Operator: Greetings and welcome to The ExOne Company Fourth Quarter and Year End 2013 Earnings Call. At this time, all participants are in a listen-only mode. A 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.

I would now like to turn the conference over to your host, Karen Howard, Investor Relations. Thank you. Ms. Howard, you may begin

Karen Howard: Thank you, Kevin, and good morning, everyone. We certainly appreciate your time today for our fourth quarter and full year 2013 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 Brian Smith, Chief Financial Officer. We will be reviewing the results for the quarter and 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 two 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’ll have Kent first provide an overview of the company’s progress in 2013, including investments in our manufacturing capacity and people. David will review our revenue expansion activities and results, as well our research activities. And then Brian will provide a detailed review of the financial results. Then we’ll turn it back to Kent to introduce our 2014 guidance and discuss our outlook.

With that, I turn it over to Kent. Kent?

S. Kent Rockwell: Good morning, everybody, and welcome to our review of the 2013 year. We have with us also this morning, Tim Pierce, our new COO of the Americas who’s educating himself on how we run our public efforts here.

Our first slide is just a very positive statement. I’m going to make a couple of comments about it if I could. ExOne is distinctively positioned as the industrial provider of 3D printing through its binder jetting technology. As we’ve said before, we are rather uniquely positioned with binder jetting. And I can say to you that the industrial markets are growing and very robust with regards to the activities that we’re involved in in the industrial markets with our current list of growing customers.
Secondly, just to give you an example of what I’m referring to, a year ago, we had zero contracts for development with third-party customers. Today, we have more than five contracts presently active for the development of materials, which will utilize our machines and we’re very enthusiastic about the customer relationships and the customer collaborations that we’re having.

We are working on some very large government opportunities in 2014 that should mature over the next 60 to 90 days. And those are sizable funding opportunities where the government is participating with other industry players to take this technology and apply it into the marketplace.

Moving to the next slide, as you already know, our revenues approached $40 million and that’s nearly a 40% growth rate. Certainly the fourth quarter was a bit of a disappointment to us because we had some international machines that shifted out of the quarter and dropped us just a hair below our 40% to 50% targeted growth range. But in the scheme of things, I don’t think it means anything. We didn’t lose a single customer. We’re enthusiastic that the year that we’re now participating in is going to see a recovery and move forward to better levels of revenue performance.

And frankly, when you’re selling $1 million, $1.5 million machines and you run into some of the exogenous issues that we’ve been impacted by in this time period, it’s not truly meaningful even though the market sometimes measures it more dramatically.

Our technology is being affirmed by the market. I’ve just referred to the five development contracts that we have right now. Binder jetting is in a very positive and growing position in the additive processes. We think that the customers are realizing the economic effect of our equipment and so we have some growing opportunities there. A lot of this has to do with our being able to bring in new material sets, and we are still very focused on getting new materials because that will drive substantially the future growth of machine sales, and in some cases of our PSC activities, as we deliver parts to the marketplace.

I think that we have demonstrated good traction in the direct metals business. As you will recall, there are two parts. We have indirect printing, which is going to the foundry applications and the casting applications markets; that is a big part of where our larger machines are going right now. But the movement ultimately, we believe, will be much, much more as we move in the new metals sets. We believe that the metals business will take over.

2014 is a transition year for us as we do that. We’ve had customers who have spoken to us, as we get some of these metals qualified, who have the requirements for as many as 20 or 30 machines in some instances, as these materials are proven to satisfy their requirements. So we will be moving from the one or two type sales to very large recurrent sales to specific customers in the future. Again, 2014 is a transition year for that because I really see the larger volume repetitive sales starting, but the real activity will come in the 2015, 2016 period as we move on.
All in all, our metal business is good. The sand business, if we would refer to it as that for the larger machines, has been positive. We’ve won a lot of new customers in that area as well. It has been somewhat slowed on machine sales and David and Brian will be addressing the specific performance issues that are related there.

On the next slide, you can see that we did raise over $150 million in two capital raises in the last 12 months as this young company got its start. That’s a lot of capital and we have done a good job, I think, of applying that capital in a variety of instances such as are mentioned here below. First and foremost, regarding the manufacturing capacity expansions, including PSC expansions, we will highlight some of that spending shortly. But I think we spend our money smartly. We have a magnificent facility coming towards completion in Germany that will move us from seven different facilities into one facility and give us a lot more efficiency. And we have new machine designs that are coming in as we have that additional capacity that will satisfy different customer needs.

Most importantly, it’s all about people when you’re trying to do all this. Certainly, we increased the investment in people radically since we started off in 2013. The specific numbers will be given to you shortly. But any time you increase people by 50% or 60%, you’re going to go through a certain evolution that just causes you to have to implement new processes. And for us, evolving the new processes that make these people more effective, including getting them trained to become effective sales personnel, is a very important part of what we’re doing and I think that we’ve done really quite well in getting this going in the 2013 period.

Regarding sales network expansion, we’ve probably doubled our people. Again, David will touch on those specific numbers. But clearly, we need to continue to expand our sales capability, and we’re doing that.

And then, most importantly, our accelerated research efforts. Our technology is a new and a disruptive technology and we need to be able to get out and explain to the customers the nature of how you apply this technology in your new workplace. And so there’s a phenomenal requirement for educating the customers and for getting them to understand the process by which they can take this and improve their business and improve the qualitative aspects of what they’re providing to their end customers.

And I think we’ve made a lot of progress in that instance and we’re going to see a lot more of that because literally, in 2013, we got the funds in late February. It’s taken us a good bit of time to get the engineering personnel in place and get them really working effectively and collaborating with the customers to take us to a higher level. And I believe all that’s happening, but it doesn’t happen simply in a nine-month period and we’ve gone through some of the aberrations that any small high growth company will begin to face.

I’m going to let David go ahead and highlight some of the details of the 2013 year and Brian will focus on the numbers and I’ll come back to you with a couple of closing comments.
David Burns: Thanks, Kent. Good morning, everyone. This is David Burns, President and COO of ExOne. In the first few slides, let’s dissect our revenues a bit by region and product line for 2013. Then we’ll talk more specifically about machines and then on to a variety of highlights in terms of accomplishments for the year. I’m going to begin on slide eight.

We try to show slides in the same format each time so you have some expectation of what you’re going to see. This is our quarterly split by product line and by region. As you know, we’ve talked at various times about having a business that was focused about 50% on PSC, or the recurring revenue side, and about 50% on the machine side. But we’ve said all along the machines would lead for awhile and eventually we expect the recurring revenue line to fill in behind it. Quarterly split for Q4 was about two-thirds machines and one-third PSC, or recurring revenues.

And, interesting for us, if you look at the revenue split by region on the bottom right-hand side of slide eight, you see that 50% of our output in Q4 went to Asia, about 41% to the Americas, and 9% to Europe. This is reflective of our discussions all through 2013 that we were facing more difficult circumstances in Europe. We are well aware, especially on the vehicle side, that there’s been some discussion about emission standards in Europe. A lot of folks have been waiting for those standards to get settled before they launch into the next-generation designs and we have felt the impact of that.

That said, I hope we look at the positive side, which is that we globalized this Company immediately when we founded it. And the outcome of that is that we have access to the Korean market, the Chinese market, the Japanese market, and you see the effect of that in Q4.

Moving to slide nine, which is the full year, we see the same splits, with 63% machines. And again, Asia was the dominant region for us. We don’t necessarily expect this regional split to fall this way in 2014, but we are grateful for the access to the Asian market that we had this year to support the Company.

Moving to slide 10, here is a quick look at machine sales for the year, with both dollars and volume. You’ll see the annual growth rate of about 80%. We reached 29 machine units in 2013. To simply reach that number was gratifying in and of itself, but at the same time the units, as you know if you looked at the release, were spread across a variety of platforms.

Introduction of the new M-Flex machine has been successful for us and we’ve now shipped six. And of the 29 customers that we shipped to in 2013, 20 of them were brand new customers for us around the world. This is another very significant fact.

I know you’re going to take the machine numbers and try to ask, where are we with average pricing. The average pricing that we experienced is holding up. So if you go across units and average pricing, you get to that $25 million in machine sales for the year for us.
Slide 11 is a quick view of the aftermarket, the non-machine revenue for both the quarter and the year. We’re flat Q4 2012 to Q4 2013 in terms of revenue and we’re up for the year from $13 million to $14.6 million. We do note at the top that our Q4 was impacted by the fact that we are engaged in two large casting projects for two separate customers. A chunk of our capacity in Q4 in our PSCs was preprinting for castings that we’re going to be shipping in the first half of 2014. As we shift to a more full-blown ExCast strategy, it’s going to make the recurring line a little bit lumpier than it was but we don’t see any reason for concern. We anticipate good strong growth in our recurring revenue stream in 2014 vis-à-vis 2013.

Slide 12 highlights the facts of our manufacturing and PSC capacity expansion projects. As Kent mentioned, we broke ground on our new German facility. It’s a $25 million investment that we anticipate opening in the latter half of 2014. It’s a great facility. It gives us a lot of efficiency. It is very representative of the image that we want to present as ExOne. And I do want to remind you that that facility services the world. There’s a line of sand machines that are developed and shipped all over, and that is from our European hub.

In the U.S., we did do some refurbishment here outside of Pittsburgh at our North Huntingdon facility, much of that related to R&D. We will also be adding about 25% in floor space here later this year. We did open two new PSCs this year and we will have a capacity expansion in Japan, as well, coming up in 2014.

On slide 13, we have discussions about our investments in people. Overall, our head count is up 45%. We have, in a sense, retooled our leadership team. We’ve added a Chief Legal Officer. And in addition to that, we’ve hired a couple of new IP attorneys in-house and engaged IP resources outside of the Company because we’re anticipating significant flow of patent applications and grants.

This year, in 2014, we added a new Chief Accounting Officer. Our European Head became our Chief Development Officer. We added a new CFO and Tim Pierce, our new U.S. COO, was also added. So we’ve got a strong and emerging management team. And much of the rest of the investment in people is focused on sales, research, and engineering which we’ll touch on in subsequent slides.

Slide 14, discussion of the sales network. We have more than doubled our sales force since the beginning of 2013. We currently have 17 direct sales people. The concentration of our direct people is in the U.S. where we’re pulling the market with more direct sales efforts. While we’ve hired a few less, in relative terms, in Europe and Asia, we’re building out those channels to improve distributors as well.

You may have noted that we added distributors in Spain and the UK earlier this year. We also recently announced a Scandinavian representative. We opened sales offices in Shanghai and São Paulo. And we anticipate adding a couple of international sales offices here in 2014 as well.
Going to slide 15, regarding Kent’s comments about accelerating our research efforts, we nearly doubled our R&D and engineering staffing during 2013. A piece of that is for our effort to advance new materials. And as Kent noted, we have in place, several research contracts and we’re co-developing material and application combinations with specific large industrial customers. Not only did we announce a couple of new materials this year, but also a couple of new binders for our indirect printing processes.

And on the machine side, the M-Flex rolled out successfully. We would expect that the number of M-Flexs we will sell in 2014 will triple, and we do anticipate announcing a new indirect printing machine built off one of our existing platforms, but adapted to use our new binder technologies to broaden our indirect printing capability. So our research efforts are robust and growing, and we’re very, very confident in our ability to reach our goals for 2014.

Now, I'd like to turn it over to Brian Smith. This will be your first opportunity to hear from Brian, our new Chief Financial Officer. He will give you a look at the numbers for 2013 and then Kent will wrap it up for us.

Brian Smith: Thanks, David and good morning, everyone. I'm happy to be here on my first call.

Turning to slide 17, in Q4 2013 the gross profit was impacted by our investments in our customer programs, as well as the under absorption we had with lower volumes. If you look at Q4 2012, there’s also a $1.1 million non-recurring benefit in that 2012 quarter. These factors also impacted the annual gross margin and obviously the gross profit was impacted by the higher volume of revenue.

I want to stop one second here to remind everyone that we did say on other calls before that we would have some lumpiness with these machines and I think David and Kent have alluded to that again already. Also, gross profit will flow with some of that lumpiness as we invest in resources and new PSCs.

I'll go to slide 18 now. In SG&A we had about $400,000 in M&A activities in Q4 of 2013 to support some of our acquisition efforts. We also were impacted by personnel and our public company infrastructure costs, which also impacted the year. If you look at the year, there was about a $7.7 million equity compensation charge in 2012 that makes the year show that 2012 was higher than 2013. 2013 had $400,000 of equity comp in it for the year.

Now we’ll turn to the next slide to talk about R&D. As Kent and David both mentioned, our R&D expenses are up substantially related to enhancing our machines as well as the development of new materials.

Turning to slide 20, our cap table, again Kent had mentioned our two offerings this year – at year end we had $98 million of cash and $146 million of equity and virtually no debt. If you remember, a substantial portion of our debt was paid off right after the first offering.
On slide 21 is our CapEx for 2013. We spent $19.3 million in 2013 to support our activities, mainly the new building in Germany and the North Huntingdon expansion, as well as new PSCs.

In 2014 we will continue to expand our facilities. We’ll spend somewhere in the neighborhood of $31 million to $34 million. We’ll finish the Germany plant. We’ll also purchase and expand our Japanese facility and expand the space back in our North Huntingdon facility here.

To support the revenue growth, we’ll have new PSCs and we’ll put somewhere between $7.5 million and $8.5 million of machines in our PSCs. In addition, we’ve embarked on a process to implement our new ERP system. We’ll spend $2 million to $3 million in capitalized costs, including hardware and software and facilities. And, finally, we’ll spend probably in the neighborhood of $500,000 to $700,000 in cost that’ll be expensed as it relates to our ERP system.

With that, I’ll turn it back to Kent.

**S. Kent Rockwell:** The next slide you’re looking at is the 2014 guidance which is reflective of our long-term goals that we had expressed to you previously, that being a 40% to 50% growth rate. And in the case of the $55 million to $60 million, for those of you with calculators, you can see that that pretty much stays in line with our expectation that the 40% or 50% gets you between $55 million and $60 million. That does include the small acquisitions we made in this first quarter, because some of the revenue will be transfer revenue from subcontracted activities. There will be some new revenue that comes from the sale of third-party microwave ovens out of the German facility for that acquisition.

For our gross margins, we’re expecting them relatively consistent with last year at 43% to 46%, excluding costs associated with our facility moves. I know if you look at the fourth quarter, you’d say, what happened. All I can tell you is that we have the ability to explain it in detail. I’m not going to try and do it here. But as we analyzed the one-time costs, we had some startup costs and then an inventory issue with Germany. Fundamentally, we’re running at 43% to 46%. I believe that will continue to be a valid position for us as we continue to develop in the 2014 year.

SG&A is going to be between $19 million and $21 million and I think that’s pretty much in line with what everybody anticipated.

R&D will be between $6 million and $7 million. That’s a pretty big spend rate but we feel that doesn’t even include the spend rate that we would have if we pick up some of the government funding that we’re looking at and some of the other contract income that we may receive from third-party customers as we move along.

I can’t even begin to explain taxes, except to say that we pay taxes in Germany and we don’t pay taxes in the U.S. and so we have a tax rate that varies, and isn’t consistent from quarter to quarter.
To summarize, we do believe that we have the ability to get to a positive EPS if all this matures correctly in this year. And so, I’m pleased with that. This is excluding any costs associated with our facility moves and for potential acquisition expenses and we did say that we have some acquisition strategies that we’re contemplating associated with our shift in some of the PSC strategies and I’ll talk about that in just a minute.

Moving to the next slide, describing our 2014 priorities, we simply think that we’re continuing on a steady curve with our operational sales and development efforts. I think that they’ve all been correctly defined. It just takes a long time – it takes six months to get a sales person in 3D educated and trying to educate a customer who’s not educated and so the whole thing takes a bit of time. But we’re doing well there. I’m very pleased with our research efforts for developing new materials as I’ve already said.

We did two small acquisitions that are helping us in our post-printing applications and we’ll be looking at some other related activities this year. We have a focused acquisition pipeline and that’s because we are re-strategizing our PSC strategy as it relates to ExCast. And I think this is a very important comment for those of you who are truly focused on what it is that makes ExOne tick. What we’re finding is that in the PSCs, we originally had thought that our technology would be extremely well-received by the foundry industry. And in fact we found a little headwind with the foundry industry because it is so innovative that they are very reluctant to adapt it, because it’s moving control of the pattern-making from their historic control back to their customers, which are the OEMs. And we’ve had OEMs come to us to say that the technology is absolutely what we want, we have to have it. And so we are asking you to please work with us to give us control of this process and to implement the ExCast strategy.

To do that means we are going to have to re-examine our PSC investment, where originally we would have said that putting a couple of machines in each PSC would generate maybe $6 million or $7 million of revenue. Now, we’re looking at increasing the intensity of our investment to be able to meet the OEMs’ needs. And in the process of being able to meet their needs, we have single customers talking about $23 million a year in revenues if we can affect the ExCast strategy that we’ve been working on for a period of time.

So, I think that we’re on the right track with what we’re finding. As I’ve said earlier, you have to be pretty fluid in what you do and go back and keep rechecking that you’re doing the right things when you’re trying to put a disruptive technology in place. We’re finding a pretty good redirection of our business. On the sand side, the big machine side, that is very, very much in demand by some of the larger aerospace and energy companies. And doing this is going to be very beneficial for us. We believe it’s going to shift our business model much more to the higher service side and lower the balance where traditionally we have thought 50/50 might be the balance between machine sales and recurring revenues.

We’re now seeing transactional sales slow as a percentage and the big increase is going to come through the PSC strategy as ExCast evolves and we have new machines. The phenolic machines are just now being accepted. And so, that’s a benefit for us. We’ve got another new
machine coming online at the end of the year, and these are all focused on improving our abilities to go to mass production and truly take this technology into the world production marketplaces.

Our customers that we’re working with in that regard are enthusiastic that we’re still on track, and we feel that 2014 is still a transition year. But what we are looking at as we move and get some of these machines, they’ll start to go in place at the end of 2014 and then certainly into 2015 you’ll be looking at repetitive orders of maybe 5 or 10 machines from some of these users, as opposed to the ones or twos and the trials and all the modeling that everybody is doing currently.

That is the industrial process. It takes longer and it’s a much more critical process for our customers. And so we’re very focused on re-strategizing to optimize the conditions for the future with regards to how we’re looking at the PSCs going forward. It is a change for us, but it’s nothing that we can’t do well, and I think we’re in a good position right now.

Lastly, near term and long-term outlooks. For most of you who are truly aware of investment in the 3D space, there was a “Beware 3D Printing” article written by Barron’s on March 10 of this year. And in that article, it spent most of the time, I think, talking about beware as an investor about the 3D stocks and the value of 3D stocks because of the future opportunities that lie there. And it’s not our job to talk about the investment valuations in the marketplace. But I want to highlight that that article did specify that the industrial markets are different and are where the game will be played. And I want to remind you that that’s exactly where ExOne is and what ExOne is doing.

So, they didn’t give much reference to ExOne, which does not disturb me. But I would like to point out that I thought that if you really read through it correctly, it reinforced that we’re in the right markets doing the right things. I think that the article spent more time talking about some of the other companies than it did referring to binder jetting. But I would say to you what this article said. Beware of 3D printing, and I say it because 3D printing is coming, very effectively and perhaps a little more rapidly than has yet been demonstrated, but we’re seeing it with our customers. We understand the time and the effort that it takes to transplant a process in the industrial world.

We are very focused on doing what’s right for our customer, even if it’s impacted us negatively from time to time as it certainly did in the fourth quarter. So be it, the answer is to adjust and respond so that you are the leader in what you’re doing. Our binder jetting technology, I think, is gaining much, much more receptivity as we move into these markets and the proof of that is the satisfaction of the customers we are working with.

So I’m pleased with the prospects of opportunities. I’m sorry that we haven’t been as competent in perhaps addressing quarterly – we don’t address quarterly anywhere, but just the guidance aspects of this thing, we are guiding down a little bit as a result of this and I think we should. But I don’t think that’s demonstrating any lack of enthusiasm or effort on the part of this management. This management team here is very, very focused with its customers. David
and the new team that we’ve developed here are capable to go out and address the global marketplace more effectively and we’re ready to go do that in 2014 and I think you’re going to see some positive things evolve as we go through the year.

With that, I will be pleased to entertain questions from our audience and thank you for your time.

Operator: Thank you. If you’d 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’d 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’d like to ask a question today, please press star, one on your telephone keypad.

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

John Baliotti: Good morning. Kent, unfortunately, the article also implies that Ford was testing parts that were made out of sand as opposed to using your sand machines to make metal parts. This is a distinction a lot of us understand, but might have been missed by the reader.

To that point, you’re speaking very optimistically about not only existing customers increasing in their use of your services and your equipment, but also new customers entering, and some of the positive articles that have been written about Ford and Deere and so forth in terms of what they’re getting out of your equipment. Are you seeing not only an increasing use by companies like that, but also competitors in those industries recognizing the need to make sure that they’re involved in the same technology?

S. Kent Rockwell: John, I’ll try and address that, and maybe David will as well. First, thank you for your coverage and for pointing that out. You’ve been a very astute analyst in looking at some of the aspects of what ExOne does and we appreciate that. The Ford article did not mention that it was ExOne machines. I would also mention that they’re very old machines and we continually are trying to get Ford to update them and Ford is constantly talking to us now about replacing their five machines with new machines. And so, they understand the value of this technology and I think that Ford has been using it fairly well.

In the same article, you saw a reference to Shapeways where it said, this is what Shapeways is doing and we produce, I believe, 100% of Shapeways parts, which wasn’t mentioned. Shapeways is growing and I think doing a very nice job of building their business. We are their metal supplier and I don’t think that there’s any likelihood that that should change soon. I think they’re satisfied with our working relationships. So, ExOne didn’t get some of the good news that we might have, but we’re little guys still fighting our way up and we understand that some of that stuff is going to happen.
So, David, you want to address some of John’s questions?

David Burns: Yeah. John, good morning. I mean, just a quick answer I think to the second half, yes, absolutely. The breadth of companies we’re working with today across the spectrum of industrial producers is much broader than it was a year ago. And those are seeds that are planted and we’re tilling and we expect to see a lot of results here in the next 12 to 24 months from them.

John Baliotti: Yeah. I mean, it just seems natural that if Ford’s talking about, in these articles, that they’re getting a dramatic reduced cycle time on new engines and Deere is getting some similar improvements that how, as a competitor of theirs, you wouldn’t at least try to level the playing field and make sure that you’re involved in the same technology?

David Burns: Correct. 100%.


Operator: Thank you. Our next question is coming from Ajay Kejriwal from FBR. Please proceed with your question.

Ajay Kejriwal: Thank you. Good morning. I would like David to address the two casting projects that impacted PSC revenues in the quarter, maybe with a little more color with regards to the size. And then, in the hypothetical scenario that they would have been delivered in the quarter, how much would revenues have been up?

David Burns: Thanks, Ajay. First off, they weren’t scheduled to be delivered in the quarter. So, it’s not a question of whether or not we missed. It is that we have over $3 million in backlog in casting projects from two customers and we literally printed for weeks, and weeks, and weeks in Troy on all of our machines to get the molds ready to do the castings which ultimately have to be then cast, x-rayed, post-process heat-treated and qualified before they ship, and that’s very often 20-28 weeks to get all that work done. So, the only point we want to note here is that Troy’s capacity in the fourth quarter was largely utilized to print molds that ultimately are going to yield castings which will ship throughout 2014.

Ajay Kejriwal: That’s helpful. On the topic of backlog, maybe just color on what the backlog was at end of the year and then any update on the quarter, since we’re 10 days from the close here. What have the trends been and then what’s the visibility into the rest of the year?

Dave Burns: Well, sure. Well, let’s start with the year and we’ll back down to the quarter. The year is exactly as Kent indicated and that is that we expect our revenues to be $55 million to $60 million for the year. We’re probably about 35% first half, 65% second half not unlike patterns we’ve seen before. Classically, the first quarter is the weakest quarter of the year for companies like ours. We don’t anticipate that to be any different this year. We do expect to see a significant uptick in non-machine revenue in Q1 because some of the casting programs are going to begin to roll-out.
And relative to machines, Ajay, one machine movement can change our numbers by, as you well know, 10% to 20%, and so we anticipate revenues Q1 to Q1 being up. We hope that they’re going to approximate the growth rate that we think for the year, but there is a machine that may or may not be in the quarter and that could easily take our growth rate for the quarter from 40% to 20% or even less.

**Ajay Kejriwal:** And then the backlog at the end of the year?

**Brian Smith:** The backlog – this is Brian Smith. The backlog in our 10-K will be $10.9 million; it was $5.1 million last year.

**Ajay Kejriwal:** Good, that’s very helpful. And one last one from me, and I’ll pass it on. In the CapEx plans for this year, how many new PSCs are you expecting? I thought I heard in the prepared remarks that for the PSCs you’re looking to intensify the investments in each location, so just maybe a little more color there? Thank you.

**Dave Burns:** Well, Ajay, this is Dave again. We will open in the first half of 2014 two new sites, which will be a blend between PSC-related activities and sales and service centers. Both are intended to be in Europe and one is likely in Southern Europe.

I think Kent’s point about PSC expansion is that we had said 15 PSCs by 2015. And I think at this point with our view of what ExCast could mean that it’s likelier that we’re going to have larger, full-blown manufacturing facilities and less of them by the end of 2015. And those facilities will be capable of taking a casting from concept through delivery with a much broader range of equipment and capabilities than we originally anticipated with our first discussions of PSCs.

As Kent pointed out, I think this is absolutely appropriate and I think investors should applaud the fact that we’re really light on our feet relative to strategy and we’re reacting to what customers are asking of us.

**Ajay Kejriwal:** Got it. Thank you very much.

**Operator:** Thank you. Our next question is coming from Sherri Scribner from Deutsche Bank. Please proceed with your question.

**Sherri Scribner:** Hi, thank you. I just wanted to get a little bit of detail on the 1Q commentary. I’m thinking about the five machines that you commented earlier in the year that had been pushed out. I think you said 1Q revenue will be down. Does that include any benefit from some of those machines that were pushed out from the fourth quarter and do you expect those five machines to ship later in the year or could they possibly ship in 2Q?

**Dave Burns:** Good morning, Sherri. This is David. I want to make sure that I articulated this well.
Sherri Scribner: Okay.

Dave Burns: We anticipate Q1 2013 to Q1 2014 to show an increase in revenue.

Sherri Scribner: Yep.

Dave Burns: The question is how much and the answer will depend on where machines specifically fall. The machine programs that we saw in Q4 are all going to ship in the first half and all those programs are still alive. We expect some benefit in Q1, but there isn’t going to be a cascade of machines from Q4 into Q1 on top of other programs that were there. So, don’t anticipate that.

Sherri Scribner: Okay. But you still expect on a sequential basis that March will be down or could it be possibly be flat?

Dave Burns: We expect growth Q1 to Q1 to be there.

Sherri Scribner: Right. Sequentially, from the December quarter to the March quarter expected to be down. You mentioned that seasonally it’s typically down. I’m just wondering if the benefit of those...

Dave Burns: Yes.

Sherri Scribner: ...machines would...

Dave Burns: Yeah. Classically, our first quarter is our lightest volume quarter and we would anticipate that for this year as well.

Sherri Scribner: Okay. Even with the benefit of a couple of more machines?

Dave Burns: Yeah.

Sherri Scribner: Okay. And then I was thinking about the guidance for the full year and the numbers that you’ve outlined. It suggests that we are still losing money in fiscal 2014. I know you suggested this is a transition year. I just want to make sure that I understand correctly because I think TheStreet has you earning about $0.25 in 2014? Thanks.

Kent Rockwell: If we achieved our performance in the realm that we’ve discussed, I believe that we will have a positive EPS in the year. Sherri, it’s a simple question. Could we be positive? Absolutely, if I wanted to. We’ve got very, very high SG&A and R&D expenses. If I wanted to curtail those, I could get us to $0.25.

The question is, is that what the investor wants or does the investor want us to become a $300 million, $400 million company in the next couple of years, because we really aggressively
pursue a long-term opportunities. And I’m of the opinion that that’s what the investment community is looking for.

And so, I’m not as worried about whether or not I spend an extra million dollars in R&D. If some customer comes in and says, hey, we have the opportunity to order 10, 15 machines next year, if you can get this qualified and up for us. In any incubative high growth company like ours, you have to be able to make those decisions and not have too narrow of a focus.

Right now, I think that the real investors are looking for the emergence of a true leader in this technology. However, I do think we have an obligation to show people we can make money. So we’re focused on getting to a profit level. How significant it is in 2014 is not relevant because what’s going to happen in 2015 will be much different.

Sherri Scribner: Okay. Great. Thank you.

Operator: Thank you. Our next question is coming from Jonathan Shaffer from Credit Suisse. Please proceed with your question.

Jonathan Shaffer: Hi, guys. Good morning. I was just wondering about the two recent acquisitions and whether you guys have had any kind of a pre-existing relationship with them, in the sense that they were already using your machines and so it was easy to integrate them within your process. And then just as a second part of that, what are you continuing to look for in any kind of new acquisitions?

Dave Burns: Good morning. Jonathan, it’s Dave. First up, regarding the pre-existing relationship with the microwave producer, they were our primary supplier of industrial microwaves that we used to catalyze parts coming out of our indirect printing technologies with new binders. So we were consuming a significant portion of their production anyways. They had a little bit of outside sales, but that wasn’t the primary driver.

Machin-A-Mation is a fundamental machining house that we can use both for parts manufacturing for our own machines here in the States, as well as potentially using them in the stream of casting manufacturing and delivery that we envision with ExCast. So while the relationship wasn’t necessarily pre-existing, now that they’re a part of us, we immediately have an interchange of a variety of parts and processes.

Kent Rockwell: I’d like to add to your longer question with MAM. Right now, some of our work is being sub-contracted out to third-party machine shops, and we can transfer that into our own machine shop, so it’s a transfer of who we do the work with. We would incur a greater profit for that process.

In the longer term, we are looking into acquisitions related to binder jetting technology. We are staying focused on binder jetting technologies and looking at the pre- and post-print processes of binder jetting. There are some software opportunities that we’re looking at, and there are
some other processes that we’re looking at that we believe will strengthen our overall technological lead in binder jetting.

The execution of ExCast is a capital-intensive investment that involves looking at 16 steps in the process of taking a casting from conceptual design to finished machining in a short period of time in a cost-effective manner. And we are looking at those steps, and some of them involve inspection-type activities for inspecting castings and for the software for solidification analysis. It’s specific to the requirements of these new castings.

With our new technology, we are also able to do better, thinner-walled castings than have been delivered by anybody heretofore, and that’s been affirmed by major customers such as Boeing and Sikorsky. And so we’re looking at how do we take a bigger bite of that process and get control of that process because the OEM wants to buy it from one source. And right now, when they get it from a foundry, the foundry still owns their patterns and the foundry pretty much controls the process and the time in that process. And we have the ability to provide that capability to a foundry if they were to choose to employ it or provide it ourselves to an OEM, because that foundry won’t employ it effectively to meet their needs and that’s become one of the issues that we’ve run into in the evolution of the ExCast process.

Jonathan Shaffer: It’s very helpful. Thanks a lot.

Kent Rockwell: Sure.

Operator: Thank you. Our next question is coming from Peter Misek from Jefferies. Please proceed with your question.

Peter Misek: Thank you, gentlemen. I have two questions. Can you help us understand the cash movement now that you’re transitioning more to a service model and there’s going to be an increased investment in capital equipment? I would imagine there’s also going to be an increase in working capital inventories, et cetera. What I’m trying to understand is what you see the cash balance looking like throughout the year. My last question is about the work that you’ve been doing with some of the large industrial German automotive companies. It seems, unless I am misunderstanding based on your commentary, that demand for this work is cooling a bit, even though we would have expected them to be keener on sand casting for their higher-end prototyping and higher-end engines.

Kent Rockwell: All right. Peter, I’m going to let David answer the second question first, because it’s not cooling. It’s very much in line. But what we have said from the beginning is that the mass printing for BMW was always a 2016 project.

Dave Burns: Yeah. Thanks. I’ll just echo Kent’s comments. I don’t think it’s a question of the precursor preparatory work being done within, especially European automakers. We are still connected and doing what I would view as very preliminary front-end stuff. We have not yet seen the shift to more production-related work nor have we seen the conversion to higher volumes in Europe. We’ve been monitoring this all year and I’m pretty comfortable that we’re
positioned where we need to be with this customer base. It’s a question of timing more than it is anything else. I’m going to let Brian address...

**Brian Smith:** I’ll take this.

**Dave Burns:** Okay, go ahead.

**Brian Smith:** The intensity of capital investment in the ExCast process which will be applied to one or more of our PSCs this year is substantial, whereas originally, we had talked about $3 million to $5 million for what was basically our equipment, to provide the quality of castings and molds of the foundry where it is.

Now we’re looking at investing in various kinds of inspection equipment, around $1 million apiece, to expedite that process and give it to the control of the OEM, rather than leaving it with the foundry suppliers. The foundry suppliers are much are more reticent to have to make the capital investment themselves, to adapt the capabilities that their customers are requesting. You can put in a mini aluminum magnesium foundry for $2 million, $3 million. And in some of those places we may consider employing that activity.

In addition to that, there’s some machining and heat treating, et cetera - some of those are activities we may continue to outsource because our customers would accept that. And in some cases we may bring it in-house as we have decided to do in the case of the Sikorsky effort.

Does that address your question, Peter?

**Peter Misek:** It does. I guess the one specific question I was hoping to get is, what do you view as your minimum cash balance throughout the year? Is that something that we need to be concerned about or is there a need for additional capital? I guess that’s one of the questions that I was just hoping to get answered.

**Kent Rockwell:** All right, that’s a good question. Right now, we have more than sufficient capital to meet all of the needs of growth that we’ve described for the 2014 year and leave us with sufficient cash to acquire the capital equipment or acquire by acquisition, certain processes which would expedite the overall implementation of the ExCast process. In addition to that, we have almost no debt and we have north of $50 million in cash at the end of this plan without an acquisition.

We certainly have the ability to immediately raise $25 million to $30 million in debt if we needed it. So there will be more capital if the ExCast deployment is effective. I mean, we believe that in 2015, we would see at least $50 million or $60 million of revenue from that, and those are pretty heavy margins, great margins that we’re pleased with. So, we think that it’s a justifiable effort.

**Peter Misek:** Agreed. Thank you very much for that.
Kent Rockwell: Sure.

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

B.G. Dickey: Yeah. Thanks and good morning, gentlemen. My first question has to do with Asia. Can you talk about the competitive landscape there? Has it changed or how do you see it changing? If, for instance, Chinese OEMs begin to flood the market with cheaper machines that are not of the same quality right now, how is that going to impact your machine sales business, not just in Asia, but across the globe, as they perfect the FDM process over time? Maybe that’s more of a long-term question but I would certainly appreciate your thoughts on that topic.

Kent Rockwell: Both David and I will comment on that. I’ll let David speak first.

Dave Burns: As you may know in the manufacturing technology world, the Chinese have capabilities that they deploy domestically, but they’ve been fairly unsuccessful in selling manufacturing technology outside of China. This is because, generally speaking, the level of technology they deploy is a step behind what you can get from Japan or Germany or the United States. We have knowledge of where China is at in the 3D printing world, and so I can say the difference is even more pronounced between where we are and where China is with 3D printing. We respect their efforts and we think that there is some nascent and emerging stuff going on. But it’s not on our radar screen simply because we don’t have a particular concern at this moment about the Chinese coming to market. That being said, we are getting inundated with requests to do business in China. I don’t see the Chinese as a particularly competitive threat. To be honest with you, there really isn’t any 3D printing technology emerging from Asia at the moment. The people that are in the same space as us are European, for the most part.

Kent Rockwell: That was me knocking on the wood when David said that. But at the same time, I have said we do have a lot of interest from the Chinese markets in buying our technology, and I have to say – well, first of all, we’ve had plenty of issues with regards to some of them. And secondly, we know that some of the customers that were buying it are very interested in trying to replicate our technology and we’ve been reluctant to allow that to occur.

Having said that, the technology that we see coming out of China, while they’re making statements that they can do this and do that, their technology is not nearly robust enough to meet any of the ASTM industrial standards that would apply for U.S. markets of industrial production. And I think that they’re a long, long way from that – could they be there in three years? Yes, but in three years I think we’ll be a little bit further ahead again.

Secondly, I believe that the Chinese interest, right now, is mostly to bring the 3D additive activities into their own market as opposed to taking it and turning around to exploit it in international markets with sales of additive manufacturing equipment. They are tough
competitors, they’ve got a lot of brilliant people that work very, very hard. You’ve got to be very wise about how you deal with them. We have made multiple sales of sand equipment and we have potential orders in line for more equipment. And so, we’re monitoring it and David has worked to develop the Chinese market. Also, Tim Pierce has recently joined us. He’s had extensive experience in China and the rest of Asia. And I’m sure over time he’ll help David in the deployment.

So the Chinese threat is not that real for us in our global marketplace. It’s really within China as we see it today, because they just don’t have the technology to our level. And that’s one of the reasons they’d love to own prints of our M-Flex. And so, we’re developing it, but you’ve got to be careful you don’t shoot yourself in the foot with those folks.

B.G. Dickey – Stephens, Inc.: Okay, well. Thanks for that, that’s very helpful. And then, just one more question. Kent, you were talking earlier, about investor focus and I think rightly so that the people are not really interested so much in EPS given this stage of where your Company is at in terms of growth, but certainly the top line is important in market share. And so, given that, for 2013, you came in slightly below that 40% to 50% organic top line growth range that you had talked about previously. So looking out to 2014, just in terms of confidence and visibility to hit that bogie, can you talk about that?

And really, is there conservatism baked in there? Because, I think that probably some of TheStreet numbers were a bit high because, for instance, they may have been calculating that those five machines that you had talked about in the fourth quarter of 2013 got pushed out into the first half of 2014. So we were thinking that you had a nice tailwind on the top line there. So I know you talked a little bit about the top line, but just some additional color around that would be appreciated.

Kent Rockwell: All right. Well, I mean, if one of the five machines – any one of the five machines had occurred, we would have been over 40%. And so the magnitude of large numbers against a small company developing like ours is very, very real. I think that the expectation that we painted of 40% to 50% was quite real. And it was a sad point for us that all five of these things didn’t occur. And yet when we look at them and say, okay, did we do anything wrong? The only wrong thing we did was our expectation of the completion of the process in international markets, simply by the fact that there are so many exogenous factors.

I mean, the Indian machine, the guy signed the order January 2nd. And it’s in the process now to get shipped, but they had a bunch of changing requirements. And in India that’s not an unusual circumstance. In Russia, we had the issues that the currency is a little volatile and that the money has to be approved and released through a very antiquated process. The central government has to fund the leasing company and the leasing company has to buy the equipment from our customer for their customer, and the paperwork is huge. And the process for that paperwork in Russia is very intense. We struggle a lot with the whole thing. And that’s just one of the things that you run into.
Russia has been an excellent customer for us. They use their machines very effectively. They have a requirement for more. And we think that they’re a good market for the future. So we’re trying to expedite the processes that we use so that we can manage such opportunities in a more proper sense. Now, instead of having them pay us in euros, we’re getting paid in rubles and having them manage the euros and that represents a whole new crisis of management that we’ve got to manage within our company.

We have one machine that we know is going to France and then all of a sudden, the government postponed providing the money from 2013 into 2014. They get the money in April. We get the machine ready, we deposit the payment and the machine gets shipped.

So there’s a cycle for all of the stuff in the international markets. In a little company like ours, it’s extremely burdensome. And our optimism brought on by our success in the past probably made us a little more confident in the timing than we should have been. We do not have a hockey stick in our fourth quarter, the way we have had in the past. We have an internal goal that is higher than our guidance, as we should. And my focus is towards that internal goal. And that doesn’t mean that any of you who’re doing analytical computations should take that as a reason to reach beyond what we’ve given you as guidance because that’s what we’re trying to do is get it more in line with the magnitude of opportunities that we’re seeing.

So I think that we are taking a little bit of a step down in our guidance, but I don’t want you to think that the enthusiasm in the marketplace isn’t strong or that we don’t have the opportunities. Again, for us, 2014 is a transitional year. We will complete the 175,000 square feet facility in Germany that David mentioned. This is desperately important to our strategy for success. It’s a magnificent palace that we’ve already seen here a couple of times and it will allow us to move from five or six different buildings into one building. Simply the amount of indirect expense that we will be able to improve on and the overall productivity of our staff there will be magnificent.

And this will be at about the same time that our new production-ready machine will be coming online. It will be ready by the end of the year. Our customers are very enthusiastic about it. Multiple customers are already working with us on a regular basis for the delivery of that machine.

So I think that we’re well-positioned to make our way through 2014 in line with the guidance we provided, and what’s really going to be exciting is when we get a couple of effective acquisitions done. What 2015 and 2016 are really going to look like, that’s what the investors had to be thinking about when they bought this equity at the beginning.

B.G. Dickey: Great. And just one little follow-up on your comments there on the new machine. It may be a little too early for you to comment on this, but have any customers actually placed orders for those? Can you talk about ASP or give any additional color around that?

Kent Rockwell: Yeah. It’s too early. We’ve got two new machine models in the works. One is specifically designed to allow us to use the new binder technologies that we’ve got for indirect
printing. The other is a production machine with much higher productivity that is more suited for high-volume production. In both cases, these are designs that are on the board. So when we get a little bit closer, we'll roll more out about it.

B.G. Dickey: Okay. Sounds good. I'll pass it over. Thank you.

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

Cindy Shaw: Thank you. Good morning. One of the things I wanted to ask about is my recollection from last year’s discussions that your production would be constrained potentially at the end of the year. So as we think about this year, we had some machines slip into the first half. I’m guessing you’ve got the production capacity and you’ve got a lot of production capacity scheduled to come online. Is there anything we should be thinking about in terms of production capacity limitations as we go through the year? Are there any constraints such that if something slips in, say, the second quarter that you just won’t have capacity to make up for later in the year?

Dave Burns: Cindy, this is Dave, and the answer is no. We don’t have any production constraints. We’ve anticipated the transition in Germany now for a year-and-a-half. And at the moment, our working capital is probably higher than we might otherwise have required because we’re pre-building out some volume to be sure that during the transition time, we’re able to keep selling what we’ve got. So our inventory levels are higher than perhaps we normally would have expected for the volumes we’re running. But that’s very anticipatory of the move in Germany which, as Kent mentioned, is a big event for us. So it’s a big deal, but we’ve been planning for it for a while and we’re very comfortable that we’ve got the capacity we need to execute the year.

Cindy Shaw: Okay. Thank you. And regarding the tax rate, there was a comment during the prepared remarks that sounded like that’s still really up in the air. There have been some discussions previously of really trying to narrow that down this year and make it less of an open question. And I was hoping you could update us on how that’s going, what the range for calendar 2014 might be, and if it’s still an open-wide range, or if you expect further improvement as we go into calendar 2015?

Brian Smith: Yes. Cindy, this is Brian. You could use something in the neighborhood of $300,000 to $600,000.

Cindy Shaw: Okay.

Brian Smith: It won’t run off of a rate. It will be in that dollar range.

Cindy Shaw: That’s very helpful. And then the final question, as we look at this ExCast process and the idea of bypassing the foundries, it seems like there are a lot of dynamics involved in that and that there could be some unintended consequences. So, as we think about
it, are you no longer selling to the foundries? Are you looking for the OEMs to force this onto the foundries? And there was a comment about the PSCs and bigger machine sales, so I was a little unclear on does this mean initially it goes to the PSCs and then you get these 5 and 20 machines per customer? If you could give us some more color on how you expect all that to play out and what sort of headwinds you think you might run into.

Kent Rockwell: David will answer that.

Dave Burns: Yeah. Cindy, I want to be clear that the opportunity sets for ExOne are specifically delineated. We see three major market opportunities going forward that are very expansive in terms of the opportunities. One is within the arena of delivering castings from conception to finish. And along the way, especially in the U.S., there’s been an evolution that the foundry has become the focal point for technology development and control of how castings are created. And therefore, in some sense, OEMs have relinquished some of their authority over the supply chain to foundries where a lot of black magic happens. The pushback we’re getting from OEMs is they don’t want the black magic anymore. They want control of this process and 3D printing gives them that.

In that scenario, foundries become more of a tolling agent that simply contributes a step in the process as opposed to controlling design and technology. Of course, there’s going to be resistance and unintended consequences. It’s going to be ugly at times, and there are going to be struggles. It’s going to be disruptive and it’s going to be unpredictable. And that’s all okay because that’s what disruptive technologies do.

A secondary thrust for us is moving into high-production machines that allow us to go into existing facilities and displace traditional machining or lines of machines for a variety of industrial production. That is its own initiative, its own field of opportunity for us, even if it does end up crossing over somewhat with ExCast.

The third is that the outcome materials that we’re developing are allowing us to begin talking about direct part delivery into amazing markets with amazing design stuff that we are just beginning to conceive. These three things are distinctive in some ways and yet, of course, they cross over.

Each has its own opportunity set, and if one of them happens, ExOne is going to be very successful. If a couple happen, we’re going to be really, really successful. We’re confident that in one of these three arenas, we’re going to have major breakthroughs this year.

I will tell you this management team is more enthusiastic now than we were six or nine months ago. We wish that the outcome – the derivative numbers were a little bit better, but I don’t think that the future is dimmed at all in our view. In fact, it’s brightened in a lot of ways in the last six months.

Cindy Shaw: That’s very helpful. Thank you very much.
Kent Rockwell: Cindy, I’m going to be philosophical for one minute here and tell you, back in the old Rockwell days when we were doing high-tech innovative in business and we were analyzing all of our investments for successes and failures, one of the things that we found as the most predominant reason for failure was that we invented great technologies for which no market existed.

And the second reason for failure was that we invented a Cadillac when the market wanted a Chevy. And I’ve always kept that in my mind when I looked at what were we doing here at ExOne in terms of the evolution of our product and our market opportunities.

I am absolutely convinced that we’ve had a little bump in realizing that the customers that we had thought would grasp and really appreciate the value of the technology that we’re presenting in the foundry industry, aren’t really receptive to it for the simple reason that it’s giving control to their customer and taking away their control. They’re going to become a tolling agent if they don’t adapt to this technological evolution, because it’s absolutely something that’s going to happen.

And so when we’ve looked at it, we simply realized that the OEM customers, not the foundry customers, are the ones that came to us and said, please don’t stop, you got to do this for us. Sikorsky is a foremost example of that for us at this point in time.

All of this is evolutionary for us. We’ve had margin impingements because we had to learn how to do things. But I think that we’ve really gotten it right and have the right proposition. And I think what’s going to happen is, as we move through this process, that the foundry industry is going to have to say, if we don’t do this, we’re not going to exist. Now, it’s not going to happen universally over a short period of time. With the guys that want to be doing the higher value components, they are going to have to adapt this or face the consequences of a diminished customer set. And so we’re pretty enthusiastic where this is going to take us and we’re pretty enthusiastic that this technology is going to be recognized for the value it represents to the end user.

Cindy Shaw: With that additional value do you think the ExCast margins could exceed what you might expect elsewhere and would you wind up selling to the foundries if they get on board?

Kent Rockwell: I think we have a requirement to be able to address both markets. I mean, when the foundry comes along and says, now I understand what you were saying and if I don’t do this, my customers are going to be distracted. I think things may evolve so that we’ll see a mix of the two.

We’re convinced that in the aerospace markets we’re working in right now that there’s a huge upside for us and we’re looking at very sizeable amounts of government funding for the continuations project as the government has a crisis. They came up with one casting and haven’t been able to make one since last August, and they know that our process will be able to do this and so they’re really anxious to see this employed as well. And the result will be, I
think, that we will see very appropriate margins for the kind of business that we’ll be in. I think this will benefit our overall margin mix over the next couple of years as it becomes employed.

**Cindy Shaw:** Great. Thank you.

**Operator:** Thank you. Our next question today is coming from Weston Twigg from Pacific Crest Securities. Please proceed with your question.

**Weston Twigg:** Sure, hi. The ExCast opportunity sounds large. It sounds like you’re very optimistic about it. I’m just wondering, why not increase your long-term organic growth rate beyond the 40% to 50%? Maybe you could give us some color on whether that spikes a bit in 2015 and 2016 and then comes down to that long-term rate.

**Kent Rockwell:** Sure. But in all honesty, we’re getting beat up already for having put the growth rate range where we did and then experiencing little aberrations. I think that comes with the growing sense of confidence. Even though I think we have experienced good growth and are moving in the right direction for the long term value of our investors, I think we need to get credibility for being able to achieve the core of the performance with all of the coverage that we have – I think we’ve got ten analysts covering us right now. And I’d rather get comfortable with everybody saying, these guys are in line with expectations than worrying about telling somebody that the growth could exceed that.

Having said that, it’s very obvious that if you could just take something like a Sikorsky that has the potential to be a $40 million PSC customer next year, it doesn’t take too many Sikorsky’s before you’re well on your way to that multi-million dollar environment that we’re trying to achieve.

**Weston Twigg:** Okay, good. That’s very helpful. I’ll just leave it at that.

**Kent Rockwell:** Thank you.

**Operator:** Thank you. Our final question here will be a follow-up from John Baliotti from Janney Capital Markets. Please proceed with your question.

**John Baliotti:** Thanks, I just had a quick question, maybe for Brian or Dave. In terms of the R&D, you gave us a nice breakdown of the split in revenue and how it has been traditionally. Do you have a sense of how you feel the R&D and SG&A will follow continuing sequentially from where you were in the fourth quarter? How do you see that mix being for the year?

**Dave Burns:** I’ll take it, John. I mean, if you do four times fourth quarter R&D, it puts us right in the range that we’re talking about for next year.

**John Baliotti:** Right.
Dave Burns: And I think we’re going to run around that rate. It’s not that we’re not going to flush out with a few more people, but sometimes you’re buying a big chunk of material and that hits your R&D numbers, so...

John Baliotti: Sure.

Dave Burns: Run rate wise, we’re near where we expect to be for the 2014 year.

John Baliotti: Okay. It makes sense with your projects, that you’re not really baking it off of revenue, as a percent of revenue, it’s the project itself and the cost. So I just want to make sure on that.

Dave Burns: Yeah, correct.

John Baliotti: Okay. Thank you.

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.

Kent Rockwell: Yeah. Thanks very much, this is Kent Rockwell. I think that one thing we would try to have accomplished in this last 90 minutes or so is for those of you that are with us to come away with some sense of appreciation of the progress that we’re actually making in the opportunities that we see in binder jetting for a variety of industrial applications.

We have very strong enthusiasm. We recognize that the fourth quarter was a bust, and that’s just a bump in the road. It’s not as though there is a fundamental flaw. But in the process, we evaluated what was going on with ExCast and we’ve made some strategic corrections which were essential to the long-term profitability and growth of this Company.

We’re in a very dynamic and exciting marketplace with a lot of customers that are very, very enthusiastic about what we’re doing. It can’t move fast enough for us. I wish we could get more materials out sooner because these new materials are really going to give customers the ability to create new products and enjoy the new opportunities offered by 3D printing.

We’re a much different business from 3D and Stratasys in what they do - we respect their place in the marketplace and the value that they bring - but we think that we’re measured in many, many different ways because of our focus and the fact that we’re coming off of an industrial base which is going to bring exponential growth rather than some of the hyperbolic growth that was experienced in those companies.

We thank you for taking the time to listen to all this. We believe that we’re moving in the right direction and with that we’re going to close. Thank you for your time and we’ll see you when the first quarter shows up.
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.

END