

3D Systems Corporation TDSC (NAS)

Last Close	Industry	Sector
9.98 USD	Multimedia & Graphics Software	Software

Profile

Pricing data through 19 Nov 2009

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3D Systems Corporation is a holding company that designs, develops, manufactures, markets and services 3-D printing, rapid prototyping and manufacturing systems and related products and materials. These products enable complex three-dimensional objects to be produced directly from computer data without tooling, thereby reducing the time and cost required to produce prototypes or customized production parts. The company operates through subsidiaries in the United States, Europe and the Asia-Pacific region. Its customers use its proprietary systems 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's systems use additive part-production processes for applications that require rapid design iterations, prototyping and manufacturing. Its product development efforts are focused on expanding its portfolio of 3-D printing and rapid manufacturing solutions, represent considerable growth opportunities for its business. In recent years, it has worked to develop new systems and materials and has enhanced its overall technology to rejuvenate and reshape its core business while developing new products that address its 3-D printing and rapid manufacturing growth initiatives.

The company's main technology platforms include its stereolithography or SLA® equipment, its selective laser sintering or SLS® equipment, and its 3-D printing equipment, which include its multi-jet and layer-deposition 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.

3D Systems Corporation TDSC

Sales USD Mil 111 **Mkt Cap USD Mil** 226 **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.

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Valencia, CA 91355
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Website: <http://www.3dsystems.com>

Employees: 331

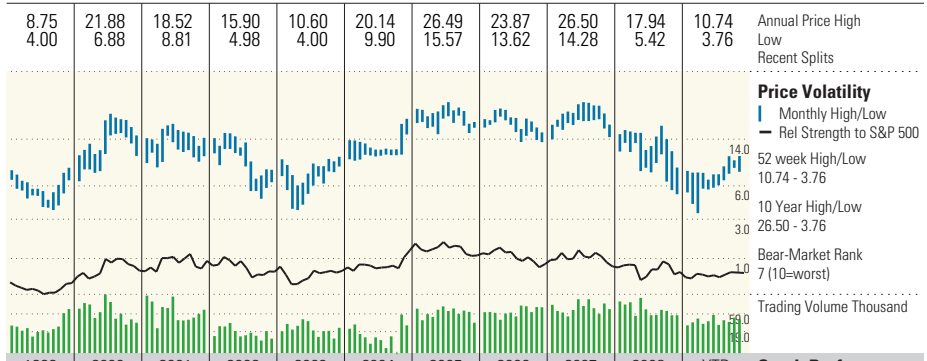
Growth Rates	Compound Annual			
	1 Yr	3 Yr	5 Yr	10 Yr
Revenue %	-11.2	-0.2	4.8	3.5
Operating Income %	—	—	—	—
Earnings/Share %	—	—	—	—
Dividends %	—	—	—	—
Book Value/Share %	-3.3	0.2	9.9	-2.5
Stock Total Return %	46.8	-13.7	-11.2	4.0
+/- Industry	26.5	4.1	-3.4	3.4
+/- Market	11.0	-5.8	-9.9	6.7

Profitability Analysis	Current	5 Yr Avg	Ind	Mkt
	Return on Equity %	-0.7	-8.4	-0.5
Return on Assets %	-0.4	-4.1	-0.4	5.9
Fixed Asset Turns	4.8	9.1	10.2	6.8
Inventory Turns	2.8	5.3	7.1	11.3
Revenue/Employee USD K	336.3	428.9*	—	871.2
Gross Margin %	44.2	41.0	46.8	40.7
Operating Margin %	0.3	-3.0	0.3	14.4
Net Margin %	-0.6	-4.9	-0.7	6.6
Free Cash Flow/Rev %	3.8	—	2.7	0.0
R&D/Rev %	11.4	0.1	—	11.0

Financial Position	12-08 USD Mil	09-09 USD Mil
	Cash	22
Inventories	21	20
Receivables	25	19
Current Assets	74	67
Fixed Assets	24	21
Intangibles	52	52
Total Assets	153	142
Payables	17	13
Short-Term Debt	3	0
Current Liabilities	39	29
Long-Term Debt	—	—
Total Liabilities	51	41
Total Equity	102	101

Valuation Analysis	Current	5 Yr Avg	Ind	Mkt
	Price/Earnings	—	—	—
Forward P/E	68.0	—	—	16.4
Price/Cash Flow	33.6	—	39.5	7.1
Price/Free Cash Flow	52.6	—	78.7	18.0
Dividend Yield %	—	—	0.1	2.1
Price/Book	2.2	3.6	1.6	2.2
Price/Sales	2.0	3.4	2.1	1.2
PEG Ratio	6.8	—	—	1.8

Morningstar Rating **Last Price** 9.98 **Fair Value** **Uncertainty** **Economic Moat™** **Stewardship Grade**



1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	YTD	Stock Performance
13.3	42.6	17.5	-45.3	30.1	95.9	-9.5	-11.3	-3.3	-48.6	25.7	Total Return %
-6.2	52.7	30.5	-21.9	3.7	86.9	-12.5	-24.9	-6.8	-10.1	4.5	+/- Market
-15.0	30.7	8.9	-20.2	-42.1	77.8	0.4	-16.3	-20.8	10.8	2.1	+/- Industry
—	—	—	—	—	—	—	—	—	—	0.0	Dividend Yield %
97	146	187	99	131	267	275	292	342	178	226	Market Cap USD Mil

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TTM	Financials
97	110	121	116	110	125	140	135	157	139	111	Revenue USD Mil
41.3	48.2	44.0	40.2	39.2	44.7	45.2	34.3	40.5	40.3	44.2	Gross Margin %
-8	12	-1	-21	-15	6	9	-26	-5	-5	0	Oper Income USD Mil
-7.8	11.3	-0.9	-18.5	-13.6	4.5	6.7	-19.1	-3.3	-3.7	0.3	Operating Margin %
-5	8	-1	-15	-27	1	8	-31	-7	-6	-1	Net Income USD Mil
-0.47	0.63	-0.11	-1.16	-2.10	0.07	0.53	-1.77	-0.33	-0.28	-0.03	Earnings Per Share USD
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Dividends USD
11	12	12	12	12	36	19	16	20	22	22	Shares Mil
5.23	5.95	6.07	4.71	2.85	3.96	4.55	3.80	4.73	4.57	4.47	Book Value Per Share USD
2	5	7	1	1	3	-6	-8	3	-3	7	Oper Cash Flow USD Mil
-8	-5	-3	-3	-1	-1	-3	-10	-1	-6	-2	Cap Spending USD Mil
-6	0	3	-2	0	2	-8	-18	2	-9	4	Free Cash Flow USD Mil

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TTM	Profitability
-5.7	8.1	-1.0	-10.0	-20.4	0.8	6.0	-19.4	-4.0	-3.8	-0.4	Return on Assets %
-8.4	12.4	-1.8	-21.3	-55.7	2.3	13.7	-44.1	-7.7	-6.0	-0.7	Return on Equity %
-5.5	7.4	-1.1	-12.8	-24.4	0.8	6.0	-22.8	-4.3	-4.4	-0.6	Net Margin %
1.04	1.09	0.88	0.78	0.83	0.95	0.99	0.85	0.94	0.87	0.76	Asset Turnover
1.5	1.5	2.1	2.2	3.6	2.5	2.2	2.4	1.6	1.5	1.4	Financial Leverage

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	09-09	Financial Health
31	45	17	-9	19	28	44	17	41	35	38	Working Capital USD Mil
5	4	26	14	37	26	26	15	0	—	—	Long-Term Debt USD Mil
60	72	80	60	37	53	85	70	105	102	101	Total Equity USD Mil
0.08	0.06	0.32	0.24	1.00	0.50	0.38	0.35	0.08	0.08	0.08	Debt/Equity

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TTM	Valuation
—	19.2	—	—	—	—	34.0	—	—	—	—	Price/Earnings
—	—	—	—	—	—	2.0	—	—	—	—	P/E vs. Market
1.0	1.4	1.5	0.9	1.2	5.8	6.5	1.2	2.0	1.3	2.0	Price/Sales
1.6	2.0	2.4	1.7	3.6	5.0	4.0	4.2	3.3	1.7	2.2	Price/Book
61.0	29.5	26.9	76.3	109.9	—	—	—	120.5	—	33.6	Price/Cash Flow

Quarterly Results						
Revenue USD Mil	Dec 08	Mar 09	Jun 09	Sep 09		
Most Recent Period	34.9	24.0	24.7	27.7		
Prior Year Period	44.9	31.8	36.7	35.6		
Rev Growth %	Dec 08	Mar 09	Jun 09	Sep 09		
Most Recent Period	-22.3	-24.4	-32.6	-22.2		
Prior Year Period	5.5	-13.9	0.6	-6.9		
Earnings Per Share USD	Dec 08	Mar 09	Jun 09	Sep 09		
Most Recent Period	0.08	-0.09	-0.06	0.04		
Prior Year Period	0.07	-0.17	-0.15	-0.04		

Industry Peers by Market Cap				
	Mkt Cap USD Mil	Rev USD Mil	P/E	ROE%
3D Systems Corporati	226	111	—	-0.7
Activision Blizzard,	14674	4361	46.7	2.8
Electronic Arts, Inc	5673	3946	—	-39.1

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			1.07

*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
LOEWENBAUM G WALTER II	Director	795,852	15 Sep 2009	-
REICHTENTAL ABRAHAM N	Chief Executive Officer, President, Director	282,616	20 Mar 2009	-
KEVER JIM D	Director	97,391	19 May 2009	-
GRACE ROBERT M JR	Secretary, General Counsel, Vice President	55,112	20 Mar 2009	-
GREGOIRE DAMON JOSEPH	Chief Financial Officer, Vice President	43,000	21 Jul 2009	-
GOLD MIRIAM V	Director	25,800	19 May 2009	-
MOORE KEVIN S	Director	22,150	19 May 2009	-

*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	0.34	110	30 Jun 2009
T. Rowe Price Small-Cap Stock	QQQ	3.78	0.14	0	30 Jun 2009
Vanguard Small Cap Index	QQQ	1.07	0.01	3	31 Jul 2009
DFA US Micro Cap I	QQQ	0.87	0.05	0	30 Jun 2009
Villere Balanced Inv	QQQ	0.84	2.87	0	30 Jun 2009
Concentrated Holders					
Villere Balanced Inv	QQQ	0.84	2.87	0	30 Jun 2009
Commonwealth Small Cap Inst		0.03	2.39	4	31 Jul 2009

Institutional Transactions

Top 5 Buyers	Morningstar Rating	% of Shares Held	% of Fund Assets	Shares Bought/Sold (k)	Portfolio Date
T. Rowe Price Small-Cap Value	QQQQ	9.41	0.34	110	30 Jun 2009
Vanguard Small Cap Value Index	QQQ	0.34	0.01	76	30 Jun 2009
Commonwealth Small Cap Inst		0.03	2.39	4	31 Jul 2009
Vanguard Small Cap Index	QQQ	1.07	0.01	3	31 Jul 2009
DFA US Small Cap I	QQQ	0.14	0.01	3	30 Jun 2009
Top 5 Sellers					
Vanguard Small Cap Growth Index	QQQQ	0.33	0.01	-35	30 Jun 2009
Oppenheimer Main St Small Cap A	QQ	0.01	0.00	-2	30 Jun 2009
USAA Cornerstone Strategy	QQQ	0.00	0.00	-2	31 May 2009
DFA Tax-Managed US Small Cap	QQ	0.20	0.03	-1	30 Jun 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).