3D SYSTEMS CORP
Form 10-Q
May 03, 2017

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 March 31, 2017

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

_____

3D SYSTEMS CORPORATION

(Exact name of Registrant as specified in its Charter)

_____ _____

DELAWARE	95 4431352
(State or Other Jurisdiction of	(I.R.S. Employer
Incorporation or Organization)	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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company," and "emerging growth 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

                                                                       Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

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 April 26, 2017: 113,810,649

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3D SYSTEMS CORPORATION

Quarterly Report on Form 10-Q for the

Quarter Ended March 31, 2017

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

3D SYSTEMS CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except par value)	March 31, 2017 (unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 161,662	$ 184,947
Accounts receivable, net of reserves — $11,424 (2017) and $12,920 (2016)	124,581	127,114
Inventories, net of reserves — $12,206 (2017) and $14,770 (2016)	105,105	103,331
Prepaid expenses and other current assets	17,909	17,558
Total current assets	409,257	432,950
Property and equipment, net	84,803	79,978
Intangible assets, net	122,594	121,501
Goodwill	215,156	181,230
Long term deferred income tax asset	7,958	8,123
Other assets, net	25,862	25,371
Total assets	$ 865,630	$ 849,153
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of capitalized lease obligations	$ 584	$ 572
Accounts payable	40,752	40,514
Accrued and other liabilities	48,736	49,968
Customer deposits	6,549	5,857
Deferred revenue	45,079	33,494
Total current liabilities	141,700	130,405
Long term portion of capitalized lease obligations	7,454	7,587
Long term deferred income tax liability	18,289	17,601
Other liabilities	54,863	57,988
Total liabilities	222,306	213,581
Redeemable noncontrolling interests	8,872	8,872
Commitments and contingencies (Note 14)		
Stockholders' equity:		
	115	115

Common stock, $0.001 par value, authorized 220,000 shares; issued 115,419 (2017) and 115,113 (2016)		
Additional paid-in capital	1,307,561	1,307,428
Treasury stock, at cost — 1,631 shares (2017) and 1,498 shares (2016)	(3,746)	(2,658)
Accumulated deficit	(621,552)	(621,787)
Accumulated other comprehensive loss	(44,874)	(53,225)
Total 3D Systems Corporation stockholders' equity	637,504	629,873
Noncontrolling interests	(3,052)	(3,173)
Total stockholders' equity	634,452	626,700
Total liabilities, redeemable noncontrolling interests and stockholders' equity	$ 865,630	$ 849,153

See accompanying notes to condensed consolidated financial statements.

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3D SYSTEMS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Quarter Ended March 31,	
(in thousands, except per share amounts)	2017	2016
Revenue:		
Products	$ 94,730	$ 90,964
Services	61,701	61,591
Total revenue	156,431	152,555
Cost of sales:		
Products	44,748	44,161
Services	31,497	30,881
Total cost of sales	76,245	75,042
Gross profit	80,186	77,513
Operating expenses:		
Selling, general and administrative	66,405	73,967
Research and development	22,852	20,305
Total operating expenses	89,257	94,272
Loss from operations	(9,071)	(16,759)
Interest and other income, net	(201)	(126)
Loss before income taxes	(8,870)	(16,633)
Provision for income taxes	1,041	1,179
Net loss	(9,911)	(17,812)
Less: net income (loss) attributable to noncontrolling interests	60	(24)
Net loss attributable to 3D Systems Corporation	$ (9,971)	$ (17,788)
Net loss per share available to common stockholders — basic and diluted	$ (0.09)	$ (0.16)
Other comprehensive income (loss):		
Pension adjustments, net of taxes	$ 20	$ (31)
Foreign currency translation gain	8,392	7,939
Total other comprehensive income	8,412	7,908
Less foreign currency translation gain attributable to noncontrolling interests	61	89
Other comprehensive income attributable to 3D Systems Corporation	8,351	7,819
Comprehensive loss	(1,499)	(9,904)

Less comprehensive income attributable to noncontrolling interests	121	65
Comprehensive loss attributable to 3D Systems Corporation	$ (1,620)	$ (9,969)

See accompanying notes to condensed consolidated financial statements.

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3D SYSTEMS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)	Quarter Ended March 31,	
	2017	2016
Cash flows from operating activities:		
Net loss	$ (9,911)	$ (17,812)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	14,973	15,089
Stock-based compensation	7,131	11,667
Provision for bad debts	155	2,388
Benefit of deferred income taxes	(1,069)	(1,092)
Changes in operating accounts, net of acquisitions:		
Accounts receivable	5,336	21,544
Inventories	(4,120)	(7,984)
Prepaid expenses and other current assets	12	(434)
Accounts payable	(643)	(5,956)
Accrued and other current liabilities	(2,849)	(4,056)
Deferred revenue	11,218	11,019
All other operating activities	(852)	(6,255)
Net cash provided by operating activities	19,381	18,118
Cash flows from investing activities:		
Cash paid for acquisitions, net of cash assumed	(34,291)	—
Purchases of property and equipment	(5,620)	(4,246)
Additions to license and patent costs	(280)	(231)
Proceeds from disposition of property and equipment	24	—
Net cash used in investing activities	(40,167)	(4,477)
Cash flows from financing activities:		
Payments on earnout consideration	(3,206)	—
Repurchase of stock, net, and employer paid tax on employee awards	(1,088)	(810)
Repayment of capital lease obligations	(142)	(262)
Net cash used in financing activities	(4,436)	(1,072)
Effect of exchange rate changes on cash and cash equivalents	1,937	1,562
Net increase (decrease) in cash and cash equivalents	(23,285)	14,131
Cash and cash equivalents at the beginning of the period	184,947	155,643
Cash and cash equivalents at the end of the period	$ 161,662	$ 169,774
Cash interest payments	$ 200	$ 214
Cash income tax payments, net	$ 573	$ 1,707
Transfer of equipment from inventory to property and equipment, net (a)	$ 5,379	$ 5,760

Transfer of equipment to inventory from property and equipment, net (b)	$ 718	$ 1,779
Stock issued for acquisitions	$ 3,208	$ —

(a) Inventory is transferred from inventory to property and equipment at cost when the Company requires additional machines for training or demonstration or for placement into on-demand parts manufacturing services locations.

(b) In general, an asset is transferred from property and equipment, net, into inventory at its net book value when the Company has identified a potential sale for a used machine.

See accompanying notes to condensed consolidated financial statements.

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3D SYSTEMS CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF EQUITY

(Unaudited)

	Common Stock			Treasury Stock						
(In thousands, except par value)	Shares	Par Value $0.001	Additional Paid In Capital	Shares	Amount	Accumulated Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total 3D Systems Corporation Stockholders Equity	Equity Attributable to Noncontrolling Interests	Total Stockholders Equity
Balance at December 31, 2016	115,113	$ 115	$ 1,307,428	1,498	$ (2,658)	$ (621,787)	$ (53,225)	$ 629,873	$ (3,173)	$ 626,70
Issuance (repurchase) of stock	114	—	—	133	(1,088)	—	—	(1,088)	—	(1,088)
Issuance of stock for acquisitions	192	—	3,208	—						