CLIENT ALERTS & INSIGHTS

3D Printing: Where's the Money Coming From?

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Special Report: Countdown to April 21, 2016 Benesch 3D Printing Conference at Ritz-Carlton, Cleveland, Ohio

To register for the April 21 afternoon conference, which lasts until 5:45 p.m. (registration at 12:00 noon): mpajakowski@beneschlaw.com

Based on research we deployed, here is a general report.

Like any industry, 3D printing took a while to find solid footing, but in recent years it has gained notable attention. Since 2011, 3D printing companies raised nearly $4 billion in public offerings, compared to just $300 million in its infancy from 1987 to 2010. Most recently, stock prices for 3D printing companies have crashed, following a boon between 2013 and 2014. This cycle is not uncommon for new technologies that receive early hype; the market is expected to take off once more as 3D printers become more consumer-friendly, technology improves, and infrastructure is established to support and market the technology.

Analysts we researched appear to be optimistic about the industry's business prospects and margin expansion potential, saying that investor sentiment may be "overly pessimistic," and suggesting the slowdown is a natural phenomenon as the market redistributes itself and begins the climb to becoming mainstream. Despite the retreat in stock prices for larger 3D companies, some smaller players are performing well. There are notable investment risks in 3D technology: it remains at an early stage of development; demand has been limited; companies make smaller margins and may underprice themselves to compete; and high R&D costs may drive down bottom-line growth.

Despite the stock declines, the market is expected to thrive as more investors take note and the pace of companies that are being formed and acquired accelerates. The market has seen robust M&A activity, with increased deal sizes and marked interest by big companies such as GE adding momentum. 3D Systems' access to cash and capital has allowed this company to lead M&A in the sector, but buying is growing in sectors such as software, industrial, medical and aerospace - with interest from giants like Boeing and Lockheed. Other multinationals such as HP and Toshiba have entered the fray, providing investors with a safer means of investing in 3D printing. As the market broadens and becomes more diverse, it is likely to spur more value.

While private and institutional investors are currently taking a cautious approach to investing in 3D printing technology, crowdfunding is fueling the market. Online hubs like Kickstarter are allowing companies to get business rolling without the need for outside capital. Some companies have turned crowdfunding into a de-risking mechanism before raising institutional capital.

The 3D printing industry continues to move forward at an advanced rate, and those companies involved will require capital from a number of different streams. Whether it is crowdfunding, strategic buyers or private equity, there is an opportunity for increased support in fundraising as companies continue to move forward with 3D printing, a technology that is poised and expected to touch nearly every sector and region.

There will be a panel wholly focused on financing/funding at our April 21, 2016 "Thinking in 3D" conference at the Ritz Carlton in Cleveland, Ohio (Registration, 12:00 noon; Program will begin promptly at 12:40 pm). If you have not yet pre-registered (space is now getting limited), please e-mail Megan Pajakowski at mpajakowski@beneschlaw.com.

Almost every business doing long-term planning should be thinking about 3D printing and the impact it will have on its business. Our 3D Printing Industry Group is here to help, and is happy to participate in planning sessions.

3D Printing will impact the way we make almost everything. Because the technology will change our clients' businesses, Benesch has formed a 3D Printing Industry Group, a multidisciplinary team led by core members of the firm's Innovations, Information Technology & Intellectual (3iP) Property Group.

For more general information and to learn more (including by viewing more than 20 Benesch-produced videos on 3D printing), click here.

To contact Benesch's 3D Printing Team, call or e-mail Mark Avsec (216.363.4151) mavsec@beneschlaw.com.

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