

Activity of the fourth quarter 2022: significant printer deliveries and growth opportunities

Prodways Group achieved revenue of €81 million for the full year 2022, representing growth of 14%. The fourth quarter, with revenues of €22 million, was marked by a large number of deliveries of 3D printers for the dental sector, as well as an increase in the consumption of 3D materials.

Revenue growth of +14% in 2022

All the activities of the group achieved revenue growth in 2022, with the exception of one within the Products division. The activity of direct supply of products and services for dental practitioners, which now accounts for 4% of revenues, experienced a significant slowdown in the second half of the year (including the failure of its first customer). As a result, revenues fell by 16% and the business is undergoing an aggressive turnaround plan. Revenues from the rest of the activities (96% of total revenues) increased by 16% over the year thanks to:

- Increased revenues for the medical sector, including sales of machines and materials for the dental sector as well as audiology: +22%.
- Revenues generated by industrial customers outside the medical field: +12%.

<i>(Revenues in €million)</i>	Q4 2021	Q4 2022	Variation (%)	Organic variation ¹ (%)	FY2021	FY2022	Variation (%)	Organic variation ¹ (%)
Systems	12,6	13,5	+7%	+7%	43,9	49,3	+12%	+12%
Products	7,6	8,3	+8%	-2%	26,9	31,6	+17%	+4%
Structure & intra-group eliminations	-0,1	0,0	n.a	n.a	-0,2	-0,3	n.a	n.a
Consolidated revenues	20,1	21,8	+8%	+4%	70,6	80,6	+14%	+9%

¹ Changes in scope include the acquisition of Créabis in July 2021 and Auditech in July 2022

Systems Division: +12% growth in 2022

Revenues in the Systems Division, comprising sales of Machines & Materials and the Software business, rose significantly in 2022, by +12%, with a significant change in seasonality per quarter within the year.

The Machines & Materials business grew by nearly 13% in 2022 thanks to sales of MovingLight printers for the high-volume production of dental models. In particular, in Q4 2022, Prodways made a significant number of deliveries of 3D printers for the dental sector, some of which will be used for the orthodontics market and others in the manufacturing process for dental prostheses of all types (such as crowns, bridges, implants or surgical guides). These printers were delivered to different regions of the world: the USA, Australia, Italy, Sweden and France, reflecting the global market for this activity.

The Software activity also achieved significant growth this year of +12%. The quality of the teams has enabled the company to achieve a key operational success at the end of 2022, as it is one of the few players to retain its rank as a preferred distributor of Dassault Systèmes in France (classified as Tier 1), testifying to the long-term partnership that is a source of added value.

Products Division: +17% growth by 2022

The Products division, which includes Digital Manufacturing (print-on-demand services) and integrated medical activities, continues to grow despite specific difficulties encountered in one sub-segment.

The Digital Manufacturing business achieved strong growth in 2022 of +20%, driven by both organic growth and the acquisition of Creabis in 2021. The business continues to win new flagship customers who call on Prodways' expertise to produce small series of parts in 3D printing. This is the case for a major European automotive group in the last quarter of 2022.

The medical activities are experiencing two different dynamics. **The production of custom-made devices for audiology** (which now represents around €14 million in annual revenues) continues to develop with revenues up by more than 20% thanks to organic growth and external growth (acquisition of Auditech). **On the other hand, the direct supply of products and services for dental practitioners** (less than 4% of the group's revenues) is experiencing difficulties (including the failure of its first customer, a group of dental centers). and sees its revenues fall by 16% in 2022. These recent difficulties partly explain the performance of the product division in the last quarter.

Growing importance of 3D materials expertise, an asset for Prodways

The year 2022 has highlighted the growing importance of 3D materials expertise. This competence is key to achieving the mechanical, medical and biocompatibility characteristics that open up new applications and set market standards for established applications. Prodways Group's strategy in this field is based on two main axes, deployed by a team of 50 researchers, engineers and technicians located in Germany:

- 1- **Expanding our range within established applications**, in partnership with our customers, in order to offer them customized materials for their production. This is the case today for the printing of dental models, with a quality recognized as one of the best on the market.
- 2- **Develop innovative materials to open up new applications with industrial production potential**, with a high-end positioning. For example, a new material will soon be available to print gingival prosthesis bases directly in 3D in order to treat cases of complete dentition replacement, i.e. several tens of millions of patients in Europe and the United States alone.



Denture printed with the new material dedicated to this application

Prodways' leadership in this field is also based on its ability to obtain medical certifications covering the main global markets (Medical Device Single Audit Program - MDSAP, Medical Device Regulation - MDR, and full compliance with FDA regulations). The company distinguished itself once again at the end of 2022 by being one of the very first companies to obtain certification of compliance with the new European Medical Device Regulation. This expertise constitutes an important barrier to entry in a context of tightening regulations on medical uses and illustrates the ability of the teams to anticipate and adapt to market trends.

Significant progress in the group's ESG policy.

The significant progress made by Prodways in its ESG strategy has been rewarded once again by an improvement in the Gaïa rating, which evaluates the ESG performance of small and medium-sized companies listed on European markets. **With a score of 79/100 (an improvement of 14 points), Prodways Group is ranked 2nd out of 76 companies in its category¹.**

Prodways has also added a 100% biobased material to its catalog for its Digital Manufacturing activity (print on demand). Our customers can now choose polyamide 11, derived from castor oil, which is particularly well suited to the manufacture of parts for medical and dental applications (orthoses, surgical tools, drilling guides, etc.).

¹ Category of Capital Goods

Short and medium-term prospects: numerous opportunities

The digital orthodontics market is still growing

The use of 3D printing technology to produce orthodontic aligners continues its growth trajectory. This application, which generates high volumes and margins for all players in the chain, continues to attract investments, as illustrated by the recent acquisition of a majority stake in the French company BioTech Dental by the American giant Henry Schein, or the acquisition of the German company PlusDental by Straumann Group, a Prodways client, for €135 million.

The ambition of the players in this sector is to address the still largely traditional orthodontic market with digital solutions in order to treat the pathologies of the c. 500 million patients requiring treatment on a global scale. The need for industrial production in 3D printing, used to produce dental models for these treatments, should therefore lead these players to equip themselves with ever larger fleets of 3D printers. Prodways Group is currently seeing the emergence of new needs for dozens of machines, which would result in the consumption of several additional tons of materials. These significant projects are still preliminary, but represent major opportunities in the medium term.

Adoption of 3D by the dental industry

Beyond orthodontics, the broader market for dental prosthetics of all types is beginning to adopt industrial 3D production methods. In addition to the increasing digitalization of the sector, a major driver of this change is the consolidation of dental prosthesis laboratories, which is leading to the emergence of players that produce several hundred models per day. The three leading European players have integrated more than a hundred laboratories since 2015 and are continuing the momentum. Prodways Group aims to capture a significant share of this market, which represents a potential of the same order of magnitude as that of aligners.

The fourth quarter of 2022 marked the start of sales of Prodways printers for this application. Revenues generated by these customers remain small for the time being at Group level, but could constitute a major growth driver in the medium term, notably through sales of materials.

Outlook and guidance

Prodways Group enters 2023 with confidence in the strength of its business and the continuation of its revenue growth trajectory. The Group aims to sell a larger number of printers for the medical sector and to continue to expand its customer base for the production of parts on demand.

In view of the positive trend in its activities, but also of a certain caution in the current macro-economic context, Prodways Group has set itself a revenue growth target of around +10% in 2023, excluding new potential acquisitions.

The first quarter of 2023 has a good momentum, even if it will be below the first quarter of 2022, due to an unfavorable base effect (exceptional revenues realized ahead of schedule in 2022).

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).

Listed on Euronext Paris (FR0012613610 – PWG), the Group reported in 2021 revenue of €81 million.

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