

ExOne stock sales raise questions

By [John D. Oravec](#)

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The stock of high flier ExOne Co. is down 23 percent since it completed a secondary offering two weeks ago in which the CEO and other executives made more money than the company, selling almost twice as many shares.

The stock sales by CEO S. Kent Rockwell and three other executives at the 3-D printer maker in North Huntingdon are worrisome for investors because the insiders are assumed to have the best view of their company's prospects, analysts said.

ExOne has reported a loss in two of three quarterly reports since it went public in February.

Rockwell sold 1.77 million shares held in two trusts and a third trust controlled by Lafayette College, according to Securities and Exchange Commission filings. The stock was worth \$109.7 million and benefited Rockwell and his alma mater, in Easton in Northampton County.

President David Burns, Chief Financial Officer John Irvin and Rainer Hoechsmann, general manager of ExOne's German unit, each sold 60,000 shares, according to filings, worth about \$3.72 million each.

"I wouldn't buy the stock for two reasons. The executives selling and the high price makes me nervous as a professional investor," said Fredric E. Russell, of the Fredric E. Russell Investment Management Co. in Tulsa, Okla. The most important fact in this case is that the CEO thinks the stock price is high enough to sell, Russell said.

"When the CEO is selling a big block of stock, he thinks it's generously valued. He wouldn't sell at \$10," Russell said.

ExOne spokeswoman Deborah Pawlowski said that after the Sept. 12 offering, company executives still hold 27.5 percent of the company's shares, including Rockwell's 21.9 percent. He acquired the company for \$7.5 million in 2007 and invested \$40 million of his own money during the next five years, she said.

ExOne itself sold 1.1 million shares, which it intends to use for acquisitions, joint ventures and other corporate purposes. ExOne received proceeds of \$64.8 million, according to the filings.

The \$62 price per share was more than three times ExOne's initial offering price on Feb. 6 of \$18 a share. The IPO raised \$95 million to fund the company's growth.

The stock has run up significantly in past seven months. It hit a high of \$75.67 on Aug. 8. Wednesday, it closed at \$47.74, down \$1.19. Since the high, the stock is down 37 percent.

Russell said a drop in stock price after a secondary offering can often happen after a big run up like ExOne's and the high level of media coverage the 3-D printing industry has enjoyed.

ExOne makes three-dimensional printing machines and related products for a process called additive manufacturing. The technology deposits thin layers of a material atop one another using a digital blueprint to produce a precise component or product.

Competitors include Stratasys Ltd. of Eden Prairie, Minn., and 3D Systems Inc. of Rock Hill, S.C., which both have seen their stocks surge. Another is General Electric Co., which last year acquired two related companies near Cincinnati. Voxeljet, a German 3D printing company, filed for a stock offering in the United States last week.

Stock traders continue to complain about ExOne's second offering this year on message boards such as Yahoo! Finance.

Holden Lewis, an analyst with BB&T Capital Markets in Richmond, Va., said he did not hear complaints from investors that ExOne was going to the public markets too soon, but he did hear some about executive selling. His firm was one of four that managed the offering.

“People complained about that. But the CEO was the bank for the company for years, so I can hardly blame him for making some money after the company goes public,” Lewis said. “I had some clients say that if they (executives) believed in it, they wouldn't be selling stock. After bankrolling the company, it doesn't seem like such a dire action to me.”

Since going public, ExOne has issued three quarterly earnings reports, with two showing a loss. It reported a profit of \$902,000 for the final three months of 2012, up from a loss a year earlier. Revenue rose to \$12.7 million from \$2.7 million in the same period a year earlier. “We made solid progress in 2012,” Rockwell said then.

ExOne reported losses in the first and second quarters of this year.

A first-quarter net loss of \$1.9 million came on revenue of \$7.9 million, with ExOne blaming higher operating expenses and weakness in Europe, where customers delayed purchases. Last month, it reported a second-quarter net loss of \$1.12 million on revenue of \$9.23 million.

Lewis said ExOne's two losses and lower revenue were expected. “They are proceeding along the path of building a business. ... If that replicates in the fourth quarter, they may have a problem, but they say they will have a profit.”

John D. Oravec is a staff writer for Trib Total Media. He can be reached at 412-320-7882 or joravec@tribweb.com.