

# The Solution Provider



## COLTENE Group - Media and Analyst Conference Year End Closing 2019

Zürich, March 5, 2020



Martin Schaufelberger, CEO - Gerhard Mahrle, CFO

# 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.

# Highlights 2019

Martin Schaufelberger, CEO

Photo: Dr. Benjamin Ezeh - Manager R&D Endodontics - Coltène/Whaledent AG  
Altstätten, Switzerland



# Financial Summary 2019

First year of the new COLTENE after the merger

- 
- ◉ **Sales**
    - New record sales of CHF 273.8 mn, up 34.2%
    - Organic growth in local currencies of 1.9%, clearly above estimated overall market growth of ~1.5%
    - Contributions from SciCan and Micro-Mega totaled to CHF 95.3 mn or 34.8% of total sales
- 
- ◉ **EBIT**
    - EBIT of CHF 32.0 mn (2018: CHF 25.4 mn), supported by acquisition-led sales growth
    - EBIT margin at 11.7% (2018: 12.4%)
- 
- ◉ **Balance Sheet**
    - Net debt of CHF 36.8 mn (2018: CHF 29.2 mn), increase attributable to the final payments for the new building at headquarters in Altstätten, Switzerland
    - Equity ratio remains stable at 48.0% (2018: 48.1%)
- 

Since the start of 2019, the consolidated financial statement has been reported in accordance with Swiss GAAP FER. The previous year's figures have been adjusted accordingly.

# Post Merger COLTENE

## COLTENE – at a glance

- **COLTENE** develops, manufactures and markets **premium dental materials and small equipment** for dental practices
- **6** legal manufacturing **sites**
- **MedTech** products of **class 1, 2a, 2b, 3**
- **14 sales entities** supported by over **300 sales reps**
- **3 product areas**
  - Infection Control
  - Dental Preservation
  - Efficient Treatment
- **1414 employees**
- **Market Cap** approx. **CHF 550 mn**, listed at SIX stock exchange in Zurich, Switzerland



# The New COLTENE – Production and R&D Locations

State-of-the-art production facilities in Canada, Switzerland, Germany, the US, Brazil, and France



Toronto  
Canada



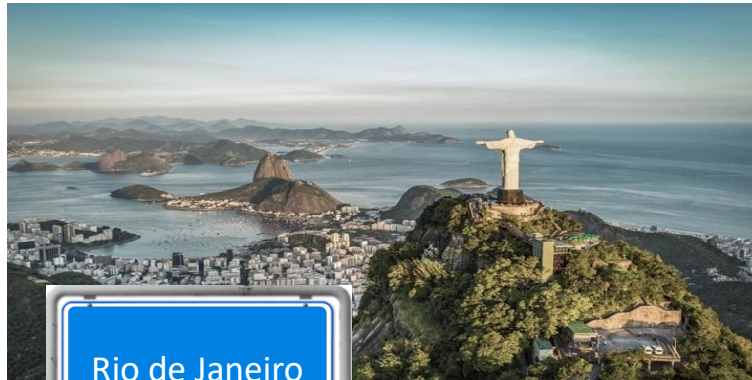
Altstätten  
Switzerland



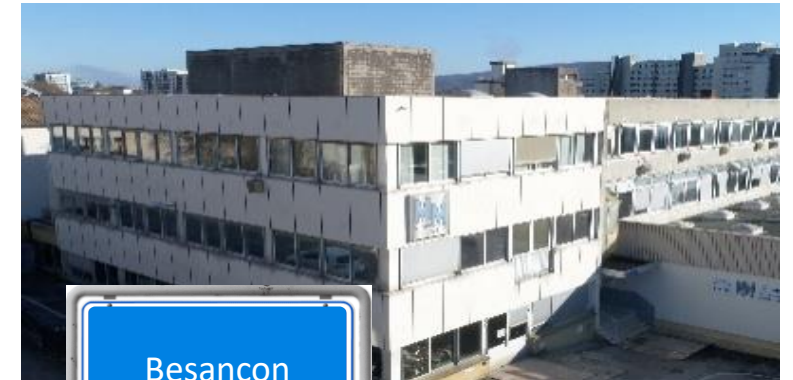
Langenau  
Germany



Cuyahoga-Falls  
USA



Rio de Janeiro  
Brazil



Besançon  
France

# Enlarged Product Assortment

What COLTENE stands for

## Infection Control

*„The infection control specialist“*

Instrument reprocessing  
by cleaning and sterilizing

Surface cleaning and disinfection

SciCan, BioSonic



## Dental Preservation

*„Sustainable preservation from root to crown“*

Materials for restoration

Solutions for endodontic treatments

ParaCore, OneCoat, BRILLIANT Colt lux, ParaPost, MicroMega, HyFlex, CanalPro, ROEKO, TMS



## Efficient Treatment

*„Smart & efficient utilities dentists rely on“*

Impression materials

Rotary instruments

Treatment utilities

Speedex, AFFINIS, PRESIDENT, DIATECH, Alpen, Kenda, ROEKO, HYGENIC, Perfect TCS, HANEL



# Comprehensive Product Portfolio

Comprehensive portfolio allows to provide products to solve entire dental processes

## Infection Control



BioSonic UC150



SciCan BRAVO



SciCan STATIM



SciCan HYDRIM



BioSonic WipeOUT



SciCan OPTIM

Solution for instrument reprocessing

and

surface disinfection

## Dental Preservation



MicroMega OneCurve  
HyFlex CM/EDM



ROEKO PP/GP



GuttaFlow BioSeal



ParaCore



BRILLIANT EverGlow



BRILLIANT Crios



ParaPost

Solution for endodontic treatment

Solution for conventional and digital resto

## Efficient Treatment



Speedex



AFFINIS



PRESIDENT



DIATECH



ALPEN



KENDA



Roeko Surgitip



Hygenic DentalDam



Roeko Gelatamp

Solution for impression taking

Solution to drill and polish

Treatment auxiliaries

- Moisture control
- Isolation/dental dam
- Wound treatment



# MDR – what is it - investment made – what can we expect

## European Medical Device Regulation (EU MDR)

### WHAT IS EU MDR?

- EU MDR ensures high standards of quality and safety for medical devices being produced in or supplied into Europe. It was subjected to a fundamental revision in 2017 to better identify medical devices and improve transparency through standard data, technological advances and the establishment of an EU database (Eudamed). Similar to the FDA's UDI, EU MDR will establish a robust, transparent, predictable and sustainable regulatory framework for medical devices to ensure a high level of health and safety whilst supporting innovation.

### COLTENE made vast investment in MDR

- All processes were reviewed and documented in a new quality management system. Post market surveillance and validation fulfill the higher standard. Products (such as impression materials) were classified higher (from 1 to 2a). COLTENE invested in a software to master the complexity of the new quality and documentation system, processes, and documents, that assures the security of products and their traceability.

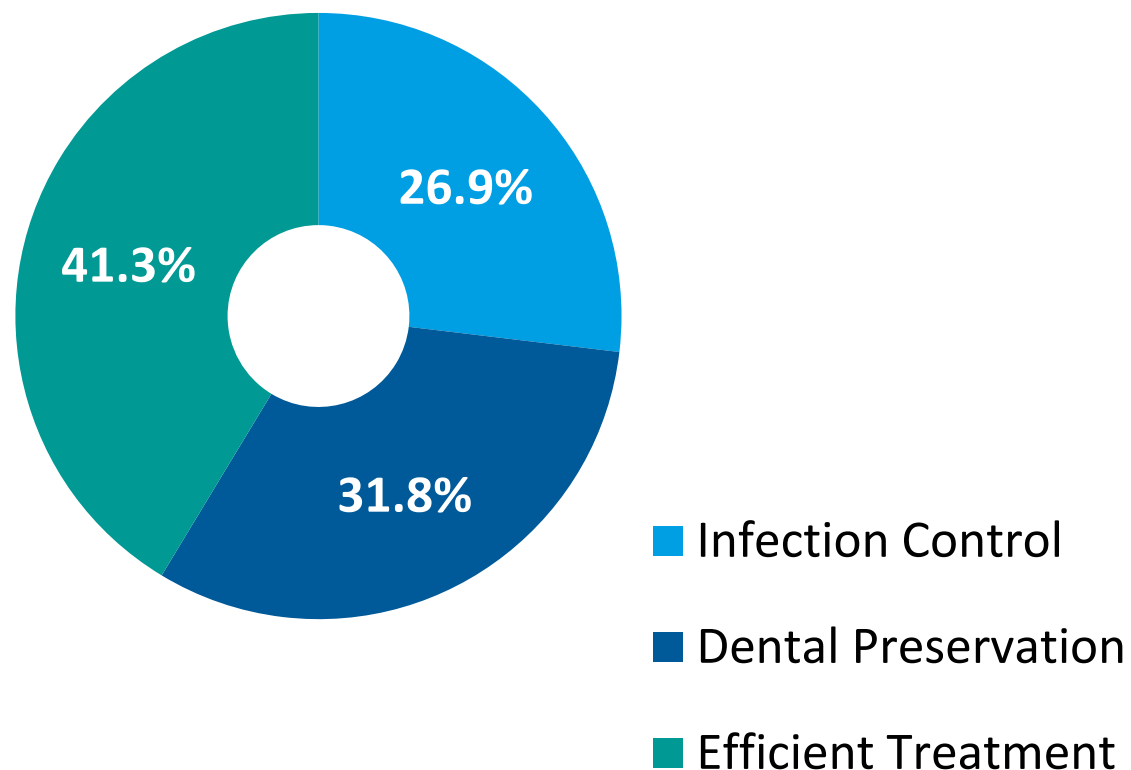
### Regulatory expertise to deliver competitive advantage

- COLTENE is among the first dental companies to achieve the MDR certificate (for Altstätten). The revised quality system and the new SW tools allow to maintain the higher requirements with minimal increase of operational cost.

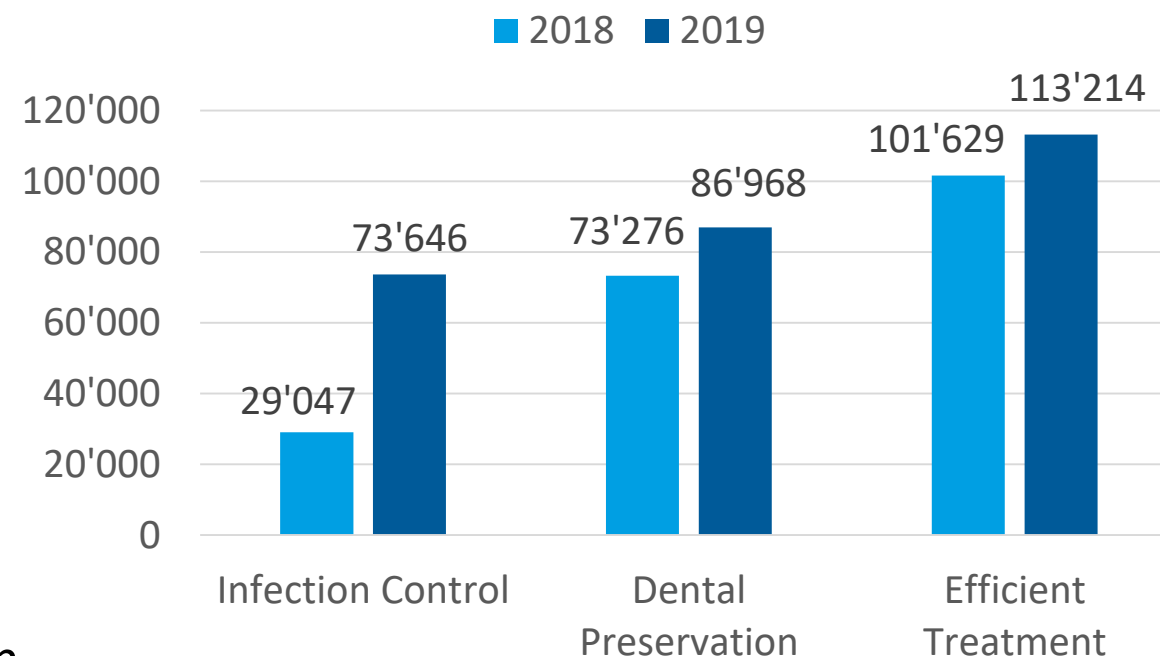
# Net Sales by Product Groups

Growth in all product groups, Efficient Treatment leads sales

## Net sales by product groups (shares)

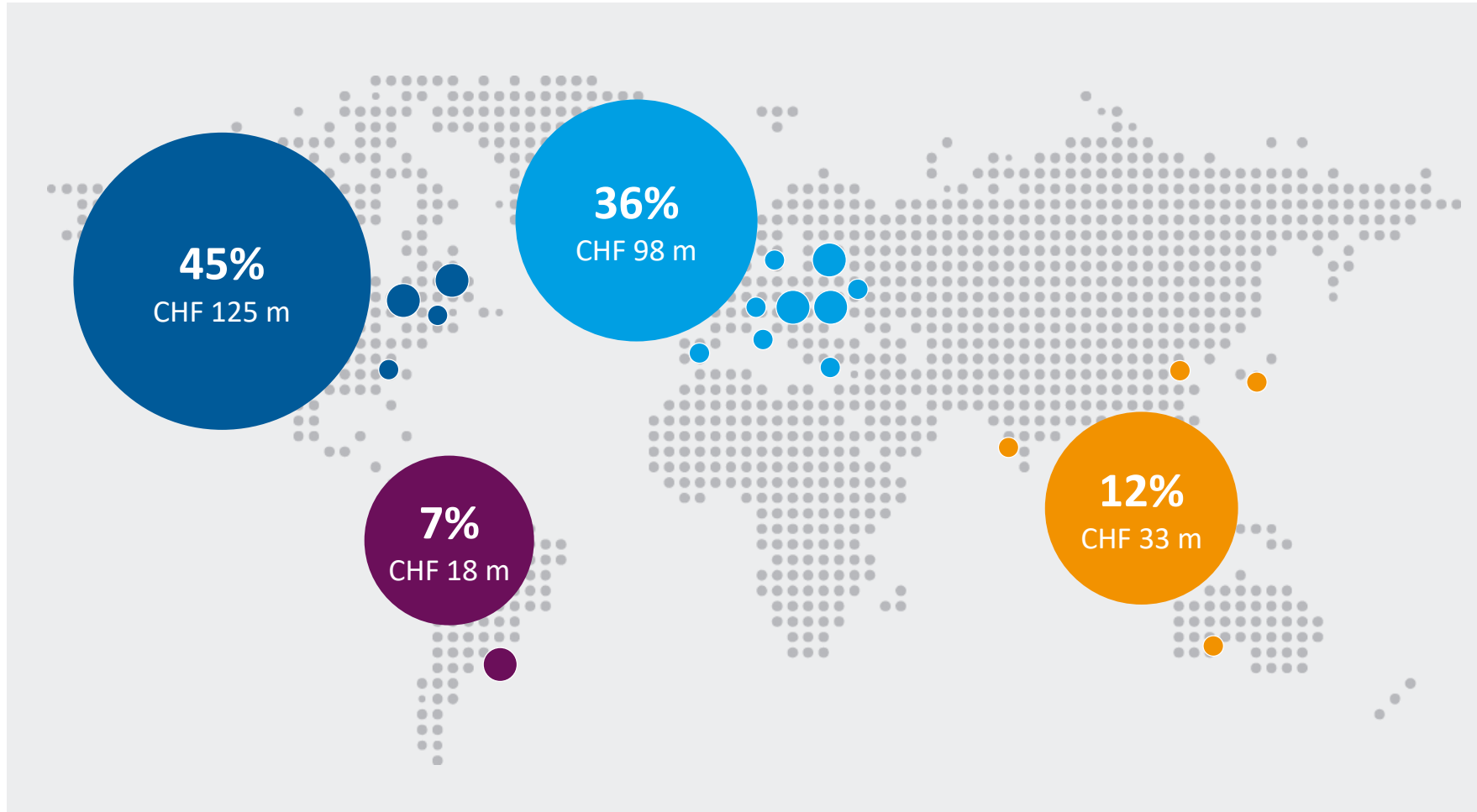


## Net sales 2019 by product groups (in CHF 1,000)



# Net Sales by Region; global set up

Own sales force across North and Latin America, Europe, Asia including India and China



## North America

Group companies	4
Production sites	2
Workforce (FTE)	620

## Latin America

Group companies	1
Production sites	1
Workforce (FTE)	120

## Europe EMEA

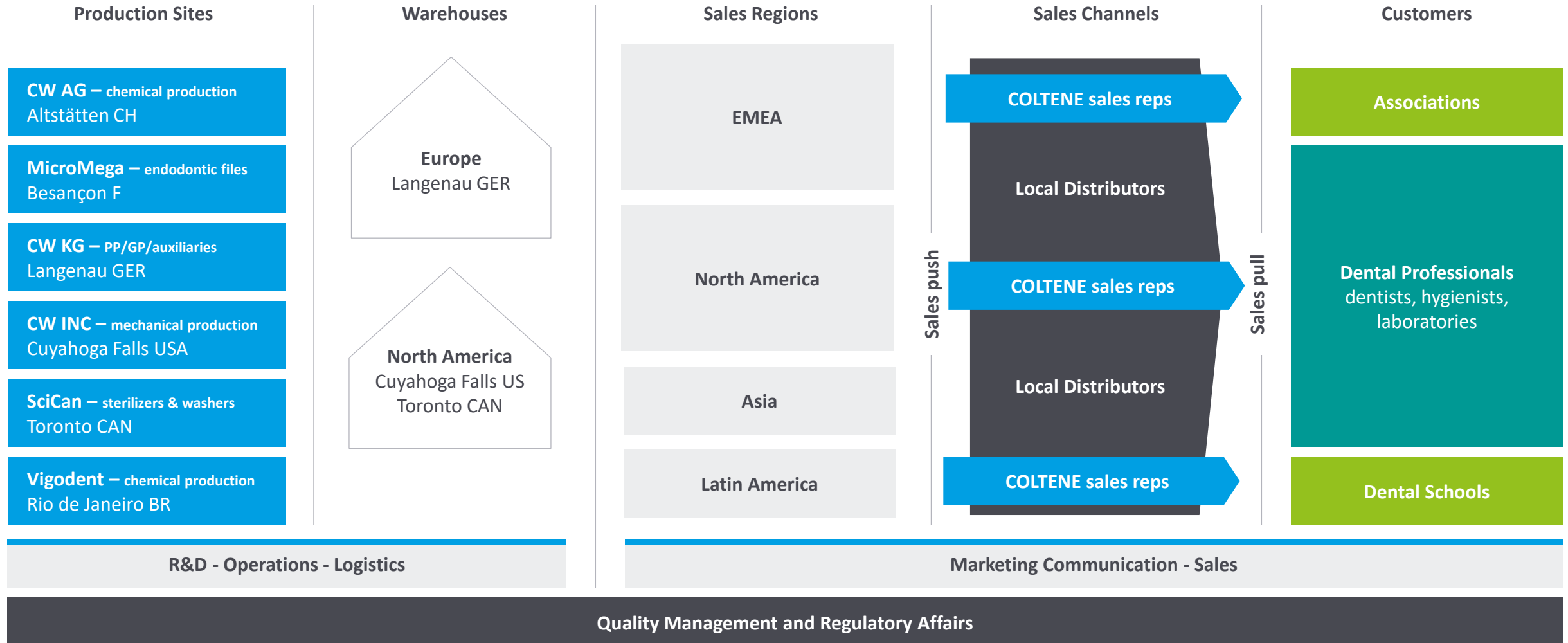
Group companies	20
Production sites	3
Workforce (FTE)	570

## Asia Pacific

Group companies	4
Production sites	0
Workforce (FTE)	90

# Proven Business Model

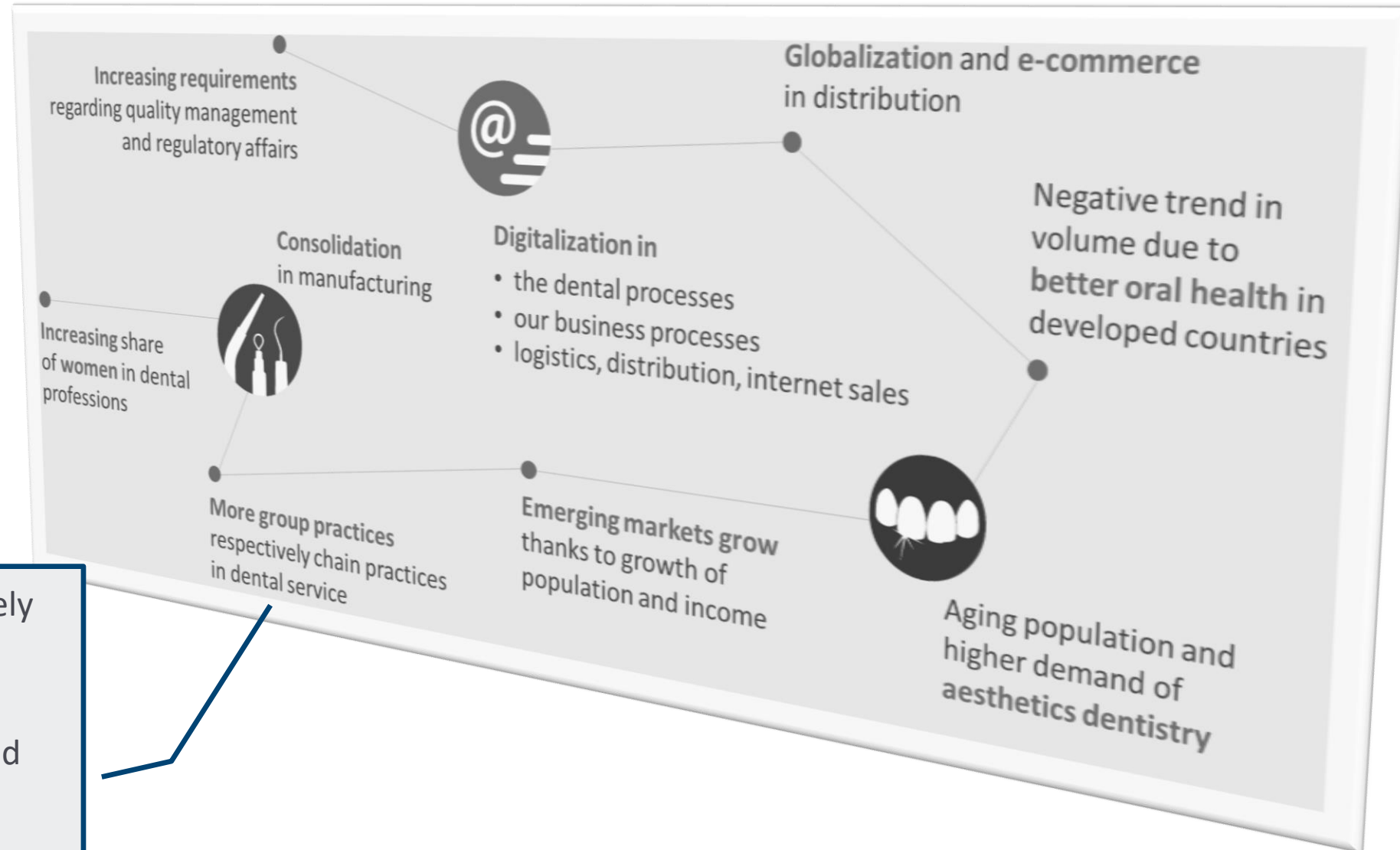
Product sale through own warehouses via distributors to dental practices





# Mega Trends

## Drivers of the dental industry



**More group practices** respectively chain practices in dental service

**DSO = group practices**

Explain the DSO idea, growth and difference to regular dentists

# Group Practices - DSO

Fast growing DSO require a dedicated channel

DSO: Dental Support Organization; own/manage everything but not the dental treatment

## Why set up a DSO structure?

- Provide a legal entity separating support organization from clinical tasks
- Allow non-dentists to participate (equity) in the DSO
- Structured support for multi-site groups

## DSO Categories

- Small (US: local): 3-15 locations (US: 800+ organizations)
- Medium (US: regional): 15-50 locations (US: 80+ organizations)
- Large (US: national): more than 50 locations (US: 25 organizations)

## DSO specific sales

- Professional buyer B2B; total cost including services; DSO price list and agreements
- List of preferred products (formulary)
- Sales reps need to visit all locations and understand DOS agreement

# Strategic Approach

Leverage synergies and cross sales potential

From wide range of products to Solution Provider	Focus to the dental professional	Utilize synergies	Turn increased regulatory requirement into a competitive advantage
PM to align portfolio	CRM in sales (incl. DSO)	Review Endo integration	First MDR certificate
Review messages in the MarCom Team	Service & Repairs	Roll out Infection Control	Product life cycle management
Build a DSO specific team	Prepare for IOT	Focus on the sales teams	SW WindChill to manage the Q-system

# Utilize Synergies

Improvements to further materialize the expected synergies from the merger

*Examples of our measures to further materialize the expected synergies:*

## 1. Synergies in sales:

### Challenges

### Solutions

Some Endo distributors were overstocked	<ul style="list-style-type: none"><li>• Intensify actions on sell out</li></ul>
Merger lost focus of sales teams in some areas	<ul style="list-style-type: none"><li>• Dedicated endo teams in bigger markets</li><li>• Separate bonus targets for endo business to regain focus</li></ul>
Markets with low regulatory barriers faced fierce Chinese competition	<ul style="list-style-type: none"><li>• Prepare products and brand to compete in the low priced market</li></ul>

## 2. Synergies reducing cost:

- Operational excellence and efficiency gains
- Profit in marketing and sales from economies of scale
- Investments made in IT, buildings, machines and quality system are helping to optimize cost

## 3. Priorities:

1. EBIT improvement (cost improvements are mainly in our hands)
2. Sales growth



# Financials 2019

Gerhard Mahrle, CFO

Photo: Sophie Mercier - Machine Operator - Micro-Mega SA  
Besançon, France





# Financial Summary 2019

Strong top-line growth, impacted by acquisitions and integration costs

● <b>Sales</b>	New record sales of CHF 273.8 mn, up 34.2% Organic growth in LC of 1.9%, clearly above estimated overall market growth of ~1.5% Contributions from SciCan and Micro-Mega totaled to CHF 95.3 mn or 34.8% of total sales
● <b>EBIT</b>	EBIT of CHF 32.0 mn (2018: CHF 25.4 mn), supported by acquisition-led sales growth EBIT margin at 11.7% (2018: 12.4%)
● <b>Net Profit</b>	Net profit amounted to CHF 20.0 mn (2018: CHF 17.0 mn) Net profit margin of 7.3% (2018: 8.3%)
● <b>Tax Rate</b>	Effective tax rate increased to 28.8% (2018: 26.6%)
● <b>Cash Flow</b>	Cash flow from operations of CHF 23.8 mn (2018: CHF 24.6 mn) Cash flow from investing activities of CHF -13.1 mn (2018: CHF -115.4 mn, including acquisitions) Improved free cash flow of CHF 10.7 mn (2018: CHF -90.8 mn)
● <b>Balance Sheet</b>	Net debt of CHF 36.8 mn (2018: CHF 29.2 mn), increase attributable to the final payments for the new building at headquarters in Altstätten, Switzerland. Equity ratio remains stable at 48.0% (2018: 48.1%)

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# Income Statement

Non-recurring effects & acquisitions lead to slight decline of EBIT margin from 12.4% to 11.7%

in CHF mn	2019	%	2018	%	% YoY
<b>Net Sales</b>	<b>273.8</b>	<b>100.0</b>	<b>204.0</b>	<b>100.0</b>	<b>+34.2</b>
Material expenses	-86.0	-31.4	-61.7	-30.2	+39.5
Gross Profit	187.8	<b>68.6</b>	142.3	<b>69.8</b>	<b>+32.0</b>
Operating expenses	-149.7	<b>-54.7</b>	-111.3	<b>-54.6</b>	<b>+34.5</b>
Depreciation and amortization	-6.1	-2.2	-5.6	-2.7	+8.9
<b>EBIT</b>	<b>32.0</b>	<b>11.7</b>	<b>25.4</b>	<b>12.4</b>	<b>+26.0</b>
Financial result	-3.9	-1.4	-2.2	-1.1	+77.3
Tax expenses	-8.1	-28.8 <sup>1)</sup>	-6.2	-26.6 <sup>1)</sup>	+30.6
<b>Net Income</b>	<b>20.0</b>	<b>7.3</b>	<b>17.0</b>	<b>8.3</b>	<b>+17.7</b>

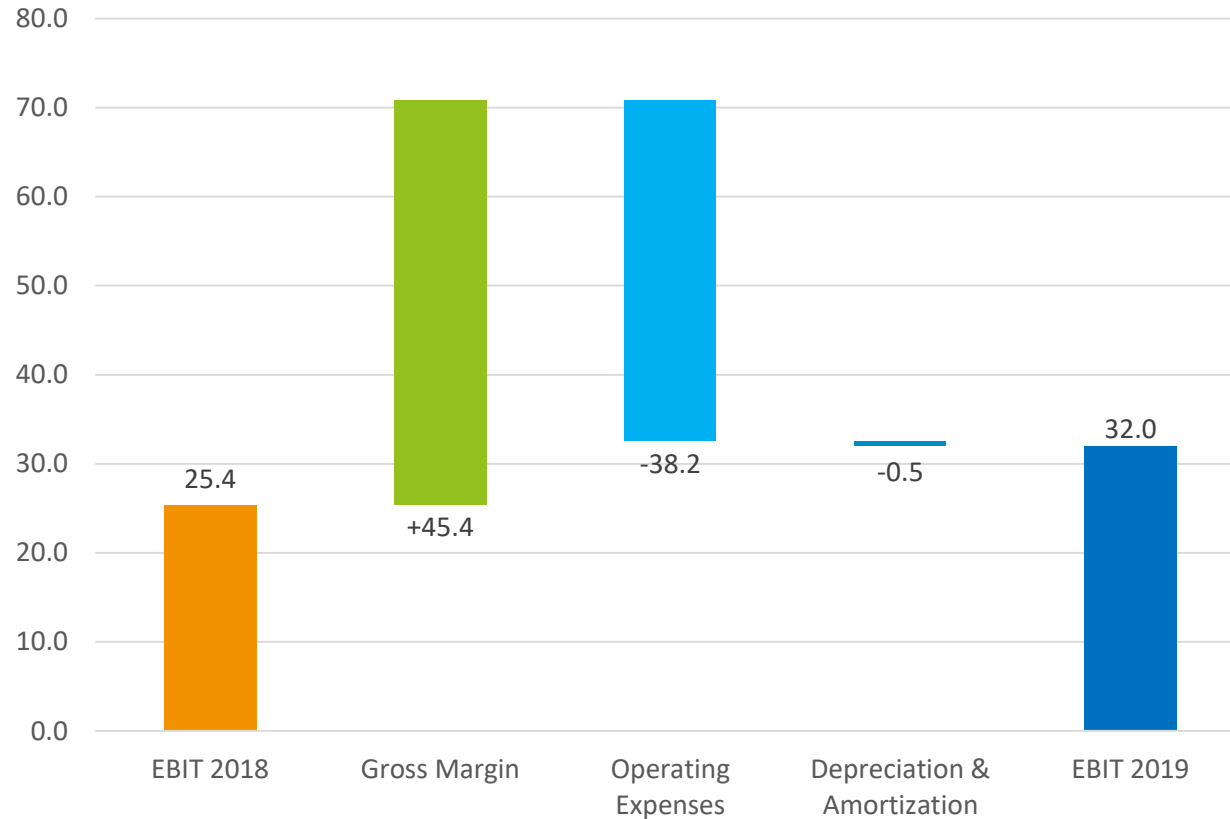
<sup>1)</sup> In % of earnings before taxes

- Increase in net sales and operating expenses mainly due to the acquisition of SciCan and Micro-Mega.
- Revenue contribution of SciCan and Micro-Mega 2019: CHF 95.3 mn (2018: 26.5 mn).
- Sales growth from acquisitions: 33.7%
- Organic sales growth in local curr: 1.9%
- Financial result impacted by FX losses (mainly in Canada) and interest expenses (higher bank loans for financing the acquisition).
- Tax expenses & effective tax rate increased due to weighting of earnings of entities with higher tax rates and one-off tax expenses (restructuring & tax audit).

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# EBIT Development

In CHF million



## Factors influencing the operating result

- Competitive market environment puts further pressure on net sales and gross margin.
- Strong gross margin & OPEX increase, acquisition driven.
- OPEX are impacted by non-recurring costs in quality management, IT, consulting and payroll of CHF 4.6 mn, mainly due to costs related to the integration of acquired businesses and implementation of MDR requirements.
- Acquisition impact slightly below expectations (mainly on net sales level). Further focus on integration to realize synergy potential.

## EBIT Margin



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# Net Profit

In CHF million

➤ Overall increase in financial expenses:

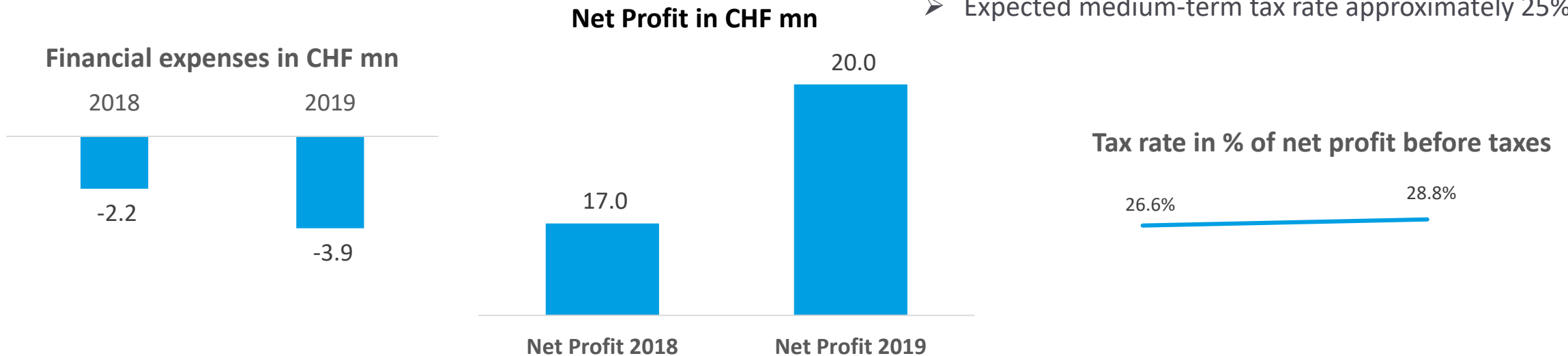
- Increase in FX losses compared to PY mainly in Canada
- Increase in interest expenses due to higher bank loans for financing the acquisitions

➤ Effective tax rate increased from 26.6% to 28.8%

➤ One-off items:

- CHF 0.8 mn tax expenses related to planned changes in legal/tax-structure of SciCan entities;
- CHF 0.3 mn additional tax provision for prior years (tax audit Micro-Mega).

➤ Expected medium-term tax rate approximately 25%



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# Balance Sheet

Solid financial basis despite capital distribution to shareholders from capital contribution reserves

in CHF million	31.12.18	31.12.19	% YoY
Cash & cash equivalents	20.9	23.0	+10.0
Receivables	60.7	56.2	-7.4
Inventory	55.6	59.2	+6.5
Property, plant & equipment	42.5	47.4	+11.5
Financial, intangible & tax assets	3.8	4.0	+5.3
<b>Total assets</b>	<b>183.5</b>	<b>189.8</b>	<b>+3.4</b>
Payables & short term liabilities	41.4	33.9	-18.1
Bank loans (short and long term)	50.1	59.8	+19.4
Other long term liabilities	3.8	4.9	+28.9
Equity	88.2	91.2	+3.4
<b>Total liabilities &amp; equity</b>	<b>183.5</b>	<b>189.8</b>	<b>+3.4</b>
<b>Net debt</b>	<b>29.2</b>	<b>36.8</b>	<b>+26.0</b>

The acquisition of SciCan and Micro-Mega took place at the beginning of October 2018 and was financed by capital increases (85%) and bank loans (15%).

The increase in net debt in 2019 is attributable to the final payments for the new building at headquarters in Altstätten, Switzerland.

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# Equity

## Solid equity ratio after switch from IFRS to Swiss GAAP FER

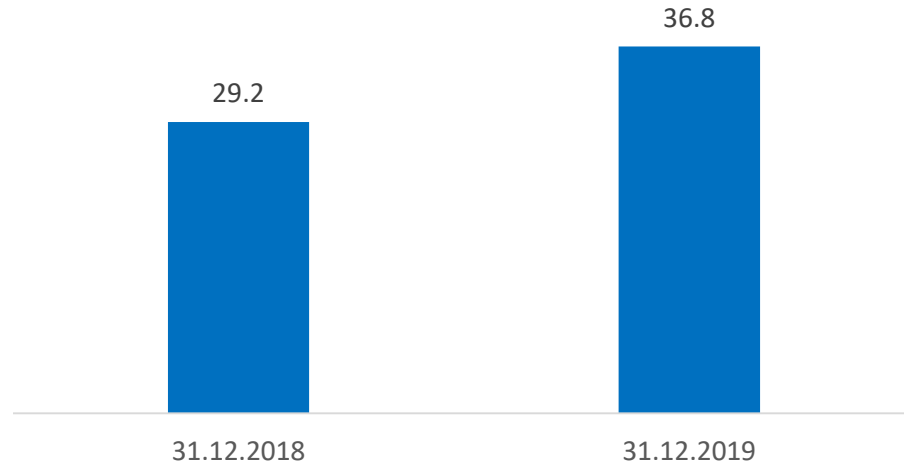
In CHF million

- Equity ratio: 48.0%
- Net debt: CHF 36.8 million (PY: CHF 29.2 million)

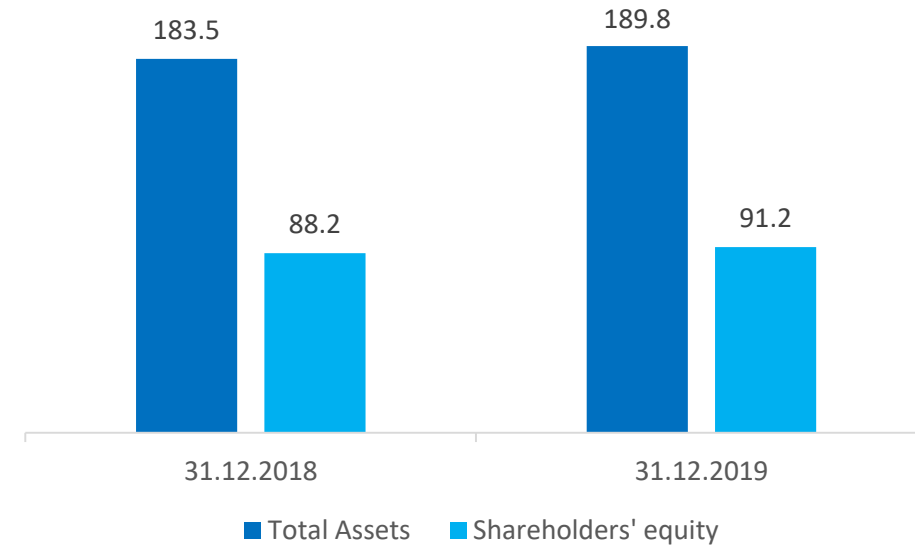
### Equity Ratio

2018: 48.1%      2019: 48.0%

### Net debt



### Balance Sheet



Since the start of 2019, the consolidated financial statement has been reported in accordance with Swiss GAAP FER. The previous year's figures have been adjusted accordingly.

# Cash Flow Statement

High investments in current and future growth

in CHF million	2018	2019	% YoY
Net profit	17.0	20.0	17.6%
Depreciation and amortization	5.6	6.1	
Other non cash items	5.4	12.0	
Changes in NWC	4.8	-2.6	
Interest and tax paid/received	-8.2	-11.7	
<b>Cash flow from operating activities</b>	<b>24.6</b>	<b>23.8</b>	<b>-3.3%</b>
Purchase of PPE (net)	-12.2	-12.0	
Purchase of int. & finan. assets (net)	-0.3	-1.2	
Acquisition of subsidiaries (net of cash)	-102.9	0.1	
<b>Cash flow from investing activities</b>	<b>-115.4</b>	<b>-13.1</b>	<b>-88.7%</b>
<b>Cash flow from financing activities</b>	<b>90.0</b>	<b>-8.4</b>	<b>n.a.</b>
Change in cash and cash equivalents	-1.1	2.1	
<b>Free cash flow</b>	<b>-90.8</b>	<b>10.7</b>	<b>n.a.</b>

Operating cash flow shows a slight decrease despite higher net profit, mainly due to the increase in net working capital and higher taxes & interest paid.

Negative free cash flow in prior year is acquisition driven. In 2019 further investments in new production and office building at COLTENE's headquarter in Altstaetten (completed in spring 2019).

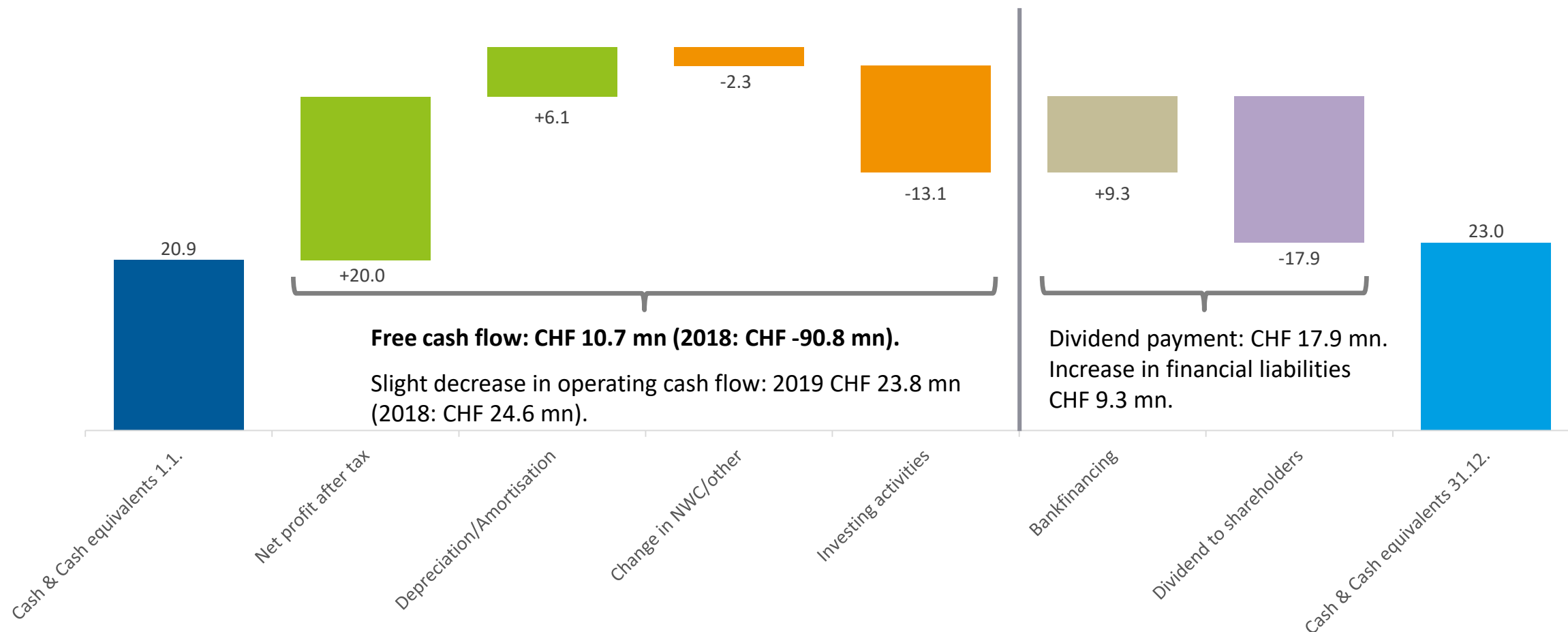
Cashflow from financing activities is driven by dividend payment to shareholders of CHF 17.9 mn in 2019 and final payments for the new building in Altstätten. Prior year numbers are affected by the acquisition and related capital increase and bank funding.

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# Free Cash Flow Development

In CHF million



Since the start of 2019, the consolidated financial statement has been reported in accordance with Swiss GAAP FER. The previous year's figures have been adjusted accordingly.

# Outlook

Martin Schaufelberger, CEO

Photo: med. dent. Zita Baumeler Savary – Dentist  
Altstätten, Switzerland



# Key Topics on the Agenda

Commitment to profitable sustainable growth

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## 🕒 **Strategy Project**

Solution Provider

Focus on dental professionals

Utilize synergies

Turn regulatory requirements into competitive advantage

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## 🕒 **Finish Merger**

Implement new Organization; Sales and MarCom from NAM and EU+ROW

Review Endo business and increase sales

Finalize IT integration

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## 🕒 **Innovation**

Complete and harmonize product portfolio regarding solution provider

Prepare equipment further for IOT

Introduce cloud platform for services and IOT functionality

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# Outlook and calendar 2020

Commitment to profitable and sustainable growth

COLTENE **expects to grow** slightly more than the market

After additional cost due to the transaction & integration projects, we expect to achieve an **EBIT margin of 15% mid-term again**

**Coronavirus disease 2020:** in general we expect less visits to dental offices in areas concerned resulting in lower sales hereof. However, infection control might short and mid term profit from the higher awareness of disinfection and sterilization.

**March 5, 2020**

Reporting of full year 2019 results

**April 2, 2020**

Annual General Meeting

**August 7, 2020**

Reporting of half year 2020 results





# Annex



# Organization

## Management

### Board of Directors

Matthew Robin

Allison Zwingenberger

Jürgen Rauch

**Nick Huber**, Chairman

Astrid Waser

Roland Weiger

Erwin Locher



### Group Management

Christophe Loretan,  
VP Sales / MarCom EMEA / ROW

Stefan Helsing, COO

Gerhard Mahrle, CFO

**Martin Schaufelberger**, CEO

Martin Schlüter, VP R&D / Innovation

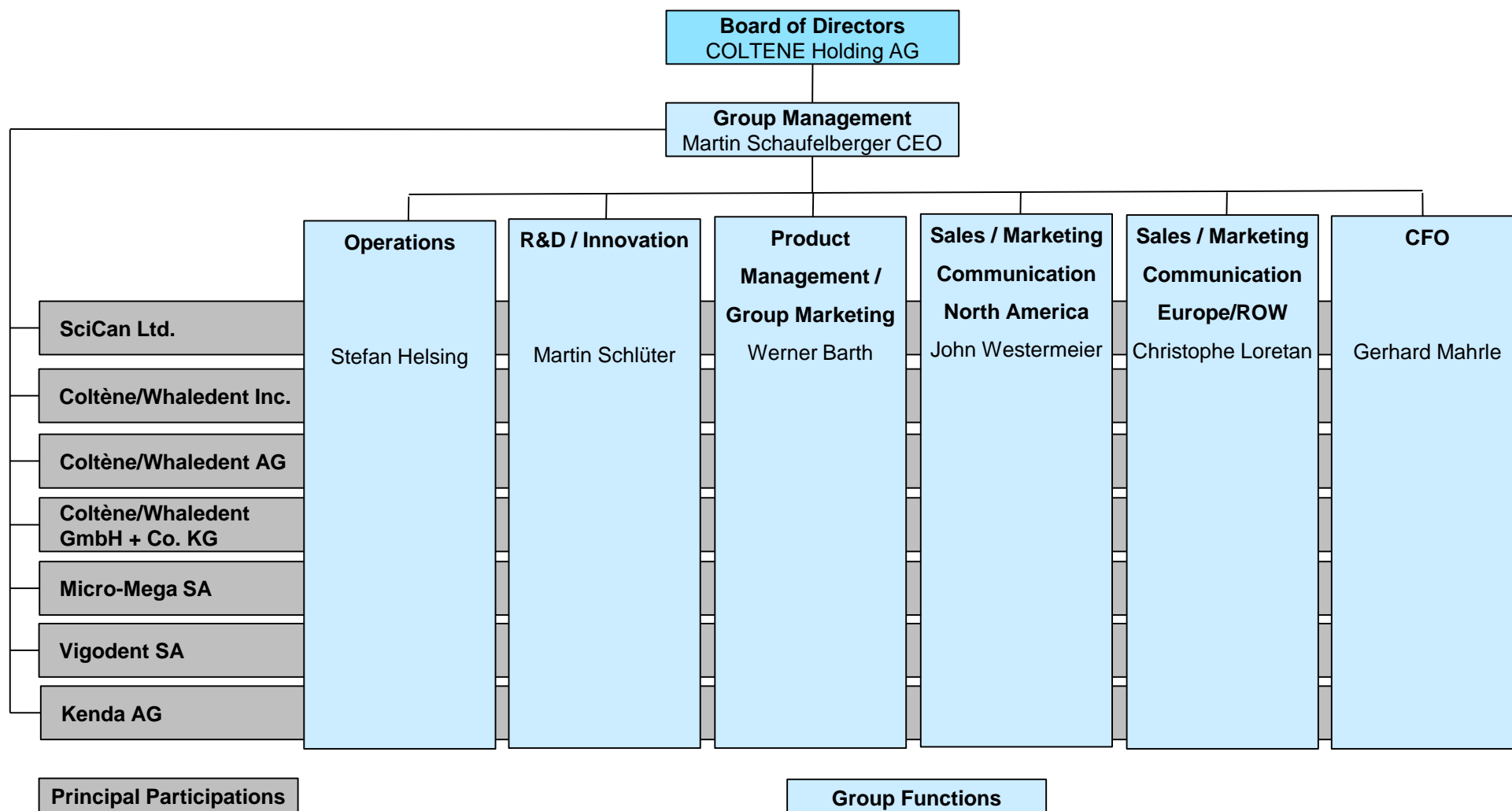
John Westermeier,  
VP Sales / MarCom NAM

Werner Barth, VP Product  
Management / Group Marketing



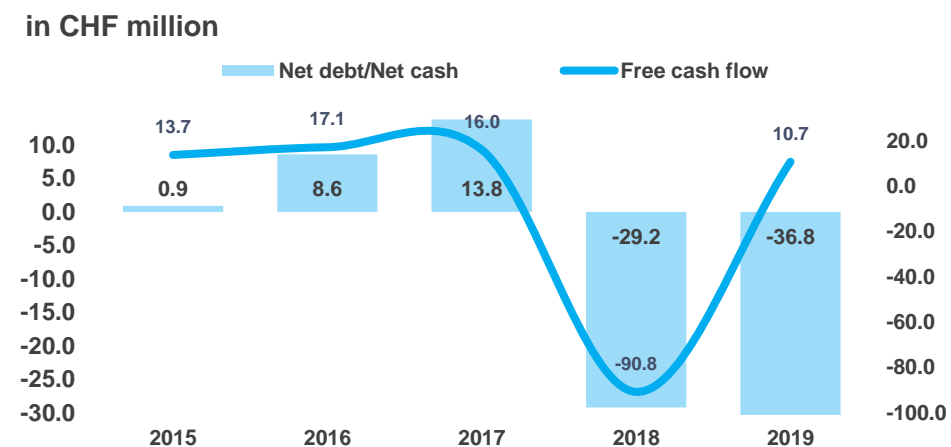
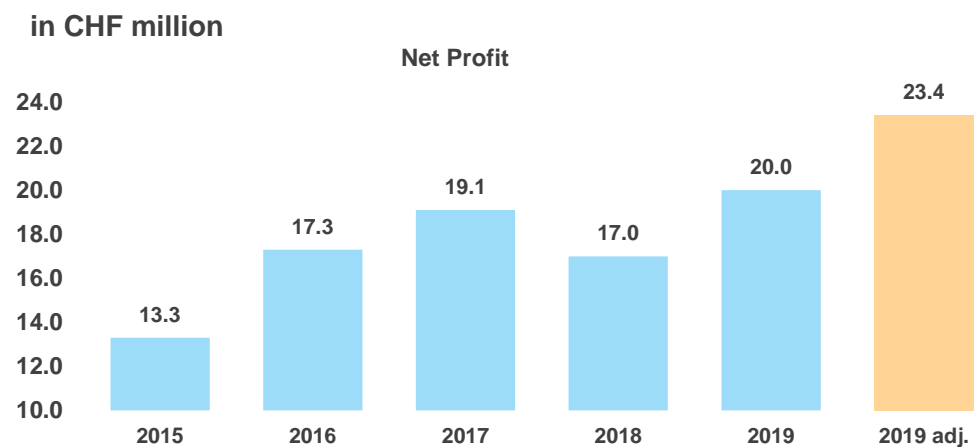
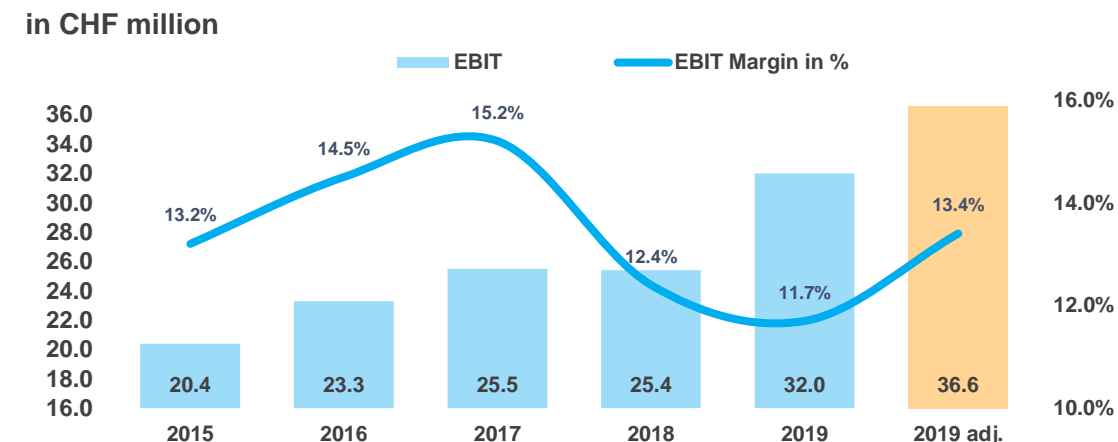
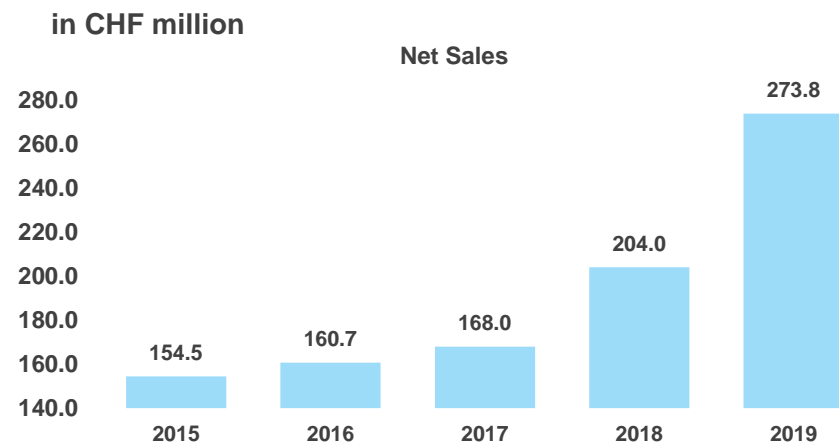
# Group Management

## Functions and Production Sites



# Key Figures

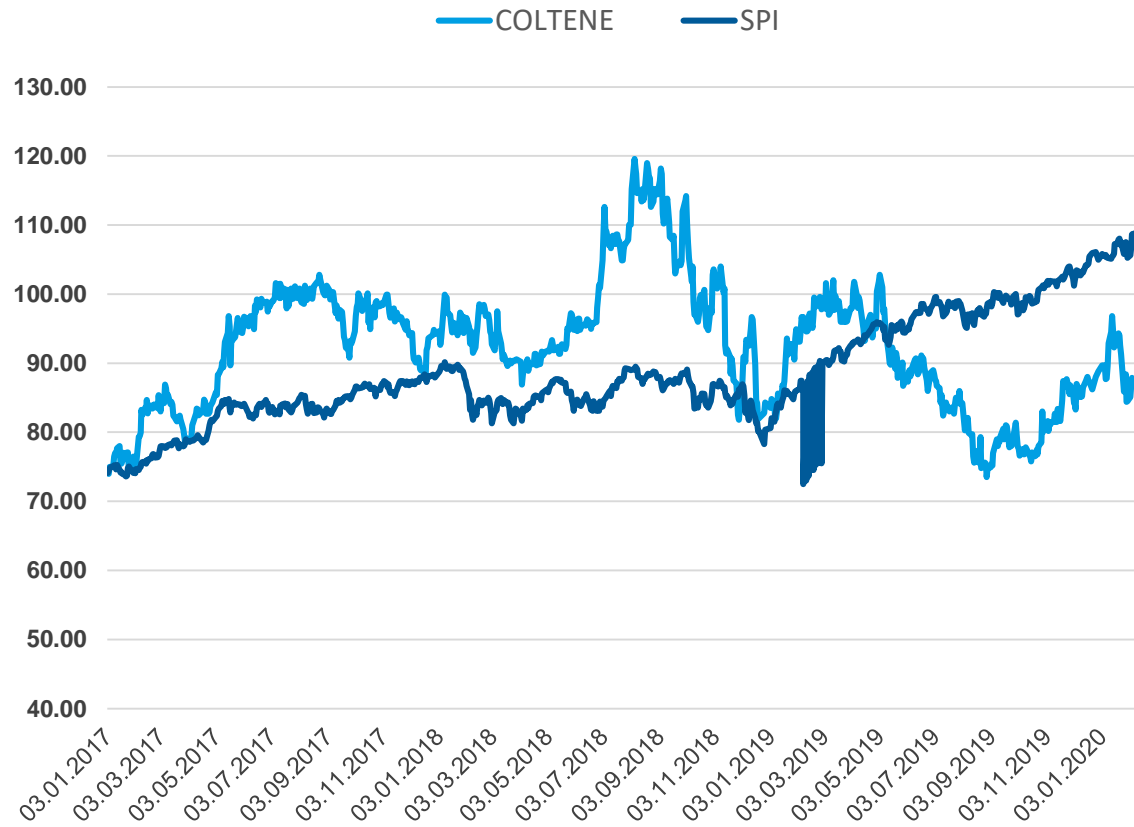
## Five year overview



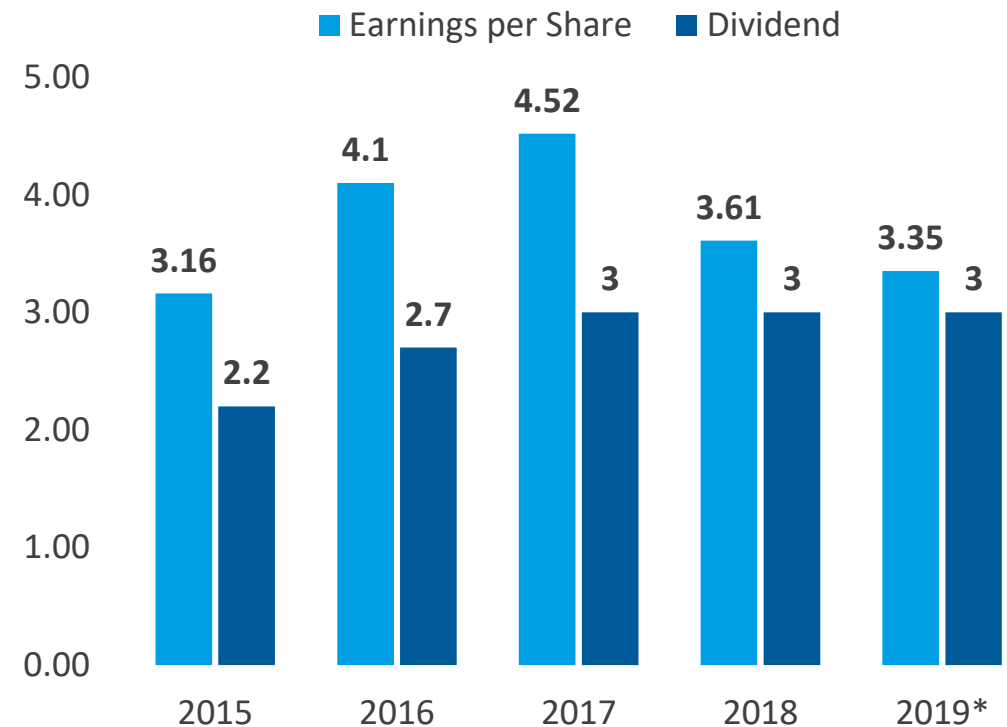
# Share Performance

Volatile financial market environment

## Share price



## Earnings per share/dividend



\* Board of Directors' proposal to the AGM on April 2, 2020: distribution of CHF 3.00 per share from capital contribution reserves excluding treasury shares



# The Solution Provider

Thank You for Your Interest

**COLTENE Holding AG**

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