

Materialise Reports Third Quarter 2019 Results

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LEUVEN, Belgium--([BUSINESS WIRE](#))--Materialise NV (NASDAQ:MTLS), a leading provider of additive manufacturing and medical software and of sophisticated 3D printing services, today announced its financial results for the third quarter ended September 30, 2019.

Highlights - Third Quarter 2019

- Total revenue increased 8% to 50,449 kEUR for the third quarter of 2019, mainly driven by strong performances in our Materialise Medical and Materialise Software segments.
- Total deferred revenue from annual software sales and maintenance contracts increased by 1,350 kEUR to 23,956 kEUR from 22,606 kEUR at the end of 2018.
- Adjusted EBITDA amounted to 8,022 kEUR for the third quarter of 2019, or an Adjusted EBITDA margin of 15.9%.
- Net profit for the third quarter of 2019 was 1,001 kEUR, or 0.02 EUR per diluted share, compared to 2,317 kEUR, or 0.04 EUR per diluted share, for the same period last year.

Executive Chairman Peter Leys commented, "Materialise reported another quarter of top-line growth in our three segments in spite of a macro-economic environment that continues to be challenging. Strong operational performances in all three segments produced a record quarterly Adjusted EBITDA of more than 8 million euro. We are particularly pleased with the accelerated pace of our software sales, which were as we anticipated. We are continually working to increase the productivity of the additive manufacturing industry and look forward to introducing new product upgrades at next month's Formnext in Frankfurt."

Third Quarter 2019 Results

Total revenue for the third quarter of 2019 increased 8.0% to 50,449 kEUR compared to 46,732 kEUR for the third quarter of 2018. Adjusted EBITDA increased to 8,022 kEUR from 7,034 kEUR. The Adjusted EBITDA margin (Adjusted EBITDA divided by total revenue) for the third quarter of 2019 was 15.9% compared to 15.1% in the third quarter of 2018.

Revenue from our Materialise Software segment increased 10.0% to 10,860 kEUR for the third quarter of 2019 from 9,874 kEUR for the same quarter last year. Segment EBITDA increased to 3,769 kEUR from 3,384 kEUR while the segment EBITDA margin was 34.7% compared to 34.3% in the prior-year period.

Revenue from our Materialise Medical segment increased 20.8% to 15,488 kEUR for the third quarter of 2019 compared to 12,824 kEUR for the same period in 2018. Compared to the same quarter in 2018, revenues from medical devices and services grew 25.0%, and revenues from our medical software grew 12.7%. Segment EBITDA was 2,795 kEUR compared to 2,475 kEUR while the segment EBITDA margin decreased from 19.3% to 18.0% for the third quarter of 2019. On August 6, 2019, we acquired a mix of existing and new shares, resulting in total shareholding of 75% in Engimplan, a Brazil-based manufacturer of orthopedic and cranio-maxillofacial (CMF) implants and instruments. All shares were fully paid for in cash. The acquisition increased the scope of our Materialise Medical segment's operations and had a positive impact on our results of operations for the third quarter of 2019.

Revenue from our Materialise Manufacturing segment increased 0.5% to 24,127 kEUR for the third quarter of 2019 from 24,012 kEUR for the third quarter of 2018. Segment EBITDA increased to 3,862

kEUR from 3,405 kEUR while the segment EBITDA margin increased to 16.0% from 14.2% for the third quarter of 2018.

Gross profit was 29,023 kEUR, or 57.5% of total revenue, for the third quarter of 2019 compared to 26,418 kEUR, or 56.5% of total revenue, for the third quarter of 2018.

Research and development (“R&D”), sales and marketing (“S&M”) and general and administrative (“G&A”) expenses increased, in the aggregate, 11.2% to 27,439 kEUR for the third quarter of 2019 from 24,665 kEUR for the third quarter of 2018.

Net other operating income increased to 1,332 kEUR from 571 kEUR for the third quarter of 2018.

Operating result increased to 2,916 kEUR from 2,324 kEUR for the same period in the prior year.

Net financial result was (966) kEUR compared to 268 kEUR for the prior-year period. The share in loss of joint venture amounted to (41) kEUR compared to (47) kEUR for the same period last year.

The third quarter of 2019 contained income tax expenses of (908) kEUR, compared to (230) kEUR in the third quarter of 2018.

As a result of the above, net profit for the third quarter of 2019 was 1,001 kEUR, compared to 2,316 kEUR for the same period in 2018. Total comprehensive income for the third quarter of 2019, which includes exchange differences on translation of foreign operations, was 1,067 kEUR compared to 2,329 kEUR for the same period in 2018.

At September 30, 2019, we had cash and equivalents of 131,095 kEUR compared to 115,506 kEUR at December 31, 2018. Gross debt amounted to 131,618 kEUR (including 5,201 kEUR of lease liabilities recognized under the new accounting standard IFRS 16, and our drawing in July 2019 of the second tranche of 25,000 kEUR from our 35,000 kEUR credit facility with the European Investment Bank), as compared to 106,038 kEUR at December 31, 2018. Cash flow from operating activities for the third quarter of 2019 amounted to a new quarterly record of 13,897 kEUR compared to 7,234 kEUR for the same period in 2018, as a result of the combination of high EBITDA and working capital improvements of 6,636 kEUR. Total capital expenditures for the quarter amounted to 5,628 kEUR. This amount included 301 kEUR of capitalized R&D expenditures from medical programs.

Shareholders’ equity at September 30, 2019 was 139,894 kEUR compared to 135,989 kEUR at December 31, 2018.

Note on Comparability

As a result of the implementation of the new accounting standard IFRS 16, we have recognized additional lease assets and liabilities in the amount of 4,998 kEUR at January 1, 2019. At the end of the third quarter of 2019, the total commitment of lease assets and liabilities amounted to 5,238 kEUR. Our Adjusted EBITDA for the third quarter of 2019 was affected positively by the new standard as a result of the rental payments decrease of 632 kEUR; however, our operating profit was impacted by (20) kEUR as depreciation expenses increased by 652 kEUR.

2019 Guidance

Mr. Leys noted, “Although the macro-economic environment remains soft, our current pipeline has the potential for continued significant growth, particularly in software sales. We are also taking steps throughout our organization to maximize the effectiveness of our operations. Our current targets – which we believe are ambitious, particularly with respect to Adjusted EBITDA, but also achievable – are to reach the lower end of the guidance measures we originally provided for fiscal 2019, which called for consolidated revenue of between 196,000 - 204,000 kEUR; Adjusted EBITDA of between 29,000 - 33,000 kEUR; and an increase in deferred revenue generated from annual licenses and maintenance of between 2,000 - 4,000 kEUR as compared to 2018.”

Non-IFRS Measures

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 document 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 document were made at a rate of EUR 1.00 to USD 1.0889, the reference rate of the European Central Bank on September 30, 2019.

Conference Call and Webcast

Materialise will hold a conference call and simultaneous webcast to discuss its financial results for the third quarter of 2019 on Thursday October 31, 2019, at 8:30 a.m. ET/1:30 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 #3664225.

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 nearly 30 years of 3D printing experience into a range of software solutions and 3D printing services, which 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 2019 revenues, deferred revenue from annual licenses and maintenance and Adjusted EBITDA, results of operations, cash needs, capital expenditures, expenses, financial condition, liquidity, prospects, growth and strategies (including our strategic priorities for 2019), 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. 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 statemente