Materialise Reports First Quarter 2018 Results

May 4, 2018

LEUVEN, Belgium--(BUSINESS WIRE)--May 4, 2018-- Materialise NV (NASDAQ:MTLS), a leading provider of additive manufacturing software and of sophisticated 3D printing services, today announced its financial results for the first quarter ended March 31, 2018.

Highlights – First Quarter 2018

- Total revenue increased 37.5% from the first quarter of 2017 to 43,899 kEUR, driven by strong performances in our Materialise Medical segment and in our recently acquired ACTech business within our Materialise Manufacturing segment.
- Total deferred revenue from annual software sales and maintenance contracts increased by 2,116 kEUR to 20,839 kEUR from 18,723 kEUR at the end of 2017.
- Adjusted EBITDA increased 85.7% from 2,813 kEUR for the first quarter of 2017 to 5,224 kEUR.
- Net result was (183) kEUR, or 0.00 EUR per diluted share, compared to (816) kEUR, or (0.02) EUR per diluted share, over the same period last year.

Executive Chairman Peter Leys commented, “In the year’s opening quarter, we focused as planned on advancing the many initiatives and collaborations we have implemented in recent years to position Materialise at the heart of the additive manufacturing ecosystem. Our efforts showed particular success in Materialise Medical, where we realized revenue growth of 20% and achieved a record EBITDA margin of 17%. Our recently acquired ACTech business also turned in an excellent performance and is strengthening our multi-faceted business model. We believe we are on track to meet our financial guidance for 2018.”

ACTech

On October 4, 2017, we acquired ACTech, a full-service manufacturer of complex metal parts. As described in more detail below, the acquired business has increased the scope of our Materialise Manufacturing segment's operations and had a significant impact on our results of operations for the first quarter of 2018, resulting in increases to our revenues, operating expenses and net result, among other items.

First Quarter 2018 Results

Total revenue for the first quarter of 2018 increased 37.5% (2.4% excluding ACTech) to 43,899 kEUR (32,702 kEUR excluding ACTech) compared to 31,921 kEUR for the first quarter of 2017. Total deferred revenue from annual software sales and maintenance contracts amounted to 20,839 kEUR at the end of the first quarter of 2018 compared to 18,723 kEUR at the end of 2017. Adjusted EBITDA increased to 5,224 kEUR from 2,813 kEUR primarily as a result of the contribution by ACTech. Excluding ACTech, Adjusted EBITDA decreased to 2,383 kEUR. The Adjusted EBITDA margin (Adjusted EBITDA divided by total revenue) in the first quarter was 11.9% (7.3% excluding ACTech) compared to 8.8% in the first quarter of 2017.

Revenue from our Materialise Software segment decreased 2.9% to 8,326 kEUR for the first quarter of 2018 from 8,575 kEUR for the same quarter last year. Including deferred revenues from software sales and maintenance of 1,807 kEUR, the segment’s sales increased 7.5% compared to the prior-year period, reflecting a 26.4% increase of recurrent sales from annual and renewed licenses and maintenance fees. Segment EBITDA decreased to 2,324 kEUR from 2,993 kEUR while the segment EBITDA margin was 27.9% compared to 34.9% in the prior-year period.

Revenue from our Materialise Medical segment increased 20.3% to 11,946 kEUR for the first quarter of 2018 compared to 9,932 kEUR for the same period in 2017. Compared to the same quarter in 2017, revenue from our medical software grew 18.1%, and revenue from medical devices and services grew 21.5%. Segment EBITDA was 2,060 kEUR compared to 314 kEUR while the segment EBITDA margin increased to 17.2% from 3.2% in the first quarter of 2017.

Revenue from our Materialise Manufacturing segment increased 76.3% to 23,632 kEUR for the first quarter of 2018 from 13,407 kEUR for the first quarter of 2017. Segment EBITDA increased to 3,133 kEUR from 1,322 kEUR while the segment EBITDA margin increased to 13.3% from 9.9% for the same quarter in 2017. ACTech contributed revenue of 11,202 kEUR and segment EBITDA of 2,841 kEUR, with a segment EBITDA margin of 25.4%. Excluding ACTech, revenue decreased 7.3% to 12,430 kEUR and segment EBITDA decreased to 292 kEUR.

Gross profit was 23,955 kEUR, or 54.6% of total revenue, for the first quarter of 2018. Excluding ACTech, gross profit was 19,938 kEUR, or 61.0% of total revenue, compared to 18,477 kEUR, or 57.9% of total revenue, for the first quarter of 2017.

Research and development (“R&D”), sales and marketing (“S&M”) and general and administrative (“G&A”) expenses increased, in

the aggregate, 19.4% to 23,374 kEUR for the first quarter of 2018 from 19,579 kEUR for the first quarter of 2017. Excluding ACTech, operating expenses increased, in the aggregate, 9.6% to 21,456 kEUR. Excluding ACTech, R&D expenses increased from 4,592 kEUR to 5,610 kEUR while S&M expenses increased from 9,608 kEUR to 9,844 kEUR and G&A expenses increased from 5,379 kEUR to 6,002 kEUR.

Net other operating income decreased by 469 kEUR to 549 kEUR compared to 1,018 kEUR for the first quarter of 2017. Excluding ACTech, net other operating income decreased by 172 kEUR. Net other operating income consists primarily of withholding tax exemptions for qualifying researchers, development grants, partial funding of R&D projects, currency exchange results on purchase and sales transactions, and the depreciation of intangible assets from business combinations.

Operating result increased to 1,130 kEUR from (84) kEUR for the same period prior year, primarily as a result of the contribution by ACTech. Excluding ACTech, operating result amounted to (672) kEUR. The decrease in the operating result (excluding ACTech) was the result of the 9.6% increase in operating expenses, which was offset in part by the 7.9% increase in gross profit. The operating result was also negatively affected by depreciation cost, which increased from 2,568 kEUR to 4,006 kEUR (or to 2,968 kEUR excluding ACTech).

Net financial result was (710) kEUR compared to (142) kEUR for the prior-year period. The financial result included (167) kEUR net financial expenses related to ACTech. Excluding ACTech, the variances primarily reflected increases in the interest expense on the company's financial debt and variances in the currency exchange rates, primarily on the portion of the company's IPO proceeds held in U.S. dollars versus the euro. The share in loss of joint venture decreased to (103) kEUR from (389) kEUR for the same period last year.

The first quarter of 2018 contained income tax expense of 500 kEUR, of which 416 kEUR was related to ACTech, compared to 201 kEUR in the first quarter of 2017.

As a result of the above, net loss for the first quarter of 2018 was (183) kEUR (or (1,402) kEUR excluding ACTech), compared to net loss of (816) KEUR for the same period in 2017. Total comprehensive loss for the first quarter of 2018, which includes exchange differences on translation of foreign operations, was (278) kEUR compared to a loss of (694) kEUR for the same period in 2017.

At March 31, 2018, we had cash and equivalents of 44,697 kEUR compared to 43,175 kEUR at December 31, 2017. Cash flow from operating activities in the first quarter of 2018 was 6,200 kEUR compared to 1,603 kEUR in the same period in 2017. Net shareholders' equity at March 31, 2018 was 76,631 kEUR compared to 77,515 kEUR at December 31, 2017.

2018 Guidance

As detailed in the company's year-end fiscal 2017 earnings announcement, in fiscal 2018, management expects to report consolidated revenue between 180,000 - 185,000 kEUR and Adjusted EBITDA between 22,000 – 25,000 kEUR. Management also expects the amount of deferred revenue the company generates from annual licenses and maintenance in 2018 to increase by an amount between 2,000 - 4,000 kEUR as compared to 2017.

Non-IFRS Measure

Materialise uses EBITDA and Adjusted EBITDA as supplemental financial measures of its financial performance. EBITDA is calculated as net profit plus income taxes, financial expenses (less financial income), shares of loss in a joint venture and depreciation and amortization. Adjusted EBITDA is determined by adding non-cash stock-based compensation expenses and acquisition-related expenses of business combinations to EBITDA. Management believes these non-IFRS measures to be important measures as they exclude the effects of items which primarily reflect the impact of long-term investment and financing decisions, rather than the performance of the company's day-to-day operations. As compared to net profit, these measures are limited in that they do not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in the company's business, or the charges associated with impairments. Management evaluates such items through other financial measures such as capital expenditures and cash flow provided by operating activities. The company believes that these measurements are useful to measure a company's ability to grow or as a valuation measurement. The company's calculation of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies. EBITDA and Adjusted EBITDA should not be considered as alternatives to net profit or any other performance measure derived in accordance with IFRS. The company's presentation of EBITDA and Adjusted EBITDA should not be construed to imply that its future results will be unaffected by unusual or non-recurring items.

Exchange Rate

This press release contains translations of certain euro amounts into U.S. dollars at specified rates solely for the convenience of readers. Unless otherwise noted, all translations from euros to U.S. dollars in this press release were made at a rate of EUR 1.00 to USD 1.2321, the reference rate of the European Central Bank on March 31, 2018.

Conference Call and Webcast

Materialise will hold a conference call and simultaneous webcast to discuss its financial results for the first quarter of 2018 on the same day, Friday, May 4, 2018, at 8:30 a.m. ET/2:30 p.m. CET. Company participants on the call will include Wilfried Vancraen, Founder and Chief Executive Officer; Peter Leys, Executive Chairman; and Johan Albrecht, Chief Financial Officer. A question-

and-answer session will follow management's remarks.

To access the conference call, please dial 844-469-2530 (U.S.) or 765-507-2679 (international), passcode #7784338. The conference call will also be broadcast live over the Internet with an accompanying slide presentation, which can be accessed on the company's website at http://investors.materialise.com.

A webcast of the conference call will be archived on the company's website for one year.

About Materialise

Materialise incorporates more than 25 years of 3D printing experience into a range of software solutions and 3D printing services, which Materialise seeks to form the backbone of the 3D printing industry. Materialise's open and flexible solutions enable players in a wide variety of industries, including healthcare, automotive, aerospace, art and design, and consumer goods, to build innovative 3D printing applications that aim to make the world a better and healthier place. Headquartered in Belgium, with branches worldwide, Materialise combines one of the largest groups of software developers in the industry with one of the largest 3D printing facilities in the world. For additional information, please visit: www.materialise.com.

Cautionary Statement on Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, regarding, among other things, our intentions, beliefs, assumptions, projections, outlook, analyses or current expectations, plans, objectives, strategies and prospects, both financial and business, including statements concerning, among other things, current estimates of fiscal 2018 revenues, deferred revenue from annual licenses and maintenance and Adjusted EBITDA, the benefits of the ACTech acquisition, results of operations, cash needs, capital expenditures, expenses, financial condition, liquidity, prospects, growth and strategies (including our strategic priorities for 2018), and the trends and competition that may affect the markets, industry or us. Such statements are subject to known and unknown uncertainties and risks. When used in this press release, the words "estimate," "expect," "anticipate," "project," "plan," "intend," "believe," "forecast," "will," "may," "could," "might," "aim," "should," and variations of such words or similar expressions are intended to identify forward-looking statements. These forward-looking statements are based upon the expectations of management under current assumptions at the time of this press release. These expectations, beliefs and projections are expressed in good faith and the company believes there is a reasonable basis for them. However, the company cannot offer any assurance that our expectations, beliefs and projections will actually be achieved. By their nature, forward-looking statements involve risks and uncertainties because they relate to events, competitive dynamics and industry change, and depend on economic circumstances that may or may not occur in the future or may occur on longer or shorter timelines than anticipated. We caution you that forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. All of the forward-looking statements are subject to risks and uncertainties that may cause the company's actual results to differ materially from our expectations, including risk factors described in the company's annual report on Form 20-F filed with the U.S. Securities and Exchange Commission on April 30, 2018. There are a number of risks and uncertainties that could cause the company's actual results to differ materially from the forward-looking statements contained in this press release.

The company is providing this information as of the date of this press release and does not undertake any obligation to update any forward-looking statements contained in this press release as a result of new information, future events or otherwise, unless it has obligations under the federal securities laws to update and disclose material developments related to previously disclosed information.

Consolidated income statement (Unaudited)

In 000	For the three months ended March 31,			For the three months ended March 31,	
	2018	2018	2017	2018	2017
	U.S.$	**€**	**€**	**€**	**€**
Revenue	54,088	43,899	31,921	43,899	31,921
Cost of sales	(24,573)	(19,944)	(13,444)	(19,944)	(13,444)
Gross profit	29,515	23,955	18,477	23,955	18,477
Gross profit as % of revenue	54.6%	54.6%	57.9%	54.6%	57.9%
Research and development expenses	(6,918)	(5,615)	(4,592)	(5,615)	(4,592)
Sales and marketing expenses	(13,059)	(10,599)	(9,608)	(10,599)	(9,608)
General and administrative expenses	(8,822)	(7,160)	(5,379)	(7,160)	(5,379)
Net other operating income (expenses)	676	549	1,018	549	1,018
Operating (loss) profit	1,392	1,130	(84)	1,130	(84)

Financial expenses	(1,910)	(1,550)	(919)	(1,550)	(919)
Financial income	1,036	840	777	840	777
Share in loss of joint venture	(127)	(103)	(389)	(103)	(389)
(Loss) profit before taxes	391	317	(615)	317	(615)
Income taxes	(616)	(500)	(201)	(500)	(201)
Net (loss) profit for the period	(225)	(183)	(816)	(183)	(816)
Net (loss) profit attributable to:					
The owners of the parent	(225)	(183)	(816)	(183)	(816)
Non-controlling interest	–	–	–	–	–
Earnings per share attributable to owners of the parent					
Basic	0.00	0.00	(0.02)	0.00	(0.02)
Diluted	0.00	0.00	(0.02)	0.00	(0.02)
Weighted average basic shares outstanding	47,428	47,428	47,325	47,428	47,325
Weighted average diluted shares outstanding	47,428	47,428	47,325	47,428	47,325

Consolidated statements of comprehensive income (Unaudited)

	For the three months ended March 31,			For the three months ended March 31,	
In 000	2018	2018	2017	2018	2017
	U.S.$	**€**	**€**	**€**	**€**
Net profit (loss) for the period	(225)	(183)	(816)	(183)	(816)
Other comprehensive income					
Exchange difference on translation of foreign operations	(117)	(95)	122	(95)	122
Other comprehensive income (loss), net of taxes	(117)	(95)	122	(95)	122
Total comprehensive income (loss) for the year, net of taxes	(342)	(278)	(694)	(278)	(694)
Total comprehensive income (loss) attributable to:					
The owners of the parent	(342)	(278)	(694)	(278)	(694)
Non-controlling interest	–	–	–	–	–

Consolidated statement of financial position (Unaudited)

	As of March 31,	As of December 31,
In 000	2018	2017
	€	**€**
Assets		
Non-current assets		
Goodwill	18,504	18,447
Intangible assets	27,770	28,646
Property, plant & equipment	88,339	86,881
Investments in joint ventures		31
Deferred tax assets	332	304
Other non-current assets	3,022	3,667
Total non-current assets	**138,967**	**137,976**
Current assets		
Inventories	10,426	11,594
Trade receivables	39,635	35,582
Other current assets	9,927	9,212

Cash and cash equivalents	44,697	43,175
Total current assets	**104,685**	**99,563**
Total assets	**243,652**	**237,539**

In 000	As of March 31, 2018	As of December 31, 2017
	€	**€**
Equity and liabilities		
Equity		
Share capital	2,735	2,729
Share premium	80,209	79,839
Consolidated reserves	(4,603)	(3,250)
Other comprehensive income	(1,898)	(1,803)
Equity attributable to the owners of the parent	76,443	77,515
Non-controlling interest	–	–
Total equity	**76,443**	**77,515**
Non-current liabilities		
Loans & borrowings	82,598	81,788
Deferred tax liabilities	6,711	7,006
Deferred income	7,051	5,040
Other non-current liabilities	1,833	1,904
Total non-current liabilities	**98,193**	**95,738**
Current liabilities		
Loans & borrowings	12,197	12,769
Trade payables	17,631	15,670
Tax payables	3,574	3,560
Deferred income	22,060	18,791
Other current liabilities	12,554	13,496
Total current liabilities	**68,016**	**64,286**
Total equity and liabilities	**242,652**	**237,539**

Consolidated statement of cash flows (Unaudited)

in 000	For the three months ended March 31, 2018	2017
	€	**€**
Operating activities		
Net (loss) profit for the period	(183)	(816)
Non-cash and operational adjustments		
Depreciation of property, plant & equipment	2,700	1,945
Amortization of intangible assets	1,305	623
Share-based payment expense	89	329
Loss (gain) on disposal of property, plant & equipment	–	(2)
Movement in provisions	(16)	4
Movement reserve for bad debt	84	122
Financial income	(667)	(136)
Financial expense	1,067	359
Impact of foreign currencies	310	(81)
Share in loss of a joint venture (equity method)	103	389
(Deferred) Income taxes	501	204
Other	(88)	(72)
Working capital adjustment & income tax paid		
Increase in trade receivables and other receivables	(4,372)	(3,452)

Decrease (increase) in inventories	1,147	(406)
Increase in trade payables and other payables	5,027	2,729
Income tax paid	(807)	(136)
Net cash flow from operating activities	**6,200**	**1,603**

in 000	For the three months ended March 31, 2018	2017
	€	€
Investing activities		
Purchase of property, plant & equipment	(4,275)	(7,507)
Purchase of intangible assets	(324)	(327)
Proceeds from the sale of property, plant & equipment & intangible assets (net)	20	70
Acquisition of subsidiary	–	–
Investments in joint-ventures	–	(500)
Interest received	14	108
Net cash flow used in investing activities	**(4,565)**	**(8,156)**
Financing activities		
Proceeds from loans & borrowings	12,413	7,710
Repayment of loans & borrowings	(11,388)	(756)
Repayment of finance leases	(760)	(728)
Capital increase	207	
Interest paid	(404)	(152)
Other financial income (expense)	5	(166)
Net cash flow from (used in) financing activities	**73**	**5,908**
Net increase of cash & cash equivalents	**1,708**	**(645)**
Cash & cash equivalents at beginning of the year	43,175	55,912
Exchange rate differences on cash & cash equivalents	(186)	(196)
Cash & cash equivalents at end of the year	**44,697**	**55,071**

Reconciliation of Net Profit (Loss) to EBITDA and Adjusted EBITDA (Unaudited)

In 000	For the three months ended 31 March 2018	2017	For the three months ended 31 March 2018	2017
	€	€	€	€
Net profit (loss) for the period	(183)	(816)	(183)	(816)
Income taxes	500	201	500	201
Financial expenses	1,550	919	1,550	919
Financial income	(840)	(777)	(840)	(777)
Share in loss of joint venture	103	389	103	389
Depreciation and amortization	4,006	2,568	4,006	2,568
EBITDA	**5,136**	**2,484**	**5,136**	**2,484**
Non-cash stock-based compensation expense (1)	88	329	88	329
Acquisition-related expenses business combinations	–	–	–	–
ADJUSTED EBITDA	**5,224**	**2,813**	**5,224**	**2,813**

(1) Non-cash stock-based compensation expenses represent the cost of equity-settled and cash-settled share-based payments to employees.

Segment P&L (Unaudited)

In 000	Materialise Software	Materialise Medical	Materialise Manufacturing	Total segments	Unallocated (1)	Consolidated
	€	€	€	€	€	€
For the three months ended March 31, 2018						
Revenues	8,326	11,946	23,632	43,904	(5)	43,899
Segment EBITDA	2,324	2,060	3,133	7,517	(2,381)	5,136
Segment EBITDA %	27.9%	17.2%	13.3%	17.1%		11.7%
For the three months ended March 31, 2017						
Revenues	8,575	9,932	13,407	31,914	8	31,922
Segment EBITDA	2,993	314	1,322	4,629	(2,145)	2,484
Segment EBITDA %	34.9%	3.2%	9.9%	14.5%		7.8%

(1) Unallocated Revenues consist of occasional one-off sales by our core competencies not allocated to any of our segments. Unallocated Segment EBITDA consists of corporate research and development, corporate headquarter costs and other operating income (expense).

Reconciliation of Net Profit (Loss) to Segment EBITDA (Unaudited)

In 000	For the three months ended March 31,		For the three months ended March 31,	
	2018	2017	2018	2017
	€	€	€	€
Net profit (loss) for the period	(183)	(816)	(183)	(816)
Income taxes	500	201	500	201
Financial cost	1,550	919	1,550	919
Financial income	(840)	(777)	(840)	(777)
Share in loss of joint venture	103	389	103	389
Operating profit	**1,130**	**(84)**	**1,130**	**(84)**
Depreciation and amortization	4,006	2,568	4,006	2,568
Corporate research and development	490	509	490	509
Corporate headquarter costs	2,263	2,073	2,263	2,073
Other operating income (expense)	(372)	(437)	(372)	(437)
Segment EBITDA	**7,517**	**4,629**	**7,517**	**4,629**

View source version on businesswire.com: https://www.businesswire.com/news/home/20180504005038/en/

Source: Materialise NV

Investors:
LHA
Harriet Fried/Jody Burfening
212-838-3777
hfried@lhai.com