

## 3D Systems Corporation TDSC (NAS)

Last Close	Industry	Sector
14.95 USD	Multimedia & Graphics Software	Software

### Profile

Pricing data through 17 Mar 2010

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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** 113 **Mkt Cap USD Mil** 342 **Industry** Multimedia & Graphics Software **Sector** Software

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.

26081 Avenue Hall  
Valencia, CA 91355  
Phone: 1 661 295-5600  
Website: <http://www.3dsystems.com>

Employees: 387

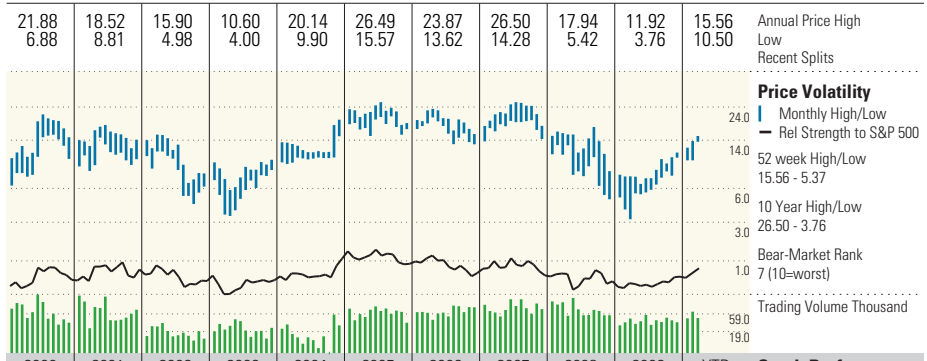
Growth Rates	Compound Annual				
	1 Yr	3 Yr	5 Yr	10 Yr	
Revenue %	-18.8	-5.8	-2.1	1.5	
Operating Income %	—	—	-11.3	—	
Earnings/Share %	—	—	-6.5	—	
Dividends %	—	—	—	—	
Book Value/Share %	0.9	8.1	3.1	-1.3	
Stock Total Return %	111.8	-5.4	-3.8	2.0	
+/- Industry	81.5	7.9	7.2	3.5	
+/- Market	61.9	0.2	-3.4	4.1	

Profitability Analysis	Current	5 Yr Avg	Ind	Mkt
	Return on Equity %	1.0	-8.6	-1.6
Return on Assets %	0.7	-4.1	-1.1	7.3
Fixed Asset Turns	4.6	7.6	9.2	6.8
Inventory Turns	3.2	4.4	7.2	12.1
Revenue/Employee USD K	291.6	394.3*	—	669.6
Gross Margin %	44.1	40.9	41.4	41.0
Operating Margin %	2.7	-3.3	-9.3	12.2
Net Margin %	0.9	-4.9	-2.2	8.2
Free Cash Flow/Rev %	6.0	—	2.1	0.1
R&D/Rev %	9.9	0.1	—	10.7

Financial Position	12-08 USD Mil	12-09 USD Mil
	Cash	22
Inventories	21	18
Receivables	25	24
Current Assets	74	70
Fixed Assets	24	25
Intangibles	52	52
Total Assets	153	150
Payables	17	13
Short-Term Debt	3	0
Current Liabilities	39	33
Long-Term Debt	—	—
Total Liabilities	51	46
Total Equity	102	105

Valuation Analysis	Current	5 Yr Avg	Ind	Mkt
	Price/Earnings	—	—	—
Forward P/E	29.9	—	—	14.4
Price/Cash Flow	43.7	—	42.7	7.2
Price/Free Cash Flow	50.0	—	90.1	17.7
Dividend Yield %	—	—	—	1.8
Price/Book	3.3	3.1	1.7	2.3
Price/Sales	3.0	2.6	1.9	1.3
PEG Ratio	2.6	—	—	1.7

**Morningstar Rating** **Last Price** 14.95 **Fair Value** **Uncertainty** **Economic Moat™** **Stewardship Grade**



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD	Stock Performance
21.88	18.52	15.90	10.60	20.14	26.49	23.87	26.50	17.94	11.92	15.56	Annual Price High
6.88	8.81	4.98	4.00	9.90	15.57	13.62	14.28	5.42	3.76	10.50	Low
											Recent Splits
											Price Volatility
											Monthly High/Low
											Rel Strength to S&P 500
											52 week High/Low
											10 Year High/Low
											Bear-Market Rank
											Trading Volume Thousand

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	TTM	Financials
42.6	17.5	-45.3	30.1	95.9	-9.5	-11.3	-3.3	-48.6	42.3	32.3	Total Return %
52.7	30.5	-21.9	3.7	86.9	-12.5	-24.9	-6.8	-10.1	18.9	27.7	+/- Market
30.7	8.9	-20.2	-41.7	78.0	0.6	-16.1	-20.6	10.9	19.1	24.3	+/- Industry
										0.0	Dividend Yield %
146	187	99	131	267	275	292	342	178	257	342	Market Cap USD Mil
110	121	116	110	125	140	135	157	139	113	113	Revenue USD Mil
53.9	44.0	40.2	39.2	44.7	45.2	34.3	40.5	40.3	44.1	44.1	Gross Margin %
12	-1	-21	-15	6	9	-26	-5	-5	3	3	Oper Income USD Mil
11.3	-0.9	-18.5	-13.6	4.5	6.7	-19.1	-3.3	-3.7	2.7	2.7	Operating Margin %
8	-1	-15	-27	1	8	-31	-7	-6	1	1	Net Income USD Mil
0.63	-0.11	-1.16	-2.10	0.07	0.53	-1.77	-0.33	-0.28	0.05	0.05	Earnings Per Share USD
12	12	12	12	36	19	16	20	22	22	22	Dividends USD
5.95	6.07	4.71	2.85	3.96	4.55	3.80	4.73	4.57	4.61	4.58	Shares Mil
5	7	1	1	3	-6	-8	3	-3	8	8	Oper Cash Flow USD Mil
-5	-3	-3	-1	-1	-3	-11	-2	-6	-1	-1	Cap Spending USD Mil
0	3	-2	0	2	-8	-20	0	-9	7	7	Free Cash Flow USD Mil

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	TTM	Profitability
8.1	-1.0	-10.0	-20.4	0.8	6.0	-19.4	-4.0	-3.8	0.7	0.7	Return on Assets %
12.4	-1.8	-21.3	-55.7	2.3	13.7	-44.1	-7.7	-6.0	1.0	1.0	Return on Equity %
7.4	-1.1	-12.8	-24.4	0.8	6.0	-22.8	-4.3	-4.4	0.9	0.9	Net Margin %
1.09	0.88	0.78	0.83	0.95	0.99	0.85	0.94	0.87	0.74	0.74	Asset Turnover
1.5	2.1	2.2	3.6	2.5	2.2	2.4	1.6	1.5	1.4	1.4	Financial Leverage

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	12-09	Financial Health
45	17	-9	19	28	44	17	41	35	37	37	Working Capital USD Mil
4	26	14	37	26	26	15	—	—	—	—	Long-Term Debt USD Mil
72	80	60	37	53	69	70	105	102	105	105	Total Equity USD Mil
0.06	0.32	0.24	1.00	0.50	0.38	0.35	0.08	0.08	0.08	0.08	Debt/Equity

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	TTM	Valuation
19.2	—	—	—	—	34.0	—	—	—	—	—	Price/Earnings
—	—	—	—	—	2.0	—	—	—	—	—	P/E vs. Market
1.4	1.5	0.9	1.2	5.8	6.5	1.2	2.0	1.3	2.3	3.0	Price/Sales
2.0	2.4	1.7	3.6	5.0	4.0	4.2	3.3	1.7	2.5	3.3	Price/Book
29.5	26.9	76.3	109.9	—	—	—	122.0	—	33.0	43.7	Price/Cash Flow

Quarterly Results						
Revenue USD Mil	Mar 09	Jun 09	Sep 09	Dec 09		
Most Recent Period	24.0	24.7	27.7	36.4		
Prior Year Period	31.8	36.7	35.6	34.9		
Rev Growth %	Mar 09	Jun 09	Sep 09	Dec 09		
Most Recent Period	-24.4	-32.6	-22.2	4.3		
Prior Year Period	-13.9	0.6	-6.9	-22.3		
Earnings Per Share USD	Mar 09	Jun 09	Sep 09	Dec 09		
Most Recent Period	-0.09	-0.06	0.04	0.16		
Prior Year Period	-0.17	-0.15	-0.04	0.08		

Industry Peers by Market Cap				
	Mkt Cap USD Mil	Rev USD Mil	P/E	ROE%
3D Systems Corporati	342	113	—	1.0
Konami Corporation	2636	2742	65.4	2.0
Activision Blizzard	14736	4279	131.6	1.0

Major Fund Holders		% of shares
T. Rowe Price Small-Cap Value		9.41
T. Rowe Price Small-Cap Stock		3.78
Vanguard Small Cap Index		1.18

\*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
GOLD MIRIAM V	Director	25,800	19 May 2009	7,500
MOORE KEVIN S	Director	22,150	01 Mar 2010	7,500

\*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	9.41	0.42	0	31 Dec 2009
T. Rowe Price Small-Cap Stock	QQQ	3.78	0.18	0	31 Dec 2009
Vanguard Small Cap Index	QQQ	1.18	0.02	19	31 Dec 2009
DFA US Micro Cap I	QQ	0.87	0.07	0	30 Nov 2009
Villere Balanced Inv	QQQ	0.84	3.68	0	31 Jan 2010
Concentrated Holders					
Villere Balanced Inv	QQQ	0.84	3.68	0	31 Jan 2010
Commonwealth Small Cap Inst		0.04	1.82	2	31 Oct 2009

### Institutional Transactions

Top 5 Buyers	Morningstar Rating	% of Shares Held	% of Fund Assets	Shares Bought/Sold (k)	Portfolio Date
Vanguard Small Cap Index	QQQ	1.18	0.02	19	31 Dec 2009
DFA US Small Cap I	QQQ	0.23	0.02	4	30 Nov 2009
ING Russell Small Cap Index I		0.04	0.02	3	31 Dec 2009
Principal SmallCap Growth I Inst	QQQ	0.01	0.01	3	31 Dec 2009
Commonwealth Small Cap Inst		0.04	1.82	2	31 Oct 2009
Top 5 Sellers					
American Beacon Small Cap Idx Inst	QQQ	0.02	0.02	-2	31 Dec 2009
BlackRock Small Cap Index I	QQQ	0.02	0.02	-2	31 Dec 2009
Vanguard Small Cap Growth Index	QQQQ	0.35	0.02	-1	31 Dec 2009
VALIC Company I Small Cap	QQ	0.05	0.05	-1	31 Dec 2009

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### Industry Focus: Application Software

#### The Cloud Computing Disruption

29 June 2009

Toan Tran  
Associate Director

Cloud computing will have wide-ranging effects on the entire technology industry.

We believe cloud computing will be a hugely disruptive trend for the entire enterprise information technology market. Massive cloud datacenters, such as those being built by Microsoft MSFT and Google GOOG, offer enterprises the opportunity to outsource a portion of their datacenter needs. The cloud allows enterprises to purchase computing power on a pay-as-you-go basis, and this elasticity leads to potentially large cost savings. Enterprises can avoid large up-front capital investments in computing infrastructure and instead pay for only the computing power consumed. In addition, enterprises no longer have to provision for peak usage and thus will not have wasted excess capacity during nonpeak times. Enterprises can scale their computing power up or down as business needs dictate.

The providers of the cloud can reap massive economies of scale with their datacenters. According to estimates from Amazon's AMZN James Hamilton, a very large datacenter (50,000 servers) enjoys a 5 to 7 times reduction in networking, storage, and IT administration costs versus a medium-sized datacenter (1,000 servers). The current generation cloud datacenters are built on an even larger scale. One significant source of these cost savings comes from the use of commodity hardware components by the cloud providers. For example, instead of purchasing servers from Hewlett-Packard HPQ or IBM IBM, or networking equipment from Cisco CSCO, or storage arrays from EMC EMC, Google builds its own servers, network switches, and storage systems from off-the-shelf commodity parts. The magic that makes Google's datacenters hum is the custom software the company has developed to distribute computing tasks and storage among its giant army of commodity servers.

This, of course, begs the question: If the cloud providers use

commodity hardware and enterprises reduce their hardware spending because they shift more computing needs to the cloud, where does that leave enterprise IT vendors like HP, Dell, Cisco, EMC, and NetApp? We believe adoption of the cloud will be a head wind for the traditional enterprise IT hardware vendors. We are fairly confident that Google is unlikely to purchase storage from EMC because Google does not want to pay the price premium that allows EMC to earn 50% gross margins. We are hard-pressed to understand what, if any, value the traditional enterprise IT vendors will bring to the cloud providers.

An additional head wind may come from enterprise customers following the cloud providers into the commodity hardware promised land. One example is Facebook, which recently moved its storage of user photos from NetApp hardware to a custom-built system made from off-the-shelf commodity parts. Facebook stores 60 billion user photos in 1.5 petabytes of storage, with 25 terabytes added each week. At this scale, storage is a material expense that Facebook is now addressing by running its own custom software on commodity hardware (Facebook's engineering blog has the details). This is lost revenue for NetApp.

Although we are likely a few years away, if enterprises begin to make use of cloud computing, we expect that to come at the expense of internal datacenter hardware spending. This will shift the mix of IT spending from proprietary hardware to commodity hardware, which will be a head wind for the traditional hardware vendors. Mark Templeton, the CEO of Citrix Systems CTXS, stated on the company's recent earnings conference call: "Capital spending on IT peaked out at about 22% of all capital spending. And it's coming down. It's the largest capital spending category that exists. And so it's kind of collapsing under that weight." We tend to agree with that statement, and the cloud represents a way for companies to reduce IT capital spending. Beyond a shift to cloud computing, open-source implementations of the custom software developed by firms like Google could enable enterprises to implement commodity hardware

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### Industry Focus: Application Software

solutions in internal datacenters (for example, Hadoop is an open-source version of Google's MapReduce distributed computing framework).