

3D Systems Corporation TDSC (NAS)

Last Close	Industry	Sector
18.13 USD	Software - Application	Technology

Profile

Pricing data through 25 May 2011

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3D Systems Corporation is a holding company that operates through subsidiaries in the United States, Europe and the Asia-Pacific region. The Company designs, develops, manufactures, markets and services 3-D printing, rapid manufacturing, and prototyping systems and related products and materials that enable complex three-dimensional objects to be produced directly from computer data without tooling. It also operates 3Dpropartsm, a service that offers its customers rapid prototyping and direct rapid manufacturing services for the production of precision parts. Customers who use its proprietary systems are able to produce physical objects from digital data using commonly available computer-aided design software, often referred to as CAD software, or other digital-media devices such as engineering scanners and MRI or CT medical scanners. The Company systems' ability to produce functional parts from digital art enables customers to create detailed prototypes or production-quality parts quickly and effectively without an investment in expensive tooling, greatly reducing the time and cost required to produce prototypes or to customize production parts. The Company's product development efforts are focused on expanding its portfolio of 3-D printing and rapid manufacturing solutions. The Company's principal technology platforms include its stereolithography or SLA(r) equipment, its selective laser sintering or SLS(r) equipment, its multi-jet 3-D printing equipment and its film transfer imaging ('FTI') equipment. These systems use patented and proprietary stereolithography, selective laser sintering and various 3-D printing and film transfer imaging methods and processes that take digital data input from CAD software or three-dimensional scanning and sculpting devices to fabricate physical objects from its proprietary family of engineered plastic, metal and composite materials. It operates in North America and in six countries in Europe and the Asia-Pacific region, and distributes its products in those countries as well as in other parts of the world. The Company has outsourced certain of its equipment assembly and refurbishment activities to several selected design and engineering companies and suppliers. These suppliers also carry out quality control procedures on its systems prior to the Company's shipment

to customers. It produces certain materials at its facilities in Marly, Switzerland and Rock Hill, South Carolina. The Company's sales and marketing strategy focuses on an integrated systems approach that is directed to providing equipment, materials and services to meet a range of customer needs, including traditional prototyping, 3-D printing and rapid manufacturing. The company sells SLA(r) and SLS(r) systems and its related materials and services through its direct sales organization, which is supported by the Company dedicated sales, service and application engineers worldwide. The Company's 3-D printers and its related materials and services are sold worldwide directly and through a network of authorized distributors and resellers who are managed and directed by a dedicated team of channel sales managers. Competition for most of its 3-D printing, prototyping and rapid manufacturing systems is based mainly on process know-how, product application know-how and the ability to provide a full range of products and services to meet customer needs.

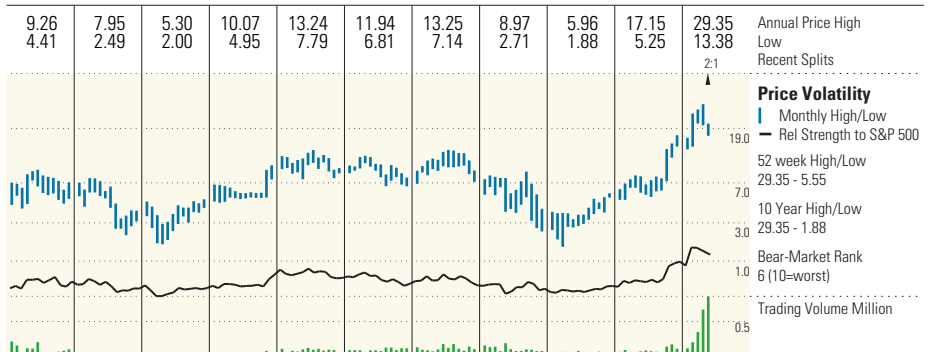
3D Systems Corporation TDSC

Sales USD Mil 176 **Mkt Cap USD Mil** 909 **Industry** Software - Application **Sector** Technology

3D Systems develops and manufactures technology that produces three-dimensional objects from computer-aided design- and manufacturing-generated solid or surface data. This process is often referred to as solid imaging. The company's 3D technology produces models, prototypes, and mold patterns using data supplied by its customers on a contract basis. Customers include manufacturers of automotive, aerospace, computer, electronic, medical, and consumer products in more than 80 countries.

333 Three D Systems Circle
Rock Hill, SC 29730
Phone: 1 803 326-3900
Website: <http://www.3dsystems.com>
Employees: 484

Morningstar Rating **Last Price** 18.13 **Fair Value** **Uncertainty** **Economic Moat™** **Stewardship Grade**
per share prices in USD



Growth Rates	Compound Annual			
	1 Yr	3 Yr	5 Yr	10 Yr
Revenue %	41.7	0.7	2.7	3.8
Operating Income %	580.8	—	17.5	5.4
Earnings/Share %	—	—	9.4	2.8
Dividends %	—	—	—	—
Book Value/Share %	23.7	6.5	4.6	-0.4
Stock Total Return %	181.3	59.5	12.1	9.6
+/- Industry	138.8	50.3	5.3	5.9
+/- Market	158.4	60.9	11.4	8.7

Profitability Analysis	Current	5 Yr Avg	Ind	Mkt
	Return on Equity %	15.9	-8.1	-0.6
Return on Assets %	11.3	-3.1	-0.3	8.8
Fixed Asset Turns	6.7	6.3	8.0	7.3
Inventory Turns	4.0	4.0	54.9	14.8
Revenue/Employee USD K	363.9	347.2*	—	950.4
Gross Margin %	47.0	41.1	63.5	39.4
Operating Margin %	14.6	-2.0	14.8	15.3
Net Margin %	13.8	-3.7	-0.6	10.3
Free Cash Flow/Rev %	14.7	—	17.3	0.1
R&D/Rev %	6.3	0.1	—	9.9

Financial Position	12-10 USD Mil	03-11 USD Mil
	Cash	37
Inventories	24	27
Receivables	36	39
Current Assets	100	141
Fixed Assets	28	27
Intangibles	77	107
Total Assets	209	280
Payables	27	38
Short-Term Debt	—	—
Current Liabilities	58	64
Long-Term Debt	—	—
Total Liabilities	76	83
Total Equity	133	197

Valuation Analysis	Current	5 Yr Avg	Ind	Mkt
	Price/Earnings	35.3	—	34.3
Forward P/E	21.8	—	—	13.4
Price/Cash Flow	31.4	—	17.2	8.8
Price/Free Cash Flow	33.3	—	21.5	18.0
Dividend Yield %	0.1	—	0.4	1.8
Price/Book	4.6	3.4	3.0	2.1
Price/Sales	4.9	2.4	3.7	1.4
PEG Ratio	1.2	—	—	1.6

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	YTD	Stock Performance
17.5	-45.3	30.1	95.9	-9.5	-11.3	-3.3	-48.6	42.3	178.7	15.3	Total Return %
30.5	-21.9	3.7	86.9	-12.5	-24.9	-6.8	-10.1	18.9	165.9	10.3	+/- Market
52.3	-2.5	-42.3	78.6	-8.4	-28.0	-4.3	-10.2	-5.5	156.5	3.6	+/- Industry
—	—	—	—	—	—	—	—	—	—	0.1	Dividend Yield %
187	99	131	267	275	292	342	178	257	735	909	Market Cap USD Mil

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	TTM	Financials
121	116	110	125	140	135	157	139	113	160	176	Revenue USD Mil
44.0	40.2	39.2	44.7	45.2	34.3	40.5	40.3	44.1	46.3	47.0	Gross Margin %
-1	-21	-15	6	9	-26	-5	-5	3	21	26	Oper Income USD Mil
-0.9	-18.5	-13.6	4.5	6.7	-19.1	-3.3	-3.7	2.7	13.1	14.6	Operating Margin %
-1	-15	-27	1	8	-31	-7	-6	1	20	24	Net Income USD Mil
-0.06	-0.58	-1.05	0.04	0.27	-0.89	-0.17	-0.14	0.03	0.42	0.51	Earnings Per Share USD
—	—	—	—	—	—	—	—	—	—	—	Dividends USD
25	26	26	29	32	35	41	45	45	47	48	Shares Mil
3.04	2.36	1.42	3.96	4.55	1.90	4.73	4.57	4.61	2.85	3.93	Book Value Per Share USD
7	1	1	3	-6	-8	3	-3	8	32	27	Oper Cash Flow USD Mil
-3	-3	-1	-1	-3	-11	-2	-6	-1	-1	-2	Cap Spending USD Mil
3	-2	0	2	-8	-20	0	-9	7	31	26	Free Cash Flow USD Mil

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	TTM	Profitability
-1.0	-10.0	-20.4	0.8	6.0	-19.4	-4.0	-3.8	0.7	10.9	11.3	Return on Assets %
-1.8	-21.3	-55.7	2.3	13.7	-44.1	-7.7	-6.0	1.0	16.4	15.9	Return on Equity %
-1.1	-12.8	-24.4	0.8	6.0	-22.8	-4.3	-4.4	0.9	12.2	13.8	Net Margin %
0.88	0.78	0.83	0.95	0.99	0.85	0.94	0.87	0.74	0.89	0.81	Asset Turnover
2.1	2.2	3.6	2.5	2.2	2.4	1.6	1.5	1.4	1.6	1.4	Financial Leverage

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	03-11	Financial Health
17	-9	19	28	44	17	41	35	37	42	77	Working Capital USD Mil
26	14	37	26	26	15	—	—	—	—	—	Long-Term Debt USD Mil
80	60	37	53	69	70	105	102	105	133	197	Total Equity USD Mil
0.32	0.24	1.00	0.50	0.38	0.35	0.08	0.08	0.08	0.06	0.04	Debt/Equity

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	TTM	Valuation
—	—	—	—	34.0	—	—	—	—	37.9	35.3	Price/Earnings
1.5	0.9	1.2	2.3	2.2	1.9	2.0	1.3	2.3	4.6	4.9	P/E vs. Market
2.4	1.7	3.6	5.0	4.0	4.2	3.3	1.7	2.5	5.5	4.6	Price/Sales
26.9	76.3	109.9	100.0	—	—	122.0	—	33.0	23.2	31.4	Price/Cash Flow

Quarterly Results				
Revenue USD Mil	Jun 10	Sep 10	Dec 10	Mar 11
Most Recent Period	35.1	41.5	51.6	47.9
Prior Year Period	24.7	27.7	36.4	31.6
Rev Growth %	Jun 10	Sep 10	Dec 10	Mar 11
Most Recent Period	42.2	50.0	41.6	51.4
Prior Year Period	-32.6	-22.2	4.3	31.6
Earnings Per Share USD	Jun 10	Sep 10	Dec 10	Mar 11
Most Recent Period	0.06	0.12	0.20	0.14
Prior Year Period	-0.03	0.02	0.08	0.05

Industry Peers by Market Cap				
	Mkt Cap USD Mil	Rev USD Mil	P/E	ROE%
3D Systems Corporati	909	176	35.3	15.9
Sap AG	73680	17674	27.8	19.2
Nari Technology Deve	—	—	—	—

Major Fund Holders		% of shares
Villere Balanced Inv		0.37
Managers Cadence Emerging Companies I		0.07
Fidelity Spartan Extended Mkt Index Inv		0.07

*3Yr Avg data is displayed in place of 5Yr Avg

TTM data based on rolling quarterly data if available; otherwise most recent annual data shown.

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Management & Ownership

Management Activity

Name	Position	Shares Held	Report Date*	InsiderActivity
G. WALTER LOEWENBAUM,II	Director	1,400,590	18 May 2011	-
ABRAHAM N. REICHENTAL	CEO/President/Director,Director	663,232	18 May 2011	-
JIM D. KEVER	Director	203,524	18 May 2011	10,000
DAMON J. GREGOIRE	CFO/Chief Accounting Officer/ Senior VP	146,000	18 May 2011	-
ROBERT M. GRACE,JR	Vice President/Secretary/General Counsel	110,224	18 May 2011	-
DR. KEVIN P. MCALEA,PHD	Vice President	81,456	18 May 2011	-
KEVIN S. MOORE	Director	53,042	18 May 2011	690,000

*Report date represents the date on which the owner's common shares held was audited.

Fund Ownership

Top Owners	Morningstar Rating	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
T. Rowe Price Small-Cap Value	QQQQ	8.75	1.28	-20	31 Mar 2011
T. Rowe Price Small-Cap Stock	QQQQ	3.54	0.53	-3	31 Mar 2011
Fidelity Capital Appreciation	QQQ	1.48	0.28	346	31 Mar 2011
Vanguard Small Cap Index Inv	QQQ	1.38	0.06	47	31 Mar 2011
Vanguard Small Cap Growth Index Inv	QQQQ	0.94	0.12	48	31 Mar 2011

Concentrated Holders

Villere Balanced Inv	QQQQ	0.57	6.86	-17	30 Apr 2011
Calamos Discovery Growth A		0.04	1.44	10	31 Mar 2011
Oberweis Emerging Growth	QQ	0.17	1.28	40	31 Dec 2010
T. Rowe Price Small-Cap Value	QQQQ	8.75	1.28	-20	31 Mar 2011

Institutional Transactions

Top 5 Buyers	Morningstar Rating	% of Shares Held	% of Fund Assets	Shares Bought/ Sold (k)	Portfolio Date
Fidelity Capital Appreciation	QQQ	1.48	0.28	346	31 Mar 2011
iShares Russell 2000 (AU)		0.84	0.06	242	19 May 2011
iShares Russell 2000 Growth Index	QQQ	0.45	0.11	133	19 May 2011
Fidelity OTC	QQQQQ	0.43	0.06	101	31 Mar 2011
Vanguard Small Cap Growth Index Inv	QQQQ	0.94	0.12	48	31 Mar 2011

Top 5 Sellers

SEB Choice Nordamerikafond Småbolag	QQQQ	0.28	1.01	-24	31 Mar 2011
T. Rowe Price Small-Cap Value	QQQQ	8.75	1.28	-20	31 Mar 2011
Villere Balanced Inv	QQQQ	0.57	6.86	-17	30 Apr 2011
Principal SmallCap Growth II Inst	QQ	0.16	0.66	-9	30 Apr 2011

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Industry Focus: Application Software

From Data Centers to Private Clouds

29 October 2010

Sunit Gogia
Senior Stock Analyst

Three companies are poised to be acquired as private clouds soar.

The mergers and acquisitions wave sweeping through technology-land could get larger before it subsides. The tangible economic benefits of cloud computing are driving IT investments as traditional enterprise data centers are transformed into private clouds. With server and storage virtualization as the core building blocks, private clouds offer large enterprises a step change in the efficiency of their data centers without the perceived risks associated with evolving lower-cost public cloud services.

The IT industry had long expected these investments in private clouds, but Oracle's ORCL aggressive efforts to capture a larger portion of the IT spending has left most of its competitors on the defensive. Oracle's strategy of selling integrated hardware plus software solutions has exposed the software gaps in competitors' portfolios, as can be seen in the graphic below, and is forcing them to revisit their own strategies. Already IBM IBM has made an acquisition offer for Netezza NZ to combat the tremendous market success of Oracle's Exadata appliance, and Hewlett-Packard HPO has installed a new CEO and a new chairman,

both long on software industry experience. We expect a continuing wave of hardware and software acquisitions as rivals including IBM, HP, Dell DELL, Cisco CSCO, and EMC EMC design competitive responses to Oracle's integrated solutions approach.

All acquisition candidates are not created equal--the ownership imperative is weak in some areas (such as operating systems), and sheer size and ownership considerations render some targets impractical to acquire (such as SAP SAP and SAS Institute). Additionally, stocks of some companies such as Isilon ISLN have already run up on acquisition rumors and are unlikely to offer significant acquisition premiums over their current market prices. Among potential takeouts, we think Teradata TDC, BMC BMC, and Compellent CML are likely candidates that offer investors the prospect of reasonable acquisition premiums to their current market valuations.

Teradata

An acquisition of Teradata could help HP or Dell compete head to head with Oracle's Exadata or IBM/Netezza's business analytics appliances. The business analytics market is heating up as enterprises try to extract information from mountains of data. For example, Oracle has stated that the pipeline for its Exadata product has grown to \$1.5 billion from \$1 billion sequentially over the past two quarters. Teradata also has proprietary database technologies that could be useful beyond its data warehousing specialty.

Any vendor attempting to compete with Oracle across the entire computing stack needs a credible database to offer its clients. This can be a tough nut to crack--independent proven database technologies that can reliably support high-end enterprise computing workloads are scarce. A lack of compelling database technology could well become the Achilles' heel of less capable rivals.

IBM's DB2, combined with its pending acquisition of

	Oracle	IBM	HP	Dell	Microsoft	Cisco, EMC, VMware*	Acquisition Candidates
Business Analytics	●	●	○	○	○	○	SAS Institute, TIBX, MSTR
Application Software	○	○	○	○	○	○	SAP, JDAS, LWSN, TDC, EPIC, PEGA, OTEX, AU
Middleware	●	●	○	○	○	○	RHT, TIBX
Database Software	●	●	○	○	○	○	PostgreSQL, Ingres
Operating System	●	●	○	○	○	○	RHT, NOVL
Virtualization (x86)	●	○	○	○	○	○	CTXS, RHT
Systems Management Software	○	●	○	○	○	○	BMC, CA, SWI, QSFT, CPWR
Application Delivery Systems	○	○	○	○	○	○	FFIV, CTXS, RDWR
Storage Solutions	○	●	○	○	○	○	ISLN, CVLT, CML, NTAP
Server Hardware	○	●	○	○	○	○	—
Networking	○	○	○	○	○	○	BRCD, JNPR
Security	○	○	○	○	○	○	CHKP, FIRE, FTNT, WBSN

*Cisco, EMC and VMware are combined for this analysis due to their ACADIA joint venture and Cisco's equity stake in VMware.
Source: Morningstar

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Industry Focus: Application Software

Netezza, will hold that vendor in good stead, and SAP's recent acquisition of Sybase should reduce its dependence on Oracle in the long run. HP could continue to rely on its long-standing partnership with Microsoft to provide solutions based on SQL Server. However, a partnership approach might prove insufficient for Microsoft, HP, Dell, and other data center vendors if Oracle is able to gain Apple-esque innovation advantages from its ownership of database appliance hardware and software. Hardware vendors could look at piggybacking on some open-source database initiatives including PostgreSQL, but expensive acquisitions to gain access to talent could be hard to justify to shareholders.

Teradata would offer an acquirer proven, purpose-built analytics appliances as well as database expertise that could provide the foundation for new software solutions. Comparable transactions in the business analytics space include Hyperion's acquisition by Oracle for an enterprise value (EV) of 3.4 times trailing 12-month (TTM) sales, SAP's acquisition of Business Objects for 4.5 times EV/TTM sales and IBM's acquisition of Cognos for 4.1 times EV/TTM sales. We estimate that an acquirer of Teradata would have to pay an EV of at least 4 times TTM sales, or \$51 per share.

BMC

BMC would catapult a potential acquirer into a leadership position in IT infrastructure management tools. We see Dell, Cisco, and EMC as the most likely potential acquirers for BMC.

Comprehensive enterprise data center solutions require management tools to provision and manage IT assets. HP and IBM already have the most comprehensive management toolsets and are unlikely to venture beyond small acquisitions of niche technologies. Oracle needs to beef up its management tools portfolio, but BMC's mainframe management business (40% of revenues) would be a complete misfit in Oracle's stated strategy.

Dell, Cisco, and EMC need stronger management toolsets

to position themselves as one-stop shops for data center infrastructure. Dell has assembled an impressive portfolio of server and storage infrastructure organically and through acquisitions, but a lack of comprehensive infrastructure management tools leaves it competitively disadvantaged relative to HP and IBM. The Cisco/EMC partnership similarly lacks proprietary management tools that extend beyond network and storage systems, and an acquisition of BMC by a competitor would put their ambitions of a larger role in data centers at risk.

An acquisition of BMC would have negative implications for competitor CA CA . CA has one of the largest management tools businesses, but we think the firm's desirability to potential acquirers is compromised by its significant exposure to mainframe management revenues (60% of total revenues). CA has been attempting to diversify its revenue sources, and distributed systems management tools now account for 40% of the firm's revenues. Undoubtedly, CA would face a tougher competitive environment in the distributed systems segment, and we would reassess our current valuation assumptions for the company.

BMC shares are currently trading near our fair value estimate, but an acquisition of the company would likely fetch a higher multiple to current valuation levels. Past acquisitions in the systems management software space have commanded a wide range of multiples: HP acquired Opsware and Mercury Interactive for 13.8 times and 5.3 times EV/TTM sales, respectively, and BMC bought BladeLogic for 10.1 times EV/TTM sales. BMC is much larger compared with these takeouts, and we expect the company to command a lower premium. Applying an EV/TTM sales multiple of about 4.5, we expect BMC to command an acquisition price of about \$10.9 billion, or \$61 per share.

Compellent

An acquisition of Compellent's midrange storage arrays would enable Dell to capture a larger portion of customer's IT spend while creating value for shareholders by adding much-needed distribution prowess to Compellent's

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Industry Focus: Application Software

technology.

After the bidding war that Hewlett-Packard and Dell fought over storage firm 3PAR PAR , the entire market is evaluating the few remaining storage entities. Compellent and Isilon are the most likely takeout candidates, and Isilon's stock has already run up on rumors that the company is in acquisition talks with storage giant EMC.

Compellent's midrange storage technology would make it an attractive target for Dell, which is committed to building its data center portfolio and lost the bidding war for 3Par. We think Compellent's storage solutions would be an easy sell into Dell's existing customer base, allowing the firm ample opportunity to create shareholder value even if it has to pay premiums in line with recent acquisitions.

Having said that, we expect the acquisition premium for Compellent to be lower than levels seen in recent transactions because we don't foresee a bidding war breaking out for the company. Large storage specialists EMC and NetApp already possess or are in the process of developing competing products, and server vendors IBM and HP are likely content with their current storage products and internal development efforts. Oracle has expressed an interest in building out its midrange storage portfolio, but we expect the firm to prefer an acquisition of Pillar Data Systems, which is slightly higher-end and happens to be owned by Oracle CEO Larry Ellison.

Recent acquisitions in the storage space have included the acquisition of EqualLogic by Dell for 12.3 times EV/TTM sales, HP's proposed acquisition of 3Par for 11.2 times EV/TTM sales, and EMC's acquisition of Data Domain for 7.1 times EV/TTM sales. We estimate Compellent could command an EV/TTM sales multiple of about 8, translating to about \$43 per share.