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Q3 2020 Financial Results

Conference Call
October 29, 2020

www.materialise.com
NASDAQ: MTLA

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This presentation includes non-IFRS financial measures, including EBITDA and Adjusted EBITDA. These measures are supplemental measures of financial performance that are not required by, or presented in accordance with, international financial reporting standards (“IFRS”). Please refer to the Appendix of this presentation for a reconciliation of such non-IFRS financial measures to the most directly comparable financial measures prepared in accordance with IFRS.

Agenda

- Q3 2020 Highlights
- Execution of our Wearables Strategy
- Q3 2020 Financial Results
- Update on Fiscal 2020 Financial Outlook
- Q&A



Fried Vancraen
Founder & CEO



Peter Leys
Executive Chairman



Johan Albrecht
CFO

Q3 2020

Financial Highlights

- Q3 2020 revenue decreased 19.2% to 40,785 kEUR; double-digit revenue growth in Medical
- Deferred revenue from software licenses and maintenance was 26,833 kEUR compared to 27,667 kEUR at year-end 2019
- Q3 2020 Adjusted EBITDA amounted to 6,023 kEUR; Software and Medical segments posted EBITDA margin in excess of 30%
- Q3 2020 net result was (366) kEUR or (0.01) EUR per diluted share
- Total cash of 110,691 kEUR at quarter end, net debt of 7,193 kEUR

Solid Q3 performance, driven by Materialise Medical, in the continued pandemic crisis
Our balance sheet remained solid; net cash decrease reflects strategic investments

Meaningful Applications

Ditto & RS Print Transactions

Ditto, virtual eyewear try-on platforms

- 9 million USD convertible loan
- Proceeds earmarked to finance development of the Ditto virtual try-on, together with Materialise
- Royalty stream for Materialise

RS Print, a custom foot-care platform

- 8.2 million Euro total transaction
- Materialise to hold all shares of RS Print and substantially all assets of RS Scan
- MTLs acquires all assets to build complete suite of digital solutions for customization of the footcare market
- Superfeet remains a key partner, fully committed to invest significantly in the NA market



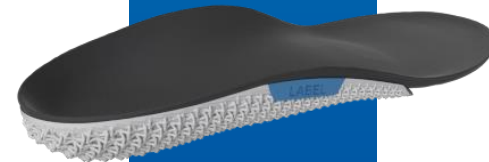
ditto



Meaningful Applications

Personalized Wearables

- Materialise started to develop personalized wearables in 2014, leveraging our experience in the medical market.
 - Focusing on [scan data](#)
 - Making the most of the technology, offering [unique insights](#) to our customers
 - [Human centric design](#), acknowledging the strengths of the healthcare professional
 - [3D printed products](#) as possible part of the solution
 - The digital supply chain helps [reduce waste](#)
- Both Ditto and our strategic partnership with Superfeet allow Materialise to cover the entire customer journey in a fully digital supply chain.

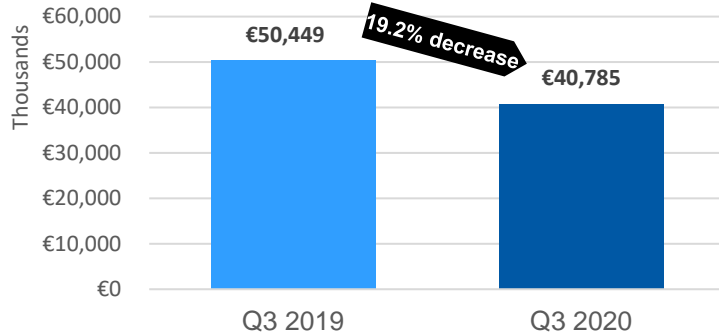


Valuable Partnerships Eyewear

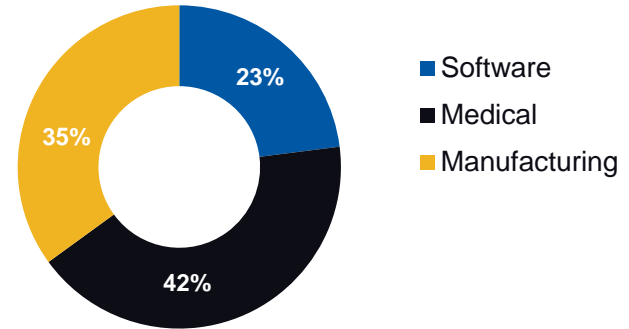
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Q3 2020 Consolidated Revenue



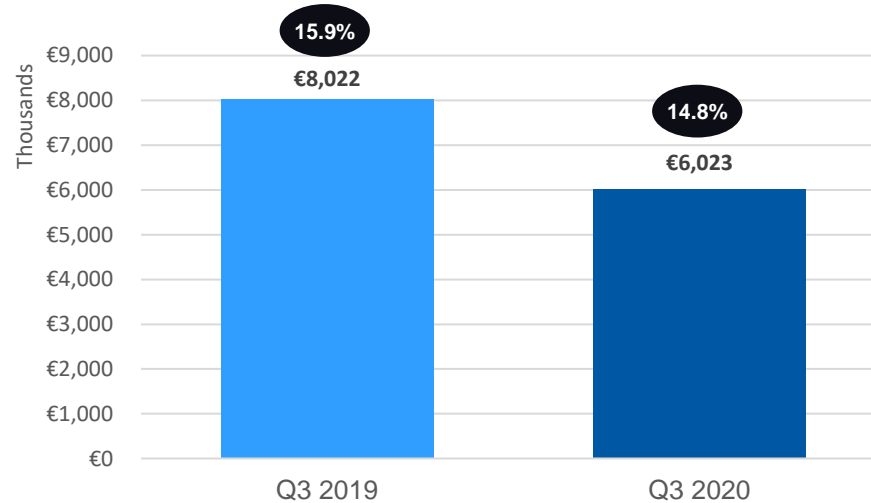
Q3 2020 Revenue by Segment



- Materialise Medical grew by double digits in Q3, while Covid-19 continued impacting our Software and Manufacturing revenues negatively
- Cross-segment revenue from software products amounted to 36%

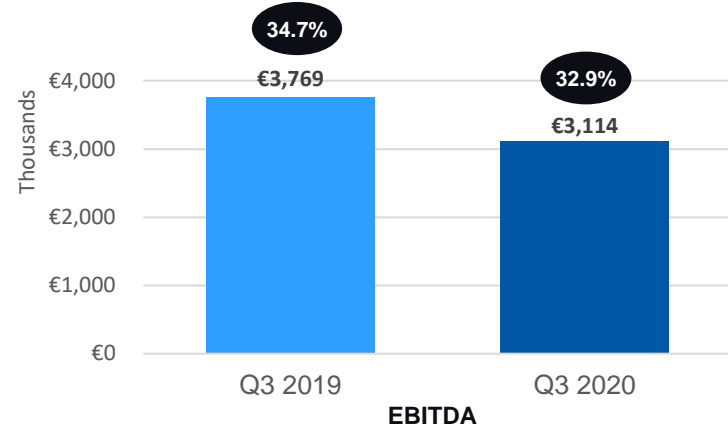
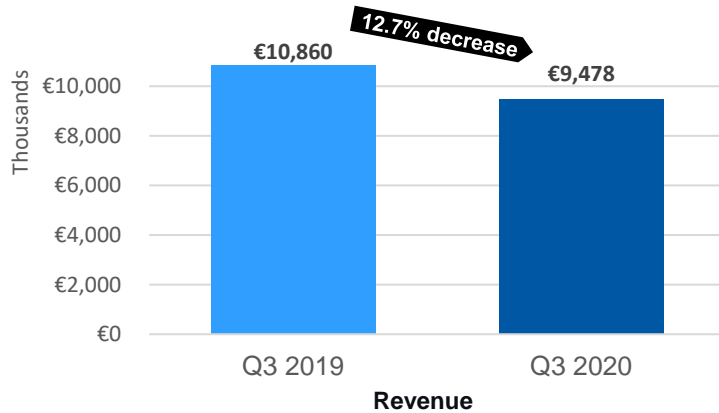
Q3 2020

Consolidated Adjusted EBITDA



- Q3 2020 consolidated adjusted EBITDA was 6,023 kEUR, only 1 percentage point lower than last year's record quarter
- Q3 2020 Operating Profit decreased to 201 kEUR from 2,916 kEUR, impacted by:
 - Revenue decrease in Software and Manufacturing, continued cost of capacity, partly offset by a business rebound in Medical, and significant remuneration and operating savings in S&M and G&A expenditures in all segments

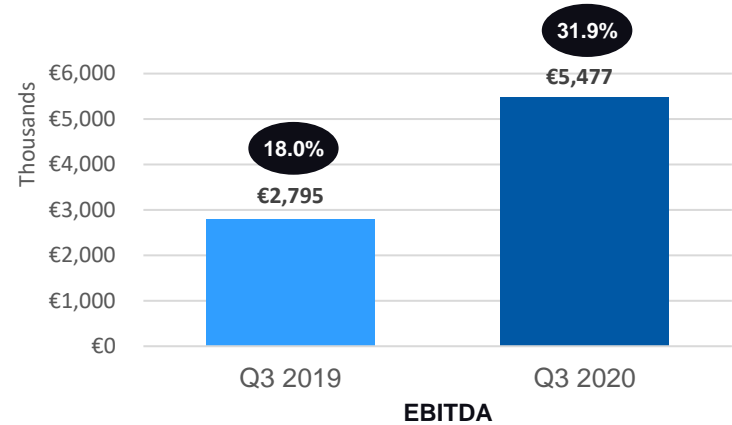
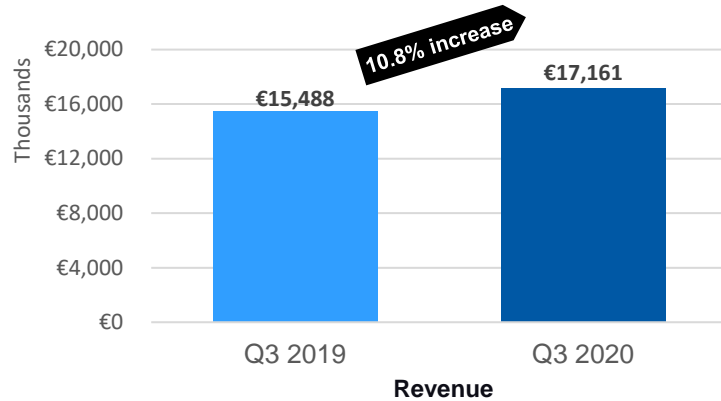
Q3 2020 Software Segment



- Revenue decreased 12.7% to 9,478 kEUR
- Sales* decreased 16%, deferred revenue usage of 0.6 mEUR
- Q3 2020 recurrent revenue up 16% (sales up 4%)
- Q3 2020 non-recurrent revenue down 39% (sales down 31%)
- Q3 2020 EBITDA was 3,114 kEUR, margin remained strong at 32.9%

*Sales are defined in this presentation as revenue plus deferred revenue.

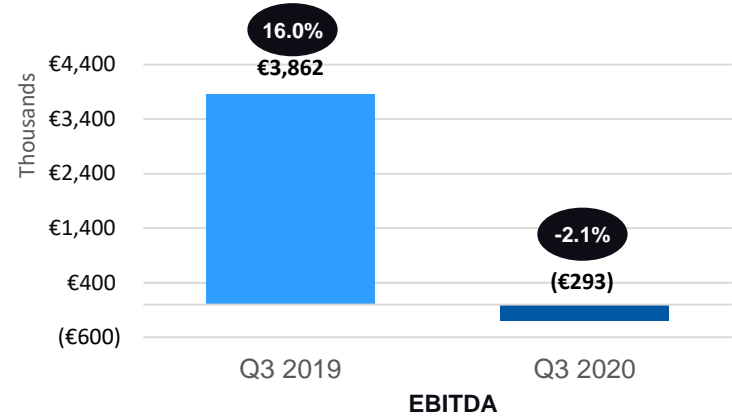
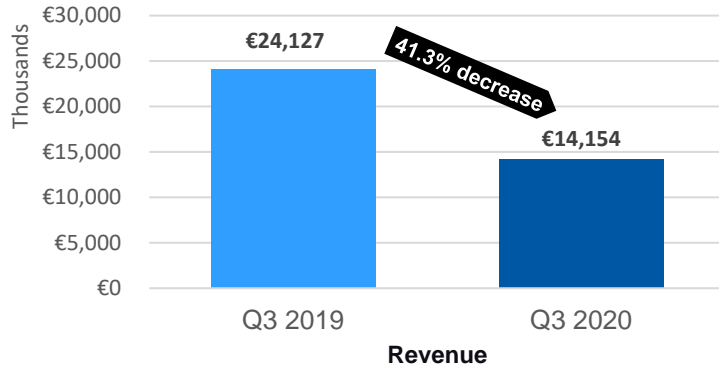
Q3 2020 Medical Segment



- Q3 2020 revenue from medical devices and services increased 14.5%
- Q3 2020 revenue from medical software increased 3.1%
- Quarter EBITDA record of 5,477 kEUR, 32% EBITDA margin

Q3 2020

Manufacturing Segment



- Q3 revenue decreased 41.3%, as negative impact of Covid-19 on key industries, such as automotive and aerospace, continued
- Q3 EBITDA margin decreased to -2.1%, mainly due to the revenue decrease, but partly offset by lower variable cost of sales and SG&A savings of 26%

Income Statement Highlights

	Q3	
	2020	2019
(in thousands of euros, except where indicated)		
Revenue	40,785	50,449
Cost of sales	(17,566)	(21,426)
Gross profit	23,220	29,023
Research & development expenses	(5,861)	(5,626)
Sales & marketing expenses	(11,015)	(13,545)
General & administrative expenses	(7,300)	(8,269)
Other income/(expenses), net	1,157	1,332
Operating profit/(loss)	201	2,916
Financial income/(expenses), net	(1,331)	(966)
Share in gain/(loss) of joint venture	-	(41)
Taxes	764	<u>(908)</u>
Net profit/(loss)	(366)	1,001
Diluted EPS (in €)	(0.01)	0.02
Diluted weighted average shares (thousands)	53,194	52,891

Other Financial Highlights

(in thousands of euros)	09/30/2020	12/31/2019
Cash and equivalents	110,691	128,897
Receivables	30,526	40,322
Inventories	10,046	12,696
Payables	17,029	21,878
Deferred income	30,615	32,673
Borrowings	117,884	127,939
Equity (incl. NCI *)	131,399	142,675
Total balance sheet	320,787	349,294

(in thousands of euros)	Q3 2020	Q3 2019
Capital expenditures	7,536	5,628
Cash flow from operations	426	13,897

* NCI 2020: Non-Controlling Interest Engimplan 2,104

Digital Transformation

The Materialise Tiger Project

- Project Tiger is a [digital transformation project](#), aimed at upgrading our internal IT landscape
 - Upgrade of our CRM, ERP and license management software with readily available [state-of-art technology](#)
 - Further development of internal systems close to the 3D printing core with the aim to make them [even easier to integrate](#)
- Total investment of approximately 15 mEUR spread over 2.5 years
 - 2,086 kEUR spend this quarter, of which 1,884 kEUR was booked as capital expenditure.

APPENDIX

Adjusted EBITDA Reconciliation

	For the quarter ended September 30th	
(in thousands of euros)	2020	2019
Net profit/(loss)	(366)	1,001
Income taxes	(764)	908
Financial expenses	2,462	1,138
Financial income	(1,131)	(172)
Share of loss in a joint venture	-	41
Depreciation & amortization	4,922	4,904
EBITDA	5,123	7,820
Non-cash share-based compensation expenses	900	60
Acquisition-related expenses	-	140
Adjusted EBITDA	6,023	8,022