

Stable activity in 2023 and a rapid action plan to significantly improve the performance

Prodways Group announces its 2023 revenue, which stands at €75 million with the change in revenue recognition on the Software business. Without this change, revenue would have been stable compared to 2022 at €81 million. In order to come back to revenue growth and improve the group's profitability, Prodways Group is taking a number of measures that will have an impact as early as 2024.

2023 revenue: €75 million

Full-year 2023 revenues were down compared to last year, mainly due to the change in revenue recognition of the Software business since the month of July (impact of -€6.5 million, with no effect on current EBITDA in absolute terms). In addition, weak sales of new 3D printers and related materials, notably in the fourth quarter, weighed on Prodways' performance. The Products division remains well oriented with growth of +11% in 2023.

| (€ million) | Q4 2023 | Q4 2022 | Change ¹ (%) | FY2023 | FY2022 | Change (%) | Organic change ¹ (%) |
|--------------------------------------|-------------|-------------|-------------------------|-------------|-------------|------------|---------------------------------|
| Systems | 9,3 | 13,5 | -31% | 39,6 | 49,3 | -20% | -20% |
| Products | 8,6 | 8,4 | +3% | 35,3 | 31,7 | +11% | +5% |
| Structure & intra-group eliminations | -0,1 | 0,0 | n.a | -0,3 | -0,3 | n.a | n.a |
| Consolidated revenue | 17,8 | 21,9 | -18% | 74,6 | 80,7 | -8% | -10% |

¹ The 2023 organic change excludes the scope effect related to the acquisition of Auditech in July 2022. For Q4 2023, the organic change is equal to the current change.

Systems Division: a decrease related to printers 'sales and the change in Software revenue recognition

As expected for several months, sales of new printers decreased in 2023, by nearly 20%, both in the jewellery business, which is being shut down, but also in the MovingLight range. In the latter, the wait-and-see attitude of customers has slowed down new investments. Prodways Group has therefore suffered from this cyclical effect but remains confident about the structural growth of sales of industrial printers.

Sales of Materials remained relatively stable in 2023 despite an unfavorable comparison with 2022, which benefited from orders by anticipation and inventory effects. The recurring sales model of 3D materials and the high satisfaction of our customers have once again made it possible to generate significant profitability.

The Software business had a good year in terms of gaining new customers. The new sales organization, set up in mid-2023, began to produce effects at the end of the year. The change in the classification of Prodways Group as an Agent instead of Principal as of July 1, 2023 results in a decrease in revenue (-€6.5 million compared to the previous classification) with no impact on current EBITDA in absolute terms². In addition, the transition to the SaaS (*Software as a Service*) model accelerated in the fourth quarter 2023, resulting in the smoothing of revenues over the duration of contracts (between 12 and 36 months). On the other hand, this unfavorable effect is partially offset by the strong increase in sales based on this SaaS model, of around +70% in 2023, thanks in particular to the gains of new customers.

Products Division: Acceleration of Digital Manufacturing and Progress in Audiology

The Digital Manufacturing business performed well, growing by 9% over the whole of 2023, with an acceleration in the fourth quarter (+11% growth). In particular, Prodways Group has signed contracts for small series with renowned customers that will continue in 2024, particularly in the automotive and leisure sectors.

Audiology revenues increased by nearly 20% this year, notably with the acquisition of Auditech, which was successfully integrated. Sales of noise protection for industrial clients continued to drive the performance, with volume and price increases reflecting the high quality of this custom-made equipment (+11% organic growth).

² From an accounting point of view, the recognition of revenues from this activity is changing due to the classification of Prodways Group as an "agent" under IFRS 15 as of July 2023, whereas the company was considered "principal" until that date. As an agent, Prodways Group now recognises the gross margin earned on these sales as turnover. This change therefore reduces the absolute value of revenues recognized by €6.5 million in the second half of 2023.

Multiple measures are being implemented to improve Prodways' prospects

Prodways remains one of the most successful players in 3D printing on a global scale, both technologically and financially. But the insufficient performance in 2023, in terms of revenue and profitability, is now leading the company to take measures to significantly improve its development trajectory with:

- 1- The refocusing of the Printers business on the industrial segment** and the discontinuation of small printers for jewelry, announced at the end of January 2024. This refocusing will result in a reduction in the Group's headcount and fixed cost structure.
- 2- The sale of the Cristal laboratory**, which has become a competitor of our customers in the dental sector. This sale should allow Prodways to form a partnership with one of the largest dental prosthesis laboratories in France around 3D Printers and Materials.
- 3- The professionalization of the Sales & Marketing teams**, which began in 2023, will continue in 2024 with the aim of achieving greater sales efficiency without a significant increase in team size. As a result, the company expects a structural increase in business opportunities in the coming year.
- 4- A reduction in headcount and revenue-generating recruitment:** thanks to the refocusing on profitable activities, the group's total headcount will decrease this year. By the end of 2024, they should be equivalent to those at the end of 2021 (~460 people) but generate higher revenue on a comparable basis.

All of these actions should therefore have a significant effect on operating leverage thanks to a reduction in fixed costs of a few million euros. As a result, the company's current EBITDA and structural cash generation are expected to improve in 2024.

Refocusing of the Printers business on the industrial segment and discontinuation of small printers for jewellery

For several years, Prodways Group has been marketing small printers for the high-end jewellery sector under the Solidscape brand. The sales of these small printers (with a unit value of around €15k), as well as the associated materials and services, generated a turnover of close to €5 million in 2023 and a significant operating loss. The cessation of this activity will therefore have a positive impact on Prodways' profitability. This strategic refocusing was announced at the end of January 2024 and more details are available in the [dedicated press release](#).

The shutdown of the jewellery activity is being implemented since the end of January 2024 and should be finalised by the end of the summer. The impact in the 2023 financial statements is estimated at this stage at around €15 million in asset impairments³ (with no impact on cash). In 2024, the costs related to this shutdown are expected to represent just over €1 million, mainly in the first half of the year.

³ The final figure will be finalized during the consolidation of the 2023 financial statements and published during the 2023 annual results.

Sale of the Cristal dental prosthesis laboratory

Since 2017, Prodways Group has been operating a small digital dental prosthesis laboratory within the Products Division, under the brand "Cristal". This activity served as an applied R&D laboratory during the early adoption of 3D by the dental sector in order to demonstrate the relevance of Prodways' 3D Printers and Materials. It has now fulfilled its role and has even become a competitor to our customers.

Prodways Group does not intend to develop this activity and has therefore decided to sell it to a leading French group in the field of dental prosthesis laboratories. This sale should make it possible to create a technological partnership around MovingLight printers and associated 3D materials. Discussions are ongoing, and details on this partnership may be provided at a later date.

In 2023, Cristal's business generated revenue of around €3 million and a break-even current EBITDA. The sale is effective from the beginning of February 2024 and will therefore have a positive impact on the group's profitability.

Basis of comparison for 2024

All the measures implemented and the change in revenue recognition in the Software business significantly change the Group's revenue profile in 2024, while structurally improving current EBITDA generation in absolute terms.

As an indication, if all the measures and changes previously announced had been effective as of January 1, 2023, the revenues generated by Prodways Group in 2023 would have been around €60 million⁴.

Outlook for 2024

The measures aimed at improving the Group's profitability, combined with the reorganization and professionalization of the Sales & Marketing teams, are expected to produce structural effects as early as the second half of 2024. Important elements to look out for in the next few semesters include:

- 1- The closure of the jewellery business and the refocusing on the MovingLight® range should be finalised by the end of the summer. This action plan will weigh in particular on profitability in the 1st half of 2024 but will have a positive impact on current EBITDA from the second half of the year.
- 2- The recognition of Software revenues as an "Agent" in full year and the transition to SaaS model, with a smoothing effect of revenues over time. This latest change, however, opens up an opportunity to gain new customers in a changing market.
- 3- The acceleration of certain industrial projects for new applications of the MovingLight, currently in shared R&D with customers, could open up opportunities in 2024, potentially for high value-added parts in aeronautics.

⁴ This figure gives an indicative estimate of full-year 2023 revenues adjusted with the following assumptions: Agent classification in the Software business for the full year 2023 (vs. only H2 2023 under IFRS), exclusion from the Solidscape scope, exclusion from the Cristal scope.

- 4- Demand for 3D Printers and Materials for orthodontic aligners could regain positive momentum in 2024. The strong year-end performance of 2023 and the expansion outlook announced by the global leader in the sector, Align Technology, are encouraging⁵.

The company does not provide 2024 revenue guidance at this stage. The combination of actions to improve revenue and measures to reduce costs is expected to be fully effective by the end of the year. Prodways Group's strategy of focusing on business segments that generate significant profitability has enabled the company to be one of the most profitable listed players in its sector. This strategy will be stepped up in 2024. Prodways Group should thus be able to effectively transform its revenue growth into results and cash.

⁵ Link to Align Technology's 2023 annual results release: [link](#)

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 across the entire 3D printing value chain (software, printers, materials, parts & services) with an industrial solution with high technological added value. Prodways Group offers a wide range of 3D printing systems and premium composite, hybrid or powder materials (SYSTEMS division). The Group also manufactures and markets on-demand parts, prototypes and small series of 3D printed plastics and metal (PRODUCTS division). Prodways Group addresses a large number of sectors, particularly in the medical field.

Listed on Euronext Paris (FR0012613610 - PWG), the Group generated revenue of €75 million in 2023.

More information about <https://www.prodways-group.com>

Follow us and live with the latest news from Prodways Group on Twitter and LinkedIn!



@Prodways



Prodways Group

Contacts

INVESTOR CONTACTS

Hugo Soussan
Investor Relations
Tel: +33 (0)1 44 77 94 86 / h.soussan@prodways.com

Anne-Pauline Petureau
Shareholder Relations
Phone: +33 (0)1 53 67 36 72 / apetureau@actus.fr

PRESS CONTACTS

Manon Clairet
Financial Press Relations
Phone: +33 (0)1 53 67 36 73 / mclairret@actus.fr