

3D SYSTEMS CORP  
Form 10-Q  
November 04, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10 Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the quarterly period ended September 30, 2015

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

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3D SYSTEMS CORPORATION

(Exact name of Registrant as specified in its Charter)

DELAWARE	95 4431352
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
333 THREE D SYSTEMS CIRCLE	
ROCK HILL, SOUTH CAROLINA	29730
(Address of Principal Executive Offices)	(Zip Code)

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

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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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company) Smaller reporting company

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, outstanding as of October 28, 2015: 112,077,951

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3D SYSTEMS CORPORATION

Quarterly Report on Form 10-Q for the

Quarter Ended September 30, 2015

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## PART I. — FINANCIAL INFORMATION

## Item 1. Financial Statements.

## 3D SYSTEMS CORPORATION

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except par value)	September 30, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 157,453	\$ 284,862
Accounts receivable, net of allowance for doubtful accounts of \$15,797 (2015) and \$10,300 (2014)	134,492	168,441
Inventories, net	138,181	96,645
Prepaid expenses and other current assets	25,898	15,769
Current deferred income tax asset	25,025	14,973
Total current assets	481,049	580,690
Property and equipment, net	88,540	81,881
Intangible assets, net	267,182	251,561
Goodwill	622,431	589,537
Long term deferred income tax asset	705	816
Other assets, net	21,602	21,485
Total assets	\$ 1,481,509	\$ 1,525,970
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Current portion of debt and capitalized lease obligations	\$ 523	\$ 684
Accounts payable	48,508	64,378
Accrued and other liabilities	49,577	44,219
Customer deposits	7,653	6,946
Deferred revenue	35,455	32,264
Total current liabilities	141,716	148,491
Long term portion of capitalized lease obligations	8,372	8,905
Long term deferred income tax liability	26,880	30,679
Other liabilities	41,793	34,898
Total liabilities	218,761	222,973
Redeemable noncontrolling interests	8,872	8,872
Stockholders' equity:		

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Common stock, \$0.001 par value, authorized 220,000 shares; issued 112,425 (2015) and 112,233 (2014)	112	112
Additional paid-in capital	1,275,565	1,245,462
Treasury stock, at cost: 378 shares (2015) and 709 shares (2014)	(412)	(374)
Accumulated earnings	12,998	72,124
Accumulated other comprehensive loss	(39,445)	(24,406)
Total 3D Systems Corporation stockholders' equity	1,248,818	1,292,918
Noncontrolling interests	5,058	1,207
Total stockholders' equity	1,253,876	1,294,125
Total liabilities, redeemable noncontrolling interests and stockholders' equity	\$ 1,481,509	\$ 1,525,970

See accompanying notes to condensed consolidated financial statements

## 3D SYSTEMS CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(in thousands, except per share amounts)	Quarter Ended		Nine Months Ended	
	September 30, 2015	2014	September 30, 2015	2014
Revenue:				
Products	\$ 87,747	\$ 111,926	\$ 292,146	\$ 313,104
Services	63,827	55,018	190,654	153,110
Total revenue	151,574	166,944	482,800	466,214
Cost of sales:				
Products	48,472	57,627	156,432	155,675
Services	32,064	29,519	94,719	82,871
Total cost of sales	80,536	87,146	251,151	238,546
Gross profit	71,038	79,798	231,649	227,668
Operating expenses:				
Selling, general and administrative	83,212	53,656	237,242	152,698
Research and development	22,463	17,934	70,410	52,883
Total operating expenses	105,675	71,590	307,652	205,581
Income (loss) from operations	(34,637)	8,208	(76,003)	22,087
Interest and other expense, net	1,373	3,955	4,029	6,479
Income (loss) before income taxes	(36,010)	4,253	(80,032)	15,608
Provision (benefit) for income taxes	(3,524)	1,113	(20,563)	5,366
Net income (loss)	(32,486)	3,140	(59,469)	10,242
Less net income (loss) attributable to noncontrolling interests	(237)	56	(343)	156
Net income (loss) attributable to 3D Systems Corporation	\$ (32,249)	\$ 3,084	\$ (59,126)	\$ 10,086
Net income (loss) per share available to 3D Systems Corporation common stockholders — basic and diluted	\$ (0.29)	\$ 0.03	\$ (0.53)	\$ 0.09
Other comprehensive income (loss):				
Pension adjustments, net of taxes	\$ 14	\$ 91	\$ 276	\$ 136
Foreign currency loss	(9,957)	(10,897)	(17,903)	(9,263)
Other comprehensive loss	(9,943)	(10,806)	(17,627)	(9,127)
Less foreign currency translation loss attributable to noncontrolling interests	(882)	(73)	(2,588)	(71)
Other comprehensive loss attributable to 3D Systems Corporation	(9,061)	(10,733)	(15,039)	(9,056)
Comprehensive income (loss)	(42,429)	(7,666)	(77,096)	1,115

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Less comprehensive income (loss) attributable to noncontrolling interests	(1,119)	(17)	(2,931)	85
Comprehensive income (loss) attributable to 3D Systems Corporation	\$ (41,310)	\$ (7,649)	\$ (74,165)	\$ 1,030

See accompanying notes to condensed consolidated financial statements.



## 3D SYSTEMS CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net income (loss)	\$ (59,469)	\$ 10,242
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Benefit of deferred income taxes	(21,971)	(19,113)
Depreciation and amortization	63,905	39,563
Provision for arbitration award	11,282	—
Impairment of investment	1,111	—
Non-cash interest on convertible notes	—	224
Provision for bad debts	4,123	4,394
Provision for inventory obsolescence and revaluation	9,191	2,065
Stock-based compensation	28,850	23,738
Loss on the disposition of property and equipment	1,182	176
Loss on conversion of convertible debt	—	1,806
Changes in operating accounts:		
Accounts receivable	37,426	(40,347)
Inventories	(50,178)	(40,101)
Prepaid expenses and other current assets	(10,136)	(6,725)
Accounts payable	(19,657)	11,925
Accrued and other liabilities	(5,348)	8,254
Customer deposits	566	1,848
Deferred revenue	(1,748)	5,813
Other operating assets and liabilities	263	24,136
Net cash provided by (used in) operating activities	(10,608)	27,898
Cash flows from investing activities:		
Purchases of property and equipment	(18,064)	(16,783)
Additions to license and patent costs	(719)	(547)
Cash paid for acquisitions, net of cash assumed	(91,799)	(244,290)
Other investing activities	(3,750)	(300)
Net cash used in investing activities	(114,332)	(261,920)
Cash flows from financing activities:		