Operator: Greetings, and welcome to the ExOne Company’s Third Quarter 2013 Financial Results Conference Call. At this time, all participants are in a listen-only mode. A brief question and answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Deborah Pawlowski, Investor Relations for ExOne. Thank you, Miss Pawlowski, you may begin.

Deborah Pawlowski: Thank you, Kevin, and good morning everyone. We certainly appreciate your time today for our Third Quarter and First Nine Months Conference Call. On the call with me this morning are Kent Rockwell, Chairman and Chief Executive Officer; David Burns, President and Chief Operating Officer; and John Irvin, Chief Financial Officer. We will be reviewing the results of the quarter and nine month period 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 also posted there.

Additionally, on Tuesday, we announced that we will be appointing a new CFO in January, as John transitions to become Special Advisor to the Chairman. So, we will touch on that 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 this 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 other documents filed by the Company with the Securities and Exchange Commission. These documents can be found at the Company’s website or at sec.gov.

We have Kent first provide some introductory comments on the state of business, David will provide a high level overview of the quarter, and then John will provide a more detailed review of the financial results. We turn it back to Kent to discuss our outlook for the remainder of 2013 and the future. With that, I will turn it over to Kent. Kent?

S. Kent Rockwell: Thank you, Deborah, and good morning everybody. Thank you for joining us, early at 8:30 AM EST. For those of you on the West Coast, I hope you have a strong cappuccino or something to keep you awake.

Regarding the quarter for ExOne from the perspective of management, we are extremely pleased and proud of what we achieved in revenue growth. In the industrial-based business, it’s a slower and more difficult process working through the purchasing decisions with industrial customers. So, we think that the revenue that we achieved is excellent. We maintained the gross margins that we anticipated, and as suggested before, our spending is now falling a little bit more in-line and so our performance is reflective of where we thought we could be. So, from a Company perspective, irrespective of the electronic media’s various
opinions, we’re quite positive with where we are, and think that we’re still headed very much in the right direction.

I do want to address the addition of Brian Smith, who will be joining us as our new CFO. Brian Smith has been with me for more than 30 years. Brian was our auditor at AfterTek, back in the 1980s and 1990s, with Price Waterhouse. He then became, our lead auditor when I was at Sensytech; these are two other public companies I ran. So, my history with Brian has been very extensive. John worked with him as well when we were at at Sensytech. So, Brian’s somebody that I’ve known for over 30 years, just as long as I’ve known John. Additionally, as mentioned, all three of us have worked together in multiple public environments. I’m very pleased that John is taking the role that he is, working specifically with me on projects because in a company that has the kind of growth that we have, there are more projects than any of us can handle. And so he’ll be very active in that role and play an important role for us.

Brian brings all the experience that one would expect from a senior Price Waterhouse executive, and so we’re looking forward to adding his skills in with the other folks that work here. So, for us, this is a very positive statement and we’re very pleased about it, and we announced that immediately upon the approval of our Board, last Tuesday.

In terms of the business aspects in the quarter, I can say that we had an increasing development of opportunities and contracts with major industrial OEMs regarding material development as well as inquiries in using our machines for a variety of different applications. All of this is, again, for the most part under non-disclosure agreement (NDA), but the success that we are having is more than encouraging for me and, I think, for our whole team.

We’ve had a lot of great new experiences and some very positive results in materials development, and in some new machine performances. These are things that will, of course, take more than one quarter to continue to develop. Some of these relationships will take as much as 12 to 18 months to develop, as we’ve seen in the past. But, who they are and what we’re doing for them reflects the awareness of binder jetting as a 3D printing technology; that is gaining awareness amongst potential customers. So that’s bringing us a great deal of gratification, as well as a great deal of additional work. So, the beat goes on.

One of the things that we’ve been developing, as we mentioned briefly in the past, is the ExCast process. ExCast is the ability to take our machine and put it into a process for customer applications where we will deliver, in a very rapid fashion, a high-quality finished machine part, a casting part. We are still developing some IP on ExCast and you’ll be hearing a lot more about it as we move through the next quarters. I would look at it as saying that ExCast is a super Production Service Center (PSC), that it’s a full-service PSC and so it’s an adaptation to some of our PSC technology. But we now have some customers that are ordering millions of dollars of parts and finished components. So, while it’s been a real development process that’s evolved for us, it’s very exciting, and we’re going to focus on that as another strategic point in our efforts.
With that, I’m going to pass on to David and John, so they can report for the quarter, and then I have a couple closing comments, and be glad to answer questions. David?

**David Burns:** Thank you, Kent, and good morning everyone. This is David Burns, the President and COO of ExOne. If you skip to Slide 5, please, I thought we’d take just a moment to reflect on an overview of Q3 from a strategic perspective before we jump into the outcome results of the quarter. But, I do want to echo what Kent said. We, as a management team, are very proud and very satisfied with what we accomplished in the third quarter.

From a strategic perspective, we’ve been focusing in a variety of areas; one is the maturation of our sales network. And, if you monitor the releases that we made, you’ll note that we added in the quarter multiple new representation frameworks in different countries. And we continue to add salespeople at a reasonable rate; our sales headcount is up 60 or 70% from our IPO. And, you’ve seen the announcements about the U.K. and Spain, and some other places.

The maturation of the sales network means that we simply have more touch points out there to interface with the industrial customer base that we cherish, and I think I would characterize the atmosphere that we’re in right now, from a sales perspective, as quite intense and palpable, in terms of the interface with our customers. So, we’re very, very pleased with the maturation of our sales network.

As Kent mentioned, we continue apace with our materials development activities. We made a couple of announcements here in the summertime of new materials, and we have more coming. And, not only do we feel very satisfied with the progress we’re making in terms of material development, but the customer interface point and applications that they’re bringing to us are increasing rapidly, as well. So, we’re right on-track on materials development. As you may recall, the IPO focused on capacity expansion as one of its uses of proceeds. We broke ground in Germany for our new building, which will be ready in late 2014. We added two PSCs, which we’ll talk about a little bit later. So, our capacity expansion is continuing at the rate necessary to support the growth plans that we have as a Company.

Finally, in terms of full-time headcount, since the IPO, we’re up about 50% in full time headcount. We’re adding people around the world in key positions and we have a reasonable growth rate in terms of people. As you might understand, assimilating that many people into a global organization that’s highly technical remains a challenge, and yet we’re very, very satisfied with the people we’re bringing on-board.

Skipping to Slide 6, a quick look at revenue for the quarter, at $11.6 million, that’s up about 35% or 36% quarter-over-quarter, and 81% year-to-date. We talked previously about our goal, which is to, by product line, try to have a 50%/50% split between machines and PSC revenue, and then about a third, a third, a third split across the regions of Asia, Europe, and the Americas. As long as we’re in this intense growth mode, we are going to expect our machine sales will lead our non-machine sales. And, so we’re growing rapidly, we’re not at all surprised...
by a split of two-thirds, one-third in terms of machine versus non-machine revenue. And, I think that trend’s going to continue as long as we’re growing as fast as we are.

Flipping to the year-to-date slide, you see similar trends, of course, in terms of overall revenue. You can see the splits there between machines, PSCs, and then the regional splits. We had a good early part of the year in Asia, especially in Japan. We expect the regional balance is going to change a little bit as we get through the fourth quarter, but we still think that we’re seeing this good trend worldwide, in terms of revenue splits.

On Slide 8, there is a little closer look at machine sales. We sold eight machines in the third quarter and there were machines sold from each of the four platforms that we talk about. You may recall that we build machines by platform size ranging from the Max, the next in size is the Print platform, then the Flex, and finally, the Lab platform. We sold machines in each of the platform categories in the third quarter and I believe this may be the first quarter we had sales in all four platform categories. We had committed at the end of 2012, that we would ship and sell our first M-Flex, a metal printing machine off the Flex platform, in the third quarter, and we accomplished that. And, so you see quarterly machine sales were up about 50%, year-over-year, and then for the nine month period, up 166%.

Of course, what’s important at this point is our sense of what the fourth quarter’s going to look like, and we would state again at this point, that the pipeline supports our forecast for revenue for the year. We have a customer identified for every machine and a machine built for every project we need to reach guidance, and therefore, we’re confident in the guidance that we’ve put forth.

On Slide 9, we look at the non-machine revenue side. You may recall this is an aggregation of consumables, service, spare parts, and PSC revenue for parts. We announced the opening of our sixth PSC during the third quarter, that being in Auburn, Washington. Our seventh will be in Las Vegas, to service the Southern California cluster of foundries. We established sales centers in Brazil and China, and the eighth and ninth locations for our PSCs are identified and in process, with one in Western Europe, and one in Asia. Additionally, we expect announcements about those in the coming weeks. So, we saw good quarter-over-quarter growth in PSC revenue of 16%, and year-to-date, we’re up almost 20% in terms of PSC revenue. All of these are very much within the parameters that we expected as an operating team and we’re very satisfied with what we’ve seen.

On Slide 10, let’s briefly talk about the mid-term, going forward. I want to harken back to what Kent pointed out a few minutes ago, and that is from the time between our February IPO and the secondary offering in September, it became clear that our customers are anxious for us to be able to help them with this whole idea of going from digital idea to solution on the shop floor. 3D printing is a component of that, but there are things that both precede and follow 3D printing that are critical in order to go from digital idea to solution.

The purpose of the offering we had in September, where we raised about $60 million, as we stated at the time, was for us to look at the pre-print through post-print cycle. The focus was
also to accelerate the adoption cycle of 3D printing as a result of looking at the holistic cycle. We’ve now refined our own view of this and we are going to focus more strongly on the casting process within that entire cycle. You know, this includes metal printing and ceramics printing, and other things, but the ExCast process has really come into focus for us in the third quarter. You’re going to be hearing more about this. But we are driven now by customers who are coming to us saying, “We want you to be involved with the delivery of parts that embed all of the advantages of 3D printing, the speed and the design freedom and yet give us the quality of parts we need for industrial production.” That is the ExCast process for us and, as Kent pointed out, you’re going to be hearing more about ExOne and the ExCast process in the coming weeks.

I’m going to turn it over to John to give a quick review of the rest of the financials and then we’ll turn it back to Kent.

John Irvin: Okay, thank you, David, and good morning everyone. Turning to Slide 12, I’d like to start with reviewing our third quarter and year-to-date 2013 gross profit and the gross margin. For the third quarter 2013, gross profit grew 48%, to $5.3 million. That represents a 45.2% gross margin. This compares to last year’s $3.6 million of gross profit or 41.8% of sales.

The improvement in both gross profit and margin was driven by the increased machine sales volume, as well as the sales mix between machines and non-machines. Additionally, as we grow our PSC revenue, we become more productive at our PSC facilities, improving our margins. I want to point out that as you would likely realize, the revenue will fluctuate from quarter-to-quarter, given the number of machine sales in the quarter, product mix, and other factors.

Similarly, gross profits and margins will fluctuate from quarter-to-quarter for similar reasons, as well as investments and start-up costs at newly opened PSCs. But we expect that the annual gross margins, over time, will migrate to our 45% to 50% target. Our year-to-date numbers show a similar margin trend as Q3, with our first nine months of 2013 recording a $12.3 million gross profit or 42.6% of sales. That compares to $5.9 million of gross profit year-to-date in 2012, or a margin of 37.0%. That represents 108% growth in gross profit.

Turn to Slide 13 and I’d summarize our op ex or operating expenses for the quarter. For 2013, op ex was $5.0 million, which consisted of $3.7 million of SG&A expenses in the green bar, and $1.3 million of R&D expenses in the gray bar. This compares with operating expenses of $9.2 million in the third quarter of 2012, which consisted of $8.9 million of SG&A, and $300,000 of R&D. While the current year’s quarterly SG&A actually went down compared with the prior year’s quarter, last year included a $6.0 million equity-based compensation charge, and this year’s equity-based compensation charge was $200,000. So, if you isolate those charges, the other operating SG&A expenses actually went up, as expected, by $600,000, driven by the investments we’ve been making to grow our business.
These aggressive investments include the hiring of personnel, both inside and outside sales staff, as David has mentioned, other support costs, and sales commissions. Our R&D went up by $1.0 million reflecting the expanding activities of our ExMAL unit with particular emphasis on materials development in accordance with our strategy. For the year-to-date 2013 period, op ex was $14.6 million, compared with $16.0 million for the prior period. Last year included $7.7 million of equity compensation charges and this year has $500,000. Again, excluding both of those, the $5.8 million increase includes the investments that support our growth.

Please turn to Slide 14 and I'll touch on the balance sheet. At September 30th, we had $115.0 million of cash, compared with $2.8 million at December 31st and $64.6 million at June 30th. Our outstanding debt was $3.4 million at September 30th, relatively consistent with the last quarter of $3.5 million. The significant variations compared with December, as you know, are due to our February IPO and our September follow-on offering. As I've previously stated, we're investing approximately $40 million to $50 million during 2013 and 2014, to expand our global manufacturing capacity, our PSC development, and other strategic initiatives. This includes about $20 million for the expansion and consolidation of our German operations. Additionally, as previously discussed, we are looking at opportunities to invest in pre- and post-processing capabilities to accelerate the growth of our 3D printing technology, both organically and through strategic acquisitions or alliances. So, this capital will support those initiatives as well.

Now turn to Slide 15. We are reaffirming our guidance for 2013 that we clarified in our second quarter earnings report. We're expecting to achieve 2013 revenue toward the lower-end of our guidance range, which was $48 million to $52 million. With respect to gross margin, we believe we'll be at the high-end of our guidance range, which is 42% to 46%. And with our continued aggressive investments to support our growth, we currently believe that we'll realize the higher-end of our $18 million to $21 million range for op ex. So, based on this guidance, which is supported by our current backlog, you can see that we're expecting a strong fourth quarter.

So, with that, let me turn the discussion back to Kent.

S. Kent Rockwell: I've got a couple concluding remarks that I think are worthy of repeating. David mentioned that 50% of our people were new over the last six months. Anytime that you have that magnitude of change, you're struggling with process change, and for a small company like ours, process change is critical. So, we're really focusing on putting new processes in place to help the business be able to achieve that growth, and trying to get those processes in place is a very, very important aspect.

Some of that bears on costs, for instance, the implementation of ERP and ISO-9000 which do not generate profits, but are essential to be able to grow well into the future. And we're expending a lot of monies in the efforts to be that larger, greater Company that everybody thinks we're going to be when we look at the market value expectation. So, it's a challenging effort for us to be able to balance the expenses of all these different things to get us process efficient to be a much, much larger company.
And, we’re spending it as mindfully as we can to achieve our profit. We did record a profit this quarter, which I was very pleased about, and in-line with my expectations. And, so we’re balancing our tactical efforts to achieve certain performance goals. And I think we’re doing a good job of that. What I’m noticing here, and I think the rest of the industry is noticing, is that the adoption of 3D printing in the industrial markets has really started to get some new momentum.

Over the course of 2013, many markets were in recession, including Europe, Japan and the U.S. I think all of that’s actually moved to the positive for us now. Japan is starting to generate a lot of new activity in the Asian markets. Europe is, if you read all of the guru’s reports out there, out of recession, and doing better. And I think the American market is doing quite well, in terms of the number of customers that we now have looking at our technology.

In particular, I think there’s been an awful lot of focus on the laser technology because of the early development of that technology in the polymers markets, and it’s been given a lot of visibility also in the metals market. Binder jetting has received attention because, while we could use our machines with polymers, we are focusing on the industrial materials instead. And binder jetting has sort of been the red-headed stepchild of 3D printing. In my mind, it hasn’t really gotten the credibility that it may provide to the marketplace because there’s been so much focus on laser. While the laser market has lots of opportunities; they’re doing a great job in what they’re doing. But I think that those of you who are really interested in where the business is going to evolve should take a stronger focus on binder jetting. It’s not the answer to everything, but it is a much more economical opportunity as it starts to grow and more materials become applicable, and we are adding those new materials.

I think we’re doing a good job in getting material out to the marketplace and we’ve recently picked up a couple good contracts with different large companies for specific material development for needs that they’re focused on. And, we’re expecting to see a lot more of that as we move into the 2014 year, which will help get more materials running across the binder jetting platforms.

The ExCast process, again, is driven by our customers having a growing need for complex finished casting parts. And, it’s not being satisfied particularly well in certain markets and so we are providing an opportunity for ExCast since we have a unique proposition for our customers. The satisfaction that we seem to be providing to a couple of the larger aerospace guys is very rewarding. It’s rewarding to them, they’re thrilled about it, and it is rewarding to us because we’re making margins even as we learn how to better utilize this process, and implement it. So, the ExCast piece is something that’s going to grow for us and we’re very focused on that.

Having said that, I think we’ll move on and take some questions, and we’d be pleased to start with that. Debbie?

Deborah Pawlowski: All right, Kevin, we’re ready to open the line for questions.
Operator: Thank you. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing star, one. Once again, if you would like to ask a question today, please press star, one on your telephone keypad.

Our first question is coming from John Baliotti from Janney Capital Markets. Please proceed with your question.

John Baliotti: Yes, congratulations, really nice quarter especially across all revenues, and nice to see the positive margin. And, clearly revenues, you weren't dealing with an easy comp in terms of what happened last year. But, Kent or maybe David, the ExCast process sounds really interesting from, maybe an adoption standpoint as customers are still trying to feel their way and understand exactly what the S machines can do for them. And, you know, maybe they stay permanently as ExCast customers, but it seems like a great opportunity to get that adoption rate up, longer-term, to get them to either buy a machine or just remain as a service customer. Is that the way you're seeing it?

S. Kent Rockwell: I'm going to let David address that question, John.

David Burns: John, thank you, good question. I think what we have to recognize is that around the world, if we look at the approach people take to manufacturing, we see a real diversity region to region. OEMs in different places have as a core value, manufacturing but they value it in different ways. So, in the case of the United States, we see many customers outsourcing parts delivery; in some other parts of the world that's less true. So, I think we're going to see diversity around the world in terms of adoption of the ExCast process, as we provide it. That said, in one sense it doesn't really matter which approach people take because if they go the route of saying they want everything in-house, then our equipment logically fits with what they're trying to do.

I think the one point to make is that over the last year because of the cost of production and the way we've driven it down, we've seen a real shift from very low volume manufacturing, now to batch production that we effectively competing with. And this is a really strong catalyst for why I think the ExCast process is going to take off.

John Baliotti: You mentioned David, in your prepared remarks, about the maturation of the sales force, and that you're building out the capacity. You guys seem to have a really nice absorption on your cost in the quarter despite the fact that you've increased your headcount as much as you have. And I know there are some adjustments this year and last year, but there's clearly a nice significant ramp-up in leverage.

David Burns: Yes
John Baliotti: Sounds like you are hiring the right people?

David Burns: It feels that way to us too, John, and I think this is the way we envisioned this whole thing rolling out. And I think the quarter was simply an affirmation that our sense of that vision was correct.

John Baliotti: Great, congratulations, again.

S. Kent Rockwell: Thank you.

John Irvin: Thank you, John.

Operator: Thank you. Our next question today is coming from B.G. Dickey from Stephens. Please proceed with your question.

Brandon Ryan: Hey guys, this is Brandon Ryan sitting in for B.G. Dickey. How's it going this morning?

David Burns: Pretty good.

S. Kent Rockwell: Morning, Brandon.

Brandon Ryan: Good. Congratulations on the quarter. Just starting out with the first question, you stated you expect to be at the high-end of your initial gross profit margin range of 42% to 46%. So, if we assume you're expecting to achieve 45% or 46% we have to see a material pick-up in fourth quarter margins from current levels. What gives you the confidence we're going to see that level of pick-up? And, can you give us a thought on what the margins should look like in 2014?

John Irvin: Yes. The confidence, Brandon, comes from the fact that, in the fourth quarter, we expect to have a heavy mix of our high-margin machines that'll drive the gross profit up. So, we're confident of hitting the higher-end of the range because of that.

Brandon Ryan: Okay, great, and then, in terms of machine sales, what's your guide for the fourth quarter, in terms of actual number of those?

John Irvin: Yes, we don't give that Brandon.

Brandon Ryan: Okay, moving on. With the Special Advisor role to the Chairman; what does that entail?

S. Kent Rockwell: You know, we have so many project opportunities and we don't have enough people to cover them, and we're constantly trying to hire more executive staff. For the most part, though, the role will be looking at some complimentary acquisition opportunities, and then also assisting us in execution on some of the PSC and ExCast strategies. So, I
mean, John’s going to have his hands full just as he did before because he was very helpful to us in getting our Japanese PSC online. And, he’d be giving David coverage because David has to spend so much time internationally in market development. So, he’s more on the tactical implementation and helping me with acquisitions and finding people.

Brandon Ryan: Okay, great, and I didn’t notice in the press release an actual backlog figure in terms of dollar amount. Could you provide this and maybe give some light on how long it’d take to burn through it?

S. Kent Rockwell: David?

David Burns: Well, we don’t publish backlog numbers. So, in a sense we don’t really have a reference point to offer you, other than to say at this point that, between the backlog and the pipeline as we know it, we believe we’re going to reach the revenue targets that we set for ourselves for 2013. And, based on what we see in the pipeline, we clearly believe that both from a capacity perspective and a market perspective, we can reach the growth levels we talked about for next year.

Brandon Ryan: Okay, great, thanks again guys. Congratulations.

John Irvin: Thanks.

Operator: Thank you. Our next question is coming from Hendi Susanto from Gabelli & Company. Please proceed with your question.

Hendi Susanto: Good morning, Kent, Dave, and John, and thank you for taking my questions. It seems like you are on track to achieve your annual guidance. I would like to know more about emerging industries outside your core industries. Would you be able to share with us the industrial accounts who are involved with the majority of your materials development, and the pre-print to post-print opportunity? And then, the ExCast process opportunity?

S. Kent Rockwell: All right, very quickly, we addressed in the secondary offering, we are focusing on the opportunities in the pre-print side. We’ve just implemented a major design center here at North Huntington, and we’re putting in a design capability to assist our customers with that. And, examples, of some of the new pre-print technologies that are out there for optimization include job-box optimization loading and there’s a whole host of software technologies that are applicable to our customers’ needs. And, some of those may be things that we’d want to invest in as we move along.

Similarly, in the post-printing area, we see developing opportunities. ExCast, itself, offers us the opportunity to start to offer finished parts because some of our customers are right now subcontracting out some of the finishing, partnering with foundries. And, so we’re looking at what are some of the strategies that will help us optimize the customer’s requirements to give
them this ExCast functionality in its best manner. And, we are doing that really in concert with the customers.

You know, as we have already discussed, for instance, with Sikorsky we have a very successful multi-million dollar backlog, for high quality casting finished parts, and they are very excited about what we are doing. And, what we are trying to do is we recognize that there are a couple other Sikorsky customers that we are working with that could become much larger; they see what is going on there. And so we are trying to address how do we take the proprietariness of what we are doing and exploit that in a global market. Taking it perhaps to places like Japan, and enhancing what we are doing here in the U.S. and in Germany.

Hendi Susanto: So, I guess it is reasonable that you are targeting a vast array of industries rather than targeting specific industries, at this point?

S. Kent Rockwell: Yes, we are. We are also focusing on some of the carbon materials. I think carbon is an area that binder jetting will play a very important future in improving the productivity, and the adaptability of design, for a great new variety of market applications. And, so that is one of the other ones that I am particularly focused on, where we want to look at the end-user markets, as well as just what 3D binder jetting can do for that industry.

Hendi Susanto: Okay, and then the second question. Given the strong momentum of your PSC business; you have like seven PSCs, some of them are new. Would you be able to disclose how many of your PFCs have reached positive profitability?

John Irvin: Well, hi Hendi, this is John. We don’t do that, but you could assume that all our legacy, all the original PSCs are profitable, and have been profitable for quite some time.

Hendi Susanto: Got it, thank you.

Operator: Thank you. Our next question today is coming from Cindy Shaw from Discern. Please proceed with your question.

Cindy Shaw: Thank you, good morning. The press release mentioned that three of the S-Max machines and one of the S15 machines were sold in the third year prior quarter. It seems like a long lead time between the sale and the booking of revenue? Can you provide some clarity on that issue and on the start of the sales process, how to take the purchase order, to actually shipping it out the door, and booking the revenue? And how should we think about that, going forward?

David Burns: Morning, Cindy, it’s Dave.

Cindy Shaw: Hi.
Deborah Pawlowski: Cindy, when we said that the three S-Max and one S15 were sold, they were not sold with a purchase order and shipped this quarter, they were sold and shipped last year’s third quarter. So those relate completely to last year.

Cindy Shaw: Okay, okay.

S. Kent Rockwell: So are you on the same page?

Cindy Shaw: Okay, good. I just wasn’t clear on that. So, with that in mind in any case, can you talk about the cycle? I think, probably then no difference from what we’ve heard in the past, is that most of the orders come in, in the second and third quarter, and most of them ship out in the back half, and particularly in the fourth quarter. Is there any change to that?

David Burns: No, the pattern is going to remain the same certainly for 2013 and probably into 2014. You may understand that the challenge is with our manufacturing capacity, we need to run it at more or less a steady state throughout the year, and of course, the order pattern isn’t a steady state. So, our lead times vary greatly depending on where we are in the year and the cycle, based on whether we’ve got machines built or not built, to satisfy demand.

Cindy Shaw: Okay, that makes sense. And can you talk about one of the things we heard earlier in the year was that there are capacity constraints here in the back half because it is the heavy shipping season. Is there any risk that if there are any hiccups in and I’ve worked for start-ups that are growing quickly, so I know how hard it is to grow at this kind of pace. So, if there are any hiccups, is there any risk to the revenue for the fourth quarter?

David Burns: No, there is none. The manufacturing capacity that we need to support the plan is established, in place, and we’re fine for Q4.

Cindy Shaw: Oh, good. Okay, and then, the PSC revenue, last quarter we heard on the earnings call that we should expect about 20% growth in the second half. It looked like it headed more that direction, I know you reorganized Japan in the second quarter. Are you expecting it to pick up in the fourth quarter, in terms of PSC revenue growth versus what we’ve seen in the last couple of quarters?

David Burns: Yes, Cindy, this is Dave again. The answer is yes. One of the things that we’re seeing in terms of PSCs, which is a little bit of a different dynamic, is that as we enter the ExCast process, we’re engaging with customers on longer lead time projects that have higher dollar volumes attached to them. So, it’s going to make the roll-out a little lumpier than we’ve seen in the past, but if you look at the overall trend, which is, I think, what’s important over an extended period of time, the growth rate we anticipated is happening exactly as we would have expected.

Cindy Shaw: Okay, and then a couple more housekeeping questions. It seems like your operating profit was much better than I anticipated for the quarter and where you got hurt was this foreign exchange, which really stepped up in the most recent quarter, and the tax rates.
And those are really things out of your control, but how should we think about that for the fourth quarter, and to some extent, I know tougher to call, but for next year?

**John Irvin:** Yes, Cindy, John. Tax rates, you know the challenge that I've discussed on other earnings calls with the tax rate for 2013. Large profits in Germany, driven by their tax rates, are not necessarily balanced in the U.S. So, Germany’s where the S-Max’s are made. We're going to have a heavy mix of those machines being sold in the fourth quarter, that's going to drive the German profits and the tax rates. So you should expect the tax rate to be enormously high in the fourth quarter. And the foreign exchange, that is absolutely something that we can control and can't predict. I'm not sure how I can help you with that.

**Operator:** Thank you. As a reminder, if you'd like to be placed in the question queue, please press star, one on your telephone keypad.

Our next question is coming from Jonathan Shaffer from Credit Suisse. Please proceed with your question.

**Jonathan Shaffer:** Hi, guys, how are you doing?

**S. Kent Rockwell:** Hello.

**Jonathan Shaffer:** I was just wondering, it seems like you are sticking to your guidance and Q4 should come in, that most of the machines are earmarked, and already are set for particular customers. But I'm just looking at the deferred revenue and customer prepayments, and it seems like that's at a particular low from the last four quarters. Is that not a good indication of the sales that we should expect in the coming quarter? And I was just wondering if also you could just kind of discuss why accounts receivables took a jump?

**John Irvin:** Well, on the deferred revenue, it is not one of the better indicators for us. We, particularly in the fourth quarter, have a shortened sales cycle. Since we have been building consistently to be prepared for the anticipated step up in the fourth quarter, when the customer wants the machine, we can deliver the machine. And so I don't see the deferred revenue as a marker.

**Jonathan Shaffer:** And then just on the accounts receivable?

**John Irvin:** Yes, I think accounts receivable falls into this same category. We just don't use them as markers.

**Jonathan Shaffer:** Understood. Thanks a lot.

**Operator:** Thank you. Our next question is coming from James Medvedeff from Cowen and Company. Please proceed with your question.
James Medvedeff: Thank you for taking the questions and congratulations. I want to dig a little bit more into the service center or the PSC roll-out. Can you give any more color on timing of the Las Vegas unit and whether Western Europe is coming before or after Asia?

David Burns: Yes, this is Dave, good morning. In Las Vegas, the site is secured, the equipment that we need there is being delivered now, and we’re in the process of installation. So, we would expect to be operational within weeks. At this point, our expectation is that Western Europe will roll-out first and, I’m not committing to timing, it is possible that this is a 2013 announcement, but more likely going to skitter just over the line into early Q1. And, the expectation is in Asia, we’ll be up and running by the end of Q1, at this point. I do want to say though, those are very much speculative and not commitments.

David Burns: By the way, I just want to add this, in both cases we’re following a different model in both Western Europe and then Asia in that these will be more joint venture style PSCs, as opposed to wholly-owned. And therefore, subject more to negotiation than they are to just execution.

James Medvedeff: Okay, that’s interesting. So, then the $40 million to $50 million of cap ex and I think you said, $20 million of that is going to the German consolidation. Just for clarity, does that include the PSC for Western Europe or no?

John Irvin: The $40 million to $50 million would include the PSC start-up. I think in previous calls, we’ve stated PSCs are $2 million to $4 million with a lot of variability there, and as David just introduced, the idea of a joint venture would probably change the cap ex dynamics of that. But, yes, it would include it.

James Medvedeff: Okay, and then just finally, as you build these newer ones, are they tending to be the same size or larger?

David Burns: This is Daveé

James Medvedeff: I’m sorry, as you’re planning these newer ones?

David Burns: Truly, they range to-market. So, in some cases we’re talking about a singular machine and in other cases, we may install three to four machines. In both Western Europe and in Asia, we would anticipate them being on the lower-end, in terms of initial equipment installation. Although, of course, that’s very modular and it changes as demand patterns change.

James Medvedeff: Great, thanks. Congratulations again.

David Burns: Thanks.

John Irvin: Thank you.
Operator: Thank you. Our next question is coming from Ajay Diwan from Columbia Management. Please proceed with your question.

Ajay Diwan: Thank you. I may have missed this, but of the eight machines, did you specify, which machines you sold in the third quarter?

David Burns: Yes, it was in the press release.

Ajay Diwan: Okay, I’m sorry. I’ll look that up then.

David Burns: Just below the financials.

Ajay Diwan: Okay and then, how many machines are you expecting to ship in Q4? Did you actually give a number of machines?

S. Kent Rockwell: No, we didn’t. The machine mix, because we now have the M-Flex entering into the mix, will start to change the numbers because they’re smaller, and there’s a lot more of them that may go out. So, trying to look at comparatives may mislead you because there’s going to be a lot more machine sales, and it’s the mix of machine sales that becomes relevant. So, looking at a total machine sale count probably is not a good thing.

Ajay Diwan: Oh, I see because I think you said earlier on the call, that you’ve identified a customer for each machine and you’ve built a machine for each customer. So, I was just inferring from that, that you would know what the number and the mix of machines would be for Q4?

S. Kent Rockwell: Yes. I think that the thing to understand here is that what we’ve said is that we have the capacity of machine availability to address hitting our performance targets for the year. The issue becomes, right now we have a lot of machines that we want to deliver, and it’s not about will we lose the order or lose the customer; it’s about will the customer get the paperwork done, so that it becomes revenue recognized in the fourth quarter. When you’re dealing in Russia and in India, and in some of the other foreign entities that we’re dealing in, you’re having to get government approvals, and it’s all about paperwork. We had that happen even in this quarter, for the simple reason that a delivery truck was one hour late on September 30th. And, as a result, we had a major miss because they closed the shipping dock early and as crazy as it is, that’s the rules of revenue recognition; that’s what we have to live by. So, you never know what little things can happen and we just have to plan for it. We have a customer on every machine.

Ajay Diwan: I see. So, you just have kind of an assortment of machines built, you’re not sure which ones are actually going to be ordered, but you have the ability to deliver what you anticipated because you have these machines built or in process of being built?

S. Kent Rockwell: Yes.
Ajay Diwan: The actual orders to those machines haven't been crossed yet?

S. Kent Rockwell: We've got Russian machines that are sitting there that could be shipped very quickly, but the Russian government has to approve that the funds move to the customer, and that's always a question of who's in-country at the time that wants to sign the check. So, we've been dealing with this since we started and, frankly, it's just part of our business. We're not worried about losing customers; we're just worried about getting the paperwork done.

Ajay Diwan: Okay. Then, did you add some new materials this quarter? You alluded to more materials being worked on, but now are you saying that there's more material capability in your roster right now or is that still not kind of officially done?

S. Kent Rockwell: We have not officially announced any new orders. I can say that new materials, we said that we would anticipate about one every six months. I can tell you that we are having excellent progress in some new materials that are all customer driven and that we're very excited about where that's going. But, again, it's all under non-disclosure agreement (NDA), and it's our biggest opportunity; we're working real hard on that.

Ajay Diwan: Okay, great, thank you.

Operator: Thank you. Our next question is coming from Prabh Gowrisankaran. Please proceed with your question.

Prabh Gowrisankaran: Hi, thanks for taking my question. Just a quick question on the ExCast process roll-out; you talked it being incorporated in PSCs. Do you expect to retrofit the PSCs? Would that be the first roll-out? Or would you just mainly put them into the new PSCs? I know it's strategically based on the customer instead of PSCs.

David Burns: Good morning, this is Dave. I don't want to necessarily cross-over the two concepts of creating PSCs and implementing an ExCast process, which are sort of independent concepts. We're capable of, now, taking a customer from the point at which they've got a design in digital space, helping them optimize that design for 3D printing, and taking it all the way to end-part. That may or may not use elements of one or more of our PSCs to accomplish all of that. So, it's not as if we're going to have a cookie cutter thing that we call ExCast and we install it across the board in our PSCs. It's a much more integrated strategy. I would anticipate us being able to offer the ExCast process on a global basis within each region, and we would use our PSCs to support the roll-out of that strategy.

Prabh Gowrisankaran: Okay. Thanks a lot for that clarification. And, the last question was on, in terms of geographic perspective, you talked about your longer-term goal being 30% from each region. When do you think Europe will get there? I know Europe is lagging behind, but I'd be curious what you're seeing from each of the geographies?

David Burns: Well, one point I want to make about geography is simply this: It isn't so much that our target is a third, a third, a third, but our recognition that the market for manufacturing
technology products consistently over time splits about a third, a third, a third between the regions. That’s simply a reflection of what we perceive to be the market opportunity. Given that our revenues now are, let’s say, approaching $30 million year-to-date, and that the average selling price of an S-Max is $1.3 million or $1.4 million, as you might imagine, simply a machine shipping to one region versus the other, can move four or five percentage points in terms of distribution, very, very easily.

So, until we get real big and bulky, where an individual machine sale doesn’t have a big percentage impact on the numbers themselves; it’s going to look lumpy. We don’t perceive weakness in any region right now, this is simply we’re flowing to where the current market demand is, and we don’t see this as a weakness or a strength in any region. It simply is in this opportunistic period, that’s what we deliver.

Prabh Gowrisankaran: Great, thanks. Thanks for taking my questions.

Operator: Thank you. We’ve reached the end of our question and answer session. I’d like to turn the floor back over to management for any further or closing comments.

S. Kent Rockwell: I think that we’re probably, at this point, almost redundant, with anything more I would say. Again, from a management perspective, we’re extremely pleased with the progress we’re making. Our materials development is moving along excellently. ExMAL has become a real, real positive statement for us with our customers and we’re now getting contracts from customers. Whereas, before, we were footing all the development ourselves, they’re now coming in and giving us multiple contracts for specific material applications with the view that they will be buying machines, as these material applications are proven out on the machines that we’re now running them on. So, this is very good for us, you know, that we’re seeing tremendous opportunities to evolve new market opportunities. And, our technology, we are filing a lot of new IP now, we’ve been a little redundant in getting there, but we’ve doubled our IP staff, and just gotten a couple new patents recently.

So, all of that’s very good. So, we’re enthusiastic about where the Company’s headed and what binder jetting’s role is going to play in the 3D printing process. And I think that we’re on the right track, you know, little company, a couple bumps here and there, you always have that stuff, but we’re proud of where we are, and I think that we’re going to go a long way from here. So, thank you for your time and feel free to call John with any more questions.

Operator: Thank you. That does conclude today’s teleconference. You may disconnect your lines at this time and have a wonderful day. We thank you for your participation today.

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