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**Investora 2018**

# Dynamic Growth

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# COLTENE Group

## Company Portrait

## SciCan/Micro-Mega Acquisition

### Presentation of SciCan and Micro-Mega

### Financials of SciCan and Micro-Mega

### Financing of the Acquisition – Rights Offering

## Outlook

## COLTENE – premium dental solutions



COLTENE develops, manufactures and markets premium **consumables** in the dental segments of **Restoration, Endodontics, Prosthetics**, Rotary, Infection Control and Auxiliaries and has around 890 employees.



**Global setup:** R&D and operations in **Switzerland, Germany, US** and **Brazil**; Sales with worldwide over 220 sales reps via Distributors.

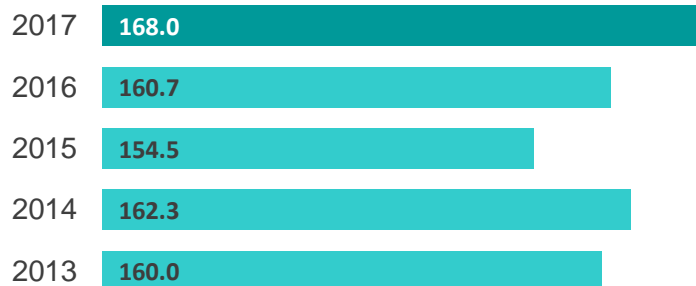


COLTENE is a leading, innovative and independent Company, operating internationally in the **dental industry** focusing on sustainable and profitable long-term growth.



**Sales** of COLTENE Group **rose in all** four major **regions** of the world **and** in all **segments** during the **2017** fiscal year, both in Swiss francs and in local currency.

### Net Sales



### Net Profit



# Global Setup in Manufacturing and Sales

## North America

Group companies	3
Production sites	1
Workforce (FTE)	310

USA, Cuyahoga Falls (OH)



GERMANY, Langenau



## Europe

Group companies	12
Production sites	2
Workforce (FTE)	380

SWITZERLAND, Altstätten



## Asia Pacific

Group companies	3
Production sites	1
Workforce (FTE)	80

## Latin America

Group companies	1
Production sites	1
Workforce (FTE)	110

BRAZIL, Rio de Janeiro



## Middle East and Africa

Group companies	0
Production sites	0
Workforce (FTE)	2

# Full 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.

## 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.

## Endodontics (21%)



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

## Treatment Auxiliaries (14%)



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 (9%)



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 (7%)

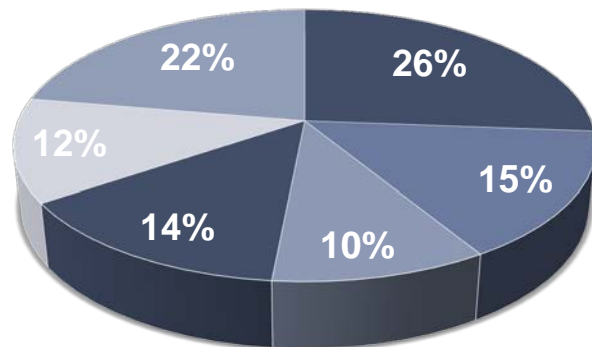


The Infection Control product category contains ultrasonic cleaning systems, sterile covers and face masks that provide an effective barrier against infection in dental practices.

## Relevant Dental Consumables Market

Relevant market size in 2018: CHF 5.4 bn

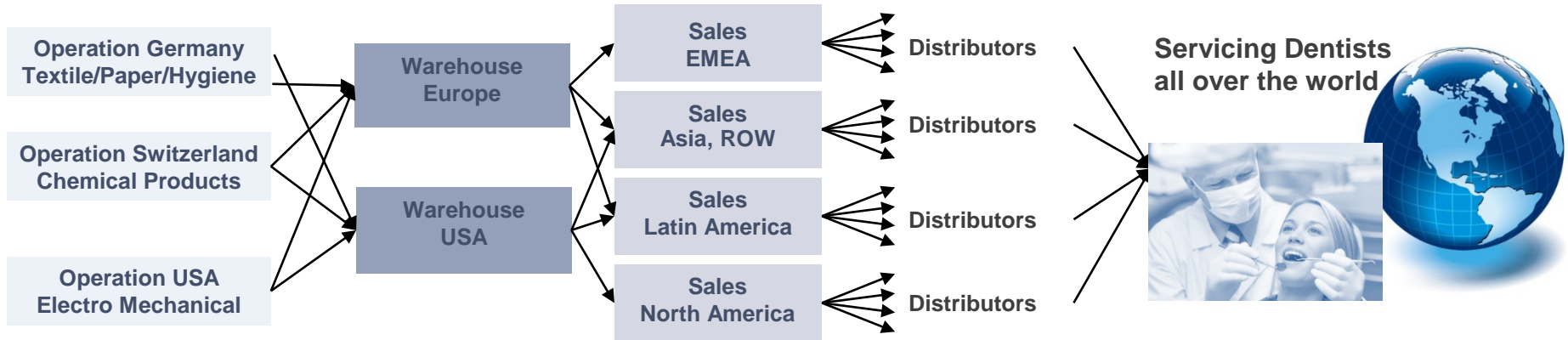
Relevant market size by segment in %



- 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.**

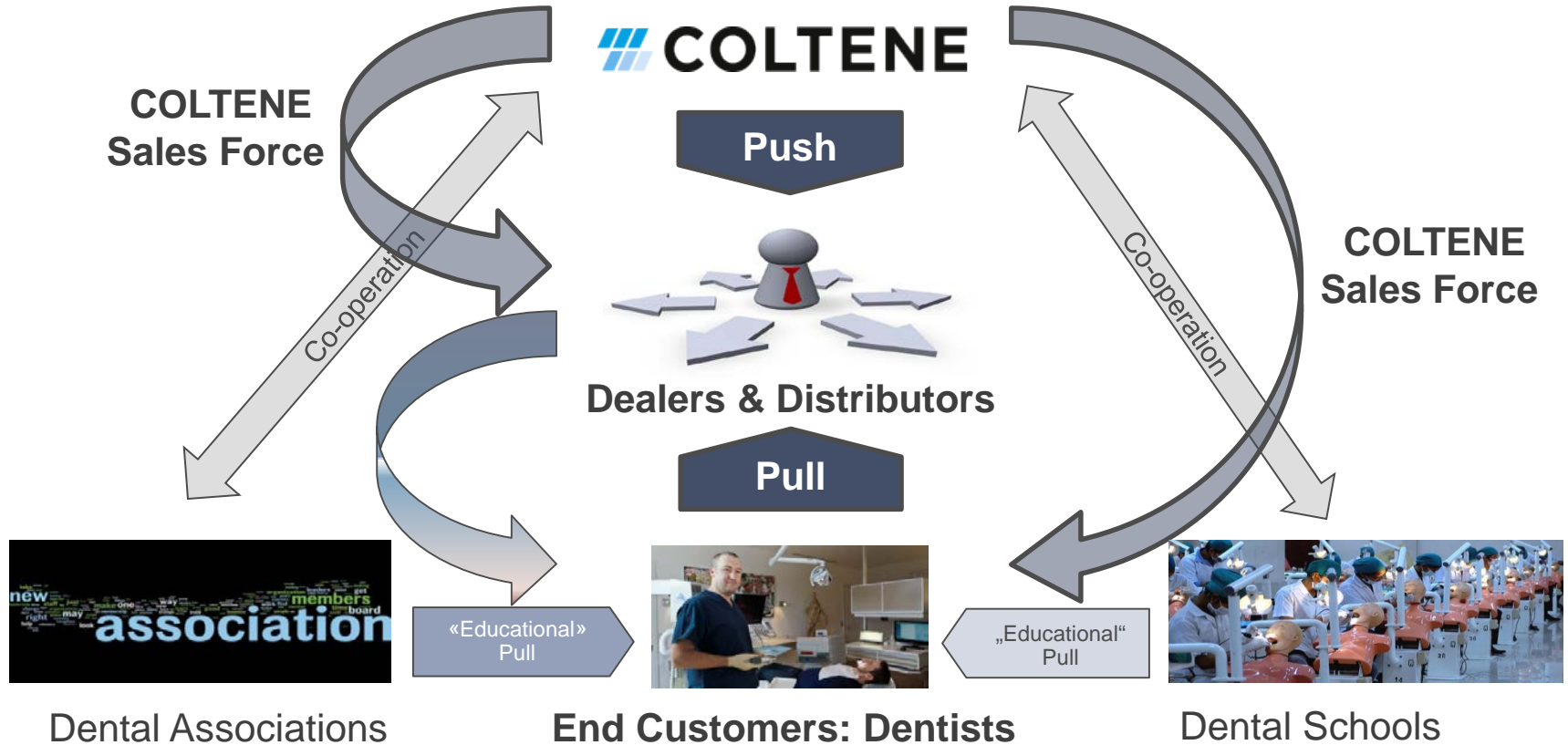
## Distribution Model



- 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

# SciCan/Micro-Mega Acquisition

Presentation of SciCan and Micro-Mega



# Worldwide competence in the field of hygiene




<b>Specialization</b>	Specialized full-service provider of infection control products and sterilization solutions		
<b>Business locations</b>	Canada, USA, Switzerland and Germany		
<b>Established</b>	1957		
<b>Markets</b>	Market leader in North America; full-range supplier of instrument management systems, sterilization solutions and washing equipment with customers in more than 100 countries.		
<b>Number of employees</b>	230		
<b>Product brands</b>	<b>STATIM</b>	<b>BRAVO</b>	<b>OPTIM</b>



# Specialist in endodontics



Your Endo Specialist™

<b>Specialization</b>	Endodontic products with a focus on innovative root canal instruments and obturation materials		
<b>Business locations</b>	Besançon, France		
<b>Established</b>	1905		
<b>Markets</b>	Mainly Europe and North America; presence in 125 countries across the world		
<b>Number of employees</b>	180		
<b>Product brands</b>			



## Size matters

Combining COLTENE with SciCan and Micro-Mega will increase the overall competitiveness in the highly dynamic dental consumables market and opens opportunities for further growth

### Industry consolidation

- Dental market has become a global market
- Consolidation in dental industry of manufacturers and distributors
- Critical size required to establish and maintain an efficient structure
- Comprehensive product portfolio as an advantage in the distribution market

### More regulation

- Increasing regulatory requirements and complexity lead to higher registration cost
- Higher volumes, more expertise and professional structures are required to stay competitive

### Company attractiveness

- The larger company increases the attractiveness for employees, customers, shareholders, and other stakeholders

## Considerably larger platform – promising synergies

### **BUILD A MARKET LEADER**

Portfolio: dental consumables and small equipment

Focus: infection control and endodontics

Size: critical size for a global player

Sales: joint forces for broader coverage worldwide

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### **GENERATE SYNERGIES**

Leverage: sale of all brands in each home market (cross selling)

Endodontics: combination of two strong brands

Infection control: combination of small equipment business with consumables sale

Economies of scale: sales, marketing, services, management, regulatory affairs

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### **STRONG FINANCIAL PROFILE OF NEW COLTENE**

Significantly increased sales volume

Mid-term positive EBIT impact



# Additional products, markets and expertise

## COLTENE FY 2017

Restoration 25%



Prosthetics 21%



Endodontics 21%



Treatment  
Auxiliaries 14%



Rotary  
Instruments 9%



Infection Control 7%



## SciCan / Micro-Mega FY 2017

Endodontics 23%



Infection Control 77%



## Organization of new COLTENE Group

### Board of Directors

- New additional Board member elected at the EGM of 14<sup>th</sup> September 2018: Allison Zwingenberger is an associate professor of Diagnostic Imaging in the Department of Veterinary Radiology at the University of California, Davis, USA. She will represent the main seller of SciCan and Micro-Mega in the BoD of COLTENE.

### Group Management

- The Group Management Team will be extended with Stefan Helsing to represent new locations and product areas.
- Currently, Stefan Helsing is CEO of the Sanavis Group, to which SciCan and Micro-Mega belong.

# SciCan/Micro-Mega Acquisition

## Financials of SciCan and Micro-Mega



# P&L COLTENE and SciCan/Micro-Mega

In million CHF

	FY 2017				H1 2018			
	COLTENE Group		SciCan + Micro-Mega		COLTENE Group		SciCan + Micro-Mega	
<b>Net Sales</b>	<b>168.0</b>	<b>100.0%</b>	<b>97.0</b>	<b>100.0%</b>	<b>85.6</b>	<b>100.0%</b>	<b>47.8</b>	<b>100.0%</b>
Gross Margin	121.7	72.4%	50.8	52.2%	63.0	73.6%	25.3	52.9%
<b>EBITDA</b>	<b>31.2</b>	<b>18.6%</b>	<b>13.8</b>	<b>14.2%</b>	<b>14.2</b>	<b>16.6%</b>	<b>6.3</b>	<b>13.2%</b>
<b>EBIT</b>	<b>25.5</b>	<b>15.2%</b>	<b>12.6</b>	<b>13.0%</b>	<b>11.3</b>	<b>13.2%</b>	<b>5.7</b>	<b>11.8%</b>
<b>Net Profit</b>	<b>19.1</b>	<b>11.3%</b>	<b>8.9</b>	<b>9.2%</b>	<b>6.9</b>	<b>8.1%</b>	<b>4.3</b>	<b>8.9%</b>
Accounting Standard	IFRS (audited)		IFRS (audited)		IFRS (reviewed)		IFRS (reviewed)	
Net Sales Growth	4.6%		10.8%		9.7%		11.5%	
Market Capitalization	31.12.2017: 400.4		-		07.09.18: 468.3		-	

The numbers shown on this slide do not contain transaction costs.

# Balance sheet June 30, 2018

in million CHF	COLTENE Group		SciCan + Micro-Mega	
<b>Cash and cash equivalent</b>	<b>9.7</b>	<b>5.9%</b>	<b>2.5</b>	<b>4.6%</b>
Current assets	73.9	45.2%	38.0	68.8%
Non-current assets	80.1	48.9%	14.7	26.6%
<b>Assets</b>	<b>163.7</b>	<b>100.0%</b>	<b>55.2</b>	<b>100.0%</b>
Current liabilities	34.2	20.9%	12.8	23.2%
Non-current liabilities	13.5	8.2%	13.4	24.3%
Total liabilities	47.7	29.1%	26.2	47.5%
<b>Equity</b>	<b>116.0</b>	<b>70.9%</b>	<b>29.0</b>	<b>52.5%</b>
Liabilities and equity	<b>163.7</b>	<b>100.0%</b>	<b>55.2</b>	<b>100.0%</b>
<b>Net Debt</b>	<b>3.0</b>		<b>10.3</b>	

## Comments SciCan and Micro-Mega

Reduction of cash & cash equivalents in the amount of CHF 4.5 million mainly due to the repayment of liabilities.

Inventories increased by CHF 4.2 Mio. within the first half year due to new products in the pipeline.

Total liabilities declined from CHF 34.7 Mio. to CHF 26.2 Mio. (-8.4%) during the last 6 months.

The equity ratio is 52.5% in H1/2018 (end of 2017: 42.7%); equity increased by CHF 3.2 million in H1/2018.

Net debt as on June 30, 2018 amounted to CHF 10.3 million, in contrast to a net debt of CHF 10.9 million at the end of 2017.

## Net Sales by region in H1 2018

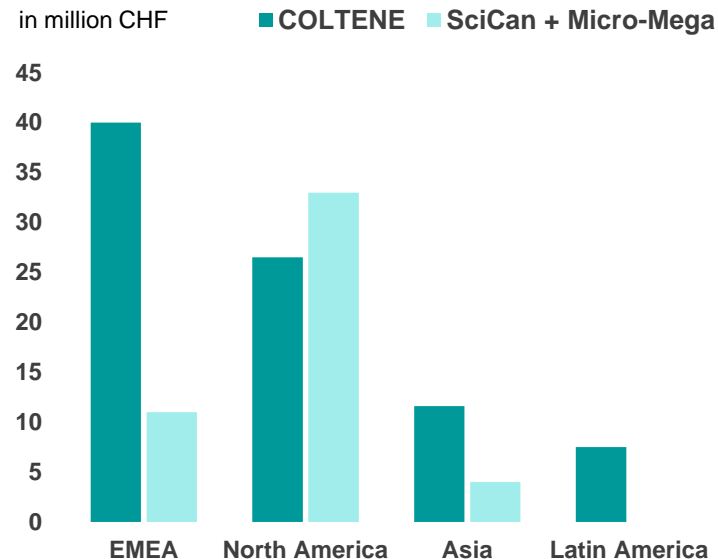
SciCan



in million CHF	COLTENE Group		SciCan + Micro-Mega	
EMEA	40.0	46.7%	11.4	23.8%
North America	26.5	31.0%	32.7	68.4%
Latin America	7.5	8.7%	-	-
Asia	11.6	13.6%	3.7	7.8%
<b>Total</b>	<b>85.6</b>	<b>100.0%</b>	<b>47.8</b>	<b>100.0%</b>

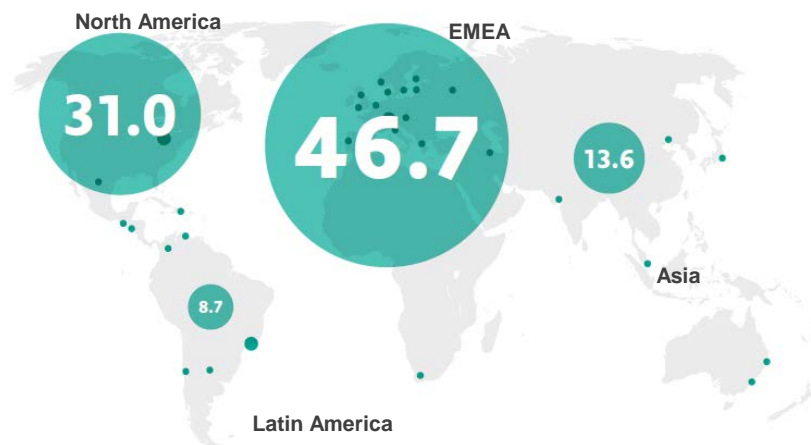
Main markets	EMEA and NAM	EMEA and NAM
Sales potentials	Canada	EMEA and LATAM
Common growth opportunity	Asia	Asia



## Net sales by region H1 2018

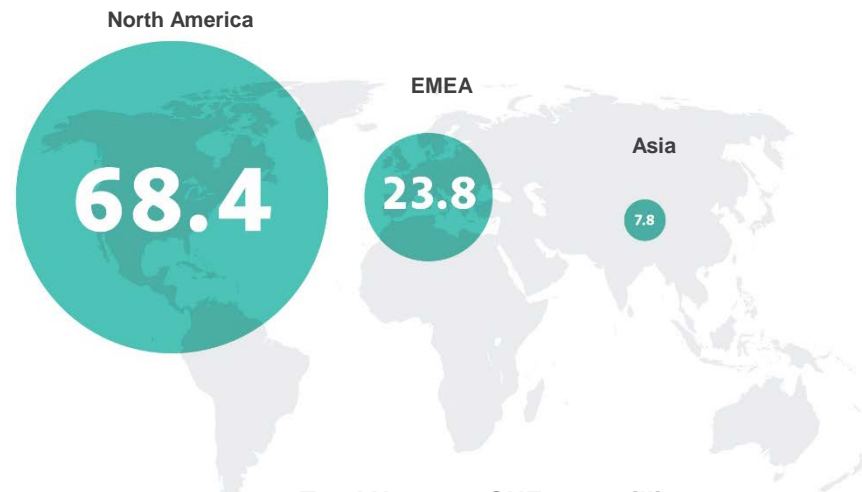
Strong footprint in **North America** and **EMEA**

### COLTENE



Total H1 2018: CHF 85.6 million  
(net sales in %)

### SciCan + Micro-Mega



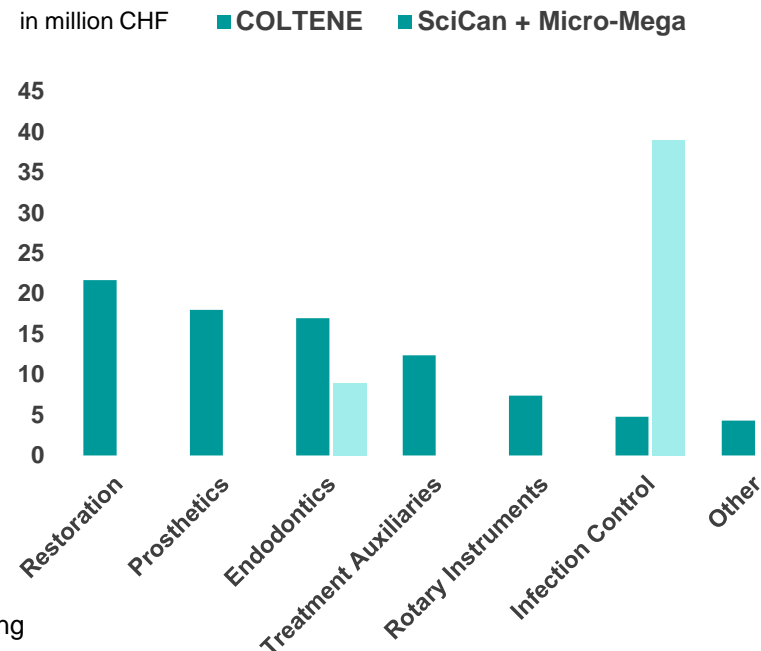
Total H1 2018: CHF 47.8 million  
(net sales in %)

# Net Sales by product group in H1 2018

SciCan



in million CHF	COLTENE Group		SciCan + Micro-Mega	
Restoration	21.7	25.4%	-	-
Endodontics	17.0	19.9%	9.0	18.7%
Prosthetics	18.0	21.0%	-	-
Treatment Auxiliaries	12.4	14.5%	-	-
Rotary Instruments	7.4	8.6%	-	-
Infection Control	4.8	5.6%	38.8	81.3%
Other	4.3	5.0%	-	-
<b>Total</b>	<b>85.6</b>	<b>100.0%</b>	<b>47.8</b>	<b>100.0%</b>



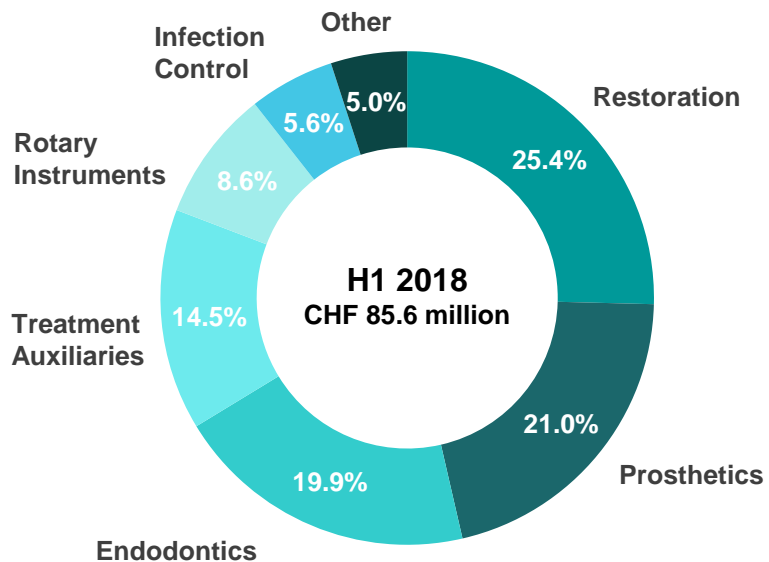
- › Infection control is growing in importance due to increasingly demanding regulatory requirements for dental practices
- › The niche market for endodontics becomes a high priority



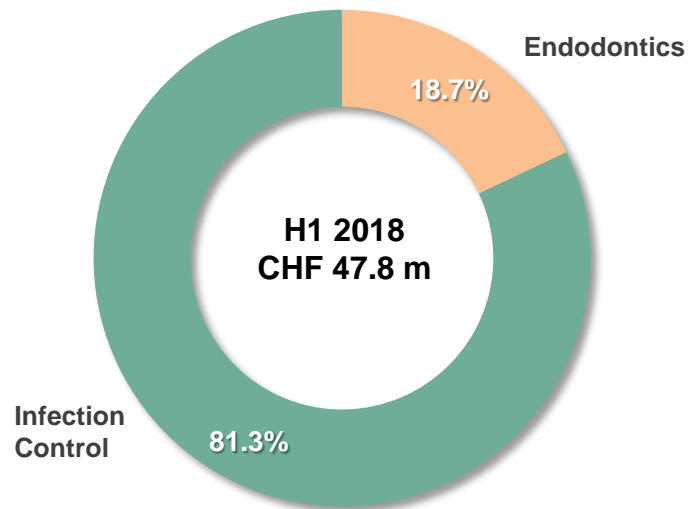
## Net sales by product group H1 2018

Enlargement of **Endodontics** and **Infection Control**

### COLTENE H1 2018



### SciCan + Micro-Mega H1 2018



# SciCan/Micro-Mega Acquisition

## Financing of the Acquisition – Rights Offering



## Financing of the purchase price

Purchase price ≈ CHF 200 million

≈ CHF 150 million by means of  
capital increases

≈ CHF 62.5 m  
Rights offering

≈ CHF 87.5 m  
Contribution in  
kind capital  
increase

≈ CHF 50  
million  
bank loan

**Rights offering: 6:1, «at market» - no trading of subscription rights**

**Contribution in kind capital increase:** Issue price per share CHF 94.65 (20 days VWAP 11.5.-7.6.2018) adjusted by a possible discount of the offer price compared to the market price at the time of the rights offering. At the closing of the acquisition, these shares will be valued at the then current market price for the calculation of the purchase price under IFRS; this leads to a purchase price according to IFRS of around CHF 224 million assuming a market price of CHF 113.00 (closing price on 12.09.2018).

**Debt financing: guaranteed and unsecured bank loan** of up to CHF 75 million

Post transaction Arthur Zwingenberger, indirectly through Arno Holding, and Stefan Helsing (sellers) will hold **18.1% of the total capital and voting rights** of COLTENE Holding AG.

## Rights offering (I)



### **Purpose: Partial financing of the purchase price in cash**

- The offer consists of a rights offering to existing shareholders and a share placement in which unsubscribed shares can be offered to selected investors or sold on the market.
- Increase of share capital by up to CHF 70,316.70 by issuing up to 703,167 new registered shares with a par value of CHF 0.10 each
- Targeted gross proceeds of CHF 62.5 million.



### **Offer price**

- The exercise price will be determined by the Company and Zürcher Kantonalbank, the lead manager in the rights offering, on the day after expiry of the exercise period (pricing date) on the basis of the investor demand resulting from the bookbuilding process, the targeted gross proceeds, the market price for the existing shares of COLTENE Holding AG and the general market conditions.

## Rights offering (II)

- The offer price shall not exceed the closing price of the existing shares on the SIX Swiss Exchange on the Pricing Date (or, if higher, the volume-weighted average price of the existing shares during the bookbuilding period).  
Each exercise of the subscription rights becomes effective at the offer price.



### **Exercise ratio of 6:1**

- 6 existing shares entitle the holder to subscribe for 1 new offer share.



### **Obligations of Anchor Shareholders**

- Huwa Finanz- und Beteiligungs AG and Esola Beteiligungsverwaltungs GmbH have each undertaken to exercise all subscription rights allocated to them.
- The anchor shareholders have undertaken to subscribe for further shares in the event of a shortfall compared to the targeted gross proceeds.



### **Lock-up**

- COLTENE, members of the Board of Directors, Group Management: 6 months
- Sellers and Arthur Zwingenberger: 12 months (with exceptions)

## Preliminary transaction timeline (I)

Reference date for the allocation of exercise rights	September 18, 2018, after close of trading
Beginning of the exercise period	September 19, 2018
Beginning of the bookbuilding period	September 19, 2018
End of the exercise period	September 26, 2018, 12.00 noon CEST
<b>Announcement of the number of offer shares for which subscription rights have been exercised, final number of offer shares and final number of consideration shares</b>	<b>September 26, 2018, after close of trading</b>
End of the book-building period (The Company and Zürcher Kantonalbank as the lead manager reserve the right to extend or shorten the bookbuilding period)	September 27, 2018, 12.00 noon CEST

## Preliminary transaction timeline (II)

<b>Announcement of the offer price</b>	<b>September 27, 2018, after close of trading</b>
Listing and first day of trading day of the offer shares	on or about September 28, 2018
Payment of the offer price against delivery of offer shares (closing date)	October 2, 2018



## Outlook & Priorities





## A new COLTENE with SciCan and Micro-Mega

**The new Group is more attractive to employees, customers, shareholders, and other stakeholders**

- Combined operation based upon existing sites
- Fostering organic growth by capitalizing various synergies
- Customers to benefit from an even more comprehensive product offering
- Combination and size mitigate market impact and market share volatility
- Jointly leveraging skills, tools and strategy regarding digitalization of the business
- New Group expected to grow faster than corresponding dental market which is forecasted at 2-3% annual growth globally
- Post consolidation, return to the 15% EBIT margin target

## Updated outlook and priorities post acquisition

### **SALES & MARKETING**

Exploit further market potential by combining sales forces and marketing activities  
Enable cross selling opportunities in the group  
Emphasize on Training Courses, Customer Service and Key Opinion Leader cooperation

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### **FINANCIALS**

Ambition to outperform general market growth of 2-3%  
Return to the EBIT margin of pre-transaction level of 15% in the mid-term  
Consolidation of balance sheet with an equity ratio above 60% (according to IFRS)  
Sticking to attractive payout ratio of at least 60% of consolidated net income

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### **OPERATIONS**

Harmonize and optimize processes across the group  
Synergies in combined logistics and supply chain management  
Continued modernizations of sites and implementation of digital processes and tools

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### **PRODUCTS**

SciCan and Micro-Mega products under the COLTENE brand umbrella  
Focus on products with attractive market potential whilst streamlining portfolio  
Market launch of innovative products supporting digital dental treatments

**Many thanks for  
your attention!**

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