

Investora 2016

Driven by Innovation

Gerhard Mahrle – CFO COLTENE Holding AG
September, 21

Safe Harbor Statement

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COLTENE – At a Glance

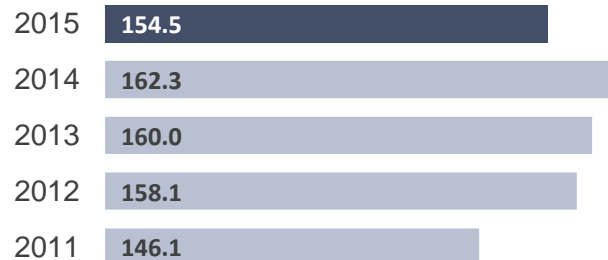
➤ Swiss based small cap with worldwide sales through dental distributors and 200 sales representatives

➤ Highly recognized global brands for chair-side dental consumables

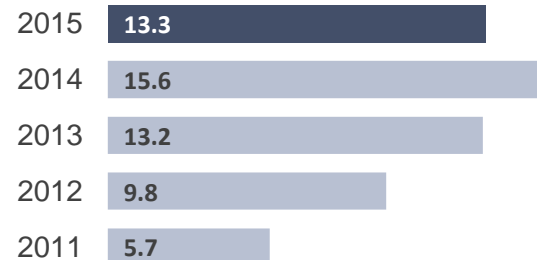
➤ R&D and operations in Europe, North America and Brazil

➤ Strong emerging market position with 28.5% of total sales in 2015

Net Sales (in CHF million)



Net Profit (in CHF million)



Global Setup in Manufacturing and Sales

North America

Group companies	2
Production sites	1
Workforce (FTE)	310

USA, Cuyahoga Falls (OH)



GERMANY, Langenau



Europe

Group companies	10
Production sites	2
Workforce (FTE)	380

SWITZERLAND, Altstätten



Asia Pacific

Group companies	3
Production sites	-
Workforce (FTE)	75

Latin America

Group companies	1
Production sites	1
Workforce (FTE)	120

BRAZIL, Rio de Janeiro



Middle East and Africa

Group companies	-
Production sites	-
Workforce (FTE)	2



Products and Markets

„COLTENE 's overriding aim is to offer dental professionals and their patients worldwide convenience, benefit and value through an innovative range of products covering a wide spectrum of dental care, designed to ensure optimal outcomes while making treatments easier, safer and more cost-effective.“

Martin Schaufelberger
CEO COLTENE Holding AG

PRESIDENT® A-Silicone

A small step for dentists - a great step for dentistry

Comprehensive Spectrum of Dental Care

Restoration (25%)



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.

Endodontics (21%)



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

Prosthetics (21%)



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.

Treatment Auxiliaries (13%)



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 (8%)



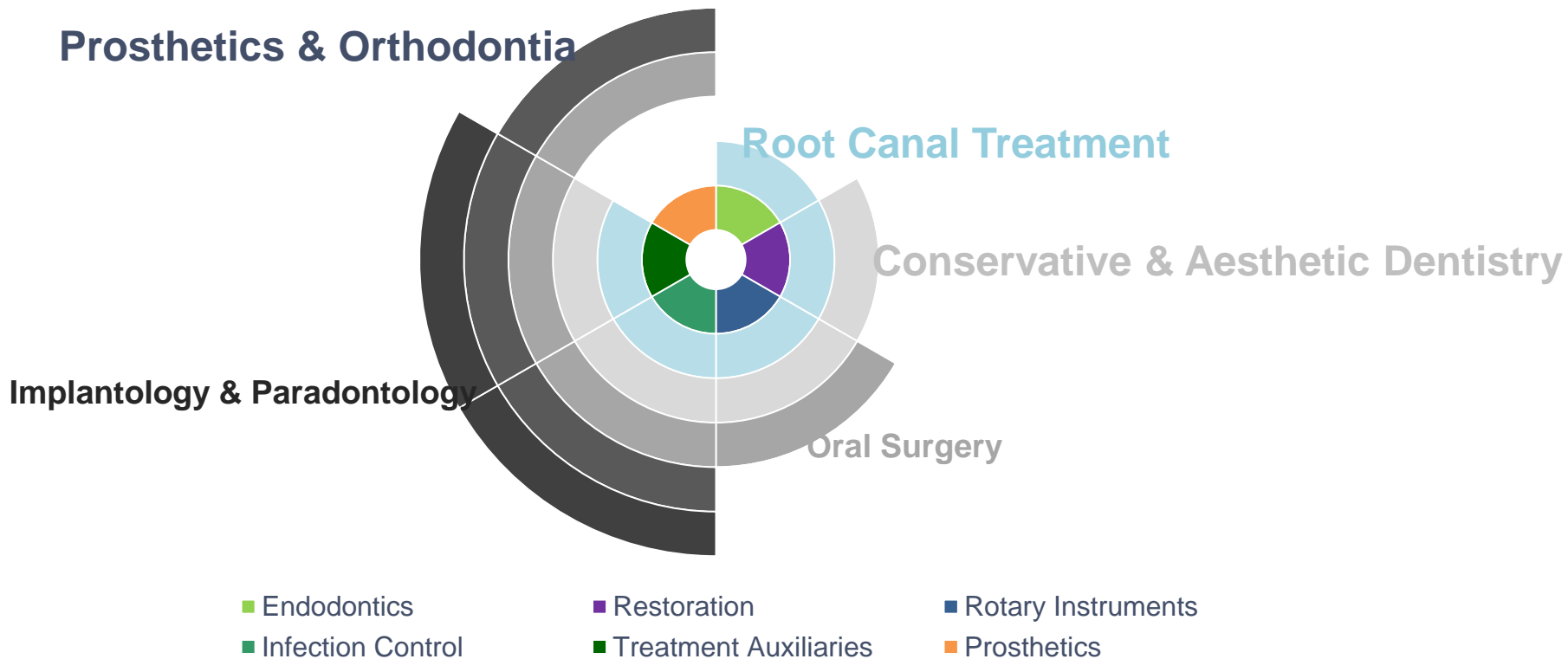
COLTENE offers a comprehensive range of carbide drills, diamond burs and polishing tools. Its Rotary Instruments are distinguished by superior stability and excellent cutting action.

Infection Control (6%)



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

Broad Expertise in Dentistry



Endodontic files that are 7 times more break-resistant than others



Perfect, permanent anterior restoration in just one session
“smile to go”

CAD/CAM dental restoration that is repairable, extremely rigid, modifiable and gentle with antagonists



Bioactive root canal filling and sealing in one that can promote self-healing



Comprehensive product portfolio that allows combined product offerings to dentists for perfect treatment results



Innovation



Performance



Comfort



Safety



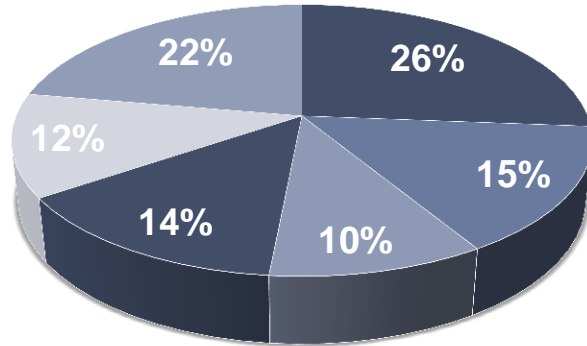
Reliability

High Quality – Reasonable Price

Relevant Dental Consumables Market

Relevant market size in 2015: CHF 5'300 million

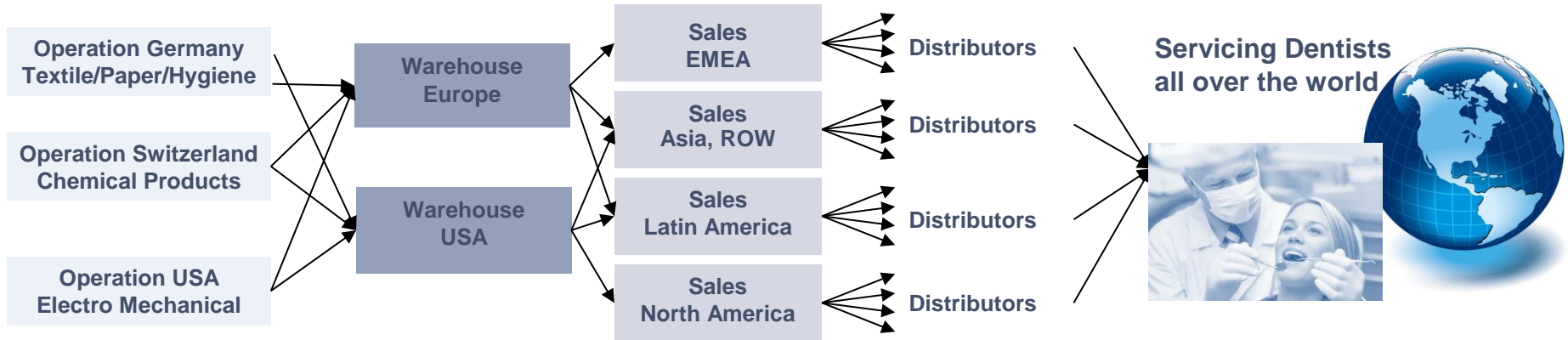
Relevant market size by segment in %



- Restoration (25% =)
 - Prosthetics (21% >)
 - Endodontics (21% >)
 - Treatment Auxiliaries (13% =)
 - Rotary Instruments (8% <)
 - Infection Control (6% <)
- (percentage of net sales of COLTENE)

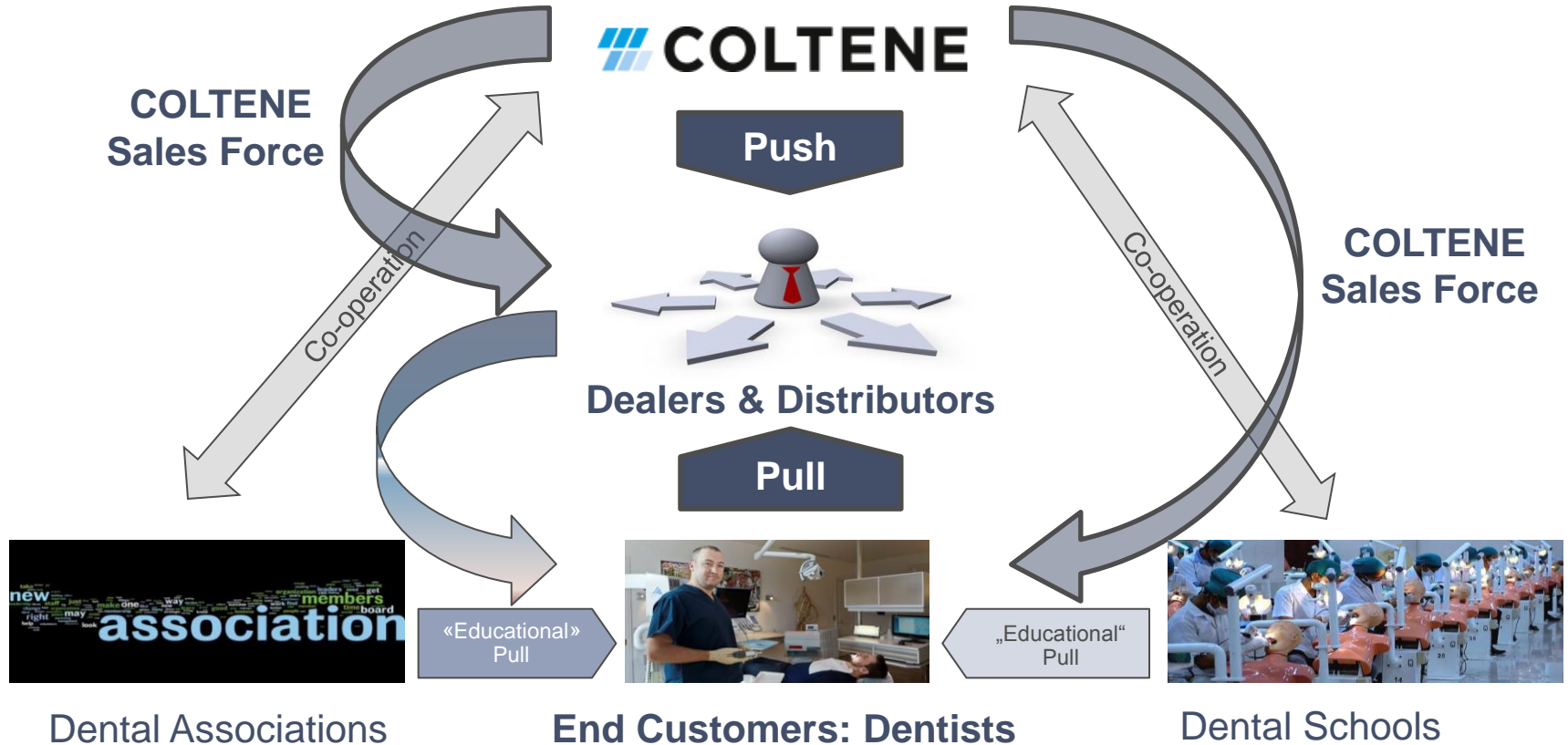
COLTENE is an important player in attractive niche markets. In the USA for example, COLTENE is uncontested market leader with Pins and Posts and occupies in many other markets place 3 to 7.

Distribution Model



- Most of all COLTENE products are available for shipment from each warehouse
- Vigodent is mainly servicing the Brazilian market
- In India and China, the COLTENE Group has own sales entities in order to service these markets adequately

Market Approach



Competitive Situation

Restauration (CHF 1.4 bn)

Prosthetics (CHF 0.8 bn)

Endodontics (CHF 0.5 bn)

DENTSPLY

3M Science.
Applied to Life.™

Gebr. Brasseler GmbH & Co. KG

ivoclar
vivadent
passion vision innovation

Heraeus Kulzer
Mitsui Chemicals Group

sybron
catering for your needs

KaVo Kerr
Group

GC

VOCO
DIE DENTALISTEN

COLTENE

Important Customers

EMEA

North America

Latin America

Asia



Various dealers in
China

Expodent



Various dealers in
India

Market Opportunities and Challenges

		Impact
SALES DEVELOPMENTS	Dynamic Asian markets headed by China and India	++
	Robust Western European markets	+
	Challenges in the US and Mercosur	-
	Rebound of the CIS regions	++
STRUCTURAL CHANGES	Group practices and government business	+/-
	e-Business and direct and online presence in major markets	+/-
	Consolidation of dealers, distribution and marketing power	-
CURRENCY	Devaluation of EUR and BRL against CHF partially offset by stronger USD	+/-
	Natural hedge thanks to global setup	+

Market Opportunities and Challenges

		Impact
TECHNOLOGY	Modern products reduce complexity in dental practices	+
	Less complexity means reduced treatment times	+
	Increasing digitalization in dental practices	+/-
	Digitalization changes workflow and procedures (CAD/CAM)	++
<hr/>		
DEMOGRAPHIC CHANGES	Rapidly increasing proportion of female dentists	+
	Increasing importance of aesthetic dental treatments in the developed world	+
	Aging population demands for increasing dental treatments	+
	Growing middle class in emerging markets means more spending for dental treatments	+

Strategy

„The quality and cost-effectiveness of COLTENE products are underscored by the strong demand witnessed in the EMEA and Asia regions, outpacing overall market growth. The improvement in operating results is proof of COLTENE's agility in responding to challenging market conditions.“

Gerhard Mahrle
CFO COLTENE Holding AG



COLTENE Growth Strategy

STRATEGY REVIEW WITH FOCUS ON SUSTAINABLE GROWTH

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

Increase number of sales representatives:
20 new sales staff (recruiting process ongoing)

Reinforcement of key account management:
Focus on special markets (government, 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 at COLTENE



Continuous monitoring of market trends and new customer needs



Focus on product groups with the greatest business potential



Worldwide coordination of knowledge management through a common innovation process



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



Ensuring continuous renewal of the pipeline

Innovation - Recently Launched Products

Restoration



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



BRILLIANT Crios
CAD/CAM composite blocs
for permanent restoration

Endodontics



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

Treatment Auxiliaries



Innovation - Entry into Future-Oriented Digital Dentistry

BRILLIANT Crios composite blocs launched in Q1 2016

For chairside manufactured inlays, onlays, crowns and veneers, ideal for implant restoration

Official material partner to Sirona's CEREC CAD/CAM system, compatible with various CAM devices

Allows minimal invasive restorations in only one session

Ultra precise milling properties, excellent aesthetic results

Combined product offer with other COLTENE products, e.g. BRILLIANT EverGlow™, One Coat 7 Universal bond



Outlook

„COLTENE plans to focus on enhancing growth in the 2016-2018 period. The continued implementation of globally harmonized marketing and branding initiatives, innovation and beneficial partnerships are essential enablers of COLTENE's future growth.“

Martin Schaufelberger
CEO COLTENE Holding AG

HyFlex™ EDM
A miracle of flexibility
and fracture resistance



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

Healthy balance sheet with an equity ratio of 66%

Payout ratio of consolidated net profit up to 80%

FX situation will remain a challenge

OPERATIONS

Exploit further market potential by hiring 20 additional sales specialists around the globe

Further improvement of field efficiency through better customer insights and planning

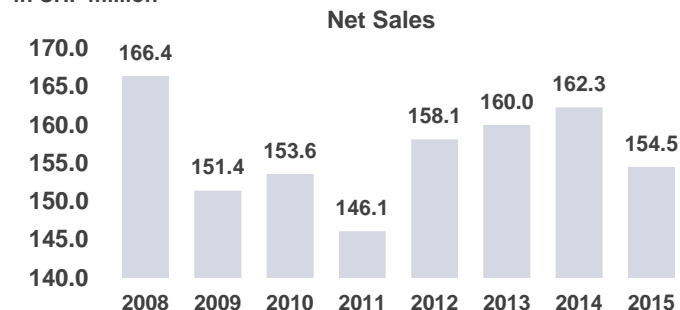
PRODUCTS

Further improvement of product portfolio and growth in COLTENE branded products

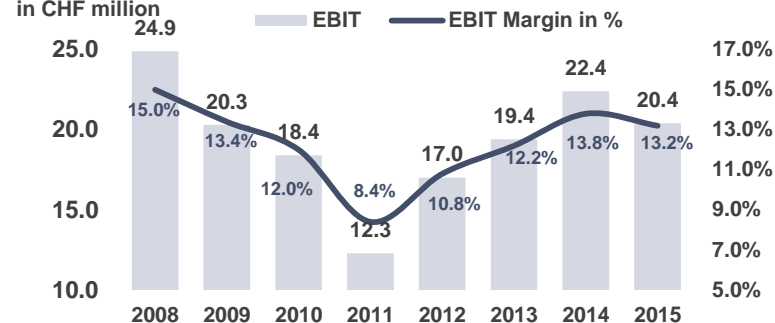
Market launch of new products with high market potential

Key Figures 2008 - 2015

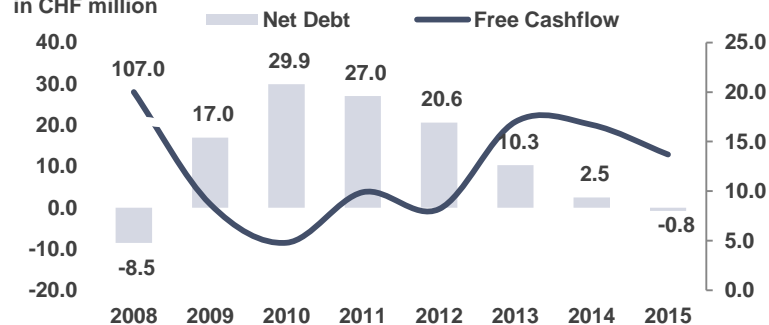
in CHF million



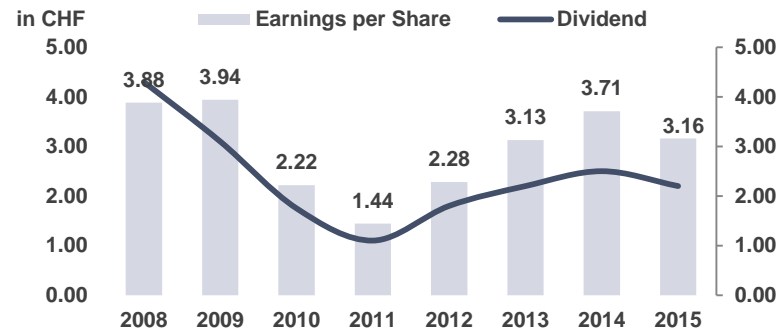
in CHF million



in CHF million



in CHF



Many thanks for your attention!

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GuttaFlow[®] bioseal

Expansion meets adhesion



Financials H1 2016

„COLTENE’s global setup extends far beyond an on-the-ground presence in Europe, North America, Latin America and Asia. It also acts as an incubator of innovation, fosters the international exchange of knowledge and gives the Group a natural currency hedge.“

Gerhard Mahrle
CFO COLTENE Holding AG

Higher Sales and Substantially Higher Margins

SALES

Total Sales of CHF 75.6 million in H1 2016, +3.2% compared to previous year

High one digit sales growth in EMEA (+7.5%) and Asia (+8.8%), lower sales in North America (-0.8%) and Latin America (-6.5%); Emerging markets (+4.8%)

FINANCIALS

EBIT margin of 11.9% in the traditionally weaker first half of the year (H1 2015: 8.8%)

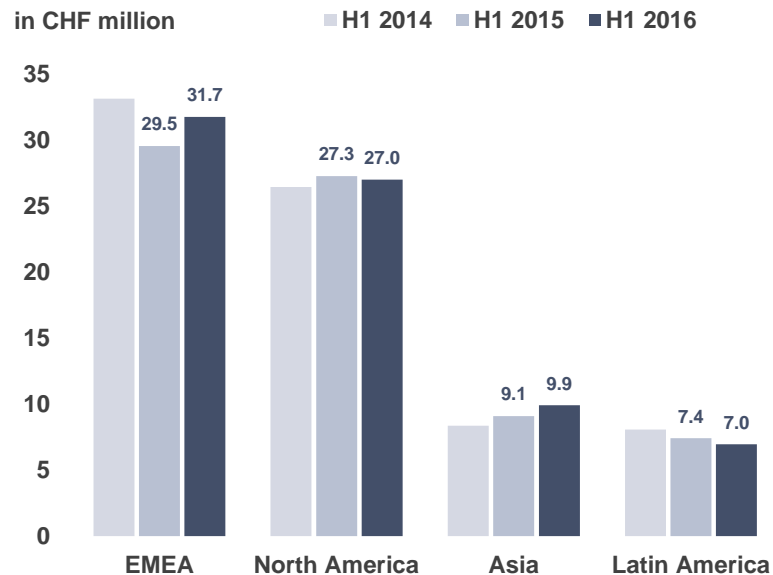
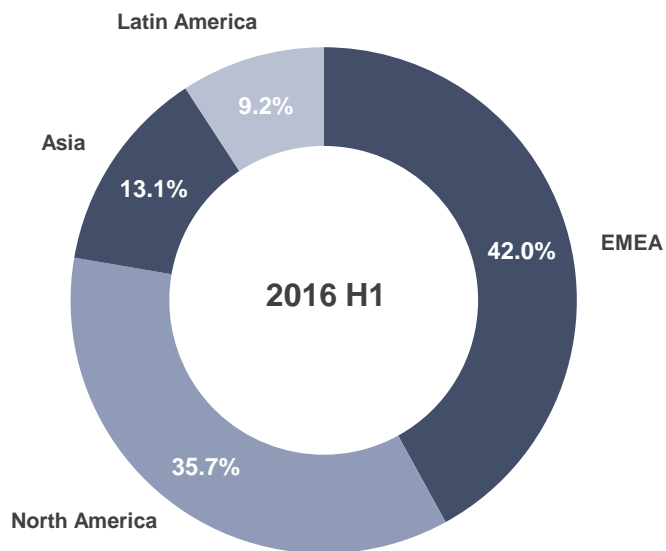
Net profit nearly doubled to CHF 7.2 million (H1 2015: CHF 3.8 million)

PRODUCTS

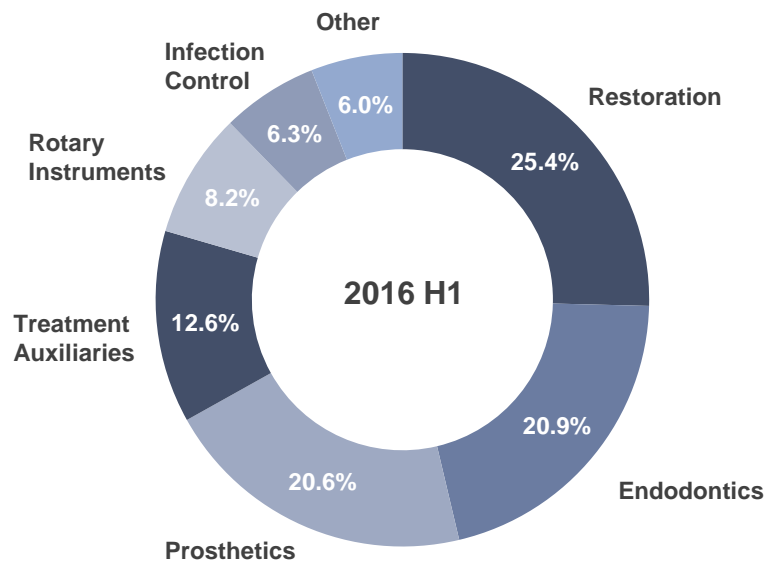
R&D focus on Restoration, Endodontics and Treatment Auxiliaries

New CAD/CAM Brilliant CRIOS composite blocs mark entry into digital dentistry

EMEA and Asia Gaining Momentum

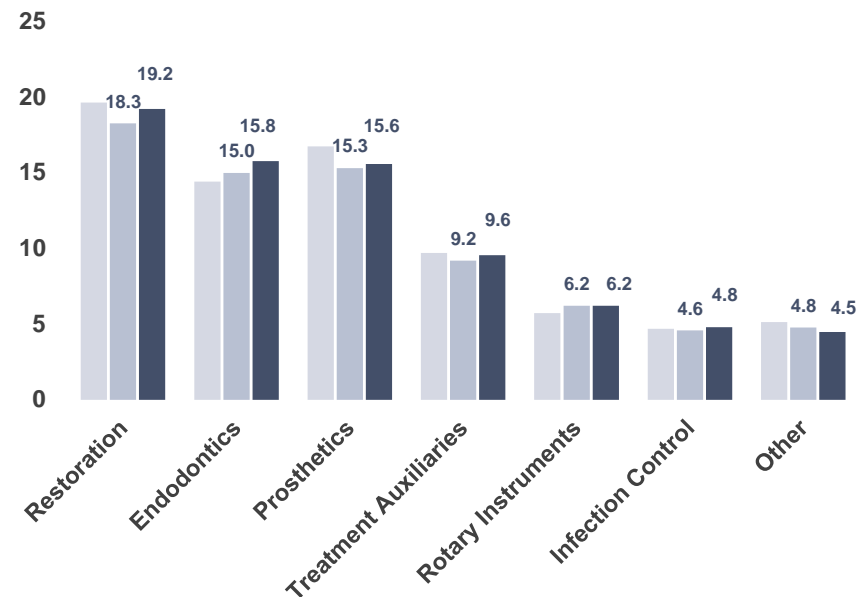


Sales by Product Group



in CHF million

■ H1 2014 ■ H1 2015 ■ H1 2016



Substantial Increase in Profitability

in CHF million	H1 2016	%	H1 2015	%	% YoY
Net Sales	75.599	100.0%	73.288	100.0%	3.2%
Material expenses*	-20.899	-27.6%	-21.929	-29.9%	-4.7%
Gross Profit	54.700	72.4%	51.359	70.1%	6.5%
Operating expenses	-42.917	-56.8%	-42.181	-57.6%	1.7%
Depreciation and amortization	-2.758	-3.6%	-2.725	-3.7%	1.2%
EBIT	9.025	11.9%	6.453	8.8%	39.9%
Financial result	0.113	0.1%	-1.709	-2.3%	-106.6%
Tax expenses	-1.959	-2.6%	-0.977	-1.3%	100.5%
Profit for the period	7.179	9.5%	3.767	5.1%	90.6%

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

Comments

Net sales increase 3.2%; in LC 1.0%; positive FX impact of CHF 1.6 million on net sales

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

Operational expenses are in line with last year period

Improved financial result mainly because of positive exchange rate differences and lower interest cost

Tax rate increased slightly from 20.6% to 21.4% (high profit before tax of the US manufacturing site: local US tax rate: 35%)

High Equity Ratio and Low Net Debt

Comments

Reduction of cash & cash equivalents in the amount of CHF 5.9 million and increase of bank loans in the amount of CHF 1.2 million refer to the dividend payment of CHF 9.3 million in April

The net debt increased to CHF 6.2 million (previous year CHF 9.6 million)

Credit lines not used: CHF 90 million

Increase in inventory in order to be prepared for the stronger 2nd semester in sales

Provision for pension liabilities increased by CHF 2.1 million due to a decrease of the discount rate according to IAS 19

Equity ratio decreased slightly from 68.1% to 66.0%

No impairment issue regarding goodwill (recoverable)

in CHF million	30.06.16	31.12.15	YoY
Cash & cash equivalents	8.7	14.6	-5.9
Receivables	33.6	33.1	0.5
Inventory	34.2	29.9	4.3
Property, plant & equipment	29.5	29.3	0.2
Financial, intangible & tax assets	43.2	42.3	0.9
Total assets	149.2	149.2	0.0
	30.06.16	31.12.15	YoY
Payables & short term liabilities	16.7	17.3	-0.6
Bank loans	15.0	13.8	1.2
Other long term liabilities	19.1	16.5	2.6
Equity	98.4	101.6	-3.2
Total liabilities & equity	149.2	149.2	0.0
Net Debt	6.2	-0.9	7.1

Positive Free Cash Flow

in CHF million	H1 2016	H1 2015	% YoY
Net profit	7.179	3.767	90.6%
Depreciation and amortization	2.758	2.725	1.2%
Other non cash items	3.512	3.045	15.3%
Changes in NWC	-5.009	-2.382	110.3%
Interest, tax paid/received	-3.543	-2.820	25.6%
Cash flow from operations	4.897	4.335	13.0%
Purchase of PPE (net)	-2.433	-1.575	54.5%
Proceeds from int./finan. (net)	-0.343	-0.096	257.3%
Cash flow from investments	-2.776	-1.671	66.1%
Free cash flow	2.121	2.664	-20.1%

Comments

Only slight increase of Cash flow from operations despite a significantly higher net profit because of an increase of the NWC (mainly inventory) and higher taxes paid

Cash flow from investments include modernization and replacement of production equipment, software and development cost. CAPEX were CHF 1.1 million higher as in prior year

The resulting free cash flow amounts to CHF 2.1 million, CHF 0.6 million lower than in previous year period