

Nano Dimension

Growth in a tough market

Nano Dimension made good progress growing revenue and gross margins in FY23. The company is now focused on reducing cash burn and moving to profitability, via its Reshaping Nano initiative, and is simultaneously looking to acquire in the additive manufacturing space to consolidate its position. Nano Dimension continues to buy back shares while they trade at a discount to book value.

FY23: Revenue growth and gross margin expansion

Nano Dimension grew revenue 29% in FY23 and expanded adjusted gross margin by 2pp to 48%. Adjusted EBITDA loss of \$99.9m was larger than the \$91.3m loss in FY22, mainly due to elevated costs relating to the tender offer for Stratasys and activist shareholders. Factoring in interest income of \$46m and the gain on the valuation of its stake in Stratasys of \$22m, the company reported a net loss of \$54.6m for the year, compared to a loss of \$227.4m in FY22.

Targeting substantial reduction in cash burn

The company's Reshaping Nano initiative is targeting a reduction in costs of \$25–30m per annum, with the first benefits expected in Q124. Combined with revenue growth and margin expansion, the company expects to reduce cash burn from \$84m in FY23 (excluding share buybacks) to more like \$12–20m in FY24, before turning cash flow positive in FY25.

Sector consolidation key to future profitability

Management highlighted the need for consolidation in the 3D printing industry, with high levels of cash burn a risk to several competitors with less robust balance sheets. Stratasys continues to consider Nano Dimension's bid for the company. If agreement is not forthcoming, Nano Dimension has other opportunities in the pipeline.

Valuation: Well-funded for M&A strategy

Nano Dimension has \$842m in net cash on the balance sheet. The shares are currently trading at a significant discount (c 37%) to Nano Dimension's net cash balance plus the current value of its stake in Stratasys (\$115m as at 21 March). As Nano Dimension makes progress with its cost reduction strategy and reduces cash burn, we would expect this discount to reduce.

Historical performance

Year end	Revenue (US\$m)	Adj. EBITDA (US\$m)	PBT* (US\$m)	PAT* (US\$m)	DPS (\$)	P/E (x)
12/20	3.4	(12.6)	(15.0)	(15.0)	0.00	N/A
12/21	10.5	(38.4)	(44.5)	(44.5)	0.00	N/A
12/22	43.6	(91.3)	(96.4)	(96.4)	0.00	N/A
12/23	56.3	(99.9)	(59.0)	(59.0)	0.00	N/A

Source: Company data. Note: *PBT and PAT are normalised, excluding amortisation of acquired intangibles, exceptionals and share-based payments.

Technology

25 March 2024

Price US\$2.73
Market cap US\$604m

Share price graph



Share details

Code	NNDM
Listing	NASDAQ
Shares in issue	221.4m
Net cash (\$m) at end-2023 (including US\$8.7m lease liability)	842.2

Business description

Nano Dimension offers equipment for additive manufacture of high-performance electronic devices, complex 3D ceramic and metal objects as well as miniature parts requiring a resolution of only one micron. It also offers complementary equipment for automated assembly of electronic devices and PCBs.

Bull

- Additive manufacturing enables creation of more complex parts and is more efficient for smaller volume production runs.
- Balance sheet strength positions the company well to consolidate the sector.
- Strategy in place to improve financial performance and reduce cash burn, with gross margins already approaching 50%.

Bear

- Currently loss-making.
- Distraction of hostile behaviour from major shareholder Murchinson.
- Difficult to predict market growth for disruptive technologies.

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Review of FY23 results

In the table below, we summarise the performance of Nano Dimension in FY23.

Exhibit 1: Nano Dimension Q423 and FY23 results

\$m		Q423	Q422	FY23	FY22
Revenue	\$m	14.5	12.1	56.3	43.6
Gross profit	\$m	7.0	7.7	25.5	14.1
Adj. gross profit	\$m	7.4	8.8	27.3	20.3
EBITDA	\$m	(10.5)	(95.1)	(95.0)	(239.2)
Adj. EBITDA	\$m	(22.6)	(25.1)	(99.9)	(91.3)
Operating loss	\$m	(27.3)	(72.7)	(124.9)	(171.5)
Profit/(loss) before tax	\$m	(1.2)	(86.9)	(55.6)	(228.0)
Profit/(loss) after tax	\$m	(1.3)	(87.9)	(55.7)	(228.3)
Net income after minority interest	\$m	(1.0)	(87.7)	(54.6)	(227.4)
Net cash	\$m	842.2	1018.9	842.2	1018.9
Revenue growth y-o-y		19.4%	60.7%	29.1%	315.8%
Revenue growth q-o-q		18.9%	21.1%	N/A	N/A
Gross margin		48.6%	63.4%	45.2%	32.2%
Adj. gross margin		51.1%	72.6%	48.4%	46.5%

Source: Nano Dimension

Nano Dimension reported revenue of \$56.3m for FY23, up 29% y-o-y. Q423 revenue of \$14.5m was 19.4% higher y-o-y. In FY23, adjusted gross margin increased 1.9pp to 48.4%. Adjusted EBITDA strips out the income from revaluation of assets and liabilities (mainly the movement in Nano's stake in Stratasys) of \$21.9m, share based payments of \$20.1m, exchange rate differences of \$1.6m and one-off income of \$1.6m from the Israeli government relating to items damaged in the war. The company generated net interest income of \$45.9m in the year, benefiting from higher interest rates on its cash balances.

Nano Dimension's 14% stake in Stratasys was worth \$138.4m at year-end, based on a share price of \$14.28. The share price has since declined to \$11.86.

Net cash, including leases of \$8.7m, was \$842m at year-end, down from \$1,019m at the end of FY22. The main moves in the year were:

- Cash flow from operating activities: -\$105.0m
- Cash flow from investing activities: +\$22.5m
- Cash flow from financing activities: -\$100.0m. This includes share buybacks totalling \$96.4m (\$10.7m in Q423).
- FX: +\$1.3m

Excluding share buybacks, cash burn for the year was c \$84m.

Outlook for 2024

The Reshaping Nano programme is well underway, with the target of reducing annual costs by \$25–30m. The company continues to expect effect to start to be seen in Q124 results and is targeting a reduction in cash burn from \$84m in FY23 to more like \$12–20m in FY24. We estimate this would be from a combination of factors:

- Revenue growth: management expects FY24 growth of at least 15% but less than the 29% achieved in FY23.
- Gross margin expansion: targeting growth in adjusted margins towards 60%.
- Opex reductions from the Reshaping Nano programme. Adjusted opex before depreciation and amortisation was \$127m in FY23 and we note that this included a high level of costs related to the tender offer for Stratasys in the summer and activist shareholders (c \$19m).
- Interest income: continued benefit from the cash position – monthly income is c \$4m.

Capital allocation update

Consolidating the sector

While Stratasys continues to consider the bid Nano Dimension made for it at the [end of 2023](#), management notes that this is just one of several options that the company is considering and emphasised the need for industry consolidation. With a much stronger cash position than its peers, Nano expects to lead this consolidation rather than be a target.

The table below shows the financial performance of four listed peers in FY23 and Q423 – all four saw revenue declines in Q423 and FY23. The table also includes their current financial position, which highlights the necessity for reduced cash burn and improved profitability.

Exhibit 2: Peer financial performance and outlook							
\$m	Year-end	Revenue		Revenue growth		Non-GAAP gross margin	
Company		FY23	Q423	FY23	Q423	FY23	Q423
Stratasys	31-Dec	627.6	156.3	-3.7%	-1.9%	48.2%	48.8%
3D Systems	31-Dec	488.1	114.8	-9.3%	-13.5%	41.1%	41.9%
Desktop Metal	31-Dec	189.7	52.3	-9.2%	-13.7%	27.0%	34.0%
Markforged	31-Dec	93.8	24.2	-7.1%	-18.5%	47.4%	49.5%
		Adj. EBITDA		Net cash used in operating activities plus capex	Cash & cash equivalents	Net cash/(debt)**	
		FY23	FY24 outlook	FY23	end FY23	end FY23	
Stratasys		35.0	40–45	(78.3)	162.6	143.9	
3D Systems		(24.5)	b/e or better	(107.9)	331.5	(54.6)	
Desktop Metal		(69.1)	(30) to (10)	(117.8)	84.5	(59.5)	
Markforged		(45.8)	(47) to (42.5)*	(52.5)	116.9	73.8	

Source: Company websites. Note: *Guidance is for operating profit **Includes lease liabilities.

Share buybacks ongoing

In FY23, the company bought back 32.0m shares for a total of \$96.4m, all of which are held in treasury. It has authority under a new facility for an additional \$200m of buybacks and so far this year, has bought back a further 17.1m shares at a cost of \$46.2m.

Business update

The company highlighted sales to key customers in 2023:

- NASA: an Admaflex machine to 3D print ceramics and metal for sodium ion batteries.
- US Department of Defense (DoD): a DragonFly machine for 3D printing of electronics. This is one of many deliveries to a branch of the US DoD.
- Fraunhofer Institute (German research group): a DragonFly machine for 3D printing of electronics, one of several sold to the group.
- Unnamed industrial company: largest order ever, for Additive Electronics for robotic assembly.
- Large Western computer manufacturer: DragonFly machine for 3D printing of electronics, one the larger orders in the year.
- A Western nuclear research group: a DragonFly machine for 3D printing of electronics

The company noted that R&D and product development during FY23 achieved the following:

- DeepCube industrial AI: implemented in DragonFly IV, made available to third parties for use with their own machines, and a patent filed for large language model analysis of data generated by industrial machines.
- INSU 200 – new dielectric material for AME (additively manufactured electronics). With better thermal and mechanical properties than previous materials, it can support more demanding applications in the defence and commercial markets and widens the addressable market for Nano's DragonFly IV system. The material will be made available to customers in April 2024.

- Fabrica GIGA series – launch of a new Micro AM (additive manufacturing) system.
- Admaflex 130 Entry – launch of a new entry level machine for printing of advanced ceramics.
- Flight Hub – improved software for AME design to manufacturing capabilities.

Exhibit 3: Financial summary

	\$m	2019	2020	2021	2022	2023
Year-end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		7.1	3.4	10.5	43.6	56.3
Cost of Sales (including amortisation of capitalised IP)		(5.1)	(2.3)	(9.4)	(29.6)	(30.9)
Gross Profit		2.0	1.1	1.1	14.1	25.5
EBITDA		(11.7)	(12.6)	(38.4)	(91.3)	(99.9)
Operating profit (before amort. and excepts.)		(14.4)	(15.2)	(48.3)	(98.5)	(106.4)
Intangible Amortisation		0.0	0.0	0.0	0.0	0.0
Exceptionals		0.0	0.0	(145.2)	(40.4)	1.6
Share-based payments		(0.4)	(20.5)	(29.8)	(32.6)	(20.1)
Operating Profit		(14.8)	(35.7)	(223.2)	(171.5)	(124.9)
Net Interest		6.5	0.2	3.8	2.2	47.4
Exceptionals		0.0	(13.0)	13.7	(58.7)	21.9
Profit Before Tax (norm)		(7.9)	(15.0)	(44.5)	(96.4)	(59.0)
Profit Before Tax (FRS 3)		(8.4)	(48.5)	(205.7)	(228.0)	(55.6)
Tax		0.0	0.0	4.9	(0.3)	(0.1)
Profit After Tax (norm)		(7.9)	(15.0)	(44.5)	(96.4)	(59.0)
Profit After Tax (FRS 3)		(8.4)	(48.5)	(200.8)	(228.3)	(55.7)
Average Number of Shares Outstanding (m)		3.5*	42.9*	247.3	257.8	248.0
EPS - normalised (\$)		(2.25)	(0.35)	(0.18)	(0.37)	(0.23)
EPS (normalised, fully diluted (\$))		(2.25)	(0.35)	(0.18)	(0.37)	(0.23)
EPS - (IFRS) (\$)		(2.38)	(1.13)	(0.81)	(0.88)	(0.22)
Dividend per share (\$)		0.00	0.00	0.00	0.00	0.00
Gross margin (%)		28.1%	31.3%	10.7%	32.2%	45.2%
EBITDA margin (%)		N/A	N/A	N/A	N/A	N/A
BALANCE SHEET						
Fixed Assets		13.0	13.1	78.1	139.1	170.4
Intangible Assets		5.2	4.4	0.0	0.0	2.2
Tangible Assets		7.4	8.3	12.2	22.4	28.8
Deferred tax and other		0.0	0.0	1.0	0.9	0.0
Bank deposits/securities		0.0	0.0	64.4	115.0	138.4
Restricted deposits		0.4	0.4	0.5	0.9	0.9
Current Assets		9.9	676.1	1,311.9	1,064.3	894.0
Stocks		3.5	3.3	11.2	19.4	18.4
Debtors		2.4	1.8	9.3	12.8	24.0
Cash		3.9	585.3	853.6	685.4	309.6
Bank deposits		0.0	85.6	437.6	346.7	542.0
Restricted deposits		0.0	0.1	0.1	0.1	0.1
Current Liabilities		(4.4)	(6.7)	(32.0)	(37.0)	(34.5)
Creditors		(4.4)	(6.7)	(16.7)	(27.9)	(34.4)
Short-term borrowings		0.0	0.0	0.0	0.0	0.0
Other		0.0	0.0	(15.3)	(9.2)	(0.0)
Long-Term Liabilities		(6.8)	(15.5)	(13.7)	(16.1)	(14.1)
Long-term borrowings		(2.1)	(2.6)	(4.4)	(13.1)	(9.3)
Other liabilities		(4.7)	(12.8)	(9.3)	(3.0)	(4.7)
Net Assets		11.6	667.1	1,344.2	1,150.3	1,015.8
CASH FLOW						
Operating Cash Flow		(11.7)	(12.6)	(38.4)	(91.3)	(99.9)
Working capital		(0.8)	2.9	2.7	(1.2)	(7.3)
Exceptionals and other		(0.2)	(0.0)	(7.0)	0.4	2.0
Tax		0.0	0.0	0.0	0.0	0.0
Net Operating Cash Flow		(12.7)	(9.6)	(42.6)	(92.1)	(105.1)
Net Interest		0.0	0.2	3.7	17.5	41.5
Investment in intangible & tangible assets		(0.6)	(1.4)	(9.8)	(9.4)	(10.6)
Acquisitions/disposals		0.0	0.0	(74.6)	(219.5)	(9.3)
Equity financing		14.6	679.0	805.7	0.0	(96.4)
Dividends		0.0	0.0	0.0	0.0	0.0
Other		0.0	0.0	0.0	(1.7)	(1.6)
Net Cash Flow		1.4	668.1	682.4	(305.3)	(181.4)
Opening net debt/(cash)		(3.8)	(1.8)	(668.3)	(1,351.2)	(1,018.9)
HP finance leases initiated		0.0	0.0	0.0	0.0	0.0
Other		(3.3)	(1.6)	0.4	(15.0)	5.9
Closing net debt/(cash)		(1.8)	(668.3)	(1,351.2)	(1,018.9)	(842.2)

Source: Company data. Note: *Adjusted for 1:50 reverse split effective June 2020.

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