PRODWAYS GROUP

Press release

September 16, 2021, 6:00 p.m.

First half 2021 results: a transformed company generating improving results

► A successful transformation for Prodways Group…

- A new site in Annecy bringing together teams and creating operational synergies
- Revenues increasing +27% per year on average since 2015
- Recurring revenues representing 60% of the total, vs. 25% in 2015
- Sound balance sheet backed by a disciplined financial policy

► ... generating record earnings

- First half revenue up 27% to €34 million
- EBITDA up 214% bringing the EBITDA margin to an all-time high of 13%
- Positive operating income for the first time in Prodways' history, at €0.9 million

► Robust outlook underpinned by buoyant trends

- The rise of 3D printing is helping to establish more sustainable production methods
- Record performances from dental and orthodontic aligners specialists, Prodways' biggest market
- Development of the Products division gathers pace: integration of Creabis well underway
- Precision on 2021 guidance: revenue growth of around 20% and profitability in line with H1

Successful transformation of Prodways Group

New site in Annecy to bring together operating teams and implement synergies

In line with the operational transformation plan launched in 2020, Prodways' teams and technologies from 5 different locations in France were grouped together at the new site in Annecy in first half 2021.

The new 4,500 m² building now houses the Products division's printer fleet, the parts development and design service and the SLS printer production unit (powder sintering technologies). **The new organizational system is already generating operational synergies,** facilitating the development of new products and services and enabling Prodways to meet the growing demands of its customers.

The new site also illustrates Prodways' determination to **contribute to more sustainable production methods:** the Group opted to renovate an existing building to avoid unnecessary land use and preserve the environment as much as possible. The group also called extensively on local contractors for the project. The former industrial site has been transformed into an efficient building incorporating a heat recovery system for heating the workshop.

Growing and highly recurring revenues

Slowed by the health crisis, the revenue growth curve has recovered well in 2021. **Prodways' revenue has grown by an average of +27% per year since 2015**, posting first half 2021 revenues of €34 million, up from €8 million in first half 2015. This sustained growth over time reflects the combination of strong organic growth and acquisitions that has transformed the Group's revenue profile.

While **recurring revenues** accounted for only 25% of total revenues in 2015, they **now represent nearly 60%:** the Group's robust revenue base consists first of materials sales, where growth is compounded by customers' increasing use of their own machinery. The software integration business also enjoys a high rate of recurrence, as do sales of custom medical devices (audiology, dental, podiatry).

Sound balance sheet backed by a disciplined financial policy

One of the few profitable businesses in the 3D printing sector, Prodways has consolidated its balance sheet in order to fortify the foundations of its sustainable growth. **Already positive in 2019** (€4.6 million), **cash flow from operations** remained close to breakeven in 2020 despite the health crisis. It was again positive in first half 2021, reaching €2.1 million.

In addition, Prodways has adopted a **disciplined investment policy despite an intensive R&D program.** R&D represents approximately 10% of revenues generated by sales of Machinery and Materials, the only businesses requiring R&D. Overall investments (R&D and capex) are running at a rate of between €2 and €3 million per year and are financed in part by subsidies and tax credits.

Record earnings

(€ million)	H1 2020	H1 2021	Change (M€)	Change (%)
Revenue	**26.8**	**34.1**	+7.3	+27%
EBITDA[1]	**1.4**	**4.5**	+3.1	+214%
EBITDA margin	***5.3%***	***13.2%***	*n.a*	*+7.9 pts*
Income from ordinary activities[1]	**(2.9)**	**2.2**	+5.1	n.a
Operating income	**(10.0)**	**0.9**	+10.8	n.a
Financial income, taxes, and minority interests	**1.3**	**(1.2)**	-2.5	n.a
Net income	**(8.7)**	**(0.3)**	+8.3	n.a

First half revenue up 27% in the first half

Prodways Group posted consolidated revenue of €34.1 million in first half 2021, up 27% driven by both divisions, Systems and Products. This performance is the combined result of:

- a **favorable comparison base,**
- a **steepening recovery curve,** and
- outstanding performances **in businesses where Prodways has strengthened its position** in recent years, notably materials, integration of 3D CAD modeling software and audiology.

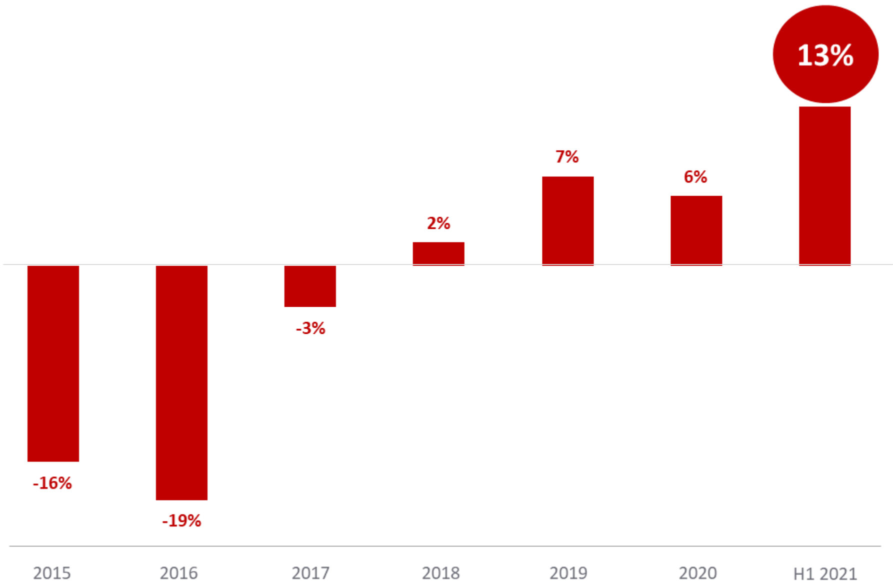
Detailed comments on H1 and Q2 revenue may be found in the July 2021 press release (link to press release).

All-time high profit margins

As a direct result of the operational transformation plan and consolidation of acquired companies, Prodways' profit margin profile has improved significantly. EBITDA was up 214%, with a **margin of 13.2%**, a level never reached before, making Prodways one of the most profitable listed companies in the global 3D printing sector.

[1] See the glossary in the appendix for a definition of alternative performance indicators

Change in Prodways EBITDA margin since 2015



This significant improvement is mainly due to the **significant reduction in the operating cost base**, down 13% compared with first half 2019. This improvement is visible in both divisions, Systems and Products. Prodways also benefited from the €0.9 million grant awarded in the United States.

Accordingly, for the first time in its history, Prodways generated **positive income from ordinary activities of €2.2 million** in first half 2021 (compared with losses of €2.9 million in first half 2020 and €1.5 million in first half 2019). This change in the profit margin profile confirms the success of the Group's transformation and testifies to the operational efficiency achieved by the company.

Operating income also reached an all-time high of €0.9 million, despite non-recurring restructuring costs of €0.4 million linked to the completion of the transformation plan in the first half.

The consolidated financial statements may be found in the appendix at the end of this press release.

Robust outlook underpinned by buoyant trends

3D printing, a positive impact on the industrial sector

Enjoying traction from the emergence of Industry 4.0 and the digitization of production processes, 3D printing is considered an environmentally friendly technology thanks to its additive process, which limits the amount of raw materials used to that strictly necessary to manufacture a part. By the nature of its business, Prodways Group contributes to reducing raw material consumption and rebuilding a local and sustainable industrial ecosystem.

The production model made possible by 3D printing technology has many virtues: first, for certain applications, the process helps **reduce CO_2 emissions** generated by the production of a part by around 80%[2]. In addition, the flexibility and responsiveness of 3D production processes **eliminate the need to build up large inventories** of parts, thereby reducing the use of storage warehouses, inventory management and waste associated with obsolete stock. This production model is also a **vector for relocating industrial activities,** bringing the consumer and producer closer together and thereby limiting the impact of transport, sometimes over several thousand kilometers.

The dental and orthodontic aligner industry, Prodways' biggest market, delivered record performances

The manufacture of medical equipment for orthodontics is currently the most mature application in the 3D printing sector. Prodways Group is a leading player in this segment thanks to its MOVINGLight® technology and its expertise in Materials for the development and supply of high-quality liquid resins.

The strong growth of companies in the dental industry, especially those marketing transparent aligners, is a major growth driver for the Group in both Europe and the United States. **Revenues generated by aligner specialists have grown by an average of 24% per year since 2015**[3] on the back of sharp increases in volumes. This growth will accelerate sharply in 2021, with growth forecasts hovering around 140%.

The success of this market and Prodways' prime positioning in this application will fuel future revenue growth: (i) through sales of increasing volumes of materials as customers intensify the use of their printer fleets, and (ii) through new machine sales to new partners and to existing customers that are increasing their production.

[2] Source: Additive Manufacturer Green Trade Association (AMGTA)
[3] Panel of listed companies representing €7.4 billion in revenues

Development of the Products division gathers pace: integration of Creabis well underway

In early July 2021, the Group announced the acquisition of Creabis, a German company specializing in 3D printing services for plastics. The deal marked an acceleration of the development strategy with the resumption of the acquisition program (link to special press release). This acquisition has given Prodways Group one of the most extensive ranges of 3D printing services in Europe, with a fleet of 52 printers offering customers a wide variety of technologies and materials.

The integration of Creabis is well underway and will continue in the second half. The sales and operational teams have already integrated both companies' offerings and will be able to offer new technologies and services from the end of September. In the wake of other acquisitions in recent years, Prodways has once again confirmed its ability to integrate new companies efficiently and leverage potential synergies.

Outlook and precision on 2021 guidance

The corporate transformation plan, the high proportion of recurring revenues, the improvement in profit margins and Prodways' prime positioning in key markets provide it with solid foundations for generating sustainable growth. Development opportunities in new applications for the Systems division, drawing on the Group's existing technologies, and the upsizing of the Products division will further fuel performance over the coming years.

For 2021, subject to developments in the health situation and the current scope, Prodways Group is targeting revenue growth of around 20%, driven by the recovery trend and favorable conditions on Group markets. The profit margins achieved through the transformation plan are also expected to remain around the current level.

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). The Group targets a significant number of sectors, from aeronautics to healthcare.

Listed on Euronext Paris (FR0012613610 - PWG), the Group generated revenue of €57 million in 2020

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

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Disclaimer

Appendices

Definition of alternative performance indicators

- 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

Income from ordinary activities per division

(€ million)		H1 2020	H1 2021	Change (€M)	Change (%)
Systems	Revenue	16.8	21.6	+4.8	+28%
	EBITDA	1.4	3.5	+2.1	+157%
	EBITDA margin (%)	*8.1%*	*16.3%*	*8.2 pts*	-
	Income from ordinary activities	(1.4)	2.5	+3.9	-
Product	Revenue	9.9	12.6	+2.7	+27%
	EBITDA	0.6	1.4	+0.8	+125%
	EBITDA margin (%)	*6.3%*	*11.2%*	*4.9 pts*	-
	Income from ordinary activities	(1.0)	0.0	+1.0	-

Consolidated income statement

(in thousands of euros)	06/30/2021	06/30/2020
REVENUE	**34,118**	**26,841**
Capitalized production	645	603
Inventories and work in progress	(531)	(430)
Other income from operations	1,105	690
Purchases and external charges	(16,326)	(14,136)
Personnel expenses	(14,196)	(11,901)
Tax and duties	(372)	(332)
Depreciation, amortization, and provisions (net of reversals)	(2,307)	(4,371)
Other operating income and expenses	60	101
INCOME FROM ORDINARY ACTIVITIES	**2,196**	**(2,937)**
Group share of the earnings of affiliated companies	82	(26)
Non-recurring items in operating income	(1,425)	(6,992)
OPERATING INCOME	**852**	**(9,955)**
Interest on gross debt	(91)	(153)
Interest on cash and cash equivalents	3	1
NET BORROWING COST (a)	**(88)**	**(152)**
Other financial income (b)	55	16
Other financial expense (c)	(45)	(49)
FINANCIAL INCOME AND EXPENSES (d=a+b+c)	**(78)**	**(185)**
Income tax	(1,171)	1,436
NET INCOME FROM CONTINUING OPERATIONS	**(397)**	**(8,703)**
Net income from discontinued operations	-	-
CONSOLIDATED NET INCOME	**(397)**	**(8,703)**
INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDER	**(325)**	**(8,672)**
INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**(72)**	**(32)**

Average number of shares	51,220,596	51,022,491

Consolidated statement of cash flows

(in thousands of euros)	06/30/2021	06/30/2020
NET INCOME FROM CONTINUING OPERATIONS	**(397)**	**(8,703)**
Accruals	1,420	8,698
Capital gains and losses on disposals	(76)	245
Group share of income of equity-accounted companies	(82)	26
CASH FLOW FROM OPERATIONS (before neutralization of the net borrowing cost and taxes)	**865**	**265**
Expense for net debt	88	152
Tax expense	1,171	(1,436)
CASH FLOW (after neutralization of the net borrowing cost and taxes)	**2,124**	**(1,019)**
Tax paid	(697)	(516)
Change in working capital requirements	(2,211)	2,207
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**(784)**	**672**
Investing activities		
Payments/acquisition of property, plant and equipment & intangible assets	(1,097)	(1,842)
Proceeds/disposal of property, plant and equipment & intangible assets	81	55
Payments/acquisition & Proceeds/disposal of non-current financial assets	17	(276)
Net cash inflow/outflow on the acquisition/disposal of subsidiaries	-	-
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	**(999)**	**(2,064)**
Financing activities		
Capital transactions (increase, contributions, dividends, other)	(21)	8
Proceeds from borrowings	1,214	8,807
Repayment of borrowings	(1,766)	(1,883)
Cost of net debt	(86)	(142)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	**(659)**	**6,792**
CASH FLOW GENERATED BY CONTINUING OPERATIONS (D = A+B+C)	(2,442)	5,398
Cash flow generated by discontinued operations	-	-
CHANGE IN CASH AND CASH EQUIVALENTS	**(2,442)**	**5,398**
Effects of exchange rate changes	*29*	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**22,478**	**15,002**
Restatement of cash and cash equivalents [1]	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**20,065**	**20,401**

Consolidated balance sheet

(in thousands of euros)	06/30/2021	12/31/2020
NON-CURRENT ASSETS	**67,607**	**68,334**
Goodwill	38,094	38,094
Other intangible assets	10,243	9,889
Property, plant and equipment	16,386	17,086
Investments in affiliated companies	1,216	1,134
Other financial assets	840	857
Deferred tax assets	829	1,274
CURRENT ASSETS	**41,640**	**43,075**
Net inventories	6,055	6,280
Net trade receivables	11,230	9,954
Contract assets	-	-
Other current assets	2,073	2,250
Tax receivables payable	2,194	2,091
Cash and cash equivalents	20,088	22,500
TOTAL ASSETS	**109,247**	**111,409**

(in thousands of euros)	06/30/2021	12/31/2020
EQUITY ATTRIBUTABLE TO OWNER OF THE PARENT	**63,599**	**63,665**
STAKES ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**(150)**	**(277)**
NON-CURRENT LIABILITIES	**21,594**	**21,864**
Long-term provisions	1,133	1,120
Long-term liabilities – portion due in more than one year	14,212	14,690
Lease liabilities – portion due in more than one year	5,757	5,608
Deferred tax liabilities	492	447
Other non-current liabilities	-	-
CURRENT LIABILITIES	**24,205**	**26,156**
Short-term provisions	1,228	1,865
Long-term liabilities – portion due in less than one year	2,201	2,083
Lease liabilities – portion due in less than one year	1,742	1,964
Operating payables	7,193	8,741
Contract liabilities	617	447
Other current liabilities	10,845	10,686
Tax liabilities payable	380	371
TOTAL LIABILITIES	**109,247**	**111,409**