

Mossberg's Investor Digest

Best Idea Profile:

3D Systems Corp. (NYSE:DDD)

DESCRIPTION:

Headquartered in Rock Hill, South Carolina; 3D Systems designs and manufactures 3-D printing, rapid manufacturing, and prototyping systems that enable complex three-dimensional objects to be produced directly from computer data without tooling. The Company also operates 3Dproparts™, a comprehensive service that offers its customers rapid prototyping and direct rapid manufacturing services for the production of precision parts. Customers who use 3D proprietary systems are able to produce physical objects from digital data using commonly available computer-aided design software. 3D systems' ability to produce functional parts from digital art enables customers to create detailed prototypes, or production-quality parts quickly and effectively without a significant investment in expensive tooling, greatly reducing the time and cost required to produce prototypes or to customize production parts.

KEY INVESTMENT CONSIDERATIONS:

Large Market – 3D operates in 5 key vertical markets; Medical, Dental, Parts, Printers and Aerospace. The Company estimates the combined addressable market for these areas to be nearly \$3 Billion (source; company). With the market opportunity growing to \$5.05 Billion by FY2020 (Source: Wohlers Associates).

Efficiency Trend Play – Rapid Prototype plans and manufacturing bring efficiency to an increasingly competitive global environment. The Company's processes and services displace or augment the traditional manufacturing process by cutting costs and compressing lead times. 3D services have been adopted by many top manufacturers such as GE, 3M and BMW.

Fragmented Market: Competition in the parts printing service business is highly fragmented, with most of the services suppliers operating on a local level. 3D has created a strong franchise within the sector. The Company has had some success with acquisitions and may emerge as a significant industry consolidator.

Complete Service – Many of the Company's competitors try to fit an existing service or machine to many types of jobs. 3D has 6 print engines and uses 90 materials which it utilizes in a customized approach for a competitive edge.

Intellectual Property – 3D has 900 patents issued or pending.

Diversified and Recurring Revenue – 70% of the Company's resources come from recurring revenue. Nearly 50% of 3D's revenues are generated from outside the United States.

Growth – For the first 9 months of FY2011 3D has reported double digit growth on a year-over-year basis for all 4 reported categories, which includes; Printers (31%), Print Materials (21%), Services (102%) and Healthcare (38%).

New Products Driving Growth – 3D has commercialized 13 new products so far in FY2011 which have generated \$50.5 million in revenues.

Strong Financial Results – For Q3SepFY2011 3D reported 57.5MM in revenues vs. \$41.5 MM and Gross Margins of 48% (a 3% improvement) on a year-over-year basis. The Company has \$73mm in cash.

VALUATION:

Analysts currently have revenue estimates in the \$224MM range for FY2012 and \$268MM for FY2012 (which equates to a 20% increase). The Company's large and successful R&D efforts are currently monetizing very quickly. Higher revenue growth and earnings should drive share appreciation as this story develops.

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Investment Data (as of 12/23/11)

Recent Price	\$14.95
52-Week Range	\$12.78 - \$27.28
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	51MM
Average Trading Volume (3 mos)	485k
Market Capitalization	\$755MM
Cash	\$73MM
Long Term Debt	\$4MM
Enterprise Value (EV)	\$690MM
Book Value	\$4.54
TTM Revenue	\$212MM
P/ Revenue	3.6x
TTM EPS	\$0.73
P/ EPS	20x
TTM EBITDA	\$43MM
EV/ EBITDA	16x

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