sup>(c)</sup> | \$ —                                            | \$ (700) | \$ (700) |

- Cash equivalents include funds held in money market instruments and are reported at their current carrying value, which approximates fair value due to the short-term nature of these instruments and are included in cash and cash equivalents in the condensed consolidated balance sheet.
- We partially fund a liability for our Israeli severance requirement through monthly deposits into fund accounts, the value of these contributions is recorded to non-current assets on the condensed consolidated balance sheet.
- Derivative instruments are reported based on published market prices for similar assets or are estimated based on published market prices for similar assets or are estimated based on observable inputs such as interest rates, yield curves, credit risks, spot and future commodity prices and spot and future exchange rates. See Note 10 for additional information on our derivative financial instruments.

We did not have any transfers of assets and liabilities between Level 1, Level 2 and Level 3 of the fair value measurement hierarchy during the three months ended March 31, 2021.

## (13) Income Taxes

We maintain the exception under ASC 740-270-30-36(b), "Accounting for Income Taxes", for jurisdictions that do not have reliable estimates of ordinary income due to the volatility in the industry. Based on the continued global financial uncertainty due to the COVID-19 pandemic and volatility in the industry, we have continued to use a year-to-date methodology in determining the quarterly effective tax rate for the quarter ended March 31, 2021.

For the quarter ended March 31, 2021, the Company's effective tax benefit rate was (22.6)%. For the quarter ended March 31, 2020, the Company's effective tax benefit rate was (8.9)%. The difference between the statutory tax benefit rate and the effective tax rate for the quarter ended March 31, 2021 is primarily driven by the reduction of a liability for uncertain tax positions, which includes the release noted in the paragraph below, and the presence of a full valuation allowance in various jurisdictions. The difference between the statutory tax rate and the effective tax benefit rate for the quarter ended March 31, 2020 is primarily driven by the valuation allowances in various jurisdictions, the foreign rate differential between the U.S. tax rate and foreign tax rates, and the change in U.S. tax law allowing the carryback of certain U.S. net operating losses ("NOLs") as explained in the paragraph below.

In response to the global pandemic resulting from COVID-19, the U.S. government enacted tax legislation on March 27, 2020 under the Coronavirus Aid Relief, and Economic Security Act ("CARES Act"). This legislation allowed us to carryback NOLs generated in the 2018 and 2019 tax years up to five years. A tax receivable was recorded during the first quarter of 2020 for the anticipated carryback in the amount of \$8.9 million, along with associated uncertain tax positions of \$5.7 million. During the fourth quarter of 2020, additional uncertain tax positions of \$3.2 million were recorded to fully reserve the \$8.9 million related to the carryback. During the first quarter of 2021, the Company received two favorable private letter rulings triggering release of the uncertain tax positions for \$8.9 million. As of the close of the quarter ended March 31, 2021, approximately \$2.5 million of the \$8.9 million refund has been received by the Company. The Company expects to receive the remaining refund during the second quarter of 2021.

#### **(14) Commitments and Contingencies**

We have an inventory purchase commitment with an assembling manufacturer, see Note 6.

##### **Litigation**

##### **Export Controls and Government Contracts Compliance Matter**

In October 2017, we received an administrative subpoena from the Bureau of Industry and Security of the Department of Commerce ("BIS") requesting the production of records in connection with possible violations of U.S. export control laws, including with regard to our Quickparts.com, Inc. subsidiary. In addition, while collecting information responsive to the above-referenced subpoena, our internal investigation identified potential violations of the International Traffic in Arms Regulations ("ITAR") administered by the Directorate of Defense Trade Controls of the Department of State ("DDTC") and potential violations of the Export Administration Regulations administered by the BIS.

On June 8, 2018 and thereafter, we submitted voluntary disclosures to BIS and DDTC identifying numerous potentially unauthorized exports of technical data. As part of our ongoing review of trade compliance risks and our cooperation with the government, on November 20, 2019, we submitted to the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") an initial notice of voluntary disclosure regarding potential violations of economic sanctions related to Iran. We continued to investigate this issue and filed a final disclosure with OFAC on May 20, 2020. We have and will continue to implement compliance enhancements to our export controls, trade sanctions, and government contracting compliance program to address the issues identified through our ongoing internal investigation and will cooperate with DDTC and BIS, as well as the U.S. Departments of Justice, Defense, Homeland Security and Treasury in their ongoing reviews of these matters. In connection with these ongoing reviews, in August 2020, the Company received two federal grand jury subpoenas issued by the U.S. District Court for the Northern District of Texas. The Company responded to these two subpoenas and will continue to fully cooperate with the U.S. Department of Justice in the related investigation.

In addition, on July 19, 2019, we received a notice of immediate suspension of federal contracting from the United States Air Force, pending the outcome of an ongoing investigation. The suspension applied to 3D Systems, its subsidiaries and affiliates, and was related to the potential export controls violations involving our On-Demand manufacturing business described above. Under the suspension, we were generally prohibited from receiving new federal government contracts or subcontracts from any executive branch agency as described in the provisions of 48 C.F.R Subpart 9.4 of the Federal Acquisition Regulation. The suspension allowed us to continue to perform current federal contracts, and also to receive awards of new subcontracts for items under \$35 and for items considered commercially available off-the-shelf items. The Air Force lifted the suspension on September 6, 2019 following the execution of a two-year Administrative Agreement with us. We are now eligible to obtain and perform U.S. government contracts and subcontracts without restrictions. Under the Administrative Agreement, we will be monitored and evaluated by independent monitors who will report to the Air Force on our compliance with the terms of the Company's Ethics & Compliance Program, including its overall culture, government contracting compliance program, and export controls compliance program.

Although we cannot predict the ultimate resolution of these matters, we have incurred and expect to continue to incur significant legal costs and other expenses in connection with responding to the U.S. government agencies.

##### **Shareholder Suits**

The Company and certain of its current and former executive officers have been named as defendants in two putative stockholder class action lawsuits pending in the United States District Court for the Eastern District of New York.

The first action is styled Troy Kehoe v. 3D Systems Corporation, et al., No. 1:21-cv-01920-NGG-LB (E.D.N.Y.). The complaint, which was filed on April 9, 2021, alleges that defendants violated the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and SEC Rule 10b-5 promulgated thereunder by making false and misleading statements and omissions, and that the current and former executive officers named as defendants are control persons under Section 20(a) of the Exchange Act. The complaint was filed on behalf of stockholders who purchased shares of the Company’s common stock between May 6, 2020 and March 1, 2021, and seeks monetary damages on behalf of the purported class.

The second action is styled Kumar v. 3D Systems Corporation, et al., No. 1:21-cv-02383-ENV-LB (E.D.N.Y.). The complaint, which was filed on April 29, 2021, alleges that defendants violated the Exchange Act and SEC Rule 10b-5 promulgated thereunder by making false and misleading statements and omissions, and that the current and former executive officers named as defendants are control persons under Section 20(a) of the Exchange Act. The complaint was filed on behalf of stockholders who purchased shares of the Company’s common stock between May 7, 2020 and March 1, 2021, and seeks monetary damages on behalf of the purported class.

The Company believes the claims alleged in the putative securities class actions are without merit and the Company intends to defend itself and its current and former officers vigorously.

#### Other

We are involved in various other legal matters incidental to our business. Although we cannot predict the results of the litigation with certainty, we believe that the disposition of all these various other legal matters will not have a material adverse effect, individually or in the aggregate, on our consolidated results of operations, consolidated cash flows or consolidated financial position.

### **(15) Restructuring and Exit Activity Costs**

On August 5, 2020, we announced, in connection with the new strategic focus and organizational realignment, a restructuring plan intended to align our operating costs with current revenue levels and better position the Company for future sustainable and profitable growth. The restructuring plan included a reduction of nearly 20% of our workforce, with the majority of the workforce reduction completed by December 31, 2020. We expect that the restructuring plan, in conjunction with other cost reduction measures, will reduce our annualized costs by approximately \$80,000 by the end of December 31, 2021, with additional savings of approximately \$20,000 dependent on potential divestitures. Cost reduction efforts include reducing the number of facilities and examining every aspect of our manufacturing and operating costs. We incurred cash charges for severance, facility closing and other costs, primarily in the second half of 2020 and expect to incur additional charges in 2021 as we finalize all the actions to be taken. Total severance charges expected to be incurred are \$5,700 lower than as reported at year end due to revised estimates. Non-cash charges related to these actions are expected to be \$6,400 and are included in facility closing costs. We are also evaluating the divestiture of parts of the business that do not align with this strategic focus. See Note 2.

In connection with the restructuring plan, we recorded pre-tax costs during the three months ended March 31, 2021, included within Selling, general and administrative in the condensed consolidated income statement, and expect to incur total costs as follows:

| <i>(in thousands)</i>                                    | <b>Total Costs Expected to be Incurred</b> | <b>Costs Incurred during 2020</b> | <b>Costs Incurred during the three months ended March 31, 2021</b> | <b>Total Costs Incurred</b> |
|----------------------------------------------------------|--------------------------------------------|-----------------------------------|--------------------------------------------------------------------|-----------------------------|
| Severance, termination benefits and other employee costs | \$ 15,600                                  | \$ 12,914                         | \$ 731                                                             | \$ 13,645                   |
| Facility closing costs                                   | 9,800                                      | 6,470                             | 365                                                                | 6,835                       |
| Other costs                                              | 2,300                                      | 668                               | (68)                                                               | 600                         |
| Total                                                    | <u>\$ 27,700</u>                           | <u>\$ 20,052</u>                  | <u>\$ 1,028</u>                                                    | <u>\$ 21,080</u>            |

The liabilities at March 31, 2021 related to these costs were principally recorded in accrued expenses in the condensed consolidated balance sheets and were as follows:

| <i>(in thousands)</i>                                    | <b>Liability at December<br/>31, 2020</b> | <b>Costs Incurred during<br/>2021</b> | <b>Costs Paid During<br/>2021</b> | <b>Non-cash adjustments</b> | <b>Liability at March 31,<br/>2021</b> |
|----------------------------------------------------------|-------------------------------------------|---------------------------------------|-----------------------------------|-----------------------------|----------------------------------------|
| Severance, termination benefits and other employee costs | \$ 7,173                                  | \$ 731                                | \$ (5,895)                        | \$ —                        | \$ 2,009                               |
| Facility closing costs                                   | —                                         | 365                                   | (365)                             | —                           | —                                      |
| Other costs                                              | —                                         | (68)                                  | (58)                              | 126                         | —                                      |
| Total                                                    | <u>\$ 7,173</u>                           | <u>\$ 1,028</u>                       | <u>\$ (6,318)</u>                 | <u>\$ 126</u>               | <u>\$ 2,009</u>                        |

#### **(16) Subsequent Events**

We have evaluated subsequent events through the date these financial statements were issued and determined there were no events, other than as described in Note 14, that required disclosure or recognition in these financial statements.

On May 6, 2021, we purchased Allevi, Inc. to expand regenerative medicine initiatives into medical and pharmaceutical research and development laboratories. Additionally, on May 6, 2021, we announced the acquisition of a German software firm, Additive Works GmbH to expand simulation capabilities for rapid optimization of industrial-scale 3D printing processes, expected to close during the second quarter of 2021.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion and analysis should be read together with the unaudited condensed consolidated financial statements and the notes thereto included in Item 1 (the "Financial Statements") of this Quarterly Report on Form 10-Q ("Form 10-Q"). Also, we are subject to a number of risks and uncertainties that may affect our future performance that are discussed in greater detail in the sections entitled "Forward-Looking Statements" at the end of this Item 2 and that are discussed or referred to in Item 1A of Part II of this Form 10-Q.

### **Business Overview**

3D Systems Corporation ("3D Systems" or the "Company" or "we" or "us") markets our products and services through subsidiaries in North America and South America (collectively referred to as "Americas"), Europe and the Middle East (collectively referred to as "EMEA") and the Asia Pacific region ("APAC"). We provide comprehensive 3D printing and digital manufacturing solutions, including 3D printers for plastics and metals, materials, software, on-demand manufacturing services and digital design tools. Our solutions support advanced applications in two key industry verticals: Healthcare (which includes dental, medical devices and personalized health services) and Industrial (which includes aerospace, defense, transportation and general manufacturing). We have over 30 years of experience and expertise which have proven vital to our development of an ecosystem and end-to-end digital workflow solutions which enable customers to optimize product designs, transform workflows, bring innovative products to market and drive new business models.

As of January 1, 2021, we determined the Company has two reportable segments, Healthcare and Industrial, whereas the Company previously only reported its consolidated results in one segment. Prior year Healthcare and Industrial revenue amounts discussed herein have been recast to conform with current year presentation.

### **New Strategic Focus and Restructuring**

Our business portfolio is well-balanced across end markets and geographies and includes a high degree of businesses serving critical sectors such as healthcare, aerospace and durable goods. In May 2020, a new Chief Executive Officer and President, Dr. Jeffrey Graves, was hired. Dr. Graves undertook an initial assessment of the Company and on August 5, 2020, we announced a new strategic focus and reorganization and, to align our cost structure to the current level of revenues, a restructuring plan was also announced. We expect the restructuring effort, when complete and in conjunction with other cost reduction measures, to reduce annualized costs by approximately \$80 million by the end of 2021, with additional savings of approximately \$20 million dependent on potential divestitures. This should enable us to be profitable at current revenue levels and be well positioned to leverage future sales growth. Cost reduction efforts include reducing the number of facilities and examining every aspect of our manufacturing and operating costs. We incurred cash charges for severance, facility closing and other costs, primarily in the second half of 2020, and expect to incur additional charges in 2021 as we finalize all the actions to be taken. We estimate total charges of \$27.7 million for severance, facility closings and other costs in accomplishing these efforts, which is \$5.7 million lower than as reported at year end due to revised estimates. Non-cash charges related to these actions are expected to be \$6.4 million and are included in facility closing costs. We are also evaluating the divestiture of parts of the business that do not align with this strategic focus. See Note 15 for additional discussion.

### **COVID-19 Pandemic Response**

As we continue to closely monitor the COVID-19 pandemic, our top priority remains the health and safety of our employees and their families and communities. Our Crisis Response Steering Committee regularly reviews and adapts our protocols based on evolving research and guidance related to the virus. While essential operations continue, we continue to restrict travel and meetings, publish pertinent information, and adapt to a world where many in our workforce are remote and those coming on-site are following new safety measures. We have a multi-phase plan to return to working on-site and remain committed to protecting our employees, delivering for our customers and supporting our communities.

## Looking Forward

Our operations in Americas, EMEA and APAC expose us to risks associated with public health crises and epidemics/pandemics, such as the COVID-19 pandemic. While the COVID-19 pandemic continued to impact our reported results for the quarter ended March 31, 2021, we are unable to predict the longer-term impact that the pandemic may have on our business, results of operations, financial position or cash flows. The extent to which our operations may be impacted by the dynamic nature of the COVID-19 pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including the severity or resurgence of the outbreak and actions by government authorities to contain the outbreak or treat its impact. Furthermore, the impacts of a potential worsening of global economic conditions, further supply chain disruptions, including the ongoing semiconductor chip shortages, and the continued disruptions to, and volatility in, the financial markets remain unknown.

## **Summary of First Quarter 2021 Financial Results**

Total consolidated revenue for the first quarter of 2021 increased 7.7% compared to the same period last year driven by a strong performance in our Healthcare segment. Revenue from Healthcare increased 38.7% to \$72.5 million, compared to the same period last year, driven by stronger sales to the dental market. Industrial sales decreased 11.7% to \$73.6 million, compared to the same period last year driven by the Cimatron Ltd. ("Cimatron") divestiture.

Gross profit for the quarter ended March 31, 2021 increased by 12.4%, or \$7.1 million, to \$64.2 million, compared to \$57.1 million for the quarter ended March 31, 2020. Gross profit margin for the quarters ended March 31, 2021 and March 31, 2020 was 44.0% and 42.1%, respectively. The increase in gross profit was primarily due to product mix and improved capacity utilization.

Operating expenses for the quarter ended March 31, 2021 decreased by 12.1%, or \$9.2 million, to \$66.2 million, compared to \$75.4 million for the quarter ended March 31, 2020. Selling, general and administrative expenses for the quarter ended March 31, 2021 decreased by 11.6%, or \$6.5 million, to \$49.6 million, compared to \$56.1 million for the quarter ended March 31, 2020. Research and development expenses for the quarter ended March 31, 2021 decreased by 13.7%, or \$2.6 million, to \$16.6 million, compared to \$19.2 million for the quarter ended March 31, 2020. Our lower operating expenses reflect reduced hiring and lower travel expenses incurred in the current year, resulting from the COVID-19 pandemic, as well as savings achieved in the current year from cost restructuring activities; partially offset by higher stock-based compensation expenses.

Our operating loss for the quarter ended March 31, 2021 was \$2.0 million, compared to \$18.2 million for the quarter ended March 31, 2020. The lower loss was driven by higher revenue and reduced operating expenses as previously discussed.

For the quarter ended March 31, 2021, we generated \$28.5 million of cash from operations, primarily driven by the increase in operating income and better working capital management. For the quarter ended March 31, 2020, we used \$2.3 million of cash from operations. Our unrestricted cash balance at March 31, 2021 and December 31, 2020, was \$132.4 million and \$75.0 million, respectively. The higher cash balance resulted from \$54.7 million, net, from the Cimatron sale and \$28.5 million from operations, partially offset by \$21.4 million for repayments of debt, \$4.0 million for payments related to a prior acquisition and \$3.9 million for capital expenditures.

## **Results of Operations**

### Revenue

Current year revenue has improved as the prior year was impacted by the effects of the COVID-19 pandemic, most severely toward the end of the first quarter 2020 and into the second quarter 2020, as many of our customers were shut down or on a significantly reduced level of activity. Excluding impacts due to the pandemic, due to the relatively high price of certain 3D printers and a corresponding lengthy selling cycle as well as relatively low unit volume of the higher priced printers in any particular period, a shift in the timing and concentration of orders and shipments from one period to another can affect reported revenue in any given period.

In addition to changes in sales volumes, there are two other primary drivers of changes in revenue from one period to another: (1) the combined effect of changes in product mix and average selling prices and (2) the impact of fluctuations in foreign currencies. As used in this Management's Discussion and Analysis, the price and mix effects relate to changes in revenue that are not able to be specifically related to changes in unit volume.

We earn revenue from the sale of products and services through our Healthcare and Industrial segments. The products category includes 3D printers and corresponding materials, healthcare simulators and digitizers, software licenses, 3D scanners and haptic devices. The majority of materials used in our 3D printers are proprietary. The services category includes maintenance contracts and services on 3D printers and simulators, software maintenance, on-demand solutions and healthcare services.

The following table sets forth the change in revenue for the three months ended March 31, 2021 and 2020.

**Table 1**

| <i>(Dollars in thousands)</i> | <b>Products</b> |        | <b>Services</b> |        | <b>Total</b> |         |
|-------------------------------|-----------------|--------|-----------------|--------|--------------|---------|
| Revenue — first quarter 2020  | \$ 79,739       | 58.8 % | \$ 55,896       | 41.2 % | \$ 135,635   | 100.0 % |
| Change in revenue:            |                 |        |                 |        |              |         |
| Volume                        | 10,783          | 13.5 % | (5,255)         | (9.4)% | 5,528        | 4.1 %   |
| Price/Mix                     | 2,149           | 2.7 %  | —               | — %    | 2,149        | 1.6 %   |
| Foreign currency translation  | 977             | 1.2 %  | 1,827           | 3.3 %  | 2,804        | 2.1 %   |
| Net change                    | 13,909          | 17.4 % | (3,428)         | (6.1)% | 10,481       | 7.7 %   |
| Revenue — first quarter 2021  | \$ 93,648       | 64.1 % | \$ 52,468       | 35.9 % | \$ 146,116   | 100.0 % |

Consolidated revenue increased 7.7%, predominantly due to higher products volume, driven by increased sales of printers with a favorable price/mix and foreign currency impact, partially offset by lower on-demand volume and divestitures. The increase in volume was due to the continued rebound from adverse impacts of COVID-19 in the prior year.

For the quarters ended March 31, 2021 and 2020, products revenue from Healthcare contributed \$49.6 million and \$32.2 million, respectively, and products revenue from Industrial contributed \$44.0 million and \$47.6 million, respectively. The higher products revenue in Healthcare was due to continued strength in the dental market and lower products revenue in Industrial was primarily due to divestitures.

For the quarters ended March 31, 2021 and 2020, services revenue from Healthcare contributed \$22.9 million and \$20.1 million, respectively, and services revenue from Industrial contributed \$29.6 million and \$35.8 million, respectively. The higher services revenue in Healthcare was due to earnings related to milestones achieved in collaborative arrangements and lower services revenue in Industrial was due to lower on-demand volume and divestitures.

For the quarters ended March 31, 2021 and 2020, revenue from operations outside the U.S. was 43.8% and 54.0% of total revenue, respectively.

*Gross profit and gross profit margins*

The following table sets forth gross profit and gross profit margins for the three months ended March 31, 2021 and 2020.

**Table 2**

| <i>(Dollars in thousands)</i> | <b>Quarter Ended March 31,</b> |                            |                     |                            | <b>Change in Gross Profit</b> |          | <b>Change in Gross Profit Margin</b> |          |
|-------------------------------|--------------------------------|----------------------------|---------------------|----------------------------|-------------------------------|----------|--------------------------------------|----------|
|                               | <b>2021</b>                    |                            | <b>2020</b>         |                            |                               |          |                                      |          |
|                               | <b>Gross Profit</b>            | <b>Gross Profit Margin</b> | <b>Gross Profit</b> | <b>Gross Profit Margin</b> | <b>\$</b>                     | <b>%</b> | <b>Percentage Points</b>             | <b>%</b> |
| Products                      | \$ 40,284                      | 43.0 %                     | \$ 31,286           | 39.2 %                     | \$ 8,998                      | 28.8 %   | 3.8                                  | 9.7 %    |
| Services                      | 23,956                         | 45.7 %                     | 25,846              | 46.2 %                     | (1,890)                       | (7.3)%   | (0.5)                                | (1.1)%   |
| Total                         | \$ 64,240                      | 44.0 %                     | \$ 57,132           | 42.1 %                     | \$ 7,108                      | 12.4 %   | 1.9                                  | 4.5 %    |

The increase in total consolidated gross profit is predominantly due to the higher sales volume as previously discussed, partially offset by divestitures. Products gross profit increased primarily due to higher sales volume as well as a stronger gross profit margin due to the fixed nature of certain costs. Services gross profit decreased primarily due to lower on-demand volume and divestitures.



### Operating expenses

The following table sets forth the components of operating expenses for the three months ended March 31, 2021 and 2020.

**Table 3**

| (Dollars in thousands)                       | Quarter Ended March 31, |           |           |           | Change     |         |
|----------------------------------------------|-------------------------|-----------|-----------|-----------|------------|---------|
|                                              | 2021                    |           | 2020      |           | \$         | %       |
|                                              | Amount                  | % Revenue | Amount    | % Revenue |            |         |
| Selling, general and administrative expenses | \$ 49,600               | 33.9 %    | \$ 56,106 | 41.4 %    | \$ (6,506) | (11.6)% |
| Research and development expenses            | 16,599                  | 11.4 %    | 19,244    | 14.2 %    | (2,645)    | (13.7)% |
| Total operating expenses                     | \$ 66,199               | 45.3 %    | \$ 75,350 | 55.6 %    | \$ (9,151) | (12.1)% |

Selling, general and administrative expenses decreased as the cost savings due to restructuring efforts were realized, predominantly personnel and marketing activities, partially offset by higher stock-based compensation and bonus expense. Additionally, the prior year period was impacted by severance expense and expenses incurred by divested businesses. See Note 15 for additional discussion regarding restructuring.

Research and development expenses decreased as the cost savings due to restructuring efforts were realized, including personnel reductions, as well as lower overall program spend.

### Loss from operations

The following table sets forth loss from operations for the three months ended March 31, 2021 and 2020.

**Table 4**

| (Dollars in thousands) | Quarter Ended March 31, |             |
|------------------------|-------------------------|-------------|
|                        | 2021                    | 2020        |
| Loss from operations:  | \$ (1,959)              | \$ (18,218) |

See “Revenue,” “Gross profit and gross profit margins” and “Operating expenses” above.

### Interest and other income (expense), net

The following table sets forth the components of interest and other income (expense), net, for the three months ended March 31, 2021 and 2020.

**Table 5**

| (Dollars in thousands)                         | Quarter Ended March 31, |            |
|------------------------------------------------|-------------------------|------------|
|                                                | 2021                    | 2020       |
| Interest and other income (expense), net       |                         |            |
| Foreign exchange gain (loss)                   | \$ 2,129                | \$ (112)   |
| Interest expense, net                          | (1,038)                 | (1,038)    |
| Other income (expense), net                    | 37,762                  | (1,414)    |
| Total interest and other income (expense), net | \$ 38,853               | \$ (2,564) |

Total interest and other income (expense), net increased primarily due to the \$32.9 million gain on sale of Cimatron and favorable foreign exchange. Interest expense, net remained flat as lower interest expense due to repayment of the 5-year \$100 million senior secured term loan facility (the "Term Facility") was offset as amounts previously recognized in Accumulated other comprehensive loss were released in the first quarter of 2021 and reclassified to Interest and other expense, net as a result of the termination of the interest rate swap.

### Net income (loss)

The following table sets forth the primary components of net income (loss) for the quarters ended March 31, 2021 and 2020.

**Table 6**

| <i>(Dollars in thousands, except per share amounts)</i> | Quarter Ended March 31, |                    | Change           |
|---------------------------------------------------------|-------------------------|--------------------|------------------|
|                                                         | 2021                    | 2020               |                  |
| Loss from operations                                    | \$ (1,959)              | \$ (18,218)        | \$ 16,259        |
| Other non-operating items:                              |                         |                    |                  |
| Interest and other income (expense), net                | 38,853                  | (2,564)            | 41,417           |
| Benefit for income taxes                                | 8,334                   | 1,858              | 6,476            |
| Net income (loss)                                       | <u>\$ 45,228</u>        | <u>\$ (18,924)</u> | <u>\$ 64,152</u> |
| Weighted average shares - basic                         | 121,705                 | 114,590            |                  |
| Weighted average shares - diluted                       | 125,070                 | 114,590            |                  |
| Net income (loss) per share - basic                     | <u>\$ 0.37</u>          | <u>\$ (0.17)</u>   |                  |
| Net income (loss) per share - diluted                   | <u>\$ 0.36</u>          | <u>\$ (0.17)</u>   |                  |

The increase in net income for the quarter ended March 31, 2021, as compared to the net loss for the quarter ended March 31, 2020, was primarily driven by a decrease in loss from operations and gain on sale of Cimatron, as previously discussed.

See “Gross profit and gross profit margins,” “Operating expenses” and “Interest and other income (expense), net” above.

### **Liquidity and Capital Resources**

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. In doing so, we review and analyze our current cash on hand, the number of days our sales are outstanding, inventory turns, capital expenditure commitments and accounts payable turns. Our cash requirements primarily consist of funding working capital and capital expenditures.

At March 31, 2021, we had cash on hand of \$133.0 million including restricted cash and no outstanding debt. We also had a \$100 million unused revolving credit facility with approximately \$92.0 million of availability, based on the terms of the agreement. Cash on hand, including restricted cash and cash classified as held for sale, increased \$48.2 million since December 31, 2020. The higher cash balance resulted from proceeds of \$54.7 million from the Cimatron sale and \$28.5 million from operations, partially off by \$21.4 million for repayments of debt, \$4.0 million payments related to a prior acquisition and \$3.9 million for capital expenditures. Cash from operations was impacted by withholding taxes of \$6.6 million related to the Cimatron divestiture.

On January 1, 2021, the Company completed the sale of 100% of the issued and outstanding equity interests of Cimatron, the subsidiary that operated the Company’s Cimatron integrated CAD/CAM software for tooling business and its GibbsCAM CNC programming software business, for approximately \$64.2 million, after certain adjustments and excluding \$9.5 million of cash amounts transferred to the purchaser.

We expect that cash flow from operations, cash and cash equivalents, and other sources of liquidity such as bank credit facilities and issuing equity or debt securities, will be available and sufficient to meet all foreseeable cash requirements.

Cash held outside the U.S. at March 31, 2021 was \$70.2 million, or 53.0% of total cash and cash equivalents, compared to \$49.7 million, or 66.2% of total cash and cash equivalents at December 31, 2020. As our previously unremitted earnings have been subjected to U.S. federal income tax, we expect any repatriation of these earnings to the U.S. would not incur significant federal and state taxes. However, these dividends are subject to foreign withholding taxes that are estimated to result in the Company incurring tax costs in excess of the cost to obtain cash through other means. Cash equivalents are comprised of funds held in money market instruments and are reported at their current carrying value, which approximates fair value due to the short term nature of these instruments. We strive to minimize our credit risk by investing primarily in investment grade, liquid instruments and limit exposure to any one issuer depending upon credit quality. See “Cash flow” discussion below.

## Cash flow

### Cash flow from operations

Cash provided by operating activities for the quarter ended March 31, 2021 was \$28.5 million, while cash used in operating activities for the quarter ended March 31, 2020 was \$2.3 million.

Working capital provided cash of \$10.8 million for the quarter ended March 31, 2021 and used cash of \$3.3 million for the quarter ended March 31, 2020. For the quarter ended March 31, 2021, drivers of working capital related to cash inflows were a decrease in accounts receivable and inventory and an increase in accounts payable and deferred revenue, partially offset by an increase in prepaid expenses and other current assets and a decrease in accrued and other liabilities, driven by withholding tax payments related to the Cimatron sale. For the quarter ended March 31, 2020, drivers of working capital related to cash outflows were an increase in prepaid expenses and inventory and a decrease in other accrued liabilities, partially offset by an increase in deferred revenue and accounts payable.

### Cash flow from investing activities

For the quarter ended March 31, 2021, the primary inflows of cash related to proceeds from the sale of Cimatron, partially offset by capital expenditures and payments related to a prior acquisition. For the quarter ended March 31, 2020, the primary outflows of cash related to the purchases of noncontrolling interest and capital expenditures. Capital expenditures were \$3.9 million and \$4.4 million for the quarters ended March 31, 2021 and 2020, respectively.

### Cash flow from financing activities

Cash used in financing activities was \$24.3 million for the quarter ended March 31, 2021, while cash provided by financing activities was \$1.2 million for the quarter ended March 31, 2020. The primary outflow of cash for the quarter ended March 31, 2021 related to repayment of the Term Facility and settlements of stock-based compensation. The primary inflow of cash for the quarter ended March 31, 2020 related to the proceeds from inventory financing agreements, partially offset by settlements of stock-based compensation and partial repayment of the Term Facility.

## Recent Accounting Pronouncements

Refer to Note 1 - Basis of Presentation of the Notes to Financial Statements (Part I, Item 1 of this Form 10-Q) for further discussion.

## Critical Accounting Policies and Significant Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

As of the date of this report, there have been no changes to our critical accounting policies and estimates described in the Annual Report on Form 10-K for the year ended December 31, 2020 ("2020 Form 10-K"), filed with the Securities and Exchange Commission ("SEC") on March 5, 2021 that have had a material impact on our condensed consolidated financial statements and related notes.

## Forward-Looking Statements

Certain statements made in this Form 10-Q 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 involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. In many cases, you can identify forward-looking statements by terms such as "believes," "belief," "expects," "may," "will," "estimates," "intends," "anticipates," or "plans" or the negative of these terms or other comparable terminology.

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. 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. A number of important factors could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. These factors include without limitation:

- impact of production, supply, contractual and other disruptions, including facility closures and furloughs, due to the spread of the COVID-19 pandemic;
- our ability to deliver products that meet changing technology and customer needs;
- our ability to successfully execute the strategic reorganization without significant disruption to our business;
- our ability to achieve the savings targeted in our recently announced restructuring program;
- our ability to identify strategic acquisitions, to integrate such acquisitions into our business without disruption and to realize the anticipated benefits of such acquisitions;
- impact of future write-off or write-downs of goodwill and intangible assets;
- our ability to acquire and enforce intellectual property rights and defend such rights against third party claims;
- our ability to protect our intellectual property rights and confidential information, including our digital content, from third-party infringers or unauthorized copying, use or disclosure;
- failure of our information technology infrastructure or inability to protect against cyber-attack;
- our ability to generate net cash flow from operations;
- our ability to comply with the covenants in our borrowing agreements and maintain adequate borrowing capacity;
- impact of natural disasters, public health issues (including the COVID-19 pandemic), and other catastrophic events;
- impact of global economic, political and social conditions and financial markets on our business;
- fluctuations in our gross profit margins, operating income or loss and/or net income or loss;
- our ability to efficiently conduct business outside the U.S.;
- our dependence on our supply chain for components and sub-assemblies used in our 3D printers and other products and for raw materials used in our print materials;
- our ability to manage the costs and effects of litigation, investigations or similar matters involving us or our subsidiaries;
- product quality problems that result in decreased sales and operating margin, product returns, product liability, warranty or other claims;
- our ability to retain our key employees and to attract and retain new qualified employees, while controlling our labor costs;
- our exposure to product liability claims and other claims and legal proceedings;
- disruption in our management information systems for inventory management, distribution, and other key functions;
- compliance with U.S. and other anti-corruption laws, data privacy laws, trade controls, economic sanctions, and similar laws and regulations;
- our ability to comply with the terms of the Administrative Agreement with the U.S. Air Force and to maintain our status as a responsible contractor under federal rules and regulations;
- changes in, or interpretation of, tax rules and regulations;
- compliance with, and related expenses and challenges concerning, conflict-free minerals regulations; and
- the other factors discussed in the reports we file with or furnish to the SEC from time to time, including the risks and important factors set forth in additional detail in Item 1A. "Risk Factors" in the 2020 Form 10-K.

Readers are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included herein are made only as of the date of this Form 10-Q and we undertake no obligation to publicly update or revise any forward-looking statement made by us or on our behalf, whether as a result of new information, future developments, subsequent events or circumstances or otherwise, except as required by law. All subsequent written or oral forward-looking statements attributable to us or individuals acting on our behalf are expressly qualified in their entirety by the cautionary statements referenced above.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

For a discussion of market risks at December 31, 2020, refer to Item 7A. "Quantitative and Qualitative Disclosures about Market Risk" in the 2020 Form 10-K. During the first three months of 2021, there were no material changes or developments that would materially alter the market risk assessment performed as of December 31, 2020.

#### **Item 4. Controls and Procedures.**

##### **Evaluation of disclosure controls and procedures**

As of March 31, 2021, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) pursuant to Rules 13a-15 and 15d-15 under the Exchange Act. These controls and procedures were designed to provide reasonable assurance that the information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, in a manner to allow timely decisions regarding required disclosures. Based on this evaluation, management has concluded that our disclosure controls and procedures were not effective as of March 31, 2021 because of the material weaknesses in internal control over financial reporting discussed below.

Our Chief Executive Officer and Chief Financial Officer have concluded that the following material weaknesses in internal control over financial reporting existed as of December 31, 2020 and are in the process of being remediated as of March 31, 2021:

- Lack of certain controls, or improper execution of designed control procedures, for certain non-standard contracts and non-standard contract terms, and
- Lack of certain controls, or improper execution of designed control procedures, over the review of internally prepared reports and analyses utilized in the financial closing process.

##### **Remediation Plan**

We are working to remediate the material weaknesses through the development and implementation of more formal policies, processes and documentation procedures relating to our financial reporting as well as the hiring of additional accounting personnel and the training of new personnel and existing personnel in new roles on proper execution of designed control procedures. In addition, we engaged outside consultants to advise on changes in the design of our controls and procedures, implementation of our remediation activities and to advise on technical accounting matters. We believe that our remediation plan is sufficient to remediate the identified material weaknesses and strengthen our internal control over financial reporting. However, as we continue to evaluate, and work to improve, our internal control over financial reporting, management may determine that additional measures to address control deficiencies or modifications to the remediation plan are necessary. Therefore, we cannot assure you when the Company will remediate such weaknesses, nor can we be certain that additional actions will not be required or the costs of any such additional actions. Moreover, we cannot assure you that additional material weaknesses will not arise in the future.

##### **Changes in Internal Control over Financial Reporting**

As a result of the implementation of the material aspects of this remediation plan in the first quarter of 2021, including engaging outside consultants to advise on technical matters, implementing certain processes related to completeness and accuracy and beginning to train existing personnel on the execution of designed control procedures, there were changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II — OTHER INFORMATION**

#### **Item 1. Legal Proceedings.**

The information set forth in “Export Controls and Government Contracts Compliance Matter,” “Shareholder Suits,” and “Other” in Note 14 – Commitments and Contingencies to the Financial Statements in Part I, Item 1 of this Form 10-Q is incorporated herein by reference.

#### **Item 1A. Risk Factors.**

There are no material changes to the risk factors previously disclosed in our 2020 Form 10-K in response to Item 1A to Part I of Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.***Recent Issuances of Unregistered Securities*

None.

*Issuer Purchases of Equity Securities*

The following table provides information about purchases of equity securities that are registered pursuant to Section 12 of the Exchange Act for the quarter ended March 31, 2021:

|                                                                         | <b>Total number of shares<br/>(or units) purchased</b> | <b>Average price paid<br/>per share (or unit)</b> |
|-------------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------------------|
| <i>Shares delivered or withheld pursuant to restricted stock awards</i> |                                                        |                                                   |
| January 1, 2021 - January 31, 2021                                      | 1,154                                                  | \$ 10.48                                          |
| February 1, 2021 - February 28, 2021                                    | 43,279                                                 | \$ 43.89                                          |
| March 1, 2021 - March 31, 2021                                          | 11,390                                                 | \$ 36.53                                          |
|                                                                         | <u>55,823 (a)</u>                                      | <u>\$ 41.70 (b)</u>                               |

- a. Reflects shares of common stock surrendered to the Company for payment of tax withholding obligations in connection with the vesting of restricted stock.  
b. The average price paid reflects the average market value of shares withheld for tax purposes.

**Item 6. Exhibits.**

|                       |                                                                                                                                                                                                                                                                                         |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1                   | Certificate of Incorporation of Registrant. (Incorporated by reference to Exhibit 3.1 to Form 8-B filed on August 16, 1993, and the amendment thereto, filed on Form 8-B/A on February 4, 1994.)                                                                                        |
| 3.2                   | Amendment to Certificate of Incorporation filed on May 23, 1995. (Incorporated by reference to Exhibit 3.2 to Registrant's Registration Statement on Form S-2/A, filed on May 25, 1995.)                                                                                                |
| <a href="#">3.3</a>   | Certificate of Amendment of Certificate of Incorporation filed with Secretary of State of Delaware on May 19, 2004. (Incorporated by reference to Exhibit 3.1 of the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004, filed on August 5, 2004.) |
| <a href="#">3.4</a>   | Certificate of Amendment of Certificate of Incorporation filed with Secretary of State of Delaware on May 17, 2005. (Incorporated by reference to Exhibit 3.1 of the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005, filed on August 1, 2005.) |
| <a href="#">3.5</a>   | Certificate of Amendment of Certificate of Incorporation filed with the Secretary of State of Delaware on October 7, 2011. (Incorporated by reference to Exhibit 3.1 to Form 8-K filed on October 7, 2011.)                                                                             |
| <a href="#">3.6</a>   | Certificate of Amendment of Certificate of Incorporation filed with the Secretary of State of Delaware on May 21, 2013. (Incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K, filed on May 22, 2013.)                                               |
| <a href="#">3.7</a>   | Amended and Restated By-Laws of 3D Systems Corporation. (Incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K filed on March 15, 2018.)                                                                                                                  |
| <a href="#">31.1†</a> | Certification of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated May 10, 2021.                                                                                                                                                        |
| <a href="#">31.2†</a> | Certification of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated May 10, 2021.                                                                                                                                                        |
| <a href="#">32.1†</a> | Certification of Principal Executive Officer filed pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated May 10, 2021.                                                                                                         |
| <a href="#">32.2†</a> | Certification of Principal Financial Officer filed pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated May 10, 2021.                                                                                                         |
| 101.INS†              | XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document.                                                                                                                         |
| 101.SCH†              | XBRL Taxonomy Extension Schema Document.                                                                                                                                                                                                                                                |
| 101.CAL†              | XBRL Taxonomy Extension Calculation Linkbase Document.                                                                                                                                                                                                                                  |
| 101.DEF†              | XBRL Taxonomy Extension Definition Linkbase Document.                                                                                                                                                                                                                                   |
| 101.LAB†              | XBRL Taxonomy Extension Label Linkbase Document.                                                                                                                                                                                                                                        |
| 101.PRE†              | XBRL Taxonomy Extension Presentation Linkbase Document.                                                                                                                                                                                                                                 |
| 104                   | Cover Page Interactive Data File - this data file does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document.                                                                                                                      |

\* Management contract or compensatory plan or arrangement

† Exhibits filed herein. All exhibits not so designated are incorporated by reference to a prior filing, as indicated.

**SIGNATURE**

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.

3D Systems Corporation

By

/s/ Jagtar Narula

Jagtar Narula  
*Chief Financial Officer*  
*(principal financial officer)*

Date: May 10, 2021



**Exhibit 31.1**

**Certification of  
Principal Executive Officer of  
3D Systems Corporation**

I, Dr. Jeffrey A. Graves, certify that:

1. I have reviewed this report on Form 10-Q of 3D Systems Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2021

By: /s/ Dr. Jeffrey A. Graves  
Dr. Jeffrey A. Graves  
Title: President, Chief Executive Officer and Director  
(principal executive officer)

**Exhibit 31.2**

**Certification of  
Principal Executive Officer of  
3D Systems Corporation**

I, Jagtar Narula, certify that:

1. I have reviewed this report on Form 10-Q of 3D Systems Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2021

By: /s/ Jagtar Narula  
Jagtar Narula  
Title: Chief Financial Officer  
(principal financial officer)

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the Annual Report on Form 10-Q (the “Form 10-Q”) for the quarter ended March 31, 2021 of 3D Systems Corporation (the “Issuer”).

I, Dr. Jeffrey A. Graves, President, Chief Executive Officer and Director (principal executive officer) of the Issuer, certify that, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

- (i) the Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: May 10, 2021

/s/ Dr. Jeffrey A. Graves

Name: Dr. Jeffrey A. Graves

(principal executive officer)

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the Annual Report on Form 10-Q (the “Form 10-Q”) for the quarter ended March 31, 2021 of 3D Systems Corporation (the “Issuer”).

I, Jagtar Narula, the Chief Financial Officer (principal financial officer) of the Issuer, certify that, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

- (i) the Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: May 10, 2021

/s/ Jagtar Narula

Name: Jagtar Narula

(principal financial officer)