

Full Year Results 2016
Media and Financial Analysts Conference

Going Digital

Martin Schaufelberger – CEO COLTENE Holding AG
Gerhard Mahrle – CFO COLTENE Holding AG

Zurich - March 9, 2017

Safe Harbor Statement

The information made available in this presentation may include forward-looking statements that reflect intentions, beliefs or current expectations and projections of the COLTENE Group about future results of operations, financial conditions, liquidity, performance and similar circumstances. Such statements are made on the basis of assumptions and expectations which may prove to be erroneous, although the COLTENE Group believes them to be reasonable at this time.

AGENDA

Highlights 2016

Martin Schaufelberger CEO

Financials 2016

Gerhard Mahrle CFO

Going Digital

Martin Schaufelberger CEO

Outlook & Priorities

Martin Schaufelberger CEO



COLTENE – At a Glance

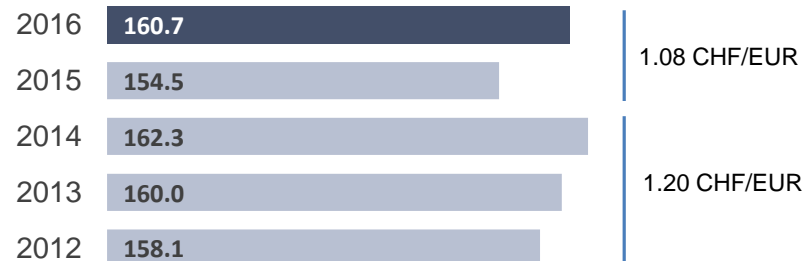
COLTENE develops, manufactures and markets premium consumables in the dental segments of Restoration, Endodontics, Prosthetics, Rotary, Infection Control and Auxiliaries.

Global setup: R&D and operations in Europe, North America and Brazil; Sales with worldwide over 220 sales reps via Distributors.

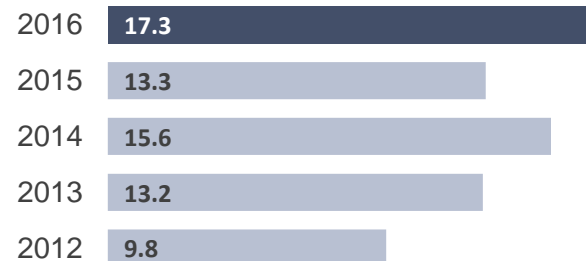
COLTENE is a leading, innovative and independent Company, operating internationally in the dental industry focusing on sustainable and profitable long-term growth.

Highly recognized global brands and strong emerging market position with 30% of total sales in 2016

Net Sales



Net Profit



Higher Sales, EBIT and Net Profit

SALES

Total Sales of CHF 160.7 million in 2016; +4.0% compared to 2015

Strong sales growth in EMEA, Asia and emerging markets

Prosthetics delivers fastest sales growth; ongoing positive trend in Endodontics

FINANCIALS

EBIT of CHF 23.3 mn (2015: CHF 20.4 mn); increased EBIT margin of 14.5% (2015: 13.2%)

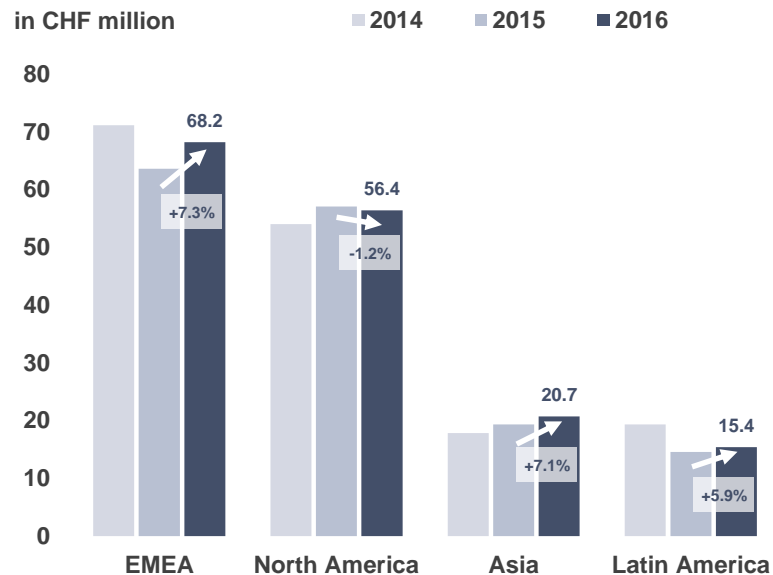
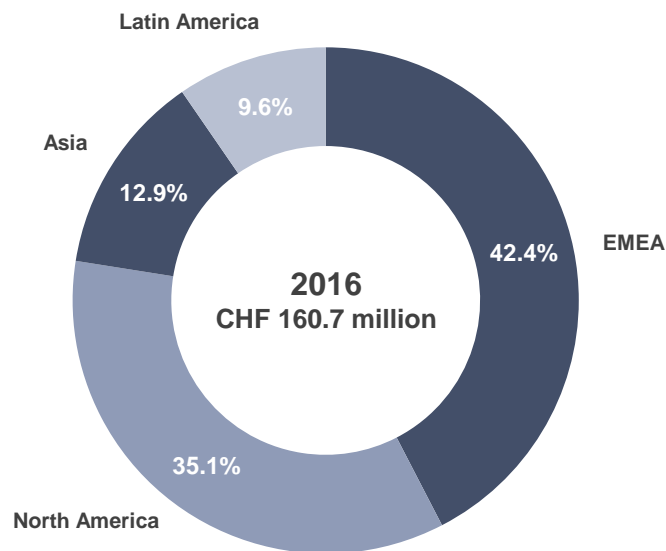
Net profit increased by 29.5% to CHF 17.3 million (2015: CHF 13.3 million)

PRODUCTS

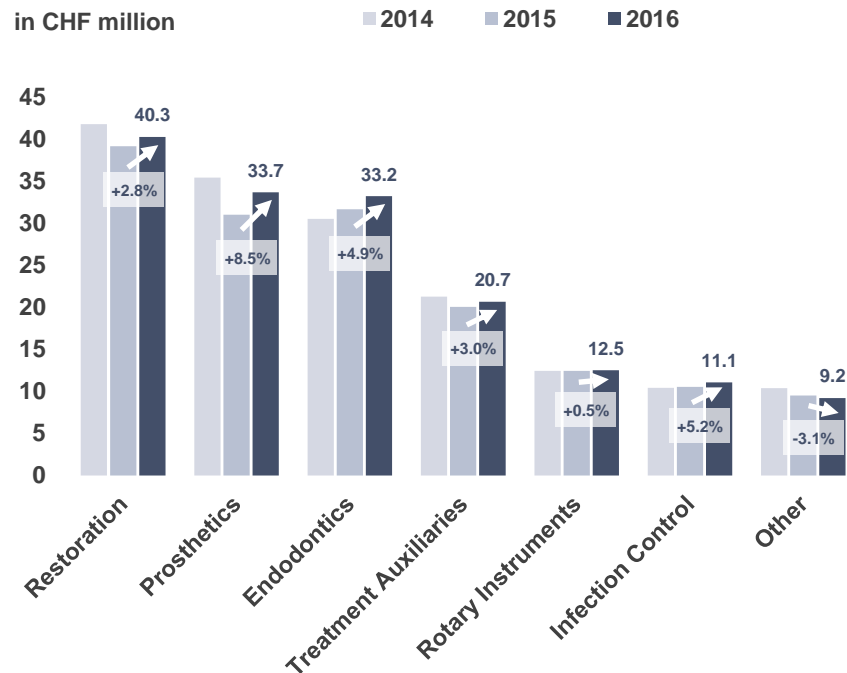
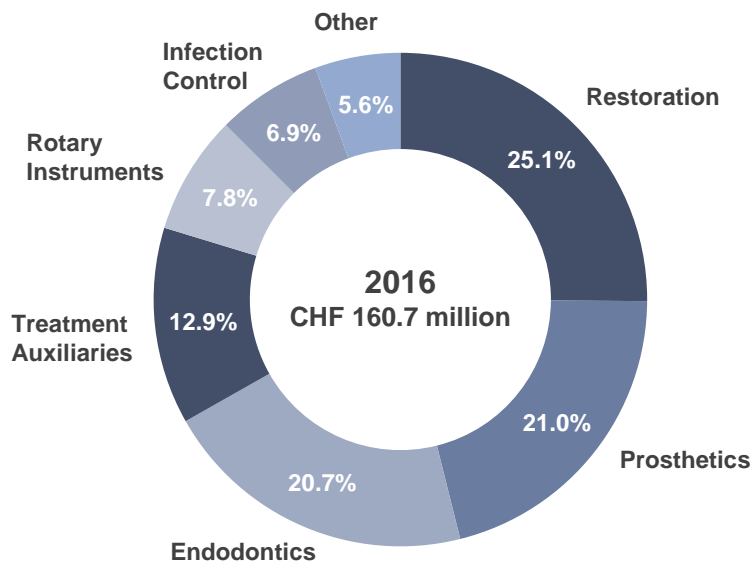
Launch of CAD/CAM BRILLIANT Crios composite blocs marked entry into digital dentistry

R&D focus on Restoration, Endodontics and Treatment Auxiliaries

EMEA and Asia Delivering Strong Sales Growth



Restoration Strongest, Prosthetics with Highest Growth



Digital Technologies Create New Growth Potential

		Impact
MARKETS	EMEA: Pleasant growth in Southern and Eastern Europe, CIS region and Middle East	++
	Asia: Continued dynamic growth in China and India	++
	North America: Ongoing destocking at distributors, sell-in -4.1%; sell-out +1.3%	-
	Latin America: Partial market recovery, Vigodent +19.1% sales in local currency	+
CURRENCIES	Slight appreciation of USD to CHF	+/-
	Slight appreciation of EUR to CHF, slightly weaker tendency towards end of the year	+/-
	Weaker BRL to CHF compared to 2015, recovering tendency	+/-
TRENDS	Ongoing concentration among distributors	+/-
	Digital technologies disrupting value chains and revolutionizing dental treatments	++
	Growing importance of emerging markets	+

Increasing Operational Efficiency

STRATEGY

Implementation of strategic goals 2016-2018 focusing on Sales & Marketing activities, Innovation management and Partnerships

ORGANIZATION

Jürgen Rauch elected as new member of the Board of Directors by the AGM in 2016
Inauguration of new Group company in Japan
Lean leadership structure at Brazilian subsidiary

OPERATIONAL EFFICIENCY

Continuous increase of manufacturing and marketing efficiency through digitalization
Further globalization of procurement
Introduction of a Product Information Management system (PIM)
Transfer of diamond bur production from the US to Switzerland

AGENDA

Financials 2016

Gerhard Mahrle CFO



Increase in Sales and Solid Balance Sheet

SALES

Net sales of CHF 160.7 million; +4.0% compared to 2015; +2.2% in local currencies

EMEA and Asia with high one digit growth; Latin America recovering

Sales in North America still affected by inventory reduction at large distributors

FINANCIALS

EBIT improved by 14.3% to CHF 23.3 million, EBIT margin significantly increased to 14.5%

Net profit grew by 29.5% to CHF 17.3 million (2015: CHF 13.3 million)

Higher free cash flow of CHF 17.1 million (2015: CHF 13.7 million)

High equity ratio of 70.0%; net cash position of CHF 8.6 million

Substantial Increase in Profitability

in CHF million	2016	%	2015	%	% YoY
Net Sales	160.7	100.00%	154.5	100.0%	4.0%
Material expenses*	-44.2	-27.5%	-45.5	-29.4%	-2.8%
Gross Profit	116.4	72.5%	109.0	70.6%	6.8%
Operating expenses	-87.5	-54.5%	-83.1	-53.8%	5.3%
Depreciation and amortization	-5.6	-3.5%	-5.5	-3.5%	2.4%
EBIT	23.3	14.5%	20.4	13.2%	14.3%
Financial result	0.1	0.1%	-2.5	-1.6%	-105.4%
Tax expenses	-6.2	-3.8%	-4.6	-3.0%	35.2%
Profit for the period	17.3	10.7%	13.3	8.6%	29.5%

* Raw materials used, changes in inventory and work performed capitalized

Comments

Positive FX impact of CHF 2.7 million on net sales.
2.2% growth in local currencies.

The increase of the Gross Profit margin refers to lower raw material cost mainly at the factory in Altstaetten, Switzerland.

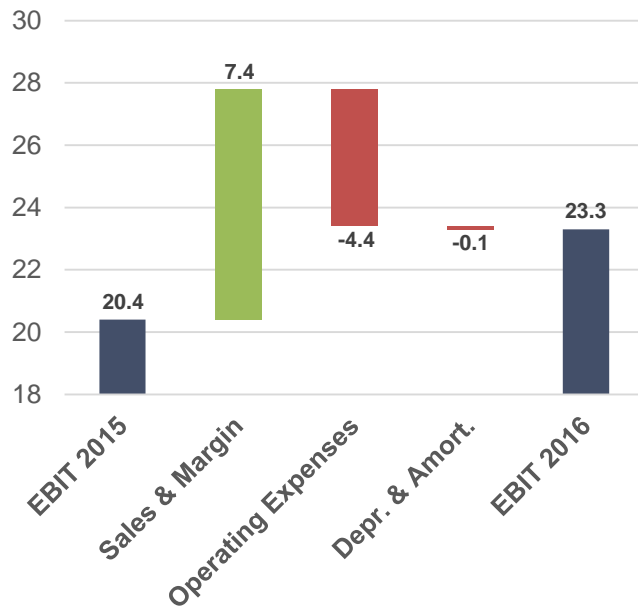
Operating expenses increased by 5.3% due to higher personnel expenses and marketing activities.

Improved financial result due to positive currency effects.

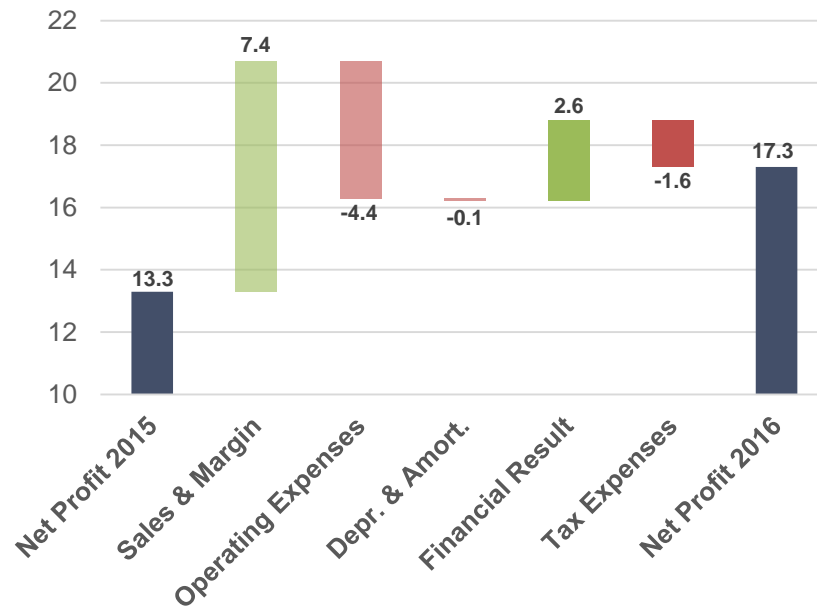
Tax expenses increased due to increased profit and write off of CHF 0.9 million DTA at Vigodent.
Tax rate increased to 26.3%.

Development of EBIT and Net Profit

in CHF million



in CHF million



Solid Balance Sheet and High Equity Ratio

in CHF million	31.12.16	31.12.15	YoY
Cash & cash equivalents	21.6	14.6	7.0
Receivables	36.0	33.1	2.9
Inventory	30.8	29.9	0.9
Property, plant & equipment	30.0	29.3	0.7
Financial, intangible & tax assets	42.0	42.3	-0.3
Total assets	160.4	149.2	11.2
	31.12.16	31.12.15	YoY
Payables & short term liabilities	18.6	17.3	1.3
Bank loans	12.9	13.8	-0.9
Other long term liabilities	16.7	16.5	0.2
Equity	112.3	101.6	10.7
Total liabilities & equity	160.4	149.2	11.2
Net cash	8.6	0.9	7.7

Comments

Increase of cash & cash equivalents of CHF 7.0 million. All CHF loans are repaid.

Net cash position of CHF 8.6 million

Credit lines not used: CHF 89.0 million

Increase in receivables due to a strong December revenue and weak PY December.

Reduction of deferred tax assets of CHF 0.9 million due to the write off at Vigodent.

Equity ratio increased from 68.1% to 70.0%.

Balance sheet growth due to higher working capital (mainly cash).

High Positive Free Cash Flow

in CHF million	2016	2015	% YoY
Net profit	17.3	13.3	29.5%
Depreciation and amortization	5.6	5.5	2.4%
Other non cash items	4.2	6.7	-35.9%
Changes in NWC	0.6	-1.5	139.3%
Interest, tax paid/received	-5.0	-5.8	-13.0%
Cash flow from operating activities	22.7	18.2	24.8%
Purchase of PPE (net)	-5.1	-4.0	27.4%
Purchase of int./finan. assets (net)	-0.5	-0.5	0.0%
Cash flow from investing activities	-5.6	-4.5	26.0%
Cash flow from financing activities	-10.1	-17.2	-41.1%
Change in cash and cash equivalents	6.9	-3.6	-290.6%
Free cash flow	17.1	13.7	24.8%
In % of net sales	10.6%	8.9%	

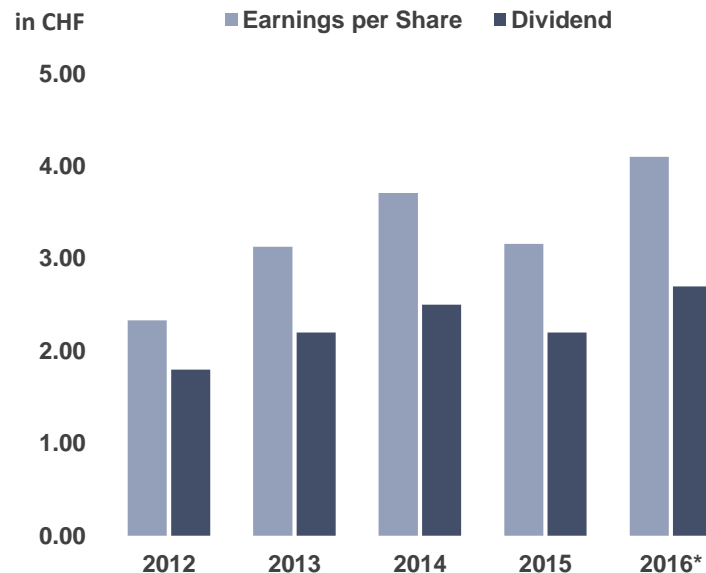
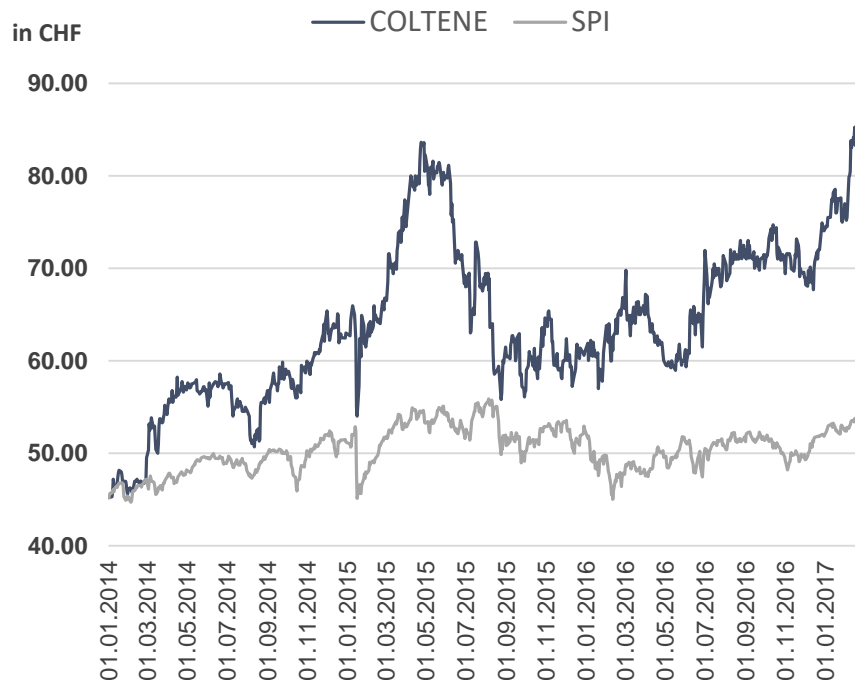
Comments

Free cash flow increased by CHF 3.4 million or 24.8% compared to the preceding period despite higher net investments:

- higher net profit
- positive currency effects
- less interest and taxes paid

Investments increased by CHF 1.1 million (modernization and replacement of production equipment, software and tooling cost)

Attractive Share Performance and Dividend



*Board of Directors' proposal to the AGM on March 29, 2017

Proposals to the General Assembly

Astrid Waser proposed as new member of the Board of Directors

Re-election of the current members of the Board of Directors, with exception of Robert Heberlein who resigns as Vice Chairman and member of the Board since the Company's inception

Dividend

CHF 2.70 per share; Dividend yield of 3.6% based on year-end share price of CHF 74.05
Payout ratio of 66%

Compensation of the Board of Directors and Group Management

Maximum aggregated amount of compensation
for the members of the Board of Directors for financial year 2018: CHF 560'000

Maximum aggregated amount of compensation
for the members of Group Management for financial year 2018: CHF 3'100'000

Consultative vote on the Compensation Report 2016

Re-election of EY as Group auditor

AGENDA

Going Digital

Martin Schaufelberger CEO



Triple Approach to Digitalization

Developing and offering products for digital dental treatment processes in the dental practices

Manufacture and sell products in a digital supply chain

Working in a digitally supported organization using and benefiting from digital processes and tools



Growth Strategy

STRATEGY REVIEW WITH FOCUS ON SUSTAINABLE GROWTH

Improve efficiency and effectiveness of the global sales teams:
Training of sales staff and use of new sales and marketing tools

Increase number of sales representatives pursuant to market potential:
20 new sales staff (recruiting process ongoing)

Reinforcement of key account management:
Focus on special markets (governments, group practices)

Increase awareness of COLTENE in major dental schools worldwide:
Intensify contact with universities and dental schools

Implementation of new umbrella brand strategy:
COLTENE as the umbrella brand for all COLTENE products

R&D focus on product groups with greatest business potential:
Fast track development of new products

Innovation Management as a Top Priority



Continuous monitoring of market trends and new customer needs



Focus on product groups with the greatest business potential



Worldwide coordination of knowledge management



Projects with the highest market potential are expedited to shorten time-to-market



Ensuring continuous renewal of the pipeline

Recently Launched Products



BRILLIANT EverGlow™
State-of-the-art universal
submicron hybrid composite



BRILLIANT Crios
CAD/CAM composite blocs
for permanent restoration



BRILLIANT EverGlow™ Flow
State-of-the-art universal
submicron hybrid composite



HyFlex™ EDM
Highly flexible and resistant
NiTi root canal files



GuttaFlow® bioseal
Bioactive cold filling system
for root canals



CanalPro SyringeFill System
Innovative, modular system for the safe
and efficient filling of syringes



Diatech Z-Rex
Ceramic treatment diamond bur
and ShapeGuard polisher



BioSonic® UC150
Compact 5.7L (1.5 gal) ultrasonic cleaner
with heater and tracing functionality

S1/2015

S2/2015

S1/2016

S2/2016

S1/2017

S2/2017

AGENDA

Outlook & Priorities

Martin Schaufelberger CEO



Market Opportunities and Challenges

		Impact
SALES	Dynamic Asian markets headed by China and India	++
	Robust Western European markets	+
	Ongoing Challenges in North America and Latin America	-
	Rebound of the CIS region	+
INDUSTRY	Consolidation of dealers, distribution and marketing power	-
	More group practices and government business	+/-
	Brands gain importance in maturing markets	+
CUSTOMERS	Innovative treatments and shorter treatment times thanks to digital innovations	++
	Growing importance of aesthetic dentistry	+
MEGATRENDS	Demographic changes – ageing population, growing middle class	++
	Digital technologies revolutionizing dental treatments and impacting value chains	++
	Globalization – rising importance of emerging markets	+

Focus on Profitable and Sustainable Growth

MARKETS

Participation in general market growth in dental consumables of 2-3%

Exploit growth opportunities spurred by megatrends such as ageing population, growing middle class and increasing importance of emerging markets

FINANCIALS

Gradual improvement of EBIT margin to 15% in the mid-term perspective

FX situation will remain a challenge

Healthy balance sheet with an equity ratio higher than 66%

OPERATIONS

Exploit further market potential by hiring additional sales specialists

Further increase operational efficiency through digital processes and tools

PRODUCTS

Further improvement of product portfolio and growth in COLTENE branded products

Market launch of new products supporting digital dental treatments

**Many thanks for
your attention!**

APPENDIX



Full Spectrum of Dental Care

Restoration



The Restoratives product group contains all the products used in restorative treatment procedures. These products range from adhesive systems and restorative filling materials to curing equipment.

Prosthetics



In Prosthetics, COLTENE offers a broad range of condensation and addition silicon impression materials with excellent flow properties. Highly precise dental impressions improve the treatment outcomes of prosthetic procedures.

Endodontics



The Endodontics range is focused on products for root canal therapy, which entails root canal preparation, cleansing and obturation.

Treatment Auxiliaries



Treatment Auxiliaries comprises a broad range of products for wound care and treatment and moisture control. These practical supplies and materials make work easier and enhance patient comfort.

Rotary Instruments



COLTENE offers a comprehensive range of carbide drills, diamond burs and polishing tools. Its Rotary Instruments are distinguished by superior stability and excellent cutting action.

Infection Control



The Infection Control product category contains ultrasonic cleaning systems, sterile covers and face masks that provide an effective barrier against infection in dental practices.

Global Setup

North America

Group companies 2
Production sites 1

USA, Cuyahoga Falls (OH)



Latin America

Group companies 1
Production sites 1

BRAZIL, Rio de Janeiro



GERMANY, Langenau



Europe

Group companies 10
Production sites 2

SWITZERLAND, Altstätten



Middle East and Africa

Group companies 0
Production sites 0

Asia Pacific

Group companies 3
Production sites 0

Highly Experienced Group Management



Werner Mannschedel

Vice President R&D and Regulatory Affairs

Since 2015

Before:

- Global R&D and Regulatory Manager, 2012-2015; Manager global operations, 2011-2012; President European Operations, 2007-2011; Manager European Operations, 2002-2007, COLTENE Group
- General Manager ROEKO GmbH + Co. KG, 1998-2002

Gerhard Mahrle

Group CFO

Since 2014

Before:

- CFO Kardex AG, 2009-2013
- CFO sia Abrasives Holding AG, 2000-2009
- CFO Batigroup Holding AG, 1998-2000
- CFO Eugster/Frismag Group, 1992-1998

Christophe Loretan

Vice President Sales

Since 2015

Before:

- Technical Service and Sales Director EMEA, 2013-2015; Customer Solutions Director EMEA, 2006-2013; Global Marketing Manager, 2003-2005, Novozymes Switzerland AG,
- Business Development Manager Pharma/Gastroenterology, Tillotts Pharma AG, 2002-2003

Martin Schaufelberger

Group CEO

Since 2012

Before:

- CEO Kunststoff Schwanden, 2007-2012
- Deputy CEO Kunststoff Schwanden, 2001-2007

Werner Barth

Vice President Marketing

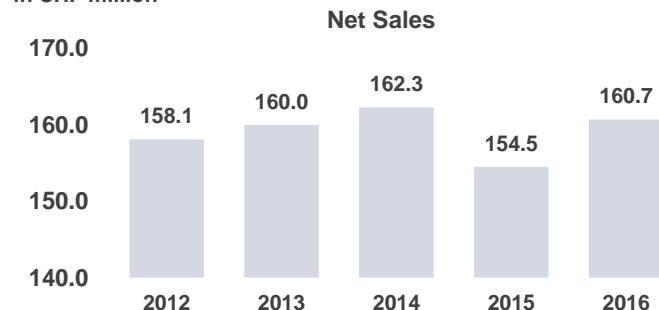
Since 2015

Before:

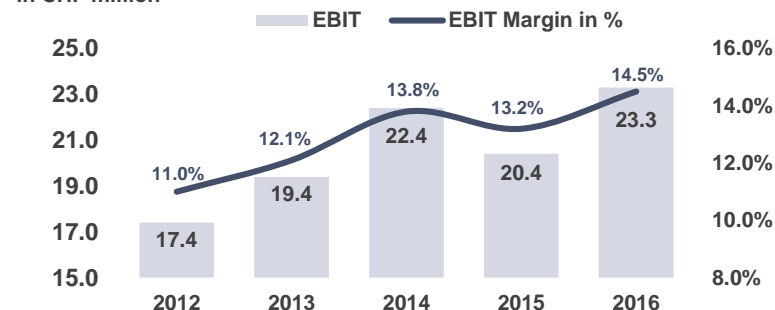
- Global Director Marketing COLTENE/Whaledent AG, 2013-2015
- Vice President Sales, 2006-2013; Head Marketing & Sales, 2005-2006, Ziemer Ophthalmic Systems AG,
- Product manager and Sales manager HMT High Medical Technologies AG, 2001-2004

5-Year Overview of the Key Figures

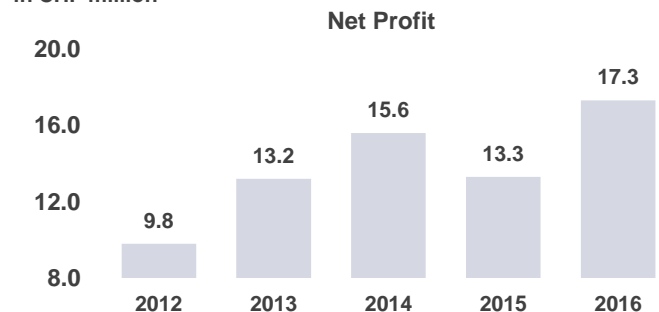
in CHF million



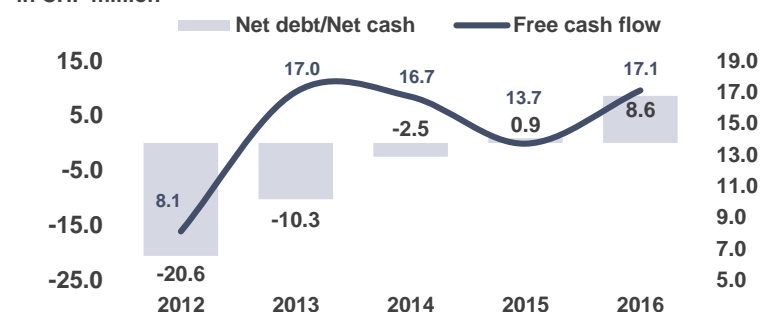
in CHF million



in CHF million



in CHF million



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