



Second Quarter and Six Months 2017

August 2, 2017



Welcome and Participants

- **Vyomesh Joshi**
 - President & Chief Executive Officer
- **John McMullen**
 - Executive Vice President & Chief Financial Officer
- **Patrick Rogers**
 - Vice President & Assistant General Counsel
- **Stacey Witten**
 - Vice President, Investor Relations

To participate via phone,
please dial:

US: 1-800-407-8291

Outside the US:
1-201-689-8345

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



Vyomesh Joshi (VJ)

President & Chief Executive Officer

Q2 Overview

In the second quarter of 2017:

- Revenue of \$159.5 million driven by continued demand from healthcare and industrial customers
- Growth in production printers, materials, software and healthcare revenue
- GPM of 50.6% as cost savings continue to fund strategic initiatives and competitive pricing
- Balancing investments in innovation, infrastructure and go to market initiatives with cost reductions
- GAAP loss of \$0.08 per share and non-GAAP earnings of \$0.08 per share

2017 Guidance

- Revised full year 2017 guidance
 - Revenue growth of 2% to 6%, resulting in revenue of \$643 million to \$671 million
 - GAAP loss per share of approximately \$0.14
 - Approximately flat full year non-GAAP earnings per share
- Revenue drivers include:
 - Double digit growth in healthcare
 - Continued growth in materials
 - Growth in software
 - Return to growth in on demand manufacturing
 - Return to overall printers growth
- Driving further cost of sales reductions and accelerating operating expense reductions



John McMullen

Executive Vice President & Chief Financial Officer

GAAP Operating Results

(\$ in millions, except per share)	Second Quarter			Six Months		
	2017	2016	Y/Y Change	2017	2016	Y/Y Change
Revenue	\$ 159.5	\$ 158.1	1%	\$ 315.9	\$ 310.7	2%
Gross Profit	\$ 80.7	\$ 80.4	0%	\$ 160.9	\$ 157.9	2%
<i>Gross Profit Margin</i>	<i>50.6%</i>	<i>50.9%</i>	-30 bps	<i>50.9%</i>	<i>50.8%</i>	10 bps
SG&A	\$ 63.1	\$ 63.2	(0%)	\$ 129.5	\$ 137.2	(6%)
R&D	\$ 24.4	\$ 20.9	17%	\$ 47.3	\$ 41.2	15%
Operating Expenses	\$ 87.5	\$ 84.1	4%	\$ 176.8	\$ 178.4	(1%)
<i>% of Revenue</i>	<i>54.9%</i>	<i>53.2%</i>		<i>56.0%</i>	<i>57.4%</i>	
Operating Income (Loss)	(\$6.9)	(\$3.7)	85%	(\$15.9)	(\$20.5)	(22%)
<i>% of Revenue</i>	<i>(4.3%)</i>	<i>(2.4%)</i>		<i>(5.0%)</i>	<i>(6.6%)</i>	
Net Income (Loss)	(\$8.4)	(\$4.6)	81%	(\$18.4)	(\$22.4)	(18%)
<i>% of Revenue</i>	<i>(5.3%)</i>	<i>(2.9%)</i>		<i>(5.8%)</i>	<i>(7.2%)</i>	
Earnings (Loss) Per Share	(\$0.08)	(\$0.04)	100%	(\$0.17)	(\$0.20)	(15%)

Non-GAAP Financial Measures

(\$ in millions, except per share amounts)	Second Quarter			Six Months		
	2017	2016	Y/Y Change	2017	2016	Y/Y Change
R&D Expense	\$ 24.4	\$ 20.9	17%	\$ 47.3	\$ 41.2	15%
Non-GAAP SG&A Expense	\$ 46.4	\$ 45.4	2%	\$ 95.9	\$ 98.1	(2%)
Non-GAAP Operating Expenses	\$ 70.8	\$ 66.3	7%	\$ 143.2	\$ 139.3	3%
Non-GAAP Net Income	\$ 8.6	\$ 13.2	(35%)	\$ 15.6	\$ 18.4	(15%)
Non-GAAP Earnings per Share	\$ 0.08	\$ 0.12	(33%)	\$ 0.14	\$ 0.17	(18%)

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

- See appendix for reconciliation of non-GAAP items

Q2 Revenue Drivers

Q2 2017 Compared to Q2 2016:



Healthcare solutions increased 25% to \$49 million



Software increased 9% to \$24 million



Materials increased 8% to \$44 million



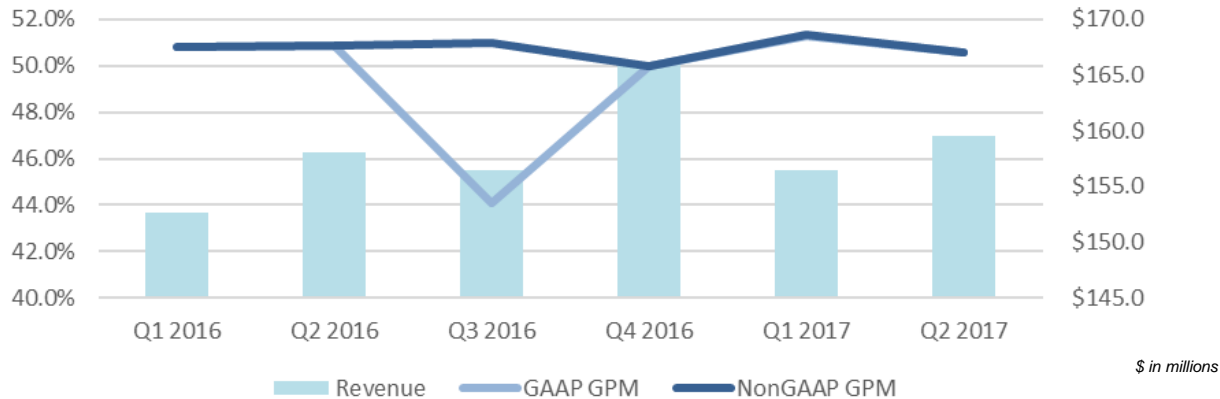
On demand manufacturing decreased 5% to \$26 million



Printers decreased 14% to \$28 million

Gross Profit and Margin

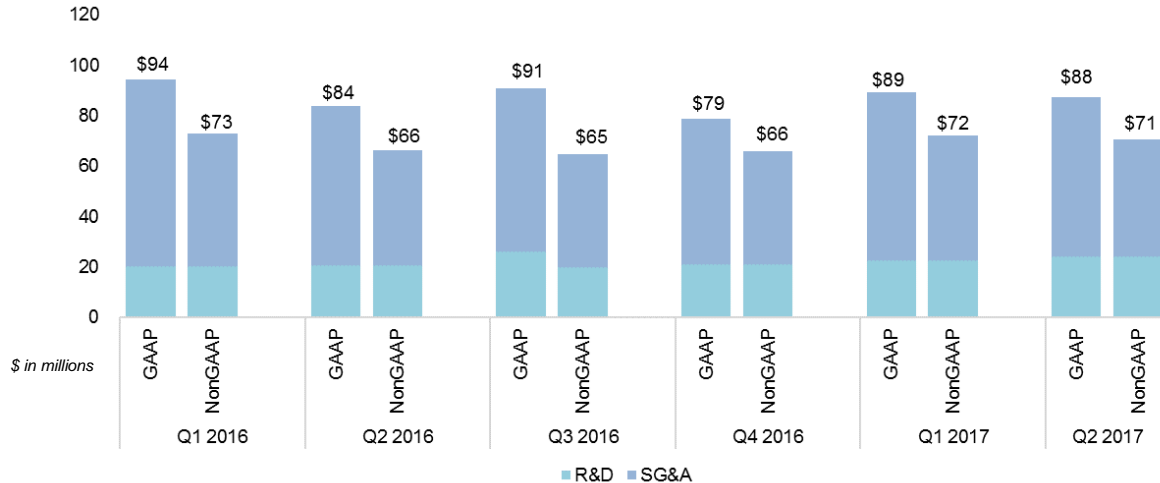
- GPM of 50.6% in Q2 2017 compared to 50.9% in Q2 2016
- Cost savings in supply chain and manufacturing continue to support strategic investments and competitive pricing
- We plan to drive further cost of sales reductions in the second half



- Charges related to portfolio prioritization negatively impacted Q3 2016 GAAP GPM

Operating Expenses

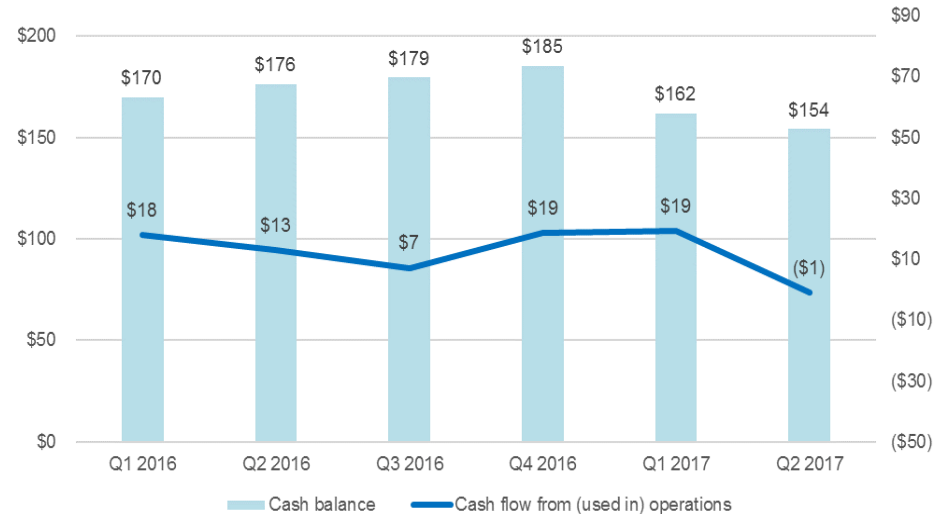
- GAAP SG&A expenses remained flat and non-GAAP SG&A expenses increased 2%, inclusive of investments in IT and go to market
- R&D expenses increased 17% driven by investment in Figure 4, metals and materials
- We plan to continue to invest in strategic areas while accelerating other cost reductions, including operating expenses



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

Cash and Balance Sheet

- Used \$1 million of cash in operations during Q2, resulting in \$18 million of cash generated in the first half
- Continue to drive improvements in working capital and cash conversion cycle
- Cash balance of \$154 million at June 30, 2017



Revised 2017 Guidance

- Revenue growth between 2% and 6%, resulting in a range of \$643 million to \$671 million
- GAAP loss per share of approximately \$0.14
- Non-GAAP earnings per share approximately flat compared to \$0.46 in 2016
- Positive cash flow from operations for the full year



Vyomesh Joshi (VJ)

President & Chief Executive Officer

Focused Execution

- Continued growth in key areas, including healthcare and higher placements of production solutions
- Accelerating cost reductions into the latter half of 2017 while continuing to invest in innovation
- Improve regional execution in Americas and APAC
- Actions underway to position the company well for long term, sustainable, profitable growth





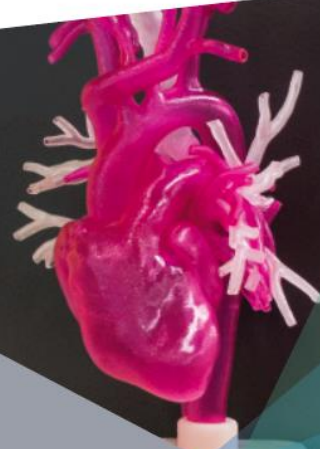
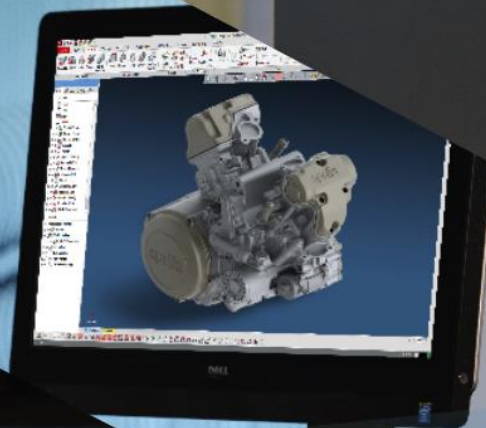
Q&A Session

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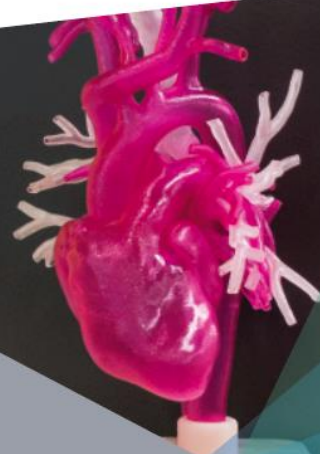
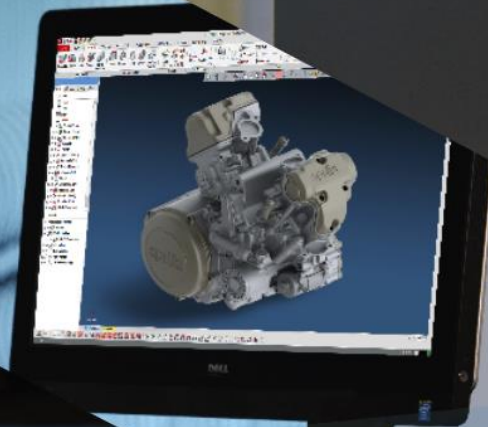


Thank You





Appendix



Revenue Summary by Category

<i>\$ in millions</i>	Q2 2017	Q1 2017	Q2 2016	YOY Change	Sequential Change
	Printers	\$ 27.7	\$ 31.6	\$ 32.3	(14%)
Software Products	\$ 12.8	\$ 9.8	\$ 11.1	15%	31%
Other Products	\$ 10.1	\$ 10.5	\$ 10.9	(7%)	(4%)
Total Products	\$ 50.6	\$ 51.9	\$ 54.3	(7%)	(3%)
Total Materials	\$ 43.9	\$ 42.8	\$ 40.6	8%	3%
On Demand Manufacturing	\$ 25.8	\$ 25.1	\$ 27.1	(5%)	3%
Software Services	\$ 11.2	\$ 10.6	\$ 10.9	3%	6%
Other Services	\$ 28.0	\$ 26.0	\$ 25.2	11%	8%
Total Services	\$ 65.0	\$ 61.7	\$ 63.2	3%	5%
Total Revenue	\$ 159.5	\$ 156.4	\$ 158.1	1%	2%
Software	\$ 24.0	\$ 20.4	\$ 22.0	9%	18%
Healthcare	\$ 48.5	\$ 43.2	\$ 38.8	25%	12%

Non-GAAP Reconciliation

Q2 and Six Months Non-GAAP Earnings

	Second Quarter		Six Months	
	2017	2016	2017	2016
<i>(\$ in millions, except per share amounts)</i>				
GAAP Net loss attributable to 3D Systems Corporation	(\$8.4)	(\$4.6)	(\$18.4)	(\$22.4)
Adjustments:				
Amortization, stock-based compensation & other ¹	\$ 16.3	\$ 16.1	\$ 32.3	\$ 36.6
Legal and acquisition-related ²	\$ 0.7	\$ 1.8	\$ 1.7	\$ 2.7
Tax effect of adjustments ³	-	-	-	\$ 1.5
Non-GAAP net income attributable to 3D Systems Corporation	\$8.6	\$13.2	\$15.6	\$18.4
Non-GAAP net income per share available to 3D Systems common stock holders - basic and diluted ⁴	\$ 0.08	\$ 0.12	\$ 0.14	\$ 0.17

¹ For the quarter ended June 30, 2017, the adjustment included \$0.1 in COGS and \$16.2 in SG&A. For the quarter ended June 30, 2016, the adjustment included \$0.1 in COGS and \$16.0 SG&A. For the six months ended June 30, 2017, the adjustment included \$0.2 in COGS and \$32.1 in SG&A. For the six months ended June 30, 2016, the adjustment included \$0.2 in COGS and \$36.4 in SG&A.

² For the quarter ended June 30, 2017, the adjustment included \$0.5 in SG&A and \$0.2 in interest and other income, net. For the quarter ended June 30, 2016 the adjustment included \$1.8 in SG&A. For the six months ended June 30, 2017, the adjustment included \$1.5 in SG&A and \$0.2 in interest and other income, net. For the six months ended June 30, 2016 the adjustment included \$2.7 in SG&A.

³ Tax effect for the quarter ended March 31, 2016 was calculated quarterly based on the Company's overall tax rate. Tax effect for the quarters ended after March 31, 2016 were calculated based on the Company's quarterly U.S. tax rate of 0%, which is due to valuation allowances in connection with GAAP net losses.

⁴ Denominator based on diluted shares used in the GAAP EPS calculation.

Non-GAAP Reconciliation

Q2 and Six Months Non-GAAP Expenses

	Second Quarter		Six Months	
	2017	2016	2017	2016
<i>(\$ in millions, except per share amounts)</i>				
GAAP R&D Expenses	\$ 24.4	\$ 20.9	\$ 47.3	\$ 41.2
GAAP SG&A Expenses	\$ 63.1	\$ 63.2	\$ 129.5	\$ 137.2
GAAP Operating Expenses	\$87.5	\$84.1	\$176.8	\$178.4
Adjustments ¹ :				
Amortization, stock-based compensation & other	\$ 16.2	\$ 16.0	\$ 32.1	\$ 36.4
Legal and acquisition-related	\$ 0.5	\$ 1.8	\$ 1.5	\$ 2.7
Non-GAAP Operating Expenses	\$70.8	\$66.3	\$143.2	\$139.3

¹ For the quarter and six months ended June 30, 2017, the adjustments only impacted SG&A expenses.

Non-GAAP Reconciliation

Q1 2017 Non-GAAP Earnings

	First Quarter	
	2017	2016
<i>(\$ in millions, except per share amounts)</i>		
GAAP Net loss attributable to 3D Systems Corporation	(\$10.0)	(\$17.8)
Adjustments:		
Amortization, stock-based compensation & other ¹	\$ 16.0	\$ 20.5
Legal and acquisition-related ²	\$ 1.1	\$ 1.0
Tax effect of adjustments ³	-	\$ 1.5
Non-GAAP net income attributable to 3D Systems Corporation	\$7.1	\$5.2
Non-GAAP net income per share available to 3D Systems common stock holders - basic and diluted ⁴	\$ 0.06	\$ 0.05

¹ For the quarter ended March 31, 2017, the adjustment included \$0.1 in COGS and \$15.9 in SG&A. For the quarter ended March 31, 2016, the adjustment included \$0.1 in COGS and \$20.4 SG&A.

² For the quarter ended March 31, 2017, the adjustment included \$1.1 in SG&A. For the quarter ended March 31, 2016 the adjustment included \$0.9 in SG&A.

³ Tax effect for the quarter ended March 31, 2016 was calculated quarterly based on the Company's overall tax rate. Tax effect for the quarters ended after March 31, 2016 were calculated based on the Company's quarterly U.S. tax rate of 0%, which is due to valuation allowances in connection with GAAP net losses.

⁴ Denominator based on diluted shares used in the GAAP EPS calculation.

Non-GAAP Reconciliation

Q1 2017 Non-GAAP Operating Expenses

	First Quarter	
	2017	2016
<i>(\$ in millions, except per share amounts)</i>		
GAAP R&D Expenses	\$ 22.9	\$ 20.3
GAAP SG&A Expenses	\$ 66.4	\$ 74.0
GAAP Operating Expenses	\$89.3	\$94.3
Adjustments ¹ :		
Amortization, stock-based compensation & other	\$ 15.9	\$ 20.4
Legal and acquisition-related	\$ 1.1	\$ 1.0
Non-GAAP Operating Expenses	\$72.3	\$72.9

¹ For the quarter ended March 31, 2017, the adjustments only impacted SG&A expenses.

Non-GAAP Reconciliation

2016 Non-GAAP Earnings

(\$ in millions, except per share amounts)	2016			
	Q1	Q2	Q3	Q4
GAAP Net loss attributable to 3D Systems Corporation	(\$17.8)	(\$4.6)	(\$21.2)	\$5.2
Adjustments:				
Amortization, stock-based compensation & other ¹	\$ 20.5	\$ 16.1	\$ 29.1	\$ 12.7
Legal and acquisition-related ²	\$ 1.0	\$ 1.8	\$ 1.8	-
Portfolio restructuring ³	-	-	\$ 6.1	-
Tax effect of adjustments ⁴	\$ 1.5	-	-	(\$1.2)
Non-GAAP net income attributable to 3D Systems Corporation	\$5.2	\$13.3	\$15.8	\$16.7
Non-GAAP net income per share available to 3D Systems common stock holders - basic and diluted ⁵	\$0.05	\$0.12	\$0.14	\$0.15

¹ Of which \$0.1, \$0.1, \$10.1 and \$0.1 are included in COGS and \$20.4, \$16.0, \$18.3 and \$12.6 are included in SG&A in first through fourth quarters, respectively.

² Of which \$1.0, \$1.8, \$1.8 and \$0.0 are included in SG&A in first through fourth quarters, respectively.

³ Of which all is included in R&D.

⁴ Tax effect for the quarter ended March 31, 2016 was calculated quarterly based on the Company's overall tax rate. Tax effect for the quarters ended after March 31, 2016 were calculated based on the Company's quarterly U.S. tax rate of 0%, which is due to valuation allowances in connection with GAAP net losses. The amount in the fourth quarter includes \$1.2 million related to an adjustment for a prior period.

⁵ Denominator based on diluted shares used in the GAAP EPS calculation.

Non-GAAP Reconciliation

2016 Non-GAAP Operating Expenses

(\$ in millions, except per share amounts)	2016			
	Q1	Q2	Q3	Q4
GAAP R&D Expenses	\$ 20.3	\$ 20.9	\$ 26.1	\$ 21.1
GAAP SG&A Expenses	\$ 74.0	\$ 63.2	\$ 64.8	\$ 57.8
GAAP Operating Expenses	\$94.3	\$84.1	\$90.9	\$78.9
Adjustments:				
Amortization, stock-based compensation & other ¹	\$ 20.4	\$ 16.0	\$ 18.3	\$ 12.6
Legal and acquisition-related ¹	\$ 1.0	\$ 1.8	\$ 1.8	-
Portfolio restructuring ²	-	-	\$ 6.1	-
Non-GAAP Operating Expenses	\$72.9	\$66.3	\$64.7	\$66.3

¹ Of which all amounts are included in SG&A.

² Of which all amounts are included in R&D.

Non-GAAP Reconciliation

2017 Annual Guidance

	Full Year Ended December 31, 2017
Expected GAAP Earnings per Share	\$ <u>(0.14)</u>
Estimated adjustments to arrive at non-GAAP Earnings per Share:	
Amortization	0.30
Stock Based Compensation	0.25
Acquisition, severance and settlements	<u>0.05</u>
Total Adjustments ¹	\$ <u>0.60</u>
Expected Non-GAAP Earnings per Share	\$ <u><u>0.46</u></u>

¹ Tax effect is calculated based on the Company's quarterly U.S. tax rate. As a result of the valuation allowance previously recorded in connection with GAAP net losses, tax effect is expected to be 0% in 2017.



Thank You

