PRODWAYS GROUP

Press release

27 March 2023 at 18h

Record 2022 results and acceleration of the development

- **Record 2022 results**
  - Revenues up by 14% compared to 2021
  - Current EBITDA up 29%, i.e. 14% margin
  - Cash flow from operations[1] up +71% to €10.2 million

- **Numerous operational successes continuing early 2023**
  - Strong growth in sales of printers and materials for the dental industry in 2022: +23%.
  - Strengthening of the partnership with a global player in the dental industry: 3 new printers ordered in February 2023, to reach a fleet of 17 printers
  - Preliminary discussions on medium-term projects for around 100 printers

- **A new development phase for Prodways with the BOOST strategic plan, whose ambition is to achieve by 2028:**
  - ~€200 million in revenues
  - Strengthening of teams starting in 2023 to reach 800 people by 2028
  - A current EBITDA margin above 15%
  - Maintaining the financial discipline, with a capex requirement of around 5% of revenues per year to achieve the plan.

- **Guidance 2023**
  - Revenue growth of around +10%.
  - Current EBITDA margin of around 12%, improving compared to H2 2022.

[1] Cash-flow from operating activities before change in working capital.

Record 2022 results

(in €millions)	FY 2021	FY 2022	Change (M€)	Change (%)
Revenues	**70.6**	**80.7**	**+10.0**	**+14%** **+9% org.**
Current EBITDA[2]	**8.8**	**11.4**	**+2.6**	**+29%**
Current EBITDA margin	*12.5%*	*14.1%*	*+1.7 pts*	-
Income from ordinary activites [2]	**4.3**	**5.8**	**+1.5**	**+34%**
Operating income	**1.8**	**4.9**	**+3.1**	**+174%**
Financial results, tax and minorities interest	**-1.2**	**-2.1**	**-1.0**	**+197%**
Net result in group share	**0.6**	**1.5**	**+0.9**	**+138%**

Revenue growth of +14% in 2022

Prodways Group has achieved revenue of €81 million for 2022, representing growth of +14%, including +9% organic growth. All of the Group's businesses grew in 2022, with the exception of one in the Products division (Cristal dental prosthesis laboratory).

- **Revenues in the Systems division rose by +12%,** supported by both sales of machines and materials for the dental sector and by the Software activity
- **Revenues in the Products division increased by 17%,** thanks to a mix of organic growth and external growth with the acquisition of Auditech.

More details are available in the dedicated press release of February 15, 2023 (link).

[2] See glossary in the appendix for definition of alternative performance indicators.

+29% growth in current EBITDA

Prodways Group generated a current EBITDA of €11.4 million in 2022, up sharply by +29% compared to 2021. This improvement in profitability is due in particular to the full-year effect of the reorganization work completed during 2021 and the increase in activity. This is Prodways' best annual performance and illustrates the group's relevant business model.

The current EBITDA margin was 14%, the highest level achieved by Prodways. It was 1 pt below the guidance range indicated at the time of the half-year results, due in particular to the slowdown in the activity of direct supply of products and services for dental practitioners (Cristal laboratory, which now represents less than 4% of revenues). This activity experienced a significant slowdown in the second half of the year (including the failure of its first customer at the end of the year), and its revenues fell by 16% in 2022. This first client is currently the subject of a recovery plan and could therefore generate revenues again in 2023. As a reminder, this failure only concerns the dental laboratory activity. It does not affect the sales of 3D printers and materials for the dental sector, which continue to perform very well.

Significant improvement in operating income

Thanks to the growth in revenues and the improvement in the EBITDA margin, the operating result increased both in the Systems division (+0.4 M€) and in the Products division (+1.1 M€).

The Group's operating profit, after taking into account non-recurring items of €0.9m, thus amounted to €4.9m, **almost three times the previous year's figure.**

The consolidated financial statements are available in the appendix at the end of this press release.

Results by division[3]

(in €million)		FY 2021	FY 2022	Change (€m)	Change (%)
Systems	Revenues	43,9	**49,3**	+5,4	+12%
	Current EBITDA	6,9	**8,2**	+1,3	+18%
	Current EBITDA margin (%)	*15,8%*	***16,6%***	*0,9 pts*	-
	Income from ordinary activities	5,2	**5,6**	+0,4	+9%
Products	Revenues	26,9	**31,7**	+4,7	+18%
	Current EBITDA	2,8	**4,3**	+1,5	+53%
	Current EBITDA margin (%)	*10,4%*	***13,5%***	*3,2 pts*	-
	Income from ordinary activities	-0,1	**1,1**	+1,3	n.a

[3] The sum of the aggregates of the two divisions must be completed with the intra-group eliminations and the structure to obtain the consolidated result presented above.

A significant change in seasonality by semester

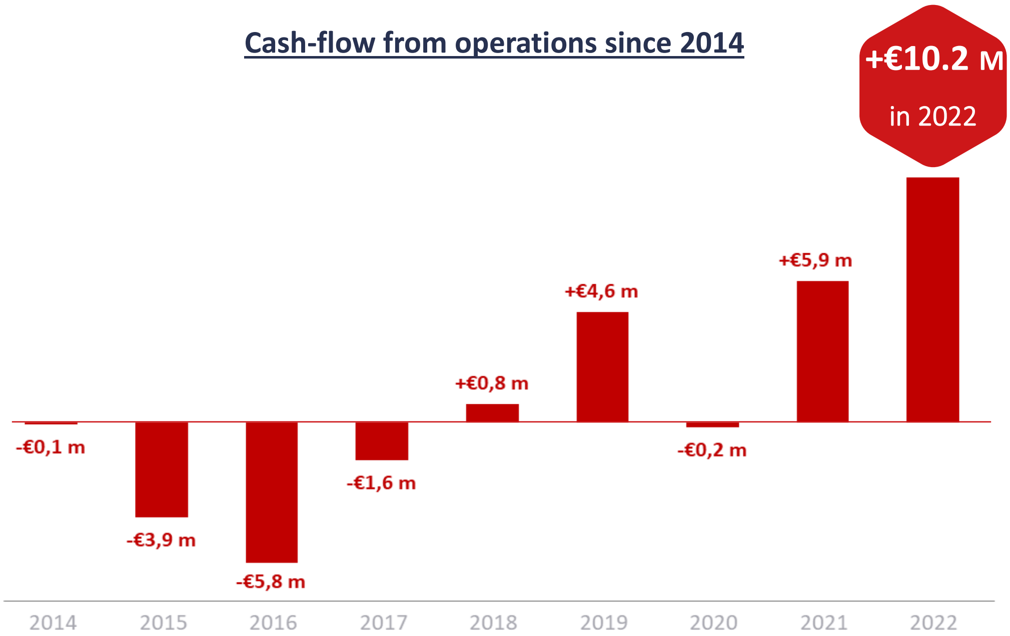
The level of profitability by semester has changed significantly in the Systems division, essentially due to the effect of anticipation during Q1 2022 by certain customers fearing possible stock-outs or price increases in the future. This concerns the Software and Materials activities, the most profitable of the group.

A significant increase in cash-flow from operations of +71%.

Prodways Group's cash flow from operations[4] has risen sharply in 2022, now exceeding €10 million (compared with €5.9 million in 2021). This very favorable trend reflects Prodways' financial health and is a key factor in financing growth in the coming years.

This performance is partially offset by the higher-than-normal change in working capital requirements of +4.4 M€ in 2022. This increase is explained by an increase in inventories as a precautionary measure for production needs, as well as the impact of the change in seasonality in the Software activity. The level of working capital is already starting to decrease at the beginning of 2023.

Cash-flow from operations since 2014



As a result, Prodways Group's financial position once again reflects the discipline the group has demonstrated for many years. With €14 million in available cash, net debt stands at a healthy level of €3.4 million, compared to a positive net cash position of €1.3 million at the end of 2021, notably due to the acquisition of Auditech in 2022.

[4] Cash-flow from operating activities before change in working capital

Outlook: Prodways accelerates in a market of opportunities with a strategic plan for 2028

A new phase in Prodways' development

Prodways Group was formed in 2013 with a single employee and a turnover of €0.1 m. After a build-up phase until 2017, which was marked by investments in 3D Materials and Digital Manufacturing (print-on-demand), the group had €35 m in sales, a negative EBITDA of €1 m and 375 employees. The consolidation phase that followed has established Prodways as a leading player in 3D printing, with 480 employees, and among the most profitable in the world in the sector.

This year, Prodways is embarking on a new phase of development aimed at achieving strong revenue growth in a favorable market environment**. The adoption of 3D printing is progressing in incremental phases in various applications, driven by underlying trends**: the interest of industrial players for near-shoring, the need to bring products to market ever more quickly and the environmental crisis, which favors more responsible production methods. More specifically, 3D printing applications are well oriented and offer significant growth opportunities, whether in established 3D applications such as orthodontics, or for applications in transition such as dental, defense, robotics or electric vehicles.

A favorable competitive environment for Prodways

Prodways Group is now entering a phase of development and investment in a competitive environment that opens up numerous opportunities for the group. **The majority of companies in the sector, essentially American, were not profitable in 2022 with an average EBITDA margin of -35%** and a significant cash consumption. In the current context of rising interest rates and the search for profitability, a large number of them have begun a phase of consolidation and cost rationalization with various measures (headcount reduction, reduction of R&D and Sales & Marketing expenses, withdrawal from the European zone, divestment with loss of revenues, diversification into Materials or Software activities, etc.).

In this context, Prodways Group is positioning itself to invest and take advantage of numerous market opportunities by pursuing its strategy of growth and profitability. Having completed its consolidation phase in 2021 and demonstrated the profitability of its model, the group now has many assets to benefit from the buoyant 3D printing market:

1- **A differentiating technology: MovingLight®**, combining precision and productivity, capable for example of printing 55 dental models per hour with a precision of 40 microns.

2- **An ability to acquire and retain prestigious customers** thanks to the quality of its products, including Straumann Group, Salomon, Somfy, Aéroports de Paris, etc.

3- **Expertise in certification and compliance** with the regulatory frameworks of different areas of the world for its materials and products (MDSAP, FDA, CE, MDR). The company was one of the first in Europe to obtain compliance with the new European Medical Device Regulation.

4- **A profitable business model**, supported by a base of recurring revenues (~65% of revenues)

New printer orders in early 2023 and significant opportunities beyond

Prodways' strong positioning continues to materialize in early 2023 in the alignment trays market, which continues to attract investment from major industrial players. In February 2023, Prodways Group once again strengthened its partnership with a world leader in the distribution of medical and dental products. This major industrial project, initiated in 2020 and won at the end of 2021, had already resulted in an additional order of 6 printers in 2022, **now completed by an additional order of 3 MovingLight LD20 printers**. This customer will thus operate a fleet of 17 MovingLight printers consuming PLASTCure Absolute Aligner resin for the mass production of transparent alignment trays.

Inspired by this application, other players are now planning to benefit from the mass production possibilities of 3D printing. Today, several customers from different sectors (dental, medical, industrial, automotive) are in preliminary discussions with Prodways for medium-term projects. **In total, they represent nearly one hundred printers for medium-term mass production, representing a consumption of more than one hundred tons of 3D materials per year.**

Prodways' ambition for 2028 thanks to the new BOOST strategic plan

The BOOST strategic plan to 2028 aims to develop the group's revenues across all its activities, while maintaining double-digit profitability. The plan aims to engage customers in ambitious long-term industrial projects, strengthen commercial efforts to accelerate organic growth, pursue targeted investments in R&D and accelerate development through targeted acquisitions.

New initiatives are already being rolled out in 2023 to pave the way for future years, including:

- **Strengthening the teams** with 80 new hires planned in 2023, particularly in Sales & Marketing.
- **The launch of new materials and innovative products,** such as the new Provivic Denture Base resin for the 3D printing of complete and partial denture bases, announced in March 2023 (link to the dedicated press release).
- **New R&D projects,** in partnership with customers, to meet their needs.
- **Preparations for the expansion of certain production sites** in order to meet current production challenges, with ~€2M of capex identified over the next two years**.**

Guidance 2023

In view of the positive trend in its activities, Prodways Group has set itself a revenue growth target of around +10% in 2023, excluding new potential acquisitions.

The Group's profitability, although incorporating efforts linked to investments under the BOOST plan, is expected to improve compared to the second half of 2022, to reach a current EBITDA margin of around 12%.

In addition, the sale of a minority stake could take place in the near future, with a very significant capital gain (a few million euros). This sale would make an important contribution to the results for the year 2023.

About Prodways Group

Prodways Group is a specialist in industrial and professional 3D printing with a unique positioning as an integrated European player. The Group has developed right across the 3D printing value chain (software, machines, materials, parts & services) with a high value added technological industrial solution. Prodways Group offers a wide range of 3D printing systems and premium composite, hybrid and powder materials (SYSTEMS division). The company also manufactures and markets parts on demand, prototypes and small production run 3D printed items in plastic and metal (PRODUCTS division).

Listed on Euronext Paris (FR0012613610 – PWG), the Group reported in 2022 revenue of €81 million.

For further information : https://www.prodways-group.com

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Prodways Group

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Disclaimer

Appendix

Definition of alternative performance indicators

- Current EBITDA: Operating income before "depreciation, amortization and provisions", "other items of operating income" and "Group share of the earnings of affiliated companies".

- Income from ordinary activities: Operating income before "other items of operating income" and "Group share of the earnings of affiliated companies".

- Net Debt/Net Cash: Net debt/Net cash excluding lease liabilities resulting from the application of IFRS 16 and including the value of treasury stock.

- Cash-flow from operations: Cash-flow from operating activities before change in working capital.

Consolidated income statement

(in thousands of euros)	2022	2021
REVENUE	80 663	70 645
Capitalized production	1 826	1 510
Inventories and work in progress	767	(555)
Other income from operations	1 401	1 937
Purchases and external charges	(42 587)	(35 319)
Personnel expenses	(30 380)	(28 422)
Tax and duties	(641)	(767)
Depreciation, amortization, and provisions (net of reversals)	(5 573)	(4 491)
Other operating income and expenses	340	(226)
INCOME FROM ORDINARY ACTIVITIES	5 817	4 312
Non-recurring items in operating income	(823)	(2 610)
Group share of the earnings of affiliated companies	(74)	79
OPERATING INCOME	4 920	1 782
Interest on gross debt	(281)	(206)
Interest on cash and cash equivalents	-	-
NET BORROWING COST (a)	(281)	(206)
Other financial income (b)	279	179
Other financial expense (c)	(246)	(148)
FINANCIAL INCOME AND EXPENSES (d=a+b+c)	(248)	(176)
Income tax	(3 088)	(1 054)
NET INCOME FROM CONTINUING OPERATIONS	1 584	552
Net income from discontinued operations	-	-
CONSOLIDATED NET INCOME	1 584	552
INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDER	**1 490**	**626**
INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**94**	**(74)**

Average number of shares	51 263 951	51 218 493

Consolidated statement of cash flows

(in thousands of euros)	2022	2021
NET INCOME FROM CONTINUING OPERATIONS	1 584	552
Accruals	5 038	4 348
Capital gains and losses on disposals	146	(149)
Group share of income of equity-accounted companies	74	(79)
CASH FLOW FROM OPERATING ACTIVITIES (before neutralization of the net borrowing cost and taxes)	**6 841**	**4 672**
Expense for net debt	281	206
Tax expense	3 088	1 054
CASH FLOW FROM OPERATIONS (after neutralization of the net borrowing cost and taxes)	**10 211**	**5 933**
Tax paid	(1 447)	(1 267)
Change in working capital requirements	(4 457)	(835)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**4 307**	**3 831**
Investing activities		
Payments/acquisition of property, plant and equipment & intangible assets	(3 242)	(3121)
Proceeds/disposal of property, plant and equipment & intangible assets	16	169
Payments/acquisition & Proceeds/disposal of non-current financial assets	163	49
Net cash inflow/outflow on the acquisition/disposal of subsidiaries	(3 905)	(3394)
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	**(6 968)**	**(6 297)**
Financing activities		
Capital transactions (increase, contributions, dividends, other)	(28)	(43)
Proceeds from borrowings	4 438	1 208
Repayment of borrowings	(4 338)	(4 143)
Cost of net debt	(263)	(200)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	(191)	(3 179)
CASH FLOW GENERATED BY CONTINUING OPERATIONS (D = A+B+C)	(2 852)	(5 644)
CASH FLOW GENERATED BY DISCONTINUED OPERATIONS	-	-
CHANGE IN CASH AND CASH EQUIVALENTS	**(2 852)**	**(5 644)**
Effects of exchange rate changes	*51*	*64*
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**16 897**	**22 478**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**14 096**	**16 897**

Consolidated balance sheet

(en milliers d'euros)	31/12/2022	31/12/2021
NON-CURRENT ASSETS	**74 382**	**73 203**
Goodwill	45 981	41 831
Other intangible assets	12 360	11 033
Property, plant and equipment	15 206	16 815
Investments in affiliated companies	-	1 213
Other financial assets	647	815
Deferred tax assets	188	1 496
CURRENT ASSETS	**43 607**	**40 464**
Net inventories	9 157	6 502
Net trade receivables	15 877	12 175
Contract assets	53	20
Other current assets	3 173	3 049
Tax receivables payable	1 242	1 802
Cash and cash equivalents	14 104	16 917
Assets held for sale	1 139	-
TOTAL ASSETS	**119 128**	**113 668**

(in thousands of euros)	31/12/2022	31/12/2021
EQUITY ATTRIBUTABLE TO OWNER OF THE PARENT	**67 063**	**64 812**
STAKES ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**131**	**41**
NON-CURRENT LIABILITIES	**20 011**	**20 215**
Long-term provisions	803	949
Long-term liabilities – portion due in more than one year	13 557	13 031
Lease liabilities – portion due in more than one year	4 885	5 698
Deferred tax liabilities	767	538
Other non-current liabilities	-	-
CURRENT LIABILITIES	31 922	28 601
Short-term provisions	1 174	927
Long-term liabilities – portion due in less than one year	3 963	2 721
Lease liabilities – portion due in less than one year	1 661	1 779
Operating payables	10 443	9 155
Contract liabilities	1 397	1 585
Other current liabilities	12 827	12 273
Tax liabilities payable	457	161
TOTAL LIABILITIES	**119 128**	**113 668**