



FOURTH QUARTER & FULL YEAR 2015 CONFERENCE CALL & WEBCAST

March 14, 2016



MANUFACTURING*THE***FUTURE™**

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PARTICIPANTS

Andy Johnson

- **Interim President & CEO; Chief Legal Officer**

Dave Styka

- **Executive Vice President; Chief Financial Officer**

Stacey Witten

- **Vice President, Investor Relations**



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- 1-877-407-8291 in the United States
- 1-201-689-8345 from outside the United States



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OVERVIEW & UPDATE

Andy Johnson

Interim President & CEO and Chief Legal Officer



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COMPANY UPDATE

We have made progress in areas that we believe are critical to the company's advancement, profitability and long-term, sustainable growth.

We are taking steps to better prioritize our resources and reduce costs, while we are also investing in meaningful opportunities in key verticals from the product design shop to the factory floor.

We made a significant step towards these goals with our shift away from consumer products and services. We also introduced new professional and industrial manufacturing 3D printers.

We are continuing to review each of our business activities as we focus around professional and industrial applications.



LEADERSHIP

We are currently in the midst of a complete and comprehensive review of our business and strategy.

Our leadership team and employees throughout the company have stepped up and are contributing to delivering improvements while ensuring the effectiveness of our operations companywide.

Our commitment to quality people, business processes and products is being demonstrated through a culture based on transparency, accountability and collaboration and improvements in customer experience and product launches.

We are focused on execution and enhancement of the business while the Board of Directors is continuing the process to name a permanent CEO.

FOURTH QUARTER OVERVIEW

Revenue decreased 2% to \$183.4 million compared to the fourth quarter of 2014. Sequentially, revenue increased 21%.

Gross profit margin decreased to 32.8%. Excluding the impact of the charges related to consumer inventory and purchase commitments, consolidated GPM was 47.7%.

Cash operating expenses of \$66.7 million remained flat sequentially. Excluding the impairment related to goodwill and other intangible assets, operating expenses were \$88.9 million.

GAAP loss of \$5.32 per share and non-GAAP earnings of \$0.19 per share.

All comparisons are as compared to the fourth quarter of 2014 unless otherwise noted.

FINANCIAL REVIEW

Dave Styka

Executive Vice President & CFO



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GAAP OPERATING RESULTS

\$ in millions, except earnings per share

| | Fourth Quarter | | Full Year | |
|----------------------------------|----------------|----------|-----------|----------|
| | 2015 | 2014 | 2015 | 2014 |
| Revenue | \$ 183.4 | \$ 187.4 | \$ 666.2 | \$ 653.7 |
| Gross Profit | \$ 60.2 | \$ 89.8 | \$ 291.8 | \$ 317.4 |
| <i>Gross Profit Margin</i> | 32.8% | 47.9% | 43.8% | 48.6% |
| Operating Expenses * | \$ 626.1 | \$ 85.5 | \$ 933.7 | \$ 291.1 |
| <i>% of Revenue</i> | 341.4% | 45.6% | 140.2% | 44.5% |
| Operating Income (Loss) | (\$565.9) | \$ 4.2 | (\$641.9) | \$ 26.3 |
| <i>% of Revenue</i> | (308.6%) | 2.2% | (96.4%) | 4.0% |
| 3DS Net Income (Loss) | (\$596.4) | \$ 1.6 | (\$655.5) | \$ 11.6 |
| <i>% of Revenue</i> | (325.2%) | 0.9% | (98.4%) | 1.8% |
| Earnings (Loss) Per Share | (\$5.32) | \$ 0.01 | (\$5.85) | \$ 0.11 |

- Table may not foot due to rounding

* 2015 operating expenses include an impairment charge of \$537.2 million



NON-GAAP RECONCILIATION

\$ in millions, except earnings per share

| | Fourth Quarter | | Full Year | |
|--|-------------------|----------------|-------------------|----------------|
| | 2015 | 2014 | 2015 | 2014 |
| GAAP net income | (\$ 596.4) | \$ 1.6 | (\$ 655.5) | \$ 11.6 |
| Cost of sales adjustments: | | | | |
| Amortization of intangibles | \$ 0.1 | \$ 0.1 | \$ 0.3 | \$ 0.3 |
| Charges related to shift away from consumer | \$ 27.4 | — | \$ 27.4 | — |
| Operating expense adjustments: | | | | |
| Acquisition and severance expenses | \$ 3.4 | \$ 3.2 | \$ 9.3 | \$ 8.0 |
| Amortization of intangibles | \$ 13.2 | \$ 10.9 | \$ 60.8 | \$ 39.2 |
| Impairment of goodwill and intangible assets | \$ 537.2 | — | \$ 537.2 | — |
| Non-cash stock-based compensation expense | \$ 5.9 | \$ 9.1 | \$ 34.7 | \$ 32.8 |
| Other expense adjustments: | | | | |
| Loss on convertible notes | — | \$ 0.0 | — | \$ 1.8 |
| Loss on litigation awards/settlement | — | \$ 0.0 | \$ 11.3 | \$ 0.0 |
| Non-cash interest expense | — | \$ 0.0 | — | \$ 0.2 |
| Tax effect | \$ 30.1 | (\$ 1.1) | \$ 4.6 | (\$ 18.8) |
| Non-GAAP net income | \$ 20.9 | \$ 23.8 | \$ 30.0 | \$ 75.1 |
| Non-GAAP diluted earnings per share | \$ 0.19 | \$ 0.21 | \$ 0.27 | \$ 0.70 |

- Table may not foot due to rounding

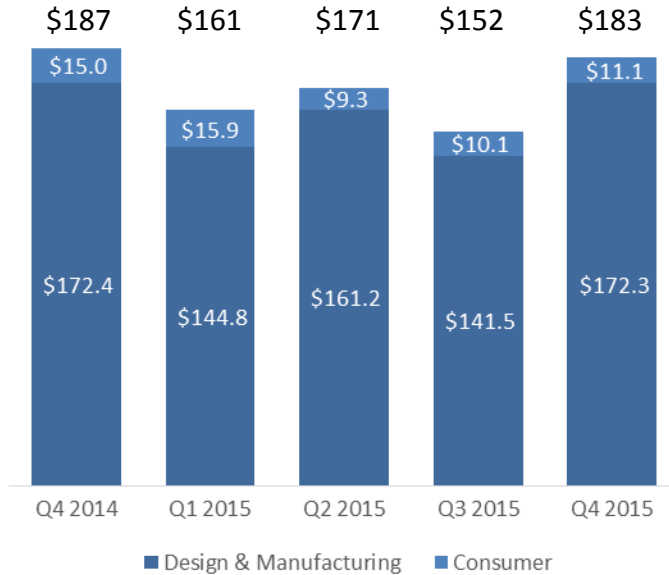
We use non-GAAP financial measures of adjusted net income and adjusted earnings per share to supplement our unaudited condensed consolidated financial statements presented on a GAAP basis to facilitate a better understanding of the impact that strategic acquisitions had on our financial results.



REVENUE HIGHLIGHTS

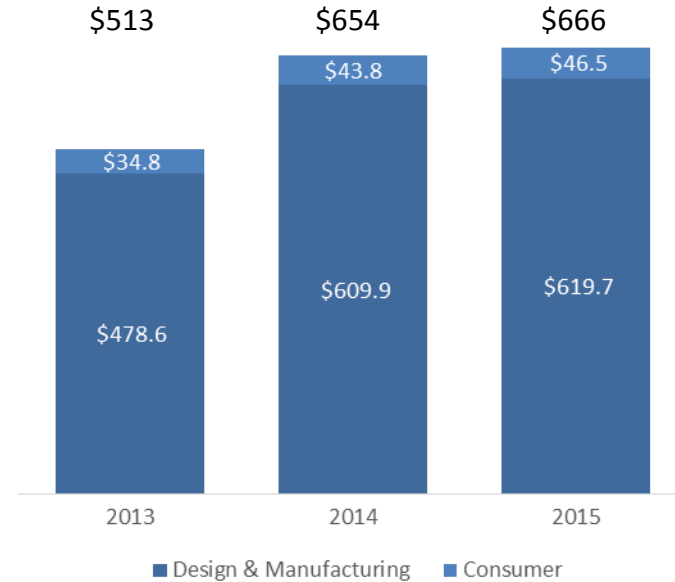
\$ in millions

Quarter



- Fourth quarter revenue decreased 2% from Q4 2014
- Timing of orders from healthcare and industrial customers and contributions from acquisitions supported fourth quarter revenue

Full Year



- For the year, revenue increased 2% over 2014
- Expanded products and services from acquisitions contributed to growth

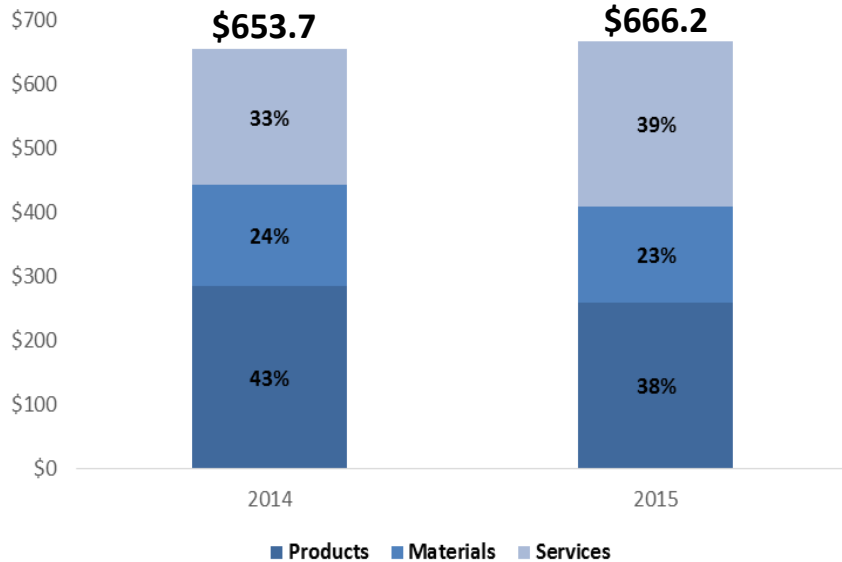


REVENUE BY CATEGORY & GEOGRAPHY

FULL YEAR REVENUE

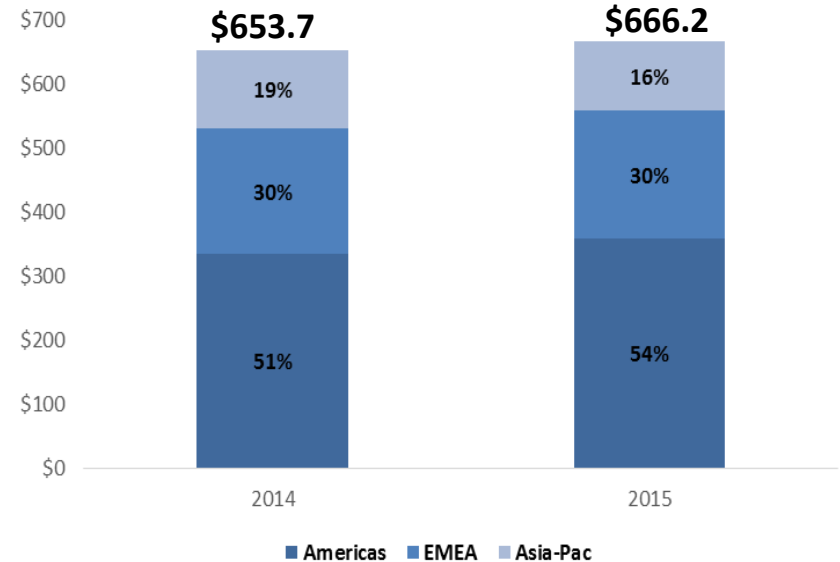
\$ in millions

Category



- Products revenue decreased 9% to \$257.4 million
- Materials revenue decreased 5% to \$150.7 million
- Service revenue increased 22% to \$258.1 million

Geography



- Americas revenue increased 7% to \$358.0 million
- EMEA revenue increased 2% to \$200.1 million
- APAC revenue decreased 13% to \$108.1 million



GROSS PROFIT MARGIN

\$ in millions

| Fourth Quarter | | | |
|-------------------------|--------------|--------------|--------------|
| | Q4 2015 | Q3 2015 | Q4 2014 |
| Products | (4.4%) | 24.2% | 33.8% |
| Materials | 75.5% | 75.9% | 75.3% |
| Services | 46.6% | 49.8% | 49.7% |
| Consolidated GPM | 32.8% | 46.9% | 47.9% |

- 2015 products and total GPM were negatively impacted by the \$27.4 million charge related to the shift away from consumer
- Excluding this expense:
 - Products GPM was 32.8% for Q4 and 30.2% for the year
 - Consolidated GPM was 47.7% for Q4 and 47.9% for the year

| Full Year | | |
|-------------------------|--------------|--------------|
| | 2015 | 2014 |
| Products | 19.5% | 35.9% |
| Materials | 75.7% | 73.4% |
| Services | 49.3% | 46.9% |
| Consolidated GPM | 43.8% | 48.6% |

- Tables may not foot due to rounding



FOURTH QUARTER OPERATING EXPENSES

\$ in millions

| Fourth Quarter - Year over Year Comparison | | | | | | |
|--|-------------------------|---------|-------------------------|-----------------------------|---------|-------------------------|
| Category | GAAP Operating Expenses | | | Non-GAAP Operating Expenses | | |
| | Q4 2015 | Q4 2014 | Increase/ (Decrease) | Q4 2015 | Q4 2014 | Increase/ (Decrease) |
| R&D | \$ 22.4 | \$ 22.5 | (0.4%) | \$ 22.4 | \$ 22.5 | (0.4%) |
| <i>% of Revenue</i> | 12% | 12% | | 12% | 12% | |
| SG&A | \$ 66.5 | \$ 63.0 | 5.6% | \$ 44.1 | \$ 39.9 | 10.5% |
| <i>% of Revenue</i> | 36% | 34% | | 24% | 21% | |
| Impairment Charges | \$ 537.2 | — | NA | — | — | NA |
| <i>% of Revenue</i> | 293% | — | | — | — | |
| Total Operating Exp | \$ 626.0 | \$ 85.5 | 632.2% | \$ 66.5 | \$ 62.4 | 6.6% |
| <i>% of Revenue</i> | 341% | 46% | | 36% | 33% | |
| Operating Expenses Excluding Impairment | \$ 88.9 | \$ 85.5 | 4.0% | | | |

- Tables may not foot due to rounding

- Excluding impairment charges, GAAP operating expenses increased 4% compared to Q4 2014
- Cash operating expenses increased 13% over the fourth quarter of 2014 to \$66.7 million



SEQUENTIAL OPERATING EXPENSES

\$ in millions

| Fourth Quarter - Sequential Comparison | | | | | | |
|--|-------------------------|----------|-------------------------|-----------------------------|---------|-------------------------|
| Category | GAAP Operating Expenses | | | Non-GAAP Operating Expenses | | |
| | Q4 2015 | Q3 2015 | Increase/ (Decrease) | Q4 2015 | Q3 2015 | Increase/ (Decrease) |
| R&D | \$ 22.4 | \$ 22.5 | (0.4%) | \$ 22.4 | \$ 22.5 | (0.4%) |
| <i>% of Revenue</i> | 12% | 15% | | 12% | 15% | |
| SG&A | \$ 66.5 | \$ 83.2 | (20.1%) | \$ 44.1 | \$ 46.7 | (5.6%) |
| <i>% of Revenue</i> | 36% | 55% | | 24% | 31% | |
| Impairment Charges | \$ 537.2 | — | NA | — | — | NA |
| <i>% of Revenue</i> | 293% | — | | — | — | |
| Total Operating Exp | \$ 626.0 | \$ 105.7 | 492.2% | \$ 66.5 | \$ 69.1 | (3.8%) |
| <i>% of Revenue</i> | 341% | 70% | | 36% | 46% | |

- Tables may not foot due to rounding

- Cash operating expenses of \$66.7 million were flat sequentially.
- As a result of the impairment of intangible assets, we expect a 42% reduction in amortization expense to \$35.1 million in 2016.



BALANCE SHEET

\$ in millions

| | December 2015 | September 2015 | Sequential Increase/ (Decrease) | December 2014 | YOY Increase/ (Decrease) |
|---------------------|--------------------------|---------------------------|--|--------------------------|---|
| Cash | \$ 155.6 | \$ 157.5 | (1.2%) | \$ 284.9 | (45.4%) |
| Accounts Receivable | \$ 157.4 | \$ 134.5 | 17.0% | \$ 168.4 | (6.5%) |
| Inventory | \$ 105.9 | \$ 138.2 | (23.4%) | \$ 96.6 | 9.6% |
| Accounts Payable | \$ 46.9 | \$ 48.5 | (3.3%) | \$ 64.4 | (27.2%) |
| Working Capital | \$ 287.0 | \$ 339.3 | (15.4%) | \$ 432.9 | (33.7%) |

- Tables may not foot due to rounding

- Generated \$7.5 million of cash from operations during the fourth quarter of 2015 and used \$3.1 million for the full year.
- In the fourth quarter, we paid \$2.0 million for venture investments. For the full year, we paid \$91.8 million for acquisitions and \$5.8 million for venture investments in 2015.
- Inventory decreased from the \$18.6 million write down of inventory related to our shift away from consumer combined with improvements we made within our planning and procurement processes.



FINANCIAL CONCLUSIONS

We are taking steps to reduce costs and better prioritize our resources, through targeted measures that include the consolidation of facilities and headcount reductions and companywide synergies.

At the same time, we are investing in products and services related to key verticals that we believe have meaningful opportunities.

At the end of 2015, we announced our shift away from consumer and we are currently evaluating how much of the expenses related to discontinued products will be redeployed as investments in other areas.

As we continue our comprehensive review of our business and strategy, we are committed to taking the necessary steps to improve profitability and foster long-term sustainable growth.



Q&A SESSION

Out of respect for other conference call participants, please ask one question and then return to the queue to ask additional questions

Please direct all questions through the teleconference portion of this call

To ask questions:

- **U.S.: 1-877-407-8291**
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Thank You



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