

Materialise: Cheap Value In Fast-Growing Industry

About: [Materialise NV \(MTLS\)](#) by: Stone Fox Capital

Disclosure: The author has no positions in any stocks mentioned, but may initiate a long position in MTLS over the next 72 hours. **(More...)**The author wrote this article themselves, and it expresses their own opinions. The author is not receiving compensation for it (other than from Seeking Alpha). The author has no business relationship with any company whose stock is mentioned in this article.

Summary

- Materialise traded down to a new all-time low last week.
- A leading 3D printing researcher forecast extremely fast growth for the industry in 2015.
- Materialise continues investing for the future setting up a potential rebound in the stock.

After going public nearly one year ago in the hot 3D printing sector, Materialise (NASDAQ:[MTLS](#)) investors have hardly seen a month of positive returns. The company focused on 3D printing software and printing services has seemingly met financial objectives during that period, but the market has lost interest in the sector. Such a combination typically provides a buying opportunity. Back in December, the stock [appeared attractive](#), but the IPO lock-up expiring and the stock weakness kept us on the sidelines.

Even more interesting is that a respected research firm placed astounding growth rates on the industry while Materialise trades near all-time lows. The sector is becoming extremely competitive, but is this the stock chart of company in an industry with massive growth in the next five years?

(click to enlarge)

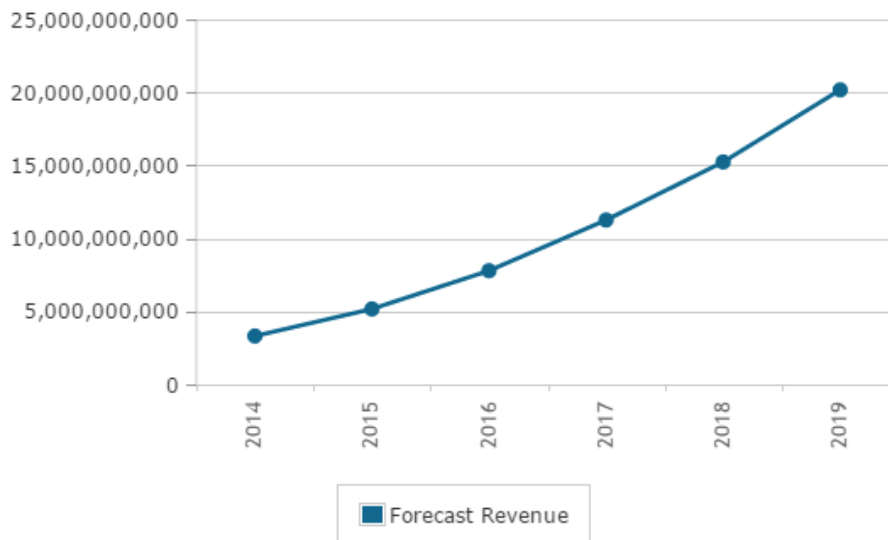


Industry Research

According to Canals [research](#), the 3D printing market is set for an astonishing 56% growth rate in 2015. According to the chart below, the market will expand to over \$20 billion by 2019 due to a 44% CAGR during that period.



3D printing, Worldwide, value forecasts (\$), 2014 - 2019



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The forecast isn't specific on whether printers, software, materials or printing services will lead the growth. Ultimately though as with the personal computer market, software is a key component of the equation for success. More complexity in the future will only lead to an increase in demand for sophisticated software solutions.

Materialise Opportunity

Materialise remains a relative small player in the industry with revenues only [reaching](#) \$28.5 million in the last quarter. With the stock collapse and over \$50 million in cash, Materialise only trades with an enterprise value of \$267 million.

Materialise is focused on developing software for 3D printing and printing parts for several key industries. The software component is growing exceptionally fast and probably where the company has the biggest advantage. In the latest quarter, software revenue grew over 50%.

Similar to other players in the industry, Materialise is spending heavily to expand software and technology offerings to capture the projected industry growth. In fact, R&D expense grew 60% YoY during Q4 in order to increase capabilities around metal printing, aerospace, and X-ray.

These moves set up the company to capture future growth opportunities, but investors weren't impressed sending the stock down below \$6.50 last week.

Takeaway

One always needs to be careful when attempting to catch a bottom in a stock. Materialise set up a buying opportunity back in December, but it only lasted about a month. The stock is even more attractive now that it continues growing, the market growth forecasts are ramping up, and the stock trades near all-time lows. Nothing will prevent the stock from trading lower, but the value starts adding up with every penny that it ticks down.

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