

# Infection Control

## Half-Year Results 2020 COLTENE Group Virtual Company Roadshow – Baader Helvea

Gerhard Mahrle, CFO

# Safe Harbor Statement

This written statement and oral statements or other statements made, or to be made, by us contain forward-looking statements that do not relate solely to historical or current facts. These forward-looking statements are based on the current plans and expectations of our management and are subject to a number of uncertainties and risks that could significantly affect our current plans and expectations, as well as future results of operations and financial condition. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

# Agenda

## COLTENE – Virtual Company Roadshow

- 
- ⦿ Highlights H1 2020  
Gerhard Mahrle, CFO
  - ⦿ Financials H1 2020  
Gerhard Mahrle, CFO
  - ⦿ Outlook  
Gerhard Mahrle, CFO
  - ⦿ Q&A  
Gerhard Mahrle, CFO
-



# Highlights H1 2020

Gerhard Mahrle, CFO

# H1 2020 Highlights

Response to the COVID-19 pandemic with a comprehensive set of measures

● <b>Financials</b>	<p>Net sales CHF 103.9 mn; -19.2% in local currencies compared to H1 2019, -23.3% in reporting currency Swiss francs</p> <p>The strong Swiss franc appreciated against all major currencies and reduced sales by CHF 5.5 million</p> <p>EBIT margin stood at 2.5% (H1 2019: 9.4%), EBIT remained positive despite sharp fall due to COVID-19 pandemic</p> <p>Net profit amounted to CHF 0.3 mn (H1 2019: CHF 7.9 mn)</p>
● <b>COVID-19 Response</b>	<p>Immediate and thorough action to significantly reduce costs; 55% of gross margin loss compensated</p> <p>Focus on liquidity and profitability while protecting jobs and safeguarding employees</p> <p>Short-time work in Europe and furlough in NAM; employment freeze; BOD and Group Executive Management reduced remuneration by 10%</p> <p>Contact with end customers kept up over new webinar series</p>
● <b>Operational</b>	<p>Strong first quarter; sales plummeted in April due to full or partial closing of most dental practices in core markets</p> <p>China first in – first out with recovery from early May; other core markets with similar pattern of recovery</p> <p>Integration of SciCan and Micro-Mega as planned, Infection Control product range with continuous high demand</p> <p>Integration of Kenda accelerated, production integration to headquarter completed</p> <p>North America remains largest and most important sales region</p>
● <b>Products</b>	<p>Fine tuning of product portfolio, accelerated consolidation of product range</p> <ul style="list-style-type: none"><li>- Infection Control: all surface disinfectants now marketed under OPTIM, product pipeline focus on digitalization in infection control equipment and related services</li><li>- Dental Dam range will be extended with new products that make them easier to use</li></ul>

# Infection Control

## How COLTENE has responded to the COVID-19 pandemic

Employees	Cost Reductions	Product Portfolio	Marketing & Sales	Integration
<ul style="list-style-type: none"><li>• Temporary positions eliminated, but all regular staff kept on payroll</li><li>• Short-time work in Europe, partial furlough in the US</li><li>• Hiring freeze is in place Group-wide until sales volumes return to 90% of prior-year levels</li><li>• Meetings and gatherings held online while pandemic restrictions were in force</li><li>• Assured minimal distance between work spaces, disinfection protocols</li></ul>	<ul style="list-style-type: none"><li>• Personnel expenses were 14% lower in H1, year-on-year, thanks to employees working shorter hours, temporary layoffs (furloughs) and reduced expenditure on salaries and bonuses</li><li>• Non-priority investments stopped or postponed</li><li>• Operating expenses declined by 17% year-on-year</li><li>• Compensation of 55% of gross margin loss by reduction of operating expenses</li></ul>	<ul style="list-style-type: none"><li>• Biosonic Wipes integrated into the OPTIM range to add alcohol-based products to the offering</li><li>• Non-strategic and some marginal products discontinued with regard to MDR and future efficiency (economies of scale)</li><li>• Accelerated development for digital features added to the cleaning and sterilization equipment</li><li>• Enlargement of Dental Dam products offering</li></ul>	<ul style="list-style-type: none"><li>• Marketing expenses were reduced while innovative online formats were developed</li><li>• New global webinars and product training modules drew great interest and several hundred participants in some cases</li><li>• Review of sales targets with partners</li><li>• Use digital channels for small and remote markets</li></ul>	<ul style="list-style-type: none"><li>• Manufacturing of Kenda polishers moved from Vaduz to Altstätten; staff joined the parent company's workforce</li><li>• Integration of Micro-Mega into group wide SAP environment</li><li>• Takeover of Adaco® steel separating strips from Ackermann KG and integration in COLTENE manufacturing; Adaco® separating strips are used to isolate a tooth interproximal e.g. during restoration</li></ul>

Minimized impact of COVID-19 pandemic on financials while protecting jobs and holding up continuous market presence

# New Product Group Structure

Strong combined portfolio

## Infection Control

*„The infection control specialist“*

Instrument reprocessing  
by cleaning and sterilizing

Surface cleaning and disinfection

OPTIM , BioSonic, STATIM, HYDRIM



## Dental Preservation

*„Sustainable preservation from root to crown“*

Materials for restoration

Solutions for endodontic treatments

HyFlex, Micro-Mega, BRILLIANT



## Efficient Treatment

*„Smart & efficient utilities dentists rely on“*

Impression materials

Rotary instruments

Treatment utilities

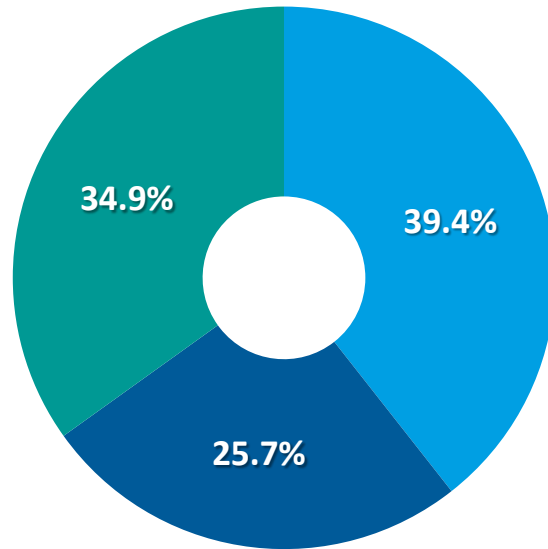
Speedex, AFFINIS, Diatech, Kenda, Roeko, Hygenic



# Net Sales by Product Groups

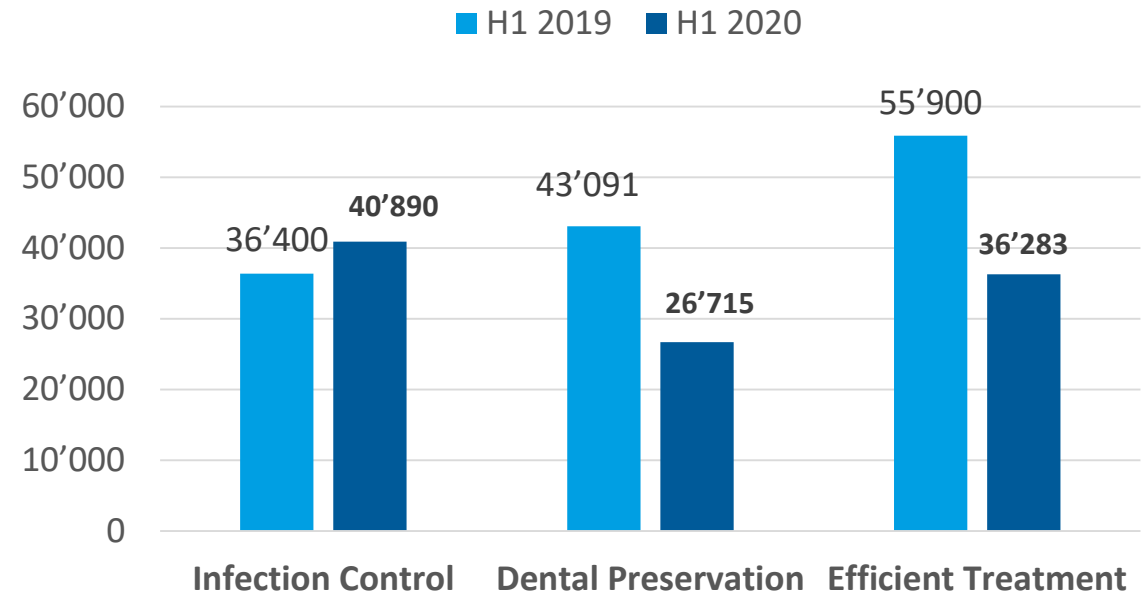
Products in the area Infection Control are in great demand

Net sales H1 2020 by product groups  
(shares)



■ Infection Control ■ Dental Preservation ■ Efficient Treatment

Net sales H1 2020 by product groups (in CHF 1'000)

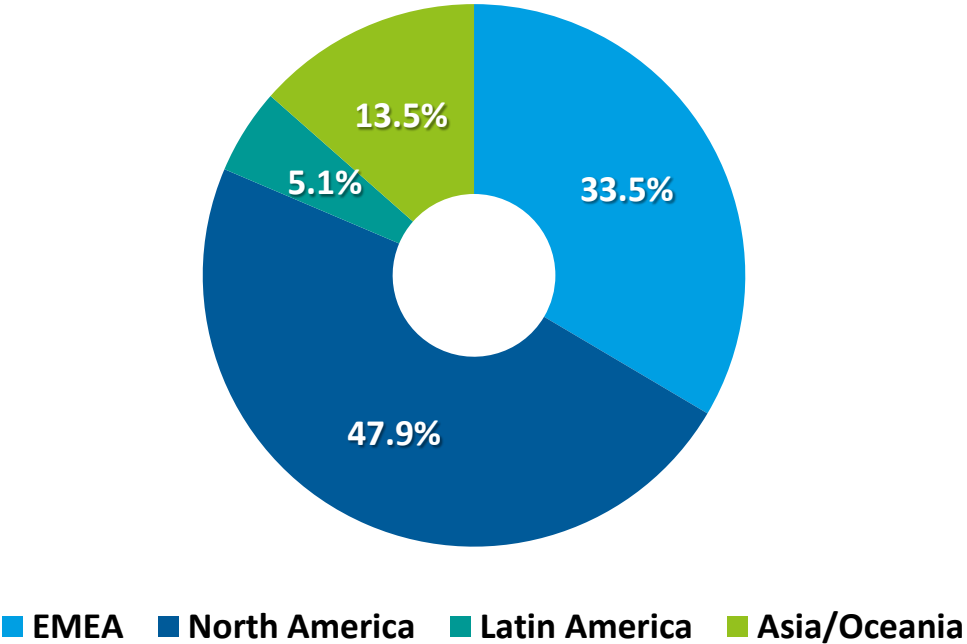




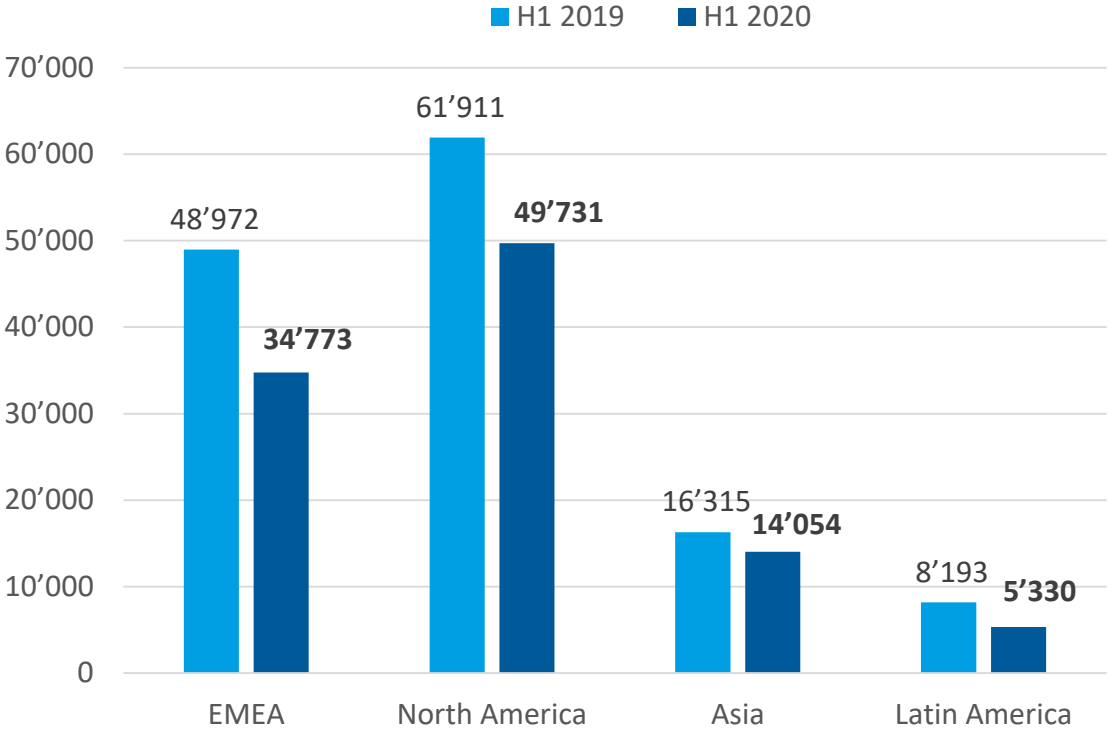
# Net Sales by Region

North America remains largest market

Net sales H1 2020 by regions (shares)



Net sales H1 2020 by regions (in CHF 1'000)



# Financials H1 2020

Gerhard Mahrle, CFO

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



# Financial Summary H1 2020

Strong start into 2020 slowed down by COVID-19

● Sales	Strong sales in Q1 (+4.5% above PY) followed by a sharp drop driven by government-mandated lock down. H1 2020 sales at CHF 103.9 mn (H1 2019: CHF 135.4 mn; -23.3% below PY). Net sales in local currency down by 19.2% Strong Swiss franc reduced sales by CHF 5.5 mn Strong demand for Infection Control products
● EBIT	EBIT with CHF 2.6 mn (H1 2019: CHF 12.8 mn) on positive territory despite heavy sales decline Positive EBIT supported by cost-down measures, short-time work & temporary layoffs EBIT margin at 2.5% (H1 2019: 9.4%)
● Net Profit	Net profit amounted to CHF 0.3 mn (H1 2019: CHF 7.9 mn) Net profit margin of 0.3% (H1 2019: 5.9%)
● Tax Rate	Effective tax rate increased to 80.9% (H1 2019: 26.8%), prudent recognition of DTAs on tax losses
● Cash Flow	Cash flow from operations of CHF 8.3 mn (H1 2019: CHF 8.6 mn) Cash flow from investing activities of CHF -5.2 mn (H1 2019: CHF -7.3 mn) Improved free cash flow of CHF 3.1 mn (H1 2019: CHF 1.3 mn)
● Balance Sheet	Net debt of CHF 42.9 mn (Dec 2019: CHF 36.8 mn). Increase due to dividend payment of CHF 9.0 mn in April Equity ratio declined to 41.1% (Dec 2019: 48.0%)

# Income Statement

COVID-19 hit on the income statement – decline of EBIT margin from 9.4% to 2.5%

in CHF mn	H1 2020	%	H1 2019	%	% YoY
<b>Net Sales</b>	<b>103.9</b>	<b>100.0</b>	<b>135.4</b>	<b>100.0</b>	<b>-23.3%</b>
Material expenses	-35.1	-33.8	-43.1	-31.9	-18.7%
Gross Profit	68.8	66.2	92.2	68.1	-25.4%
Operating expenses	-63.3	-60.9	-76.2	-56.3	-16.9%
Depreciation and amortization	-3.0	-2.9	-3.2	-2.4	-8.2%
<b>EBIT</b>	<b>2.6</b>	<b>2.5</b>	<b>12.8</b>	<b>9.4</b>	<b>-80.0%</b>
Financial result	-1.0	-1.0	-1.9	-1.4	-46.8%
Tax expenses	-1.2	-80.9 <sup>1)</sup>	-2.9	-26.8 <sup>1)</sup>	-57.7%
<b>Net Income</b>	<b>0.3</b>	<b>0.3</b>	<b>7.9</b>	<b>5.9</b>	<b>-96.3%</b>

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

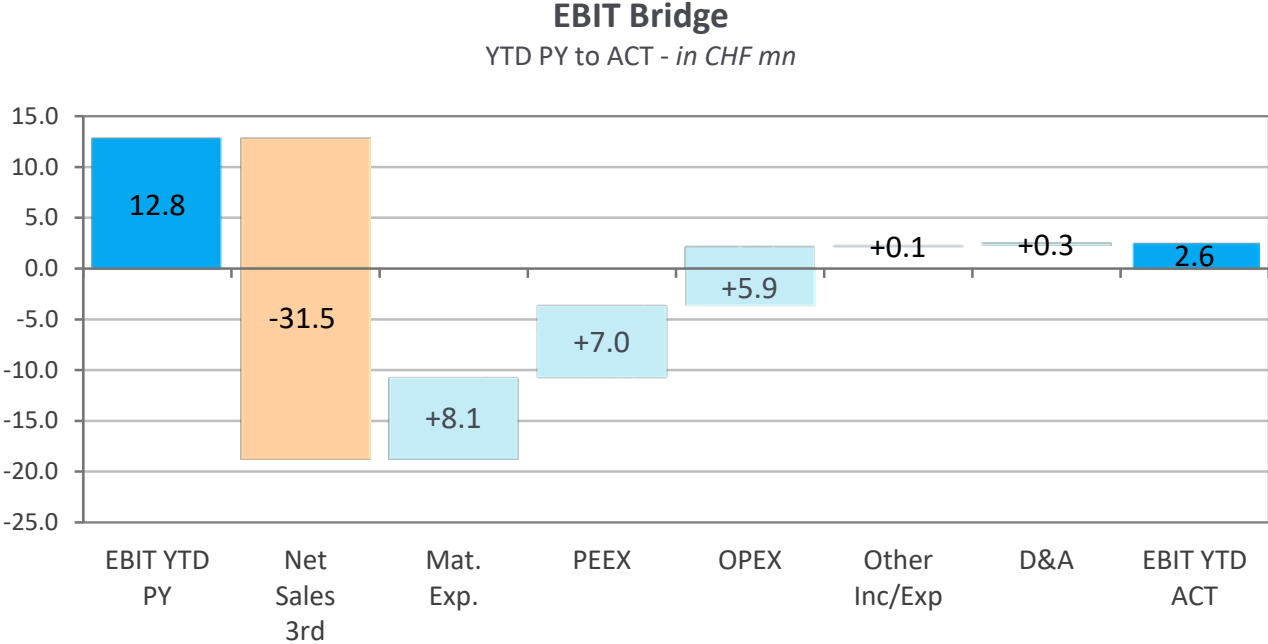
- Net Sales decline mainly driven by Covid-19 impact and strong Swiss franc (negative currency impact on sales CHF 5.5 mn)
- Gross Profit impacted by lower sales volumes and positive FX impact on material purchases
- OPEX reduction through cost-down measures, short-time work & temporary layoffs (incl. short-time work compensation of CHF 2.3 mn)
- Financial result impacted by FX losses in various countries. FX revaluation losses on group loans to Vigodent were recorded directly in equity
- Tax expenses & effective tax rate distorted due to prudent recognition of deferred tax assets on losses incurred



# EBIT Development

In CHF million

Net Sales 3rd decline mainly driven by Covid-19 impact and negative currency impacts



Favorable development of **OPEX** of 5.9 mn driven by reduction of costs for advertising, exhibitions, trade fares, travel & accommodation related to Corona lockdown. Partial offset through increase of allowance for bad debt of 0.6 mn

Favorable **Material Expenses** (Mat. Exp.) impacted by lower sales volumes, positive FX impact, partially offset by increased sales of products with lower margins

**Personnel Expenses** (PEEX) declined by 7.0 mn largely due to realized savings through downsizing, hiring freeze and compensations received from governments (CHF 2.3 mn short-time work compensation)

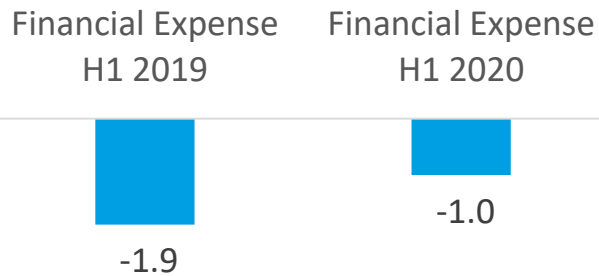
# Net Profit

In CHF million

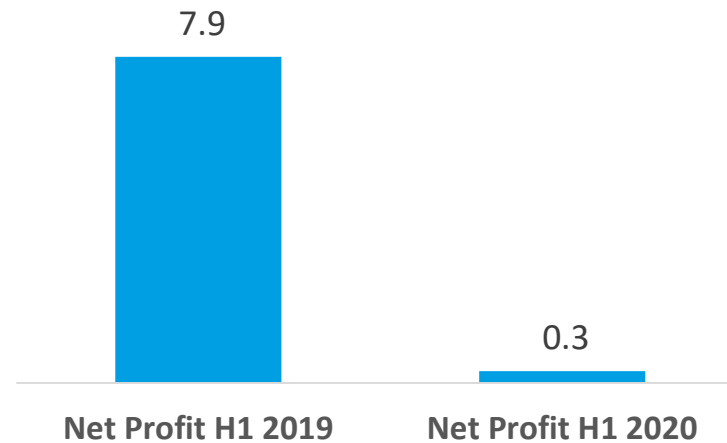
➤ **Overall decrease in financial expenses:**

- FX losses in various countries partially compensated by FX gains in Canada
- FX revaluation losses on group loans were recorded directly in equity (P&L credit)
- Slight decline in interest expenses

## Financial Expenses in CHF mn



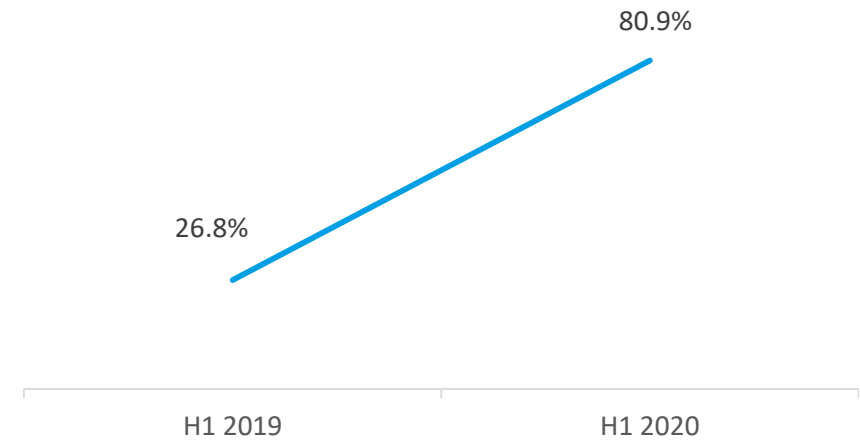
## Net Profit in CHF mn



➤ **Tax rate increase:**

- Effective tax rate increased from 26.8% to 80.9%, driven by prudent recognition of deferred tax assets on losses incurred
- Expected medium-term tax rate approximately 25%

## Tax rate in % of net profit before taxes



# Balance Sheet

Ensuring adequate liquidity and a healthy balance sheet

in CHF million	31.12.19	30.06.20	% YoY
Cash & cash equivalents	23.0	36.2	57.5%
Receivables	56.2	37.3	-33.5%
Inventory	59.2	64.5	9.0%
Property, plant & equipment	47.5	48.1	1.4%
Financial, intangible & tax assets	4.0	4.4	9.1%
<b>Total assets</b>	<b>189.8</b>	<b>190.5</b>	<b>0.4%</b>
Payables & short term liabilities	33.9	28.8	-15.2%
Bank loans (short and long term)	59.8	79.1	32.2%
Other long term liabilities	4.9	4.4	-9.8%
Equity	91.2	78.3	-14.2%
<b>Total liabilities &amp; equity</b>	<b>189.8</b>	<b>190.5</b>	<b>0.4%</b>
<b>Net debt</b>	<b>36.8</b>	<b>42.9</b>	<b>16.5%</b>

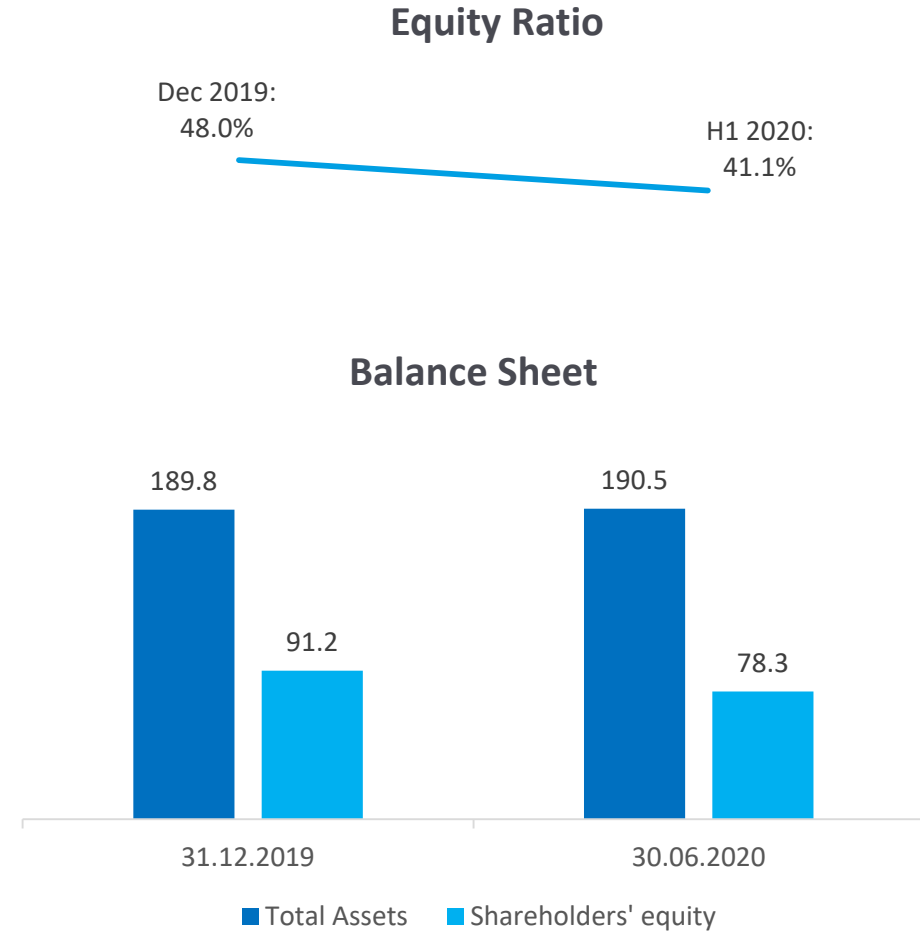
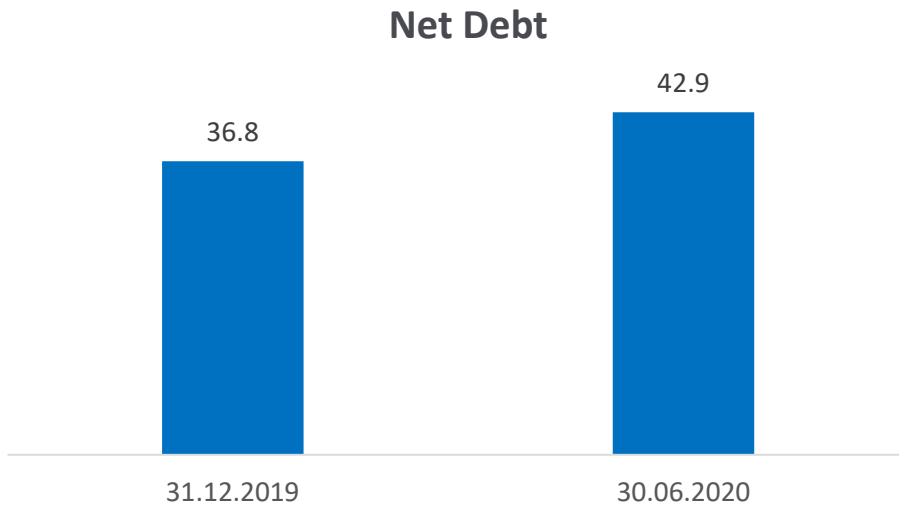
- Increased cash level by drawing credit facilities to ensure adequate liquidity at all times
- General decrease of working capital due to decline in sales. Partial offset through higher inventory levels (safety stock & lower sales). Bad debt allowances increased by CHF 0.6 mn
- Increase in net debt mainly attributable to dividend distribution to shareholders
- Decrease in equity mainly due to dividend distribution and the recognition of FX losses on group loans to Vigodent
- Decrease of equity ratio from 48.0% (Dec 2019) to 41.1%

# Equity

Decline of equity ratio mainly through dividend distribution and currency effects

In CHF million

- Total assets slightly increased despite slow-down of business
- Equity ratio: 41.1% (Dec 2019: 48.0%)
- Net debt: CHF 42.9 mn (Dec 2019: CHF 36.8 mn)





# Cash Flow Statement

Stable operating cash flow and positive free cash flow

in CHF million	H1 2019	H1 2020	% YoY
<b>Net profit</b>	<b>7.9</b>	<b>0.3</b>	<b>-96.3%</b>
Depreciation and amortization	3.2	3.0	
Other non cash items	4.1	3.2	
Changes in NWC	-1.2	3.6	
Interest and tax paid/received	-5.5	-1.7	
<b>Cash flow from operating activities</b>	<b>8.6</b>	<b>8.3</b>	<b>-3.2%</b>
Purchase of PPE (net)	-7.1	-4.1	
Purchase of int & finan. assets (net)	-0.1	-0.6	
Acquisition of a business	0.0	-0.5	
<b>Cash flow from investing activities</b>	<b>-7.3</b>	<b>-5.2</b>	<b>-28.0%</b>
<b>Cash flow from financing activities</b>	<b>-1.7</b>	<b>10.6</b>	<b>-737.1%</b>
Change in cash and cash equivalents	-0.4	13.2	
<b>Free cash flow</b>	<b>1.3</b>	<b>3.1</b>	<b>134.1%</b>

- Stable operating cash flow despite slow-down of business. This was mainly due to decrease in working capital and lower taxes paid
- Free cash flow increased due to reduced investing activities. PY was impacted by investments in new production and office building at COLTENE's headquarter in Altstaetten (completed in spring 2019)
- Increase in cash flow from financing activities to ensure adequate liquidity
- Acquisition of a business: purchase of the Adaco separating strips business from Ackermann KG (asset deal) in Germany

# Outlook

Gerhard Mahrle, CFO



# What can we expect in 2020?

## Impact by and recovery from COVID-19

⦿ <b>Impact</b>	<p>Q1 strong and positive start into the current year</p> <p>Q2 high impact from government's closing of dental practices in many key countries; upside from Infection Control</p> <p><i>Q3 hope to return gradually to normality</i></p> <p><i>Q4 new normal is expected at 80% to 90% of earlier volumes; further positive development of Infection Control sales</i></p>
⦿ <b>Expected Result</b>	<p>Sales below 2019</p> <p>Positive EBIT supported by cost-down measures</p> <p>Positive operating cash flow</p> <p>Positive net profit</p>
⦿ <b>Main Focus</b>	<p>Digital marketing</p> <p>Streamline product portfolio and investments in main products and key markets</p> <p>Further build on Infection Control business</p>
⦿ <b>Conclusion</b>	<p>Solid balance sheet was and is assuring the business development of COLTENE</p> <p>Immediate and clear reactions instantly proved their worth</p> <p>Strategic focus on Infection Control</p> <p>Mid-term Guidance confirmed; growth after COVID-19 above market level thanks to innovative products and focus on Infection Control; 15% EBIT margin thanks to product range focus, innovations and already made investments in production plant and equipment</p>

# Milestones 2020 and Summary

## COVID-19 impact mitigated

Immediate reactions in protecting employees and business as well as cost adjustments were appropriate

Strategic focus on Infection Control and the acquisitions of SciCan and Micro-Mega proven right

Adjust business to new normal with investments in customer relations, product innovation, regulatory requirements, and manufacturing efficiency



August 7, 2020

March 5, 2021



**Annual Report 2020**  
**Media and analysts conference**  
on financial year 2020



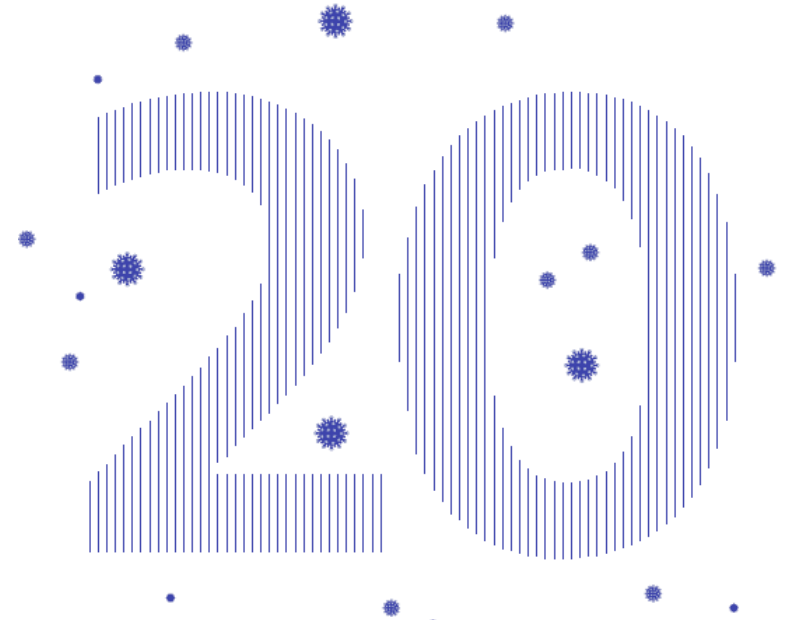
March 31, 2021

Reporting of **Half-Year Results 2020**

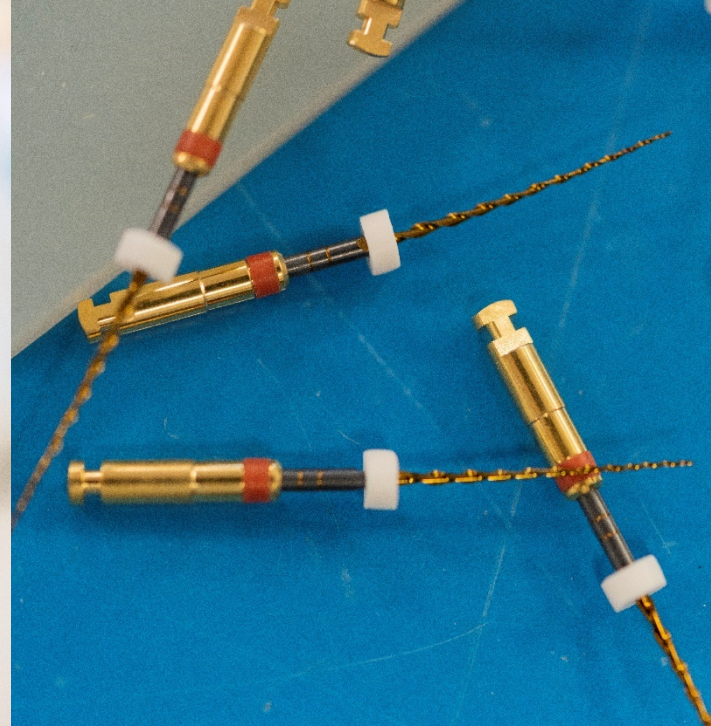
Annual **General Meeting**

# Infection Control

Q&A







# Annex

# Post Merger COLTENE

## COLTENE – at a glance

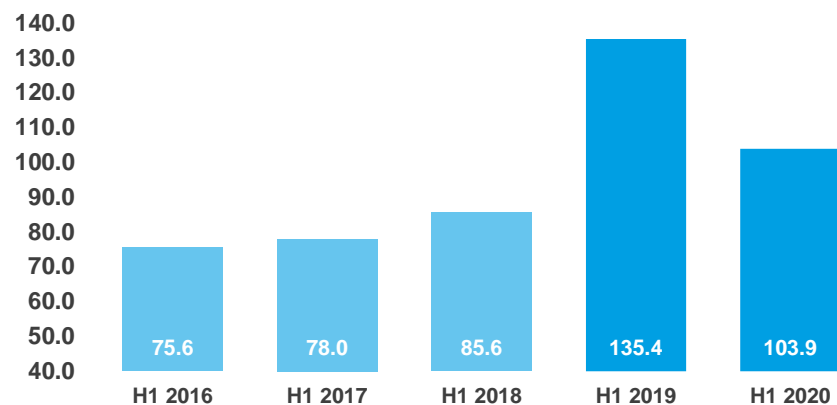
- **COLTENE** develops, manufactures and markets **premium dental materials and small equipment** for dental practices
- **6** legal manufacturing **sites**
- **MedTech** products of **class 1, 2a, 2b, 3**
- **14 sales entities** supported by over **300 sales reps**
- **3 product areas**
  - Infection Control
  - Dental Preservation
  - Efficient Treatment
- **1 400 employees**
- **Market Cap** approx. **CHF 460 mn**, listed at SIX stock exchange in Zurich, Switzerland

# 5-Year Financial Overview

Key Figures in H1 (2016 - 2017: IFRS / 2018 - 2020: Swiss GAAP FER)

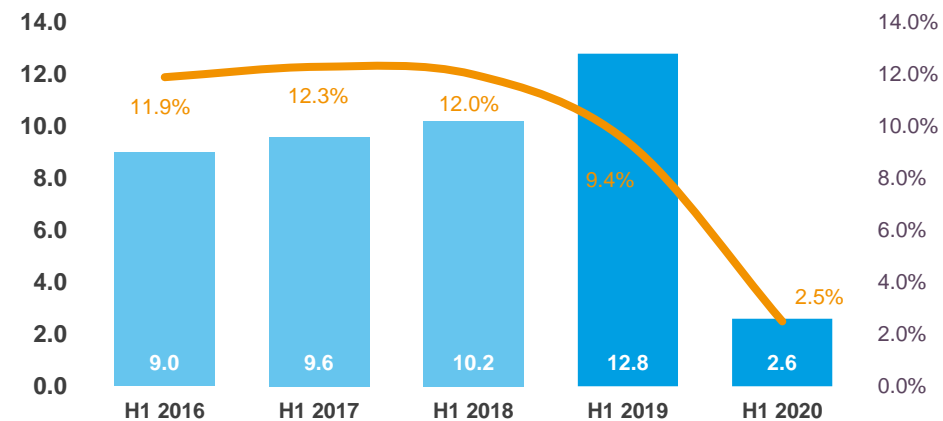
in CHF million

Net Sales



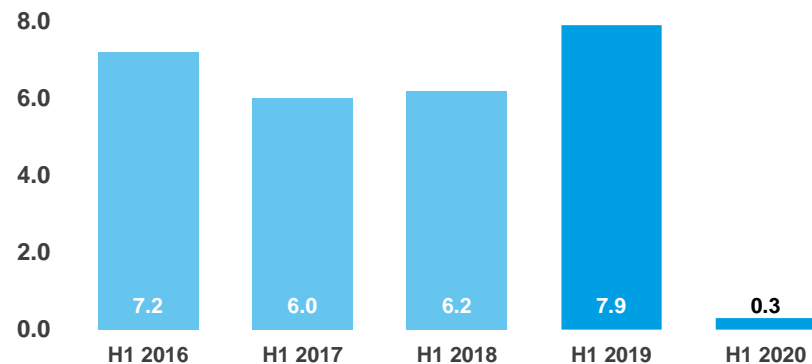
in CHF million

EBIT EBIT Margin in %



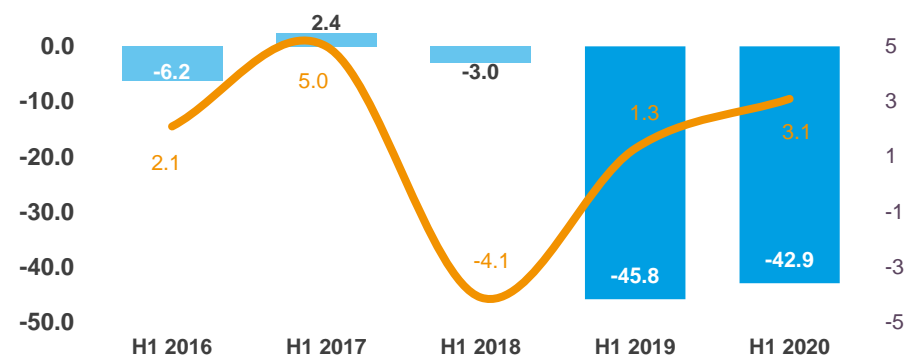
in CHF million

Net Profit



in CHF million

Net debt/net cash Free cash flow





# The 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



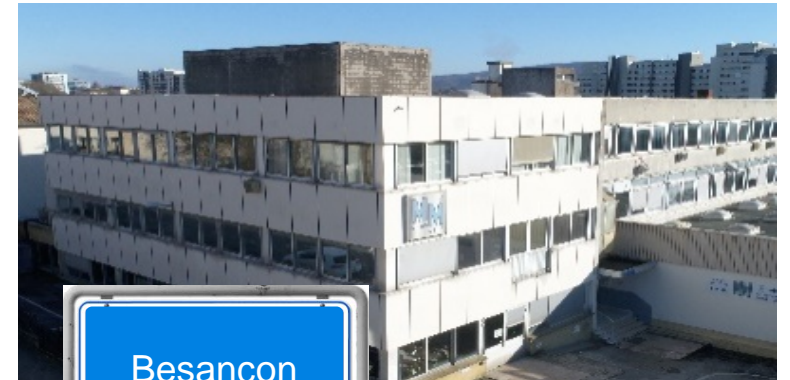
Langenau  
Germany



Cuyahoga-Falls  
USA



Rio de Janeiro  
Brazil



Besançon  
France

# 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



# Dental Industry

## Mega trends



# Thank You!



**COLTENE Holding AG**

Gerhard Mahrle, CFO

Feldwiesenstrasse 20  
9450 Altstätten

Switzerland

+41 71 757 53 80

[investor@coltene.com](mailto:investor@coltene.com)