Operator: Greetings, and welcome to The ExOne Company third-quarter 2014 financial results. (Operator Instructions) As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Karen Howard, Investor Relations for The ExOne Company. Thank you. You may begin.

Karen Howard: Thank you, Adam, and good morning, everyone. We certainly appreciate your time today for our third quarter 2014 financial results conference call. On the call with me this morning are Kent Rockwell, our Chairman and Chief Executive Officer; David Burns, President and Chief Operating Officer; and Brian Smith, Chief Financial Officer of The ExOne Company. We will be reviewing the results for the quarter and the first nine months of the year that were published in the press release distributed after yesterday's market close. If you don't have that release, it is available on our website at www.exone.com.

The slides that will accompany our discussion today are posted there as well. Referring to the slide deck, on slide 2 is the Safe Harbor statement. As you may be aware, we may make some forward-looking statements during the discussion, as well as during the Q&A.

These statements apply to future events and are subject to risks and uncertainties, as well as other factors that could cause actual results to differ materially from what was stated here today. These risks and uncertainties and other factors are provided in the earnings release, as well as with other documents filed by the Company with the Securities and Exchange Commission. These documents can be found at the Company's website or at www.sec.gov.

We will have Kent first provide an overview. David will review our third quarter 2014 progress and revenue, as well as our revenue look-ahead for the remainder of 2014, and then Brian will provide a detailed review of the financial results. Then we'll turn it back to Kent to discuss our outlook before we open the line for Q&A.

With that, I will turn it over to you, Kent.

Kent Rockwell: Thank you, Karen, and good morning to all of our participants today.

You've had a chance, I am sure, to all look at the release we put out. We at ExOne are as disappointed as you are in the machine revenue shortfall that impacted our reporting for the quarter. I want to spend a little bit of time to get you comfortable with the fact that this is not about losing sales or losing orders. We have every order that did not ship in the third quarter currently in place for shipment in the fourth quarter. It's really about shipment timing.

When you're shipping very large and very expensive orders to customers worldwide, particularly in India and China and Slovenia, or all the different places where we ship machines, you do have customers that call and request that we hold a machine for 30 days or so because their building may not be done or something similar. It's hard for us to spend the time and energy to argue that some of these things are not the customer's fault. Some of them are our fault, but they are minor in nature. The fact is, as long as we are capturing those sales, I think you will see these circumstances reflected in future sales.

We missed by about $4-5 million of revenue that we had anticipated would ship in that period. When you're shipping very large and very expensive orders to customers worldwide, particularly in India and China and Slovenia, or all the different places where we ship machines, you do have customers that call and request that we hold a machine for 30 days or so because their building may not be done or something similar. It's hard for us to spend the time and energy to have to argue that some of these things are not the customer's fault. Some of them are our fault, but they are minor in nature. The fact is, as long as we are capturing those sales, I think you will see these circumstances reflected in future sales.

The important thing is that we are walking away with an increasingly larger base of satisfied customers. As a result of this miss, and one or two things that we are going to discuss in a minute, we have revised revenue guidance down to $45 million to $50 million for 2014. We'll touch on why that is occurring in a bit. The positive news is that the non-machine revenue is up over 40% for the quarter as well as through year-to-date, and we are fairly confident that we are going to continue to maintain a high growth rate in that revenue category.

We have some pricing strategies that we are just starting to engage in right now to increase large volume orders in our PSCs. We are maturing the volumes that are running through there. We have a very fixed
overhead level at our PSCs, and so the incremental effect of some of these new large frame orders will definitely improve both the revenue and margins as we move forward.

A quick global overview of what's going on in our various markets: in the Americas, we are seeing a growing acceptance. We have a larger salesforce that has been in place now long enough to start to have a real impact on us. We are also seeing more applications engineering coming out of our R&D center with a lot more customers who are now coming in with funding specific focuses that they have for some of these machines. The American acceptance is quite positive, and I think that we are just starting to mature in this particular market.

The European market, during the course of the year, has had CapEx spending reductions. As you know, the economies are going a little softer there. Our biggest European base of business comes from the automotive sectors in Europe. And while they have had a few fairly good years, they are more cautious about spending. Having said that, we have had a record growth in the non-machine revenue business in Europe. And one of the things that we have encountered that we are still evaluating, is that the Russian sanctions have slowed down. The sanctions are both coming from the EU and from the United States. We have a clear obligation to meet all the standards of those sanctions, and we are doing that. In the process of that, we believe we will be able to sell to most of our customers in Russia. We have quite a few there, but we have to get through the sanctions to prove that the application of our machines is not for military purposes. It's put a definite delay on some things. Our guidance would be higher for the year, but we know we are sitting right now on orders for delivery in Russia, and we don't know when and if they will ever be released until this sanction issue is ultimately rectified.

In Asia, our markets have been a little varied. There is a lot of activity in China. We haven't sold a whole lot yet, but we have some very substantial pending orders in China. We also shipped some M-Flex machines into the Chinese market this quarter. In Japan, which has been a stalwart part of our machine growth business, we have not seen a single sale for over three quarters. The reason for that is that the Japanese government funded a program to compete with the ExOne machining process, a $30 million to $40 million venture that they started about a year ago to challenge building a CNC machine for their foundry that would compete with our process because they are so desperately dependent on exports. Our Japanese customers are all closely united with their government there. They have just slowed down, even though we've had good relationships with those customers. It has put pressure on our order flow, and it has taken time to service and then to reestablish our preeminent position in Japan. We are now experiencing orders from Japan because that government program appears to be faltering. We are taking the appropriate steps to remind them of our IP position and the strength of even our soft IP. The last reports we've heard from our offices and some of our customers was that that government program is probably moving a lot less to CNC and a lot more to other applications. As a result of that, our customers, who have sat back on their heels waiting to see what was going to happen, are now ordering new machines, and they have talked about a substantial order uptake in the 2015 period.

Around the world, there are a variety of different activities taking place, and we still remain very firm about our machine orders getting strong and stronger. David is going to mention to you some of the things about our new machines, and the various customers that we have on the S-Max Machine.

While the machine order rate has declined so far this year, the fact of the matter is we are now taking these machines and moving them into phenolic, silicate materials that we are printing, which provide a variety of new applications for these machines. In a bit, David will also address some of the totally new materials we are working in.

With that, I believe I will turn it over to David to cover some of the salient points of our quarter, and then to Brian.

David Burns: Thanks, Kent, and good morning, everyone.

This is David Burns, President of ExOne. If you could flip to slide six, I want to begin this section by reminding you that we said at the beginning of 2014, that we expected 2014 to be a transition year. We
felt 2014 was our opportunity to take the proceeds from the capital raises we had done and to transition those into a build-out of an infrastructure that was going to support a much larger company moving forward. I want to touch on a few of the initiatives that we are continuing to invest in for 2014, before we review where we are with our revenue and sales.

On slide 6, you see our investment in people. We have talked about a worldwide build-out in terms of people capacity. Since the IPO, we have added the equivalent of about 100 people. But, as you can see, the growth rate is slowing significantly in terms of our people build-out. We believe that on the R&D side, the sales and marketing side, and the capacity to build products side, we now have a workforce that is large enough to sustain a higher revenue base. Therefore, we are slowing down in terms of our hiring rate, and you can see where we are with that at the end of Q3.

Moving on to slide seven, we continue to invest in enhancing controls to be sure that the Company that we have going forward is a world-class Company in every regard. We are pursuing ISO certifications. As you may know, that is a quality system certification that is recognized globally as the standard for quality certifications. During the quarter, two more of our US facilities achieved ISO certification. By the end of this year, we expect all five of our US facilities to be certified. Our German certification is tied directly into our move to our new European headquarters. Now that the move of our production is nearly complete, we will continue to work to get ISO certification in Germany, as well.

The financial controls and our ERP system implementation are linked together. We have been saying that we feel we need a world-class ERP system in order to conduct the business of this Company appropriately. We are engaged in a multi-phase rollout of a new ERP system, and we will go live by January 1, 2015 with the first phase of our ERP rollout. I want to remind you that it is going to continue through 2015 and probably into 2016, until we get all the modules implemented. But, we are very excited about the fact that we are going to turn on our new XRP system on January 1.

On slide eight, you can see a picture of our European headquarters: we have been talking about this for a year now, and we continue to be on schedule. The building itself is done. The offices are moved in. Much of our machine build activity has already been relocated to our new facility. Our production service center is not yet moved, and we have got a lot of moves to make between now and year-end. Of course, all of those moves will be timed in a way that we are not interfering with customer orders. We are adding significant capacity in Europe, and we feel comfortable that’s what we need going forward. Beyond the capacity expansion, I’d like to remind everyone that we are combining five individual locations into one, and the efficiency and effectiveness that we are going to achieve as a result of that should be significant, and we’ll see the results of that in 2015.

As noted on slide nine, our Italian production service center and sales center is opened. The machines that we need there are being installed now, and we are just beginning to print customer parts. In North Huntingdon, we are also doing an expansion and that facility will be opened before the end of the year, as well.

Moving on to slide 10, when we went through the IPO process, we talked about the need to invest heavily in both materials development and machine technology, to be sure that we could be the leading industrial 3-D printing company in the world. On the materials development side, we have talked about rolling out a new material about every six months. Since we have these calls more frequently than that, it is hard to give color to what’s going on, even though there is a lot of activity that we see internally. I do want to highlight a couple things. There are groups of materials that are either highly thermally conductive, or they are very low in terms of thermal conductivity; they are uniquely suited for binder jetting as the technology for industrial 3-D printing. Because thermal conductivity is a big issue when you are dealing with laser sintering technology, and it’s not a big issue when you are dealing with binder jetting technology, we have recently focused on a set of materials that are either very highly thermally conductive, or have low thermal conductivity. I would put carbon in that category, I would put graphite in that category, I would put ceramics in that category. In all cases, these are materials that are well-suited for the oil and gas industry, as well as the aerospace industry, and we are making significant progress in both of those arenas.
In order to give you more of a sense for what we see internally, late yesterday I walked around and asked two of our R&D folks to tell me how many different powders either customers have sent in here for testing, or we have initiated testing on over the last 12 to 18 months. The low number I got was 25. I am telling you that we have, in the last 12 to 18 months, worked on at least 25 different materials and powder combinations for customers. When you begin to add in the binder combinations, you even get a multiple of that. There is a lot going on in our R&D world, and we are actually very, very pleased with our progress, and you will hear more about it as we go forward.

On the next slide, I wanted to point out something that we have recently developed which we find intriguing, and without being specific about the metrics around it, let me simply say that we have developed what we are loosely calling at this moment, 3-D printed metal holography. If you see the image on the left, that is a JPEG, a picture that you take with a digital camera. Today, with software that we have developed and have control of, we are able to take that picture and convert it to an STL file, which is what you need for machine language to actually 3-D print. In less than a minute, and you see the middle image is the STL file of that digital picture, and in less than 30 elapsed hours, we can produce the object on the right. It's relatively thin. It can be printed on both sides, and it's nearly holographic in nature, meaning that if you turn the object, you see different contrasts within the object itself. It is intriguing. I am not at this point revealing anything more--this is the first time we have talked about this publicly. But, we are capable of taking hundreds and hundreds of pictures simultaneously, and printing hundreds and hundreds of these objects within any 30-hour period. It's a business opportunity. We are not sure exactly what we're going to do with it. Again, we are we are currently calling it 3-D printed metal holography. Let me repeat that this is the first time we have publicly talked about this.

The next slide is on machine development. Let me quickly review the four machines that we talked about on our last call. First off, our new lab machine: you see a picture of the prototype of the machine there. It's a bigger build chamber than our traditional lab machine. It is much, much faster and it will carry a purchase price of less than $100,000. We are building these machines in North Huntingdon. We expect to sell several of them in 2015.

We have talked about converting our Print platform to be capable of the direct printing of metals, and we will in fact ship our first M-Print in the fourth quarter. The S-Max Plus machine is a machine that was specially developed to allow the use of inorganic and semi organic binders which, for a lot of applications in the casting world, are better binder combinations. We had hoped to have machines available earlier in the year. Again, when we talk about machine sales for the year, we have not yet shipped an S-Max and we have three in the queue to ship in Q4.

Finally, since before our IPO, we have talked about the build-out of a series production machine. This is a machine that would be used in relatively mid-volume production. We are announcing here for the first time that this machine will be shown at the GIFA show in Dusseldorf in June of 2015. Every four years there is a large foundry show held in Dusseldorf. We have a large booth there, and we will be showing our new series production machine with some automated features which will be able to take parts that we have printed in an automated way, and deliver them into production. It's an exciting time for us, and we're looking forward to the GIFA show.

Flipping now to slide 13, let's go quickly through the revenue review of Q3. As we all know our revenue was just under $10 million which was, of course, a disappointment. The split between machine and non-machine, you can see non-machine revenue was more than 50%, was unexpected. As for the splits by region, our Americas business, as Kent pointed out, is relatively robust, and we have had a significant lag in business in Asia.

I want to go to slide 14 which is more revealing, which shows our year-to-date progress. You see exactly the same pattern. We have more non-machine sales year-to-date than machine sales, and our Asian business has been lagging significantly.

As Kent pointed out and as quantified on slide 15, we are very pleased with the growth of our non-machine business. In all categories we are seeing significant year-over-year growth, and we see no need
for that growth to abate as we move into 2015. The CAGR line is at about 28.3% and we are pleased and happy. We had committed to grow out our non-machine business, which we felt over time could be as much as 50% of our overall revenue, and the non-machine categories are all growing nicely.

Slide 16, machine sales for the quarter and for the trailing 12 months. As Kent pointed out, our third quarter was a disappointment to us. Between sanctions in Russia and the lagging sales in Japan as well as some other extraneous factors, we certainly are not pleased with where we are.

But I do want to jump to slide 17, which is our view of Q4 and the full year. Quite regularly, we have given our reasons for why we feel that we can't give quarterly guidance, and why we want to be judged on a full-year basis. We are asking for you to understand that we still feel positive about how we are going to emerge from 2014. I want to reiterate the guidance that Kent has already provided of $45 million to $50 million in total revenue.

In order to achieve that revenue base, of course, if you look at our non-machine business, my guess is that all of us, using the growth line, could forecast to within a few hundred thousand dollars what we think is going to happen in Q4 with non-machine. That will be a record, though we seem every quarter to exceed the quarter before and set records. In order to reach that guidance, we need to have a record quarter in terms of machine shipments.

What gives us confidence that is going to be true? When I take a look at where we are in terms of machine orders, we have the highest number and order value in machines that we have ever had in this 10-year history of ExOne. And I have been here for all 10 years. Those orders that we have in hand are fueled by a resurgence in our Asian business. They are being fueled by customers who are, in many cases, taking their second or third machine. We believe we are going to be pleased with the machine business that we report out for the full year.

We have the capacity to accomplish what we need to in terms of machine shipments. While we are talking about a very hefty machine volume in Q4, we have been telling you for a year now that we have built out, in anticipation of our move, enough machines and inventory to be sure that we could satisfy the market as we approach the end of the year.

We have the capacity to ship the machines that we need to in order to reach our revenue guidance. Although we certainly feel as disappointed as everyone does with the machine volume in the third quarter, we are in fact very confident we are going to achieve our revenue goals. That would yield, of course, a record quarter in both non-machine and machine revenue in Q4.

With that, I am going to turn it over to Brian, our CFO, to go through a little bit more of the numbers.

Brian Smith: Thank you, David.

Hi. This is Brian Smith. I will cover slide 19 with a little more on color on revenue, margin and gross profit. We felt, absent the volume, we were relatively in line with what we expected in margin. A couple of points of color there: running at a roughly $10 million pace this year, with, if you compare us back to Q3 of 2013, we are 70 more people globally, and we are three more PSCs than we were in Q3 2013. So to support that, we obviously need higher volume to absorb those costs, and the Q3 2014 shows that.

The ExCast investment which we said was largely over, is largely over. We do have some lingering costs in Q3. Again, because of lower revenue, they are a little higher. They are somewhere between 2.5 and 3 margin points. Otherwise, we felt like we were pretty much in line. You'll see later, I'll talk that we have re-forecasted margin, again, based on volume of machines. And as we said before, our machine margins are higher than our non-machine margins. The trailing 12 month results fall largely in line with the same discussion.

If you'll turn to page 20, you can see that our SG&A costs have leveled off. In fact, Q3 2014 is actually lower than Q4 of 2013. We did have slightly higher costs in Q4 2013. We will have slightly higher costs in
Q4 2014 due to the cyclical nature of our SG&A as we get closer to year-end, as well as higher sales of our machines and selling costs related thereto. We believe that we will fall right in line with our guidance, overall guidance for 2014.

If you move to page 21 with R&D in Q3 2014, last quarter we said we were preparing our new machines for delivery, as well as continuing with our materials qualification activities. That increase between Q2 2014 and Q3 2014 is largely related to the machine technology development in accelerating the release of those new machines.

If you turn to page 22, we'll talk about capital available for growth. As we've said, we have been putting capital to work consistent with our strategic plans to build out our facilities and our infrastructure. At the end of September, we had approximately $45 million in cash and virtually no debt.

Our investment in our facilities at the end of the year will be largely complete. We've had an uptick in working capital principally related to inventory and expect some of that inventory to turn here in Q4. In line with that, we would estimate that cash will be in the $36 million to $40 million range at the end of the year, available for 2015. We originally said we would have $45 million to $50 million in cash at the end of the year, if you remember when I said that back in Q1. The change is largely due to the guidance change we have had in revenue, and that investment in inventory. Those are the two places where that delta is.

If you turn to page 23, you will see that we have updated our CapEx forecast. It was originally $31 million to $34 million, and that has moved into the $29 million to $31 million range. In each one of the categories including facilities, PSC and related equipment as well as ERP, the numbers have come down slightly to fit within that $29 million to $31 million range. If you remember in June, I said that we would be at the lower end of the CapEx plan range, and now we have been able to narrow that down.

If you will, turn to our 2014 guidance on slide 24. As Kent said, and David elaborated on, we have updated our revenue guidance to $45 million to $50 million. Our gross margin guidance is now projected between 28% to 32%. That is largely because of the lower machine revenue and mix, as well as our investment in ExCast, and those amounts are all-in. As is consistent with the last couple of quarters, that margin guidance excludes moving costs, the nonrecurring costs related to our facility expansions. We had very little cost in Q3, probably a point or less in COGS. We will, as David said, be completing the North Huntingdon expansion by year-end. That facility is nearing completion, and our PSC move is ongoing. Having said that, and being in the middle of it, we believe we are probably trending toward the low end of that $1.5 million to $2.5 million range. We will be able to pin that down more closely, once we complete that move and all costs are in. In terms of SG&A and R&D, we have maintained our guidance of $19 million to $21 million for SG&A and $7 million to $8 million in R&D. We are probably trending toward the higher end of the range in the R&D area, and certainly within the range for SG&A.

With that, I will turn it over to Kent.

Kent Rockwell: Okay. Thank you, Brian and David.

We came out of the box in February of 2013 as an emerging growth company, meaning that we were identified as a company that had the opportunity to be growing at a higher rate. One of the issues of being an emerging growth company is that you will experience great variances, because you have to be strategically adept at making changes to be able to respond to what you are learning in the marketplace with what has basically been an unfounded, but seemingly wisely thought-out new technology. I can only say that the affirmation in the marketplace of the binder jetting technology is essential and well-founded, as reflected by the level and the kind of customers that we are dealing with.

We didn't realize 2014 was going to be as much of a transition year until we got into the actual year itself and realized the variances that we would be dealing with as we started completing several tactical objectives. First and foremost, the facilities expansion in Germany, which is huge, we are moving into one very, very fine, large facility condensing the five disparate facilities that we were located in. This took the focus on a lot of the people in Germany away from their day-to-day jobs, while they started looking at how
they were going to make this transition. They had to think, ‘How are we going to get it done, and how are we going to move all these things and make it happen?’ It turns out that the effort to get that accomplished was much more intense than we had anticipated.

Although we have not yet completed the move to our new European Headquarters, I think it has been absolutely the wisest thing that we could have done—we just underestimated what that effort took.

Similarly, we opened a couple new PSCs while simultaneously undertaking the large expansion in the North Huntingdon facility. We fired up that new furnace yesterday. It is a whole new furnace process we have never used before. I went out and looked at them this morning, and they were coming out of this 70-foot oven. With this process, we are hoping to get dramatically improved effectivity.

We have had a lot of process changes being put into place. With all of those things taking place, it has been a difficult transitory year. Also added to that is the locking down of our Russian market on a temporary basis, while we get validation for those customers that are not doing military business.

We have opened in Italy, and it is working well but not reflecting anywhere near capacity in revenues yet. We do, however, have new customer development with some very good Italian customers that are working with us. That’s coming along fine, but it’s slow because it’s all about applications.

We did have, as I mentioned earlier, in our S-Max product line, which has been our prime large machine, new opportunities in printing phenolic, silicate and other materials including the carbons that David mentioned. These are phenomenal opportunities for us because they keep us in a very distinctive market where we are not competing with anywhere else in the world in any great degree. That we were slow to the printing of the materials, by the way, has not been an issue at all.

It is the post-printing processing of these new materials that has slowed us up a little bit, but we have found the solutions. We are working with our customers on continuing solutions that will meet their specific needs, because a lot of this is becoming more of an applications engineering science, rather than just our R&D science.

Coming through the year, I am proud of what our team has achieved from a progress perspective. It's been tough. We have had to be humble. I hate it when my credibility is challenged, with regards to having to forecast and then not achieve it.

It is one of the reasons that we've said that we only provide annual guidance, because trying to meet the standards of quarterly guidance in such an emergent opportunity actually creates a huge amount of stress on the management team here. Sometimes we even take actions that I would deem unintelligent, but they were necessary to try and address the market expectations, as to opposed to just working through the customer expectation, and letting these things mature until they pretty well disappear.

As we move into 2015, much of this is going to be behind us, and the opportunities from all the R&D work that we are doing in these other areas is going to start to demonstrate itself. We have anticipated organic growth of 25% to 35%. I really believe that’s something we could even exceed if things continue to grow on the R&D side, where we have some proprietary things that we’re accomplishing that could really open up some new opportunities for us.

I did mention earlier, we are reducing prices in the PSCs, as we have moved to the larger production capabilities that we now have available in our PSCs. We are only reducing prices when we get large orders. We have the flexibility to do that, while still maintaining very good margins. It will be the timing of getting these volume orders into the shops that will determine if we can even exceed this goal. It won’t take very many of them for us to be able to do that but you know how difficult it is for us to predict timing.

In terms of strategic growth opportunities including acquisitions, we have focused on pieces in the past here that have supplemented our base core business. I am not interested in stepping outside of the core business. The binder jetting opportunity is a multi-billion-dollar opportunity as it matures itself over the
coming years. It's big enough for us to say, let's stay where we are the smartest, where we are the best, and we are making our best penetration. We may consider acquisitions where they complement our existing strategies, the existing strategies of ExCast, and our machine sales and our machine growth.

David mentioned the new series production machine. We will have much more to say about that later. It's a great opportunity that we are keeping under wraps for the time being for intelligent reasons.

Finally, we are focusing on getting to a sustained level of profitability, and I think that's an obligation that we obviously have to our marketplace.

Brian mentioned that our CapEx is essentially over, so that we don't radically diminish cash, unless we were to continue with losses. We don't see that happening. We have enough cash still to make our way through the markets, so I feel that we are positioned to look at a couple acquisition opportunities.

We also have a couple other strategic growth initiatives in our marketplaces for some very large responses in US government programs, as well as other areas outside the US where we have promising initiatives in those markets, which can impact us positively in 2015. We are not capable of investing in them yet, but if they mature the way we believe they will, 2015 is going to be an exciting year for us.

My apologies that our performance doesn't meet the standards of what the Street had out there collectively for us. But I just have to say our job is to keep our heads down and keep doing what we are doing. We'll get it to there as we move into 2015. Even with 2014, if you didn't ship any machines in the third quarter, it's pretty easy to get to a record in the fourth quarter, and we are going to do that. We are going to move on from there, I think, in a prosperous manner.

Karen Howard: Thanks, Kent. Adam, we are ready to open the lines for questions. Thank you.


John Baliotti: Dave or Kent, with respect to the $4 million to $5 million of machine revenue that you said that slipped, and the record machine orders, can you give us a give us a sense of the firmness of those, in terms of customers being able to potentially walk away from them? I know they can push them out, and obviously if their facility is not ready there is not much you can do about that.

Kent Rockwell: Given our history of success in being able to demonstrate this information, we are all quivering like little rabbits in a hole, trying not to get too specific, John. But I think, that in all honesty, we have a pretty good handle on the fourth quarter, and down to the very exact individual names where. I am going to let David scope it out for you in terms of what are the total opportunities, and what we'll probably deduct from that.

John Baliotti: Thank you.

David Burns: Good morning, John. I would characterize what we go through on a machine order as a process that goes from a customer commitment, to us receiving a purchase order, to us settling financing terms, to getting a machine shipped, and ultimately revenue recognized. There are a variety of steps. Depending on the customer, those steps are different. And it looks different in different countries.

I think where we've struggled in the past a little bit is that at the point we felt we had commitment we felt we were pretty well locked in for revenue within a particular timeframe, which hasn't necessarily been true. What I would say is different in the upcoming fourth quarter is simply that we are further down the order process chain with many more orders than we were at this time last year, or from where we were in the third quarter.

We have hard PO's in hand for a variety of machines. Not all of those are going to translate into revenue in the fourth quarter and we recognize that. But, we are sitting on actual POs that far exceed anything we've had in our history at this point in time.
I can tell you that when we guide to $45 million to $50 million, we are doing it because we can see ahead of us a clear path to get to that number. It's not a wish. It is in fact what we are charting ourselves, in terms of that's the way it's going to turn out. I hope that's helpful.

**John Baliotti:** Yes. Dave, we've talked about this in the past, but historically, your sales cycle in general is six months to two years long. I think you mentioned in one of the recent prior quarters, that a new customer tends to be on the longer side of that, and an existing customer tends to be on the shorter cycle.

You made a comment earlier that several of your customers that have orders in are ordering second and third machines. I would assume that helps the visibility, because those would be more on the shorter side of that lead time, is that correct?

**Kent Rockwell:** Yes. That's absolutely true, John. Secondarily, from a perspective of revenue recognition, when you have done business with a customer once, it's a far clearer path to machine acceptance and revenue recognition. The first time you do business with someone, you may stub your toe along that path. But once you have already done it with somebody, there are fewer surprises. The fact that we have got repeat orders with customers is really helpful, because it is a more predictable outcome in terms of both content and timing.

**John Baliotti:** Okay. Just one follow-up, and I'll pass along. We have also talked in the past that every one of your machine customers starts out as a PSC or service customer. I was wondering with regard to the mix in this last quarter or maybe as the year has gone on, I know you have some very large customers that are stable, but are you seeing more new customers coming in which provides the opportunity for new lead generation?

**David Burns:** Yes. As our business expands, especially into direct printers, that comment about all customers coming through PSC work first is becoming less true. In fact, now that we are shipping equipment to China, in some cases they are buying machines without any PSC work.

But yes, the breadth of customers we are touching with our PSCs is expanding, partially because we're reaching different geographies now. Even within the US, it is easier for West Coast people to get to us at one of our PSCs on the West Coast. We are opening up Italy. We are seeing new customers simply as a result of having new PSCs. But within existing PSCs, we discover customers every week that we necessarily would not have thought would be customers. They show up, and we start doing a little bit of work for them, and maybe those seeds grow and maybe they don't.

**John Baliotti:** Okay. Great. I'll pass it along. Thank you.

**Operator:** Sherri Scribner, Deutsche Bank.

**Sherri Scribner:** I just wanted to follow-up on the previous question. If you look at the full year guidance, it suggests for the fourth quarter that revenue basically doubles year-over-year and sequentially. I know you mentioned the $4 million to $5 million in machines that may be shipped from the third quarter. But I am trying to get a sense of what else is in that number that makes you confident that you can do roughly $20 million next quarter?

**David Burns:** This is Dave again. Well, if you hypothesize what the non-machine revenue is likely to be, and since we are on a pretty firm growth path, I think that number is fairly easy to get to. I say within a few hundred thousand, I think we could probably all guess. You are talking about probably $12 million to $15 million of machines. And of that, when they are $1.5 million a piece, it gets you to eight or nine units.

And as I said, we have tremendous confidence in a block of orders that we have in hand today that make up the majority of that. We expect incremental POs yet this year, and in fact we are -- as early as this
morning at 6:00 a.m, we are negotiating for another PO. POs are going to come. Not all of those are going to translate into Q4 revenue, but there is enough there to support our revenue forecast.

**Sherri Scribner:** Okay. That’s helpful. Thinking about the ASPs this quarter, you shipped about eight machines, suggesting that the ASPs for the machines were about $500,000 versus the approximately $1 million last quarter. That seems relatively low for you. In terms of trying to understand the fourth quarter going forward, how should we think about ASPs? Thanks.

**Brian Smith:** Yes, Sherri, hi, this is Brian. If you look at the mix, we've got a higher mix of lab machines which are lower-priced. It’s all related to mix. I think our projection is our mix for our fourth quarter will be weighted much heavier toward our higher end machines, our S-Max machines.

**David Burns:** This is Dave. I would say the ASP per machine unit held up, if you simply take the mix times the ASPs we have been talking about, quantity times ASP, you get the revenues that we expected. We were exactly where we expected to be from a unit perspective based on the resulting revenue. We have got $100,000 machines in there. We have got $1 million machines in there. Therefore, the ASP overall isn’t a very helpful number.

**Sherri Scribner:** Okay. It was mostly negative mix that drove that down, to lower end machines?

**Brian Smith:** Yes. That's right.

**Sherri Scribner:** Thank you.

**Operator:** Holden Lewis, Oppenheimer.

**Holden Lewis:** I have two questions related to your organic growth rate for 2015. When I think about the markets that you are addressing and materials that you are in, I always think of those as being faster growth areas within the additive space. I think the organic growth of 25% to 35%, is not a lot different from what your average plastics manufacturer, or machine manufacturer is thinking that the market can grow. I am kind of curious about that premium, or lack of a premium given your markets and materials?

Related to that, I think on the last call, or two calls ago, you thought that there was a path to perhaps breaking even in 2015. When I think about the lower base in 2014 and the lower growth rate in 2015, I wonder if there's still a path to breakeven performance in 2015, or has that been pushed out a period?

**Kent Rockwell:** We have a very strong fixation on getting ourselves to a profitable basis, and we will do everything possible to get there.

You saw some of our slides: the maturing of the headcount, the SG&A starting to level off, and the R&D increasing more modestly. We have got on the lower end of the realm, we have got a pretty good handle on managing our fixed costs. It’s all about the kind of revenue contributions and you get into two categories: machine and non-machine revenue to be able to get us to a number that demonstrates breakeven.

If you take the continued growth curve that we are holding in non-machine revenue and you run that out, and then you subtract to get the machine revenue and take the machine margins, I think it's pretty easy to model something that says it's going to take $70 million to $75 million to get to breakeven, if we hold those levels, and I think we should.

The real issue in my mind is some of the nonrecurring activities that we are really not at liberty to discuss right now, in terms of some of the other things that would contribute substantially to enhanced revenues, which would get us beyond that level. One activity could be acquisitive in nature. Another could be, if we pick up one or two $15 million, $20 million programs that were specific to different needs, and those can get you to the profit level. Your hopefulness is they become recurrent, so that you are stabilized in your profitability.
Will we start off with this great, new revelation in Q1? Probably not. Q1 just has always been a little soft anyway. But, we have a lot that we are trying to get done in Q1 that is all moving on target at this point in terms of these initiatives.

If that happens, I would say at the very least, if the running rate for the fourth quarter holds up, we could see profitability in the fourth quarter. It is just a question of getting sustained running rates at the higher levels. I believe that we have a lot of reason to think that's going to occur. Did that fully answer your question?

Holden Lewis: Well, I was also wondering a bit more about the 25% to 35% organic growth, which seems a little bit low given that it's on par with more mature technologies, more mature materials. I'm wondering why we weren't thinking somewhat better than that?

Kent Rockwell: Well, first we are trying to become credible. I think a 35% growth rate is an admirable growth rate for a company. Given that we have historically been chastised for missing our forecast, we have chosen to perhaps be a little bit more conservative in order to please the market, rather than be accused of nonperformance.

I think I said when we first talked about the non-machine revenue side, I believe that we could exceed it. I am not really ready to put a commitment on the table until some of these other things that we are working on occur. But I believe they will get us there.

Brian Smith: Kent, can I add one thing to the answer to your first question? Holden, this is Brian. The other piece of this is the efficiencies that we expect to get from some of these facility changes that we have. The ISO certification, and the new facilities. We do expect to be better at what we do going forward. That will contribute as well.

Holden Lewis: Thank you.

Operator: Jason North, Jefferies.

Jason North: Following up on that organic growth question for 2015, have there been any changes in terms of Russia or other things or slowness in ExCast that has caused you to take that down, versus what you previously thought maybe a quarter ago?

My second question would be for ExCast, I noticed it wasn't in your slides at all. I am wondering about the thought process for growth prospects, and what the order book is there? Thanks.

Kent Rockwell: Yes. Okay. The opportunities in ExCast are very large ones, and we are working multiple opportunities in various programs. I have not put in my growth plan, that ExCast will materially improve revenue in the 2015-year yet, because some of these events, even though they're multiple are binary. It's either an all or nothing win. I am just in an effort to maintain some conservatism so that we can gain back our credibility, I haven't put much ExCast in there.

The opportunity to hit some ExCast programs could be very large. Right now, it looks just as positive as it ever did. But since it has not been contributing in 2014, it's actually a negative -- it took us the other way - - I have chosen to keep ExCast somewhat nominal for the 2015 contemplation.

Jason North: Okay. Has there been any change overall? Is it Russia?

Kent Rockwell: It is Russia definitely -- we have to assume that Russia is a stand-down. We were anticipating opening a PSC in Russia and all of that has been put on hold. We have many opportunities in Russia, we have a lot of machines in Russia. They have been a good customer.
They are close to Germany. Germany has a good working relationship with them, where most of our machines have come from. Russia is a setback for us, which is another reason that we've said we can't make any gross assumptions, even though I believe we are going to get released on some machines that are clearly not used for military purposes. The truth of the matter, however, is that our machines can be used for anything and we have no ability to determine what they will be used for.

It is the government looking at the customer, and the government is making the decision about what that customer is really doing. In one or two of those cases, we have customers that are doing things that could be considered military applications. Therefore, we are probably going to be on hold with those, even for shipping consumables to them.

That is one of the hedges that we put into this. Despite the temporary loss of Russia, we have some other things that we are picking up that I think are going to offset that.

**Jason North:** Okay. Thank you.

**Operator:** Ajay Kejriwal, FBR Capital Markets.

**Ajay Kejriwal:** Well, thank you. Good morning. Kent and Dave, I know you talked about the quarter outlining some of the reasons as to the delays. I am just wondering, how much of the delays or deferrals would have been due to the expansion of facilities? I know you are working on multiple projects. Might that have influenced some of the deferrals?

Then, to the extent you are working on new machine development, and to the extent your customers know that you are working on newer versions, might that have also contributed?

**David Burns:** Hi, Ajay, this is Dave. First off, in terms of the move in Germany, the answer is we don't believe we experienced any machine delays as a result. It's not as if we got caught short, that we had a PO and we couldn't ship a machine.

Secondarily, we are aggressively pursuing new machines but we don't believe at this point that the customer base has indicated that they would hold off on a project because they hear about a new machine coming. That said, the delay in shipping S-Max machines did affect us, and those delays are now behind us.

We have queued up multiple machines to ship in Q4. We think that while there has been a little bit of noise around all of this, the noise is clearing up pretty rapidly.

**Ajay Kejriwal:** Good. You had commented that you have high confidence in the fourth quarter outlook that you provided here. Do you have any color on the trend so far? We are a month and a half into the quarter, is the confidence based on the trend so far that you have seen, or is it what you expect in the next few weeks?

**David Burns:** Well, the answer is yes. We have invoiced machines already in the quarter. We have orders in hand for multiple machines to go, and we have got PO's queued up for a few others, so yes. We shipped machines already for the quarter, so we are confident based on what is happening, as opposed to what we hope is going to happen.

**Ajay Kejriwal:** Good. One last one for me before I pass on. Kent, you talked about ExCast as something that can contribute longer-term, and you mentioned $15 million to $20 million type projects that may come out of this. To the extent you can talk about some of the larger projects that you are working on -- and I know it's probably not 2015, maybe it's 2016 -- do you have any color on the number of projects and the scope of those projects?

**Kent Rockwell:** I would actually have to go back and get Rick's list, but I can tell you that we have a list of over 12 large ExCast opportunities for multiple customers, most of which are aerospace and defense
customers. Having struggled with the Sikorsky experience, and even a little bit with the Marinette Marine, I am hesitant to run into doing multiple large ones quickly.

We are going to sit back. We have built a new team that is focused strictly for ExCast. It is still a 16-step process, where we have to manage a lot of outside vendors, in addition to our own processes.

I will say that the process failures that we experienced in the earlier time period were analyzed by the customers and by ourselves. We really do believe, and the customer firmly believes that we have the solution. It was our naiveté in contract negotiations, that we ended up eating the costs rather than the customer.

But that's life. That's what happens in these experiences. We have a good backlog, but we are going to be very cautious about taking large contracts that could run a risk of deteriorating or derailing financial performance, and we are going to take a slower and more positive approach to that market.

Ajay Kejiwal: Thank you.

Operator: David Ryzhik, Brean Capital.

David Ryzhik: Hi, guys. David Ryzhik here for Ananda Baruah. Thanks for taking my question. How should we think about SG&A and R&D in 2015 in the context of organic growth expectations? Should we assume it continues flattening out, as is the trend over the past few quarters? Any color on that would be helpful. Thanks.

Brian Smith: Yes, I think we are looking at SG&A essentially flattening out, with some fluctuations for sales commissions. We are not looking at significant increases in SG&A. R&D is a function of a couple of things -- what opportunities do we have and what should we be investing in?

Another thing that enters into our R&D efforts is whether we are funded or not. To the extent that we are funded in our R&D, obviously that would bring our run rate down because we would be getting revenue for contracts.

We don't plan on substantial growth in R&D going forward. There will probably be a little bit of growth in R&D going forward, but there is a flex point with R&D that we can utilize. I think that is what Kent was talking about is that we are focused heavily on profitability and making the bottom line. So there is a little more flex in R&D.

Kent Rockwell: We had in our favor, in this regard, the fact that while our market credentials may not be too good, our customer credentials are pretty good. I think that the verification of binder jetting in special markets where the lasers can't even play, is going to give us the opportunity to collect more funded contracts in R&D development. So I think they recognize now that they are going to get something for their money, and they are not going to try and hang it on our back but have us co-develop it with them.

If we do, then we are going to get some proprietary value from it. So we can be a little arrogant, in a friendly sort of way with some of these customers. That would be our intention.

David Ryzhik: Great. Thank you for that. What application sets are you seeing interest in for the S-Max plus? What would be the selling price for that machine?

Kent Rockwell: David, do you want to take that?

David Burns: The selling price is equivalent to the S-Max. There is not a significant difference. The application sets are places where people are interested in getting higher strength and higher heat resistant casting molds. This is often in aerospace. There are other applications, but aerospace seems to be a focal point.
David Ryzhik: Great, and last one. Can you remind us what percent of historical business, ballpark, came from Russia pre-sanctions? It seems as though based on the comments that the organic growth estimate for 2015 doesn't really include much from Russia, in that any Russian business would be upside from there? Just wanted to clarify that. Thank you.

David Burns: Well, our Russian business historically has been very cyclical. In some periods, we have a large order, and then very little in another period. I don't think we can really easily estimate what the effect is.

I would say looking into 2015, we are not expecting a significant contribution from Russian orders. If, for whatever reason, our Russian business became robust, it would probably create some upside.

Kent Rockwell: I'd like to quickly add that the reason it is cyclical is because we have customers with a particular demand, but the customers have to get their money from the Russian government. It is the cyclicality of Russian funding that is the issue, and not the cyclicality of their demand. If we could satisfy the demand of the customers, we would have a much bigger business. But the outflow of funds is a function of the government policy.

David Ryzhik: Great. Thanks so much, guys.

Operator: Brandon Wright, Stephens.

Brandon Wright: I have a quick question about the slight downward revision on the CapEx, as I'm trying to get a feel for this. Is it just simply costs not being as high as originally expected? Or are investments being curtailed to some degree?

Brian Smith: I think it's costs. We were probably a little conservative with the numbers. There is also some FX impact there, relative to what we had estimated FX between the euro and the dollar, that we picked up a little bit. There are a couple of pieces to it. Again, that is not a real large revision. But we are being a little bit better than what we thought. We were probably a little conservative.

Brandon Wright: Got it. Thanks, guys.

Operator: Bobby Burleson, Canaccord.

Bobby Burleson: I think, just looking at the growth that you guys were talking about organically for next year, it looks like if you maintain the growth levels the PSCs are delivering, and maybe add a PSC or two, we still require a lot of machine growth, at least where consensus numbers are. But if you look at organic, potentially there is very little machine growth. We didn't have any this year.

Someone asked earlier about growth rates in terms of the industry. Your machine growth rates in terms of industry are obviously tracking well below. I am wondering is that going to correct itself 2015 or beyond? What is it that you are doing to ensure that happens?

Kent Rockwell: I'll give you a quick answer, and David will probably follow-up. The first thing is we have new machines that we've briefly discussed here that will probably have a dramatic impact in 2015 and certainly in 2016 in large production orders, and those machines may be ordered four and five at a time.

The other part is, as David also mentioned, we have a variety of new materials that we are now flowing across these larger production machines. You start printing carbon and graphite on these large machines, as we will be doing, we are actually doing it now in the lab. We have got to do it in our own house, in the large machines, before we release them to the public to any great degree.

And that all moves a whole host of markets for which no one else can even bid. And so the diversification of our material applications, and the use of our applications engineering to forward market opportunities in
new materials is the essence of why we see the machine growth occurring. David, do you want to add to that?

David Burns: Well, I think that's a complete answer, Kent. In addition to that, of course our smaller platforms are coming online and getting acceptance, and while on a unit basis they don't contribute as much to revenue, we expect much higher volumes of those to ship over time.

We are still in the nascent stages of the M-flex production, and that is going to emerge and become a backbone machine with good volumes. So across the board, we feel pretty confident in what we are looking at next year.

Bobby Burleson: It seems like just the adoption of your machines is tracking below the adoption of other types of machines out there. And I am wondering -- it seems like that wasn't anticipated. And now we have new material sets, new machines coming. What gives you confidence that you are going to get the adoption rate right with a new set of products, when it seems to have been disappointing in the existing set?

David Burns: Well, Bobby, I'm not sure what data you are looking at when we compare. We are talking about full-blown industrial production equipment, and 3-D printing companies that are producing that kind of equipment are few and far between.

Bobby Burleson: There is a lot that comes out other companies that is for industrial production on the metal side, and they are growing 50%-plus.

David Burns: Well, I think perhaps we ought to look at data, so we understand that. But all I will say at this point is that, I think the explanation for 2014 hopefully is clear. We have gone through a fairly quiet period in Japan. We have tried to explain that. We talked about Russia. We see an emergence from all of that, and we feel confident that with the new product offerings we are putting on the table that we are going to step up to a higher volume level next year.

Bobby Burleson: Great. The run rate is definitely looking like it's improving in Q4. Do you think on an average quarterly basis next year, we are going to be at a higher machine run rate for some of the higher end machines?

David Burns: I would say on a cumulative basis for the year, that's absolutely true. Yes.

Bobby Burleson: Great. Thank you.

Operator: James Medvedeff, Cowen and Company.

James Medvedeff: I just had a couple of follow-ups. Number one, what is the status of the PSC rollout plan?

Kent Rockwell: Again, we have just completed Italy. We have deferred Russia. We are still examining one other opportunity internationally that we may incur and implement during 2015. But we are really trying to mature our existing PSCs.

We are going to slow down new initiatives until we have better matured the current initiatives that we have employed. And as we see them coming online, we will look at the opportunities right now that are more present in the international markets that we see, even China. But the expense of doing things in the international market is very high. We are going to be very comfortable with the process that we will employ before we get there. We may even consider joint venturing some PSC activities with some customers that have come to us with that idea.
James Medvedeff: Okay. Thanks. My second question is on the cost of goods sold in Q3, can you say how much of ExCast cost carried over into Q3, and how much the moving expense was? I know you said it was less than 1% of gross margin, but can you put a dollar figure on that?

Brian Smith: Yes, I think I want to stick with less than 1% for the moving costs. I think that is accurate enough, it is close to 1%. You could round.

The ExCast is between 2.5 and 3 points. Rounded, it's 3 points. That should narrow you down.

James Medvedeff: Is that now finished, or is there going to be a carry through into Q4 on ExCast?

Brian Smith: No. It's not finished, but it will continue to diminish in nature. We don't expect anything near what we had in prior quarters; it will continue to diminish.

James Medvedeff: Okay. My final question is on ASPs. I know you said that they held firm at a machine level. Could you just run us through an update on what those ASPs are? Because as I do the math, the units that you shipped times the ASPs that you have given us before, comes out to a much lower machine revenue number. Maybe I am missing something like materials or consumables, but can you just run us through the ASPs again?

David Burns: Well, sure. An S-Max is about $1.3 to $1.4 million-ish, M-Flex is $400,000 to $450,000 and X1-Lab is $100,000 to $150,000. It depends on option sets. An S-Max can be as little as $1.1 million, and it could be as high as $1.5 million, depending on options.

James Medvedeff: Right. There were no S-Print or M-Print machines shipped in the quarter. You mentioned three S-Max machines teed up for Q4. That gets you to $4.5 million maybe, maybe $4 million? That leaves about $8 million or $9 million left to go. Can you characterize where those fall in the product sets?

David Burns: No. I don't think at this point we are ready to model out the quarter.

James Medvedeff: Okay. Great. Thank you.

Operator: Thank you. Ladies and gentlemen, there are no further questions at this time. I would now like to turn the floor back over to management for closing remarks.

Kent Rockwell: This is Kent again. I want to thank everybody for joining us. I think we've had a good explanation this morning of what our story is, and I hope you appreciate some of the things that we discussed here, in terms of the trials and tribulations of being an emerging growth company.

I think we are moving in the right direction. We are very confident that the investments we are making in the 2014 year are going to drive growth, as we hear back from our customers and our prospective customers about their requirements.

I just think it's important for everybody to understand that buying one of our machines is not like going down to a lot to buy a car. More and more our machines are being characterized for the individual applications that the customers are requiring. It is an applications engineering sales effort and we are dealing better with that as we have moved through the silicate and phenolic machines all coming from the S-Max line.

We believe that our unique capabilities in binder jetting are still setting us apart from other companies in 3-D, and that the opportunities in that element of 3-D printing leading us to focus on industrial manufacturing for metal components are still our largest opportunity. As we reprioritize our R&D, there are a lot of materials that other processes will not be able to work in. Therefore, we are making some of our efforts in that regard.
With that, thank you all, and we will look forward to speaking with you at some of the various winter meetings.

Karen Howard: Thank you, Adam.

Operator: Ladies and gentlemen, this concludes today's teleconference. You may now disconnect your lines at this time. Thank you for your participation, and have a wonderful day.