Citron RESEARCH

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VJET is a TOTAL F**KING JOKE

Print this on your 3-D Printer!

VJET – Possibly the worst piece of small print nonsense ever seen in a quarterly report. How is this company even public?

Last Thursday, Voxeljet, (NASDAQ:VJET) issued its first quarterly report since going public little over a month ago. The tiny company's stock had been on a tear, doubling in the month on the speculative frenzy on 3-D printing stocks.

When they reported their earnings after the close, even though their revenues were tiny, they unexpectedly reported a small EPS profit (0.11c EUR per ADS). To give you an idea just how small Voxeljet is, the 4.76 million (USD) revenue was driven by the sale of **just 3 units of its million-dollar 3D printing machines.**

> "The Company sold three new 3D printers in the third quarter of 2013 compared to two used 3D printers in last year's third quarter."

http://www.sec.gov/Archives/edgar/data/1582581/000110465913084806/a13-24253_1ex99d1.htm
Before we discuss how they sold they machines, let's put their quarter in perspective.

Now this 5 million revenue quarter prices the company at a nosebleed price-to-sales (ttm) of 66 (*). Compare that to DDD and SSYS -- both of which are already controversially high …

Current Price to Sales Ratio	(ttm basis)
DDD	**16.9**
SSYS	**13.4**
VJET	**66.2 (*)**

(*) Corrected post-publication for correct P/S Euro to USD conversion.)

But wait! … it gets worse!

Oops, looks like nobody read the fine print. Even Citron can't believe its eyes.

> “"In September 2013 another loan was granted to a customer for the purpose of financing their acquisition of a 3D printer in the amount of kEUR 678"
>
> "In September 2013, the Company recognized revenue of kEUR 868 on the sale of two new 3D printers to a customer in exchange for consideration consistingof kEUR 630 cash and kEUR 238 in research services to be received. The revenue recognized represents the fair value of the 3D printers sold determined by reference to the average discount off list price for such printers."

So, the actual number of printer units sold new at fair market value for full price was ….. **0.** Those transactions represent **fully half** the company's revenues for the quarter, finessed with incentives, to avoid posting its first public quarter as a US traded company with zero system sales. We're not even sure such sales qualify as revenue … that would depend on who the parties are and the collectability of the receivables, but why ruin a good bubble.

The fact that the company's **only system sales were** transacted with loans went **completely unmentioned** on the company's triumphant conference call. But the first question asked from an underwriter's analyst was … if the IPO made VJET's website traffic go up.

So what's going on? Is this an exception, or common practice? **Inquiring minds at the SEC wanted to know…. Just last month, in fact.** In what might be the quickest SEC commentary to a company who just went public we read that the SEC has contacted them about their revenue recognition.

Revenue Recognition, page 51

"1. **We note your response to prior comment 19. Please tell us whether the loans you provided to customers to cover the purchase of 3D printers are usually offered to other customers or prospective customers. If you do usually offer such loans, please disclose the key terms of those loans, such as interest rates and default provisions."**

http://www.sec.gov/Archives/edgar/data/1582581/000110465913074373/filename1.htm

And VJET's reply…. ***Priceless!***

"The Company respectfully acknowledges the Staff's comment. The Company advises the Staff **that it does not ordinarily offer loans to current or prospective customers to cover the purchase of its 3D printers.** As a result, the Company does not maintain a set of key terms for customer loans. However, in the event a prospective customer that, in management's view, is important to the development or penetration of a specific market requests a loan, the Company will consider such request. **The Company expects there to be few situations where it would be willing to extend a loan to a customer and does not offer a formal loan program.** Any loan the Company may provide will be negotiated between the parties at the time of purchase. For further clarification, the Company has revised its disclosure on page 52 of the Prospectus.

So … we don't ordinarily make loans to allow customers to buy our printers, **except when its 100% of our systems revenue in our first reported quarter as a public company.**

But Wait … There's More …. Insider Sales

Citron offers a shout-out to one of its loyal readers for providing us this useful observation:

> Insiders lined up to do 900,000 of the 6.5 million offering (13.9%). They were allowed to sell an additional 975,000 if the overallotment was exercised (which it was) which means they sold 1.875 million shares out of a total offering of 7.475 million (25% of the offering). This sale of 1.875 million shares was about 19% of their shareholding, plus they diluted the company by 36% at the IPO through the primary shares. I assume a normal overallotment would be in the same ratio (primary shares vs. secondary) as the main offering, but here it looks like the bank said, "You guys can only sell 14% of the offering, but if there is demand, we will allow you to be the full overallotment which takes you to 25% of the offering."

And those insiders were real happy to net $12.09 per ADS…. just last month.

Now that is some high-tech printing!

Conclusion

This company doesn't have any material R&D. It doesn't sell printers, it loans them. Now, you might like SSYS, we can debate about whether DDD Systems is overvalued. Bulls and bears can have arguments about those – appropriate discussions to be had on both sides of the street. You can debate about whether XONE has any proprietary technology. But VJET is the winner in Wall Street's race to the bottom. It's not even a company, it's just a hobby. Citron challenges any of the investment banking firms to underwrite a bigger joke than this in the space. If it was a responsible commentator, even Motley Fool would have to call this what it is: stupid.

Citron thinks a fair target for this stock is $12.09 per ADS – that's the price the insiders were delighted to take for their overallotment … just last month!

If you need a conclusion, Citron recommends you not place your dollars at risk in the stock market. This is so abusive, it defies words.