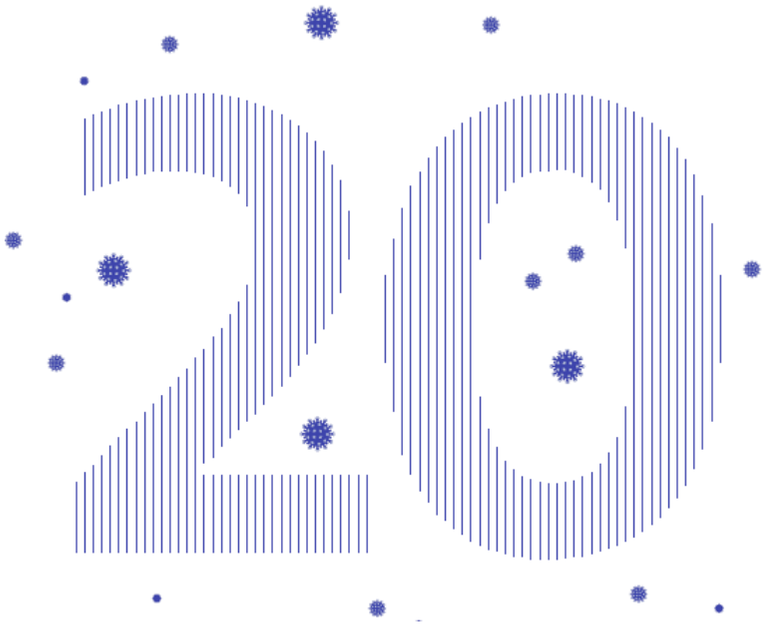
Infection Control



Investora 2020

Gerhard Mahrle, CFO

COLTENE

Zürich - September 23, 2020

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 – Presentation at Investora 2020

- Company Portrait
- COVID-19 Impact
- Response to COVID-19 pandemic
- Strategy and Outlook
- Q & A

Company Portrait

COLTENE

COLTENE at a glance

Dental supplier in niche markets

- **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
- **1 300 employees**
- **Market Cap** approx. **CHF 440 mn**, listed at SIX stock exchange in Zurich, Switzerland

Comprehensive product portfolio for dental treatments

Dentists around the world rely on COLTENE products

Infection Control

„The infection control specialist“

Instrument reprocessing by cleaning and sterilizing

Surface cleaning and disinfection

OPTIM, STATIM, HYDRIM, BRAVO

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

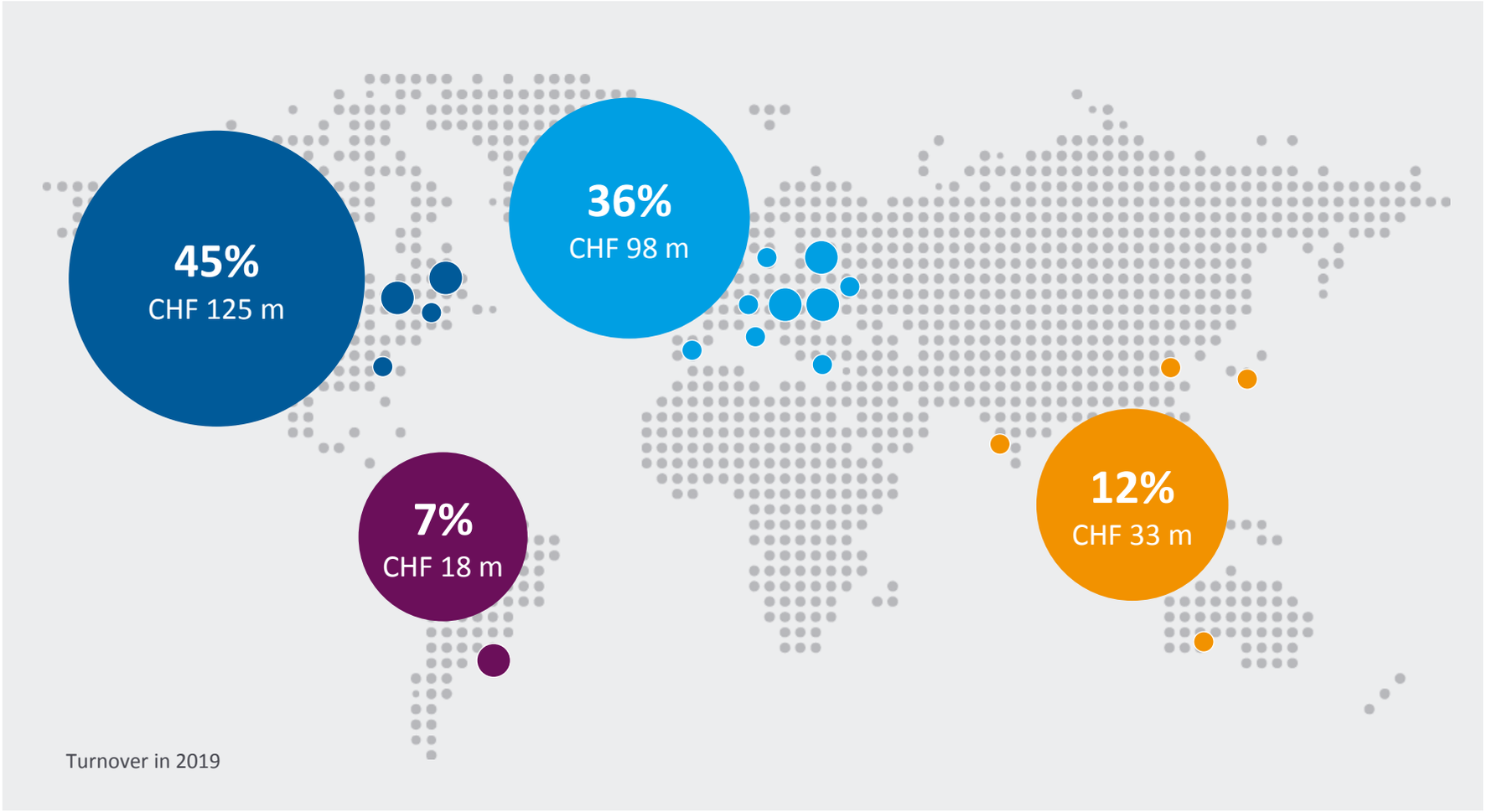
Treatment utilities

Speedex, AFFINIS, Diatech, Kenda, Roeko, Hygenic

COLTENE

COLTENE has a true global setup

Own sales force all around the world



North America

Group companies	4
Production sites	2
Workforce (FTE)	620

Latin America

Group companies	1
Production sites	1
Workforce (FTE)	120

Europe EMEA

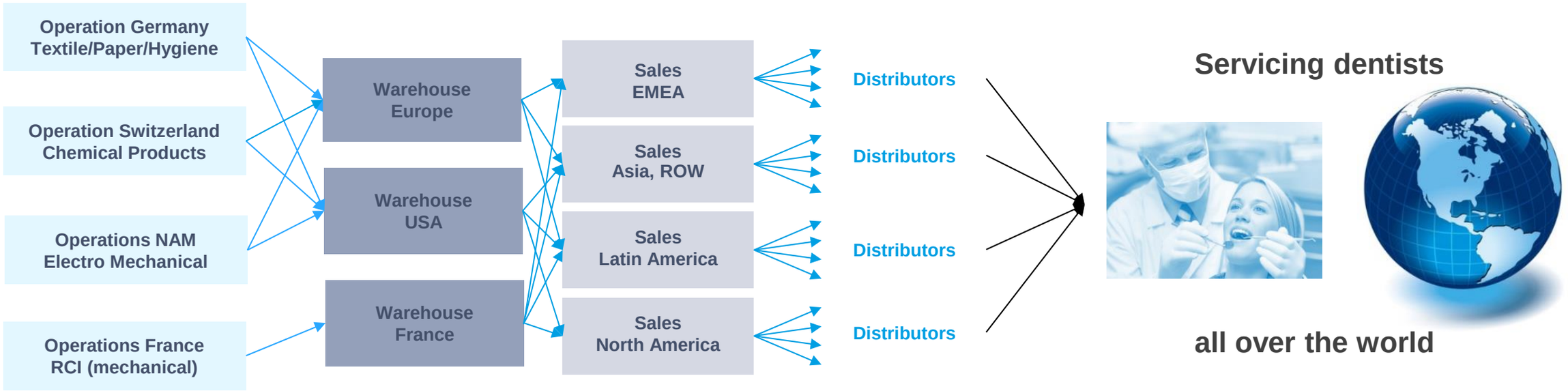
Group companies	20
Production sites	3
Workforce (FTE)	570

Asia Pacific

Group companies	4
Production sites	0
Workforce (FTE)	90

COLTENE products are available around the world

Business model



- **All COLTENE products are available for shipment from each warehouse**
- **In India and China, the COLTENE Group has own sales entities in order to service these markets adequately**

COLTENE production and R&D locations

Specialized state-of-the-art production facilities

Toronto Canada | Infection Control

Altstätten Switzerland | Dental Preservation Efficient Treatment

Langenau Germany | Dental Preservation Efficient Treatment

Cuyahoga Falls/OH USA | Infection Control Efficient Treatment

Rio de Janeiro Brazil | Dental Preservation Efficient Treatment

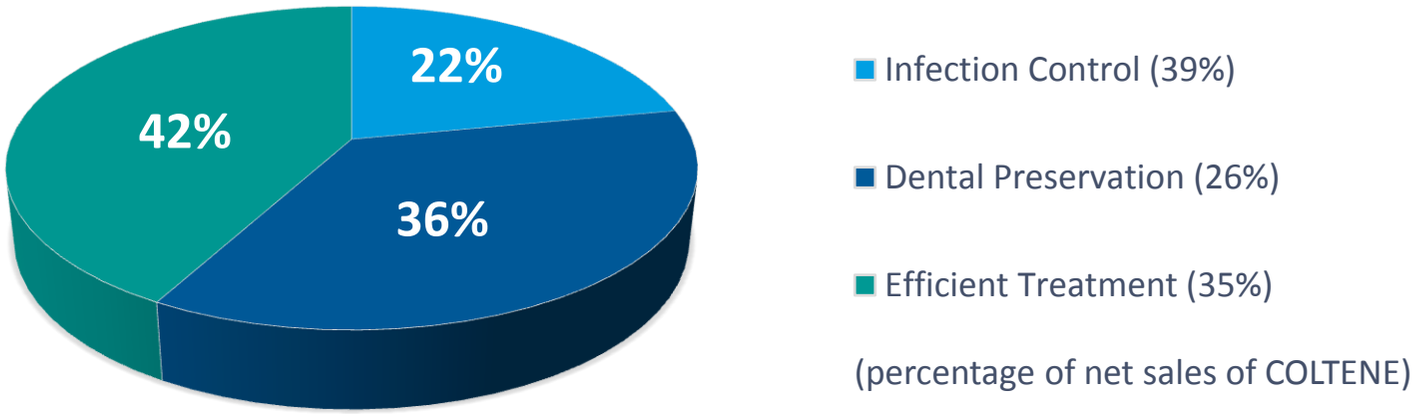
Besançon France | Dental Preservation

Adressable market

Dental consumables and small equipment

Relevant market size in 2020: ~ CHF 5.8 billion

Relevant market size by segment in %



(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.

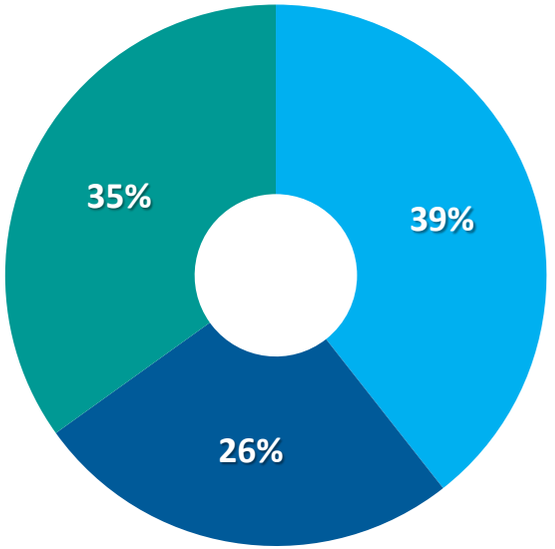
COVID-19 Impact

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

Net sales by product groups

Products in the area Infection Control are in great demand

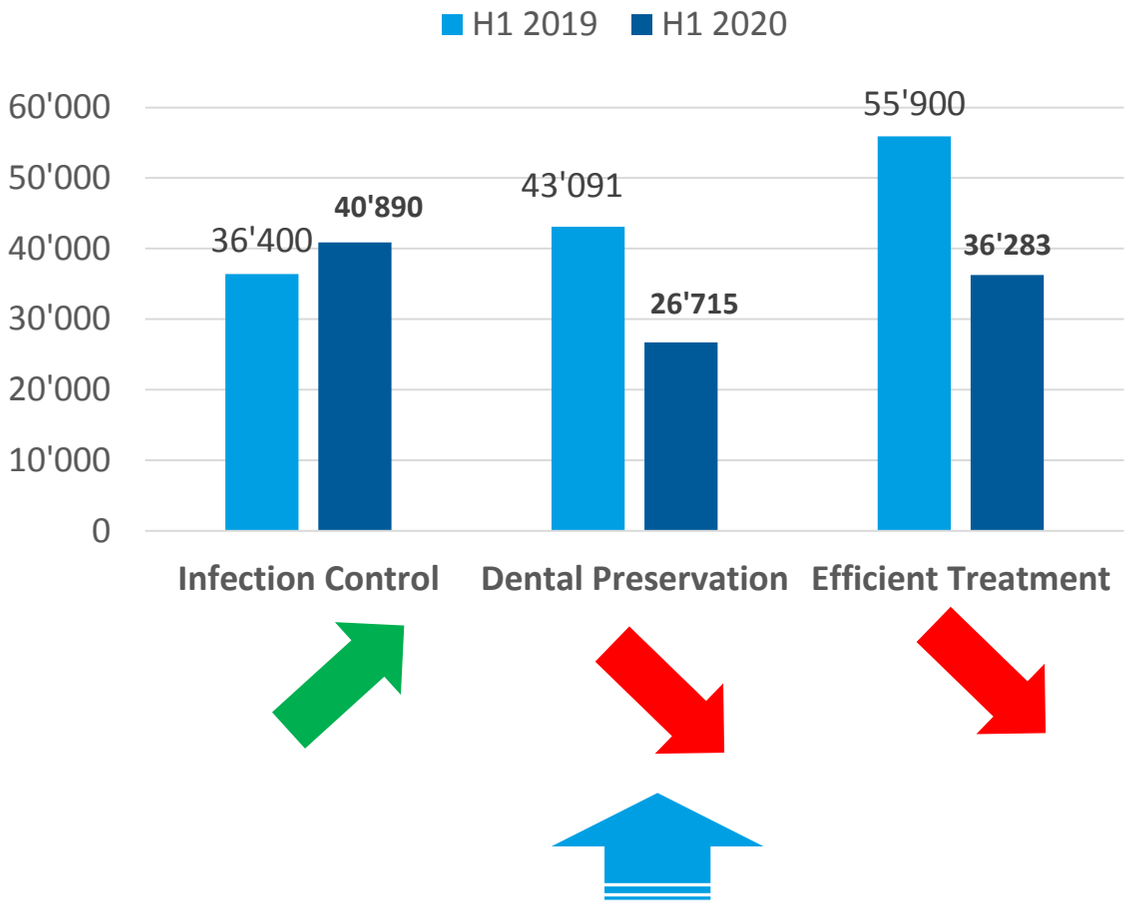
Net sales H1 2020 by product groups (shares)



Infection Control Dental Preservation Efficient Treatment

80% dental consumables and 20% equipment

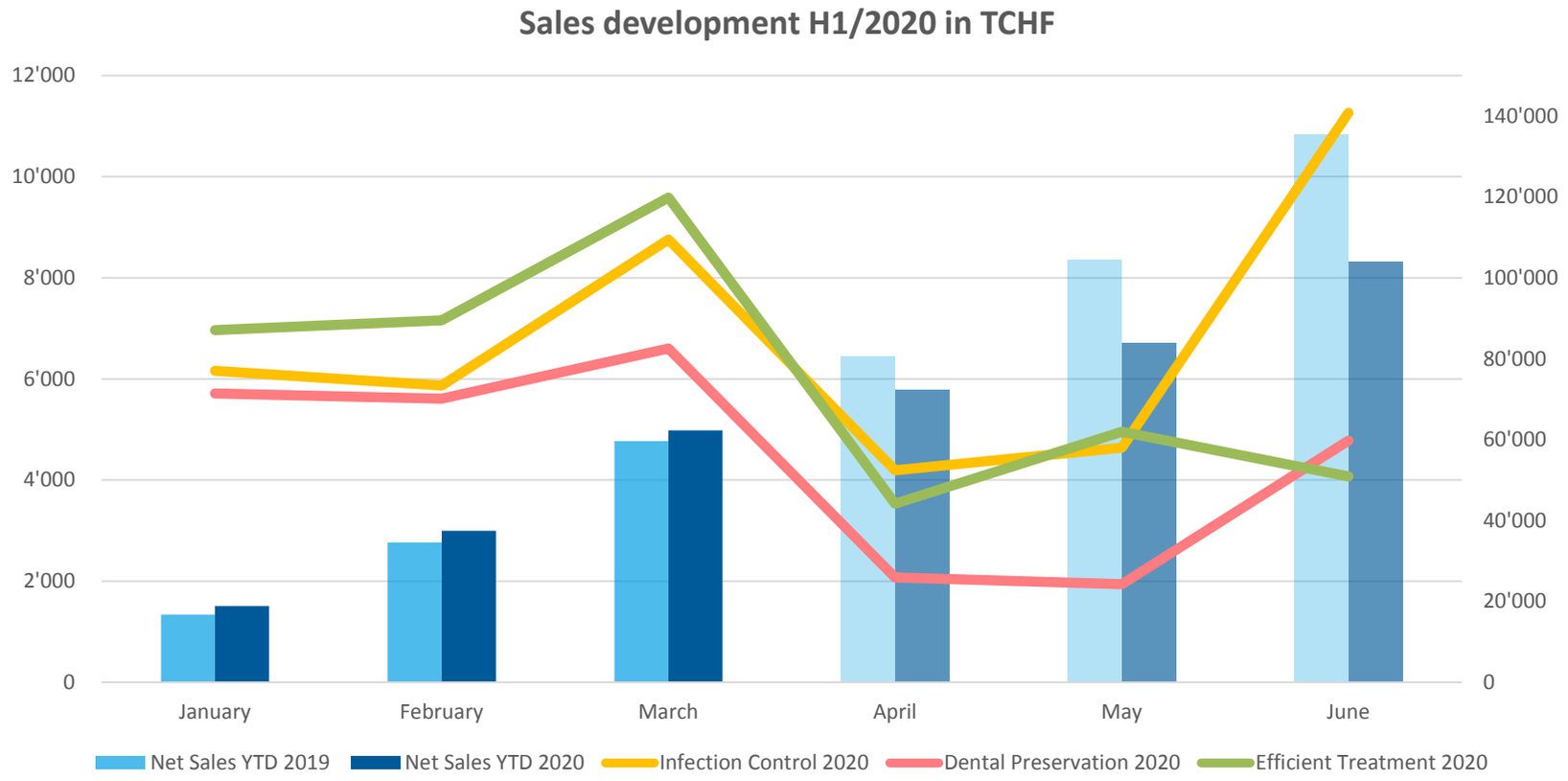
Net sales H1 2020 by product groups (in CHF 1'000)



COVID-19 impact

Net sales by product groups

Outstanding development in Q1 was heavily impacted by the COVID-19 pandemic



Sales up in Q1 by 9.2% in LC (negative FX impact 4.9%)

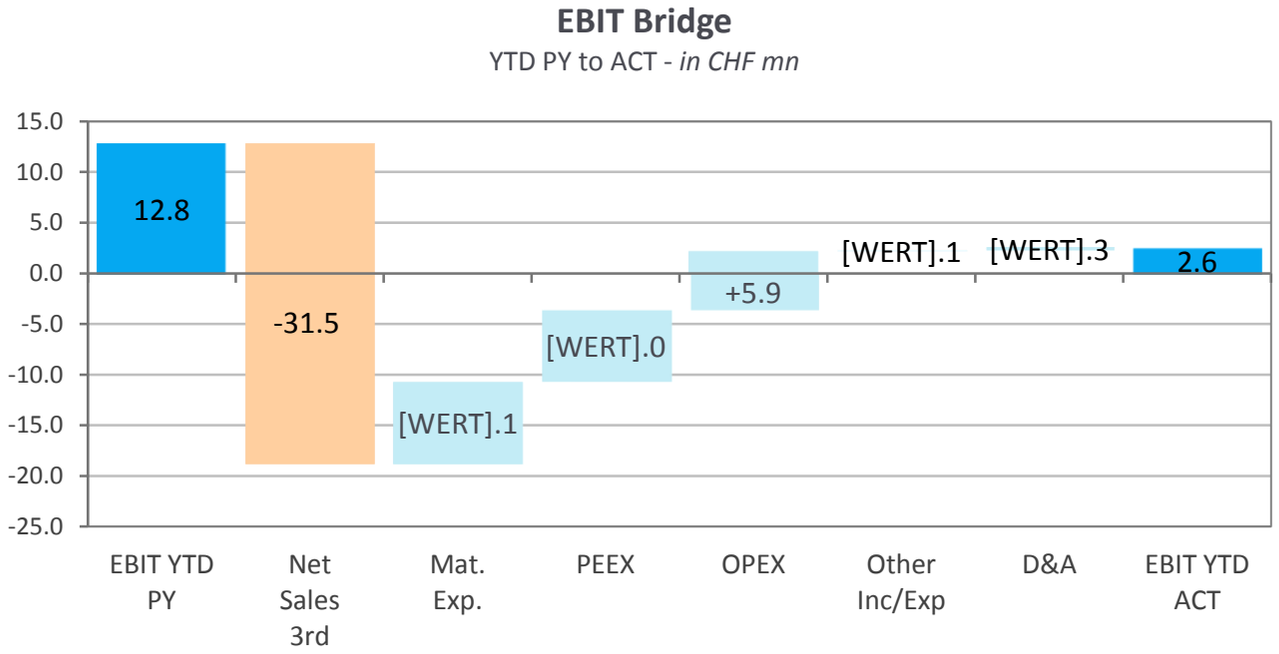
Sales down in H1 by 19.2% in LC (negative FX impact 4.1%)

COVID-19 and a very strong CHF are heavily impacting COLTENE's turnover in H1/2020!

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)

Response to COVID-19 pandemic

COLTENE

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

Response to COVID-19 pandemic

A comprehensive set of measures

Financials	Net sales CHF 103.9 mn; -19.2% in local currencies compared to H1 2019, -23.3% in reporting currency Swiss francs EBIT margin stood at 2.5% (H1 2019: 9.4%), EBIT remained positive despite sharp fall due to COVID-19 pandemic Net profit amounted to CHF 0.3 mn (H1 2019: CHF 7.9 mn) Positive Free Cash Flow of CHF 3.1 Mio. (H1 2019: CHF 1.3 mn)
COVID-19 Response	Immediate and thorough action to significantly reduce costs; 55% of gross margin loss compensated Focus on liquidity and profitability while protecting jobs and safeguarding employees Short-time work in Europe and furlough in NAM; employment freeze; BOD and Group Executive Management reduced renumeration by 10%; CAPEX freezing and concentration of needs only Contact with end customers kept up over new webinar series
Operational	Strong first quarter; sales plummeted in April due to full or partial closing of most dental practices in core markets China first in – first out with recovery from early May; other core markets with similar pattern of recovery Integration of SciCan and Micro-Mega as planned, Infection Control product range with continuous high demand Integration of Kenda accelerated, production integration to headquarter in Altstätten completed North America remains largest and most important sales region
Products	Fine tuning of product portfolio, accelerated consolidation of product range - Infection Control: all surface disinfectants now marketed under OPTIM, product pipeline focus on digitalization in infection control equipment and related services - Dental Dam range will be extended with new products that make them easier to use

Infection Control

The measures in detail

Employees

- Temporary positions eliminated, but all regular staff kept on payroll
- Short-time work in Europe, partial furlough in the US
- Hiring freeze is in place Group-wide until sales volumes return to 90% of prior-year levels
- Meetings and gatherings held online while pandemic restrictions were in force
- Assured minimal distance between work spaces, disinfection protocols

Cost Reductions

- 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
- Non-priority investments stopped or postponed
- Operating expenses declined by 17% year-on-year
- Compensation of 55% of gross margin loss by reduction of operating expenses

Product Portfolio

- Biosonic Wipes integrated into the OPTIM range to add alcohol-based products to the offering
- Non-strategic and some marginal products discontinued with regard to MDR and future efficiency (economies of scale)
- Accelerated development for digital features added to the cleaning and sterilization equipment
- Enlargement of Dental Dam products offering

Marketing & Sales

- Marketing expenses were reduced while innovative online formats were developed
- New global webinars and product training modules drew great interest and several hundred participants in some cases
- Review of sales targets with partners
- Use digital channels for small and remote markets

Integration

- Manufacturing of Kenda polishers moved from Vaduz to Altstätten; staff joined the parent company's workforce
- Integration of Micro-Mega into group wide SAP environment
- 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

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

Strategy and Outlook

Gerhard Mahrle, CFO

Dental industry

Mega trends

Increasing requirements
regarding quality management and regulatory affairs (MDR)

Globalization and **e-commerce**
in distribution

Digitalization in

- the dental processes
- our business processes
- logistics, distribution, internet sales

Negative trend in volume due to **better oral health** in developed countries

Consolidation
in manufacturing

Increasing share of **women** in dental professions

More group practices
respectively chain practices in dental service (DSO)

Emerging markets grow
thanks to growth of population and income

Aging population and higher demand of **aesthetics dentistry**

What can we expect in 2020?

Impact by and recovery from COVID-19

Impact	Q1 strong and positive start into the current year Q2 high impact from government's closing of dental practices in many key countries; upside from Infection Control *Q3 hope to return gradually to normality* *Q4 new normal is expected at 80% to 90% of earlier volumes; further positive development of Infection Control sales*
Expected Result	Sales below 2019 Positive EBIT supported by cost-down measures Positive operating cash flow Net profit
Main Focus	Digital marketing Streamline product portfolio and investments in main products and key markets Further build on Infection Control business Cost control
Conclusion	Solid balance sheet is assuring the business development of COLTENE Immediate and clear reactions instantly proved their worth Strategic focus on Infection Control 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

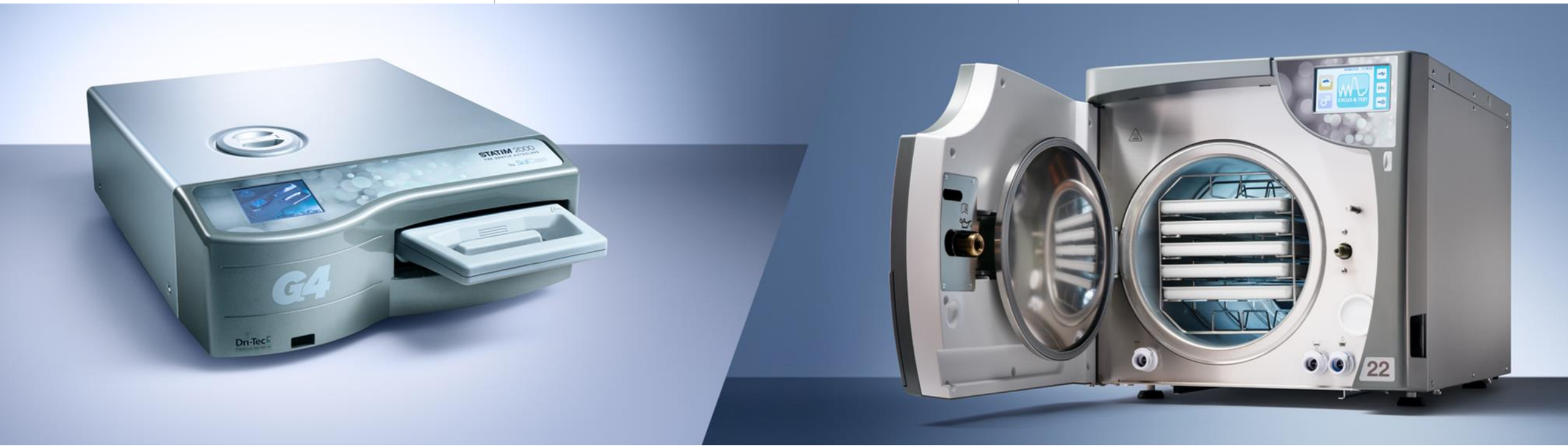
Milestones 2020 and summary

COVID-19 impact mitigated

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

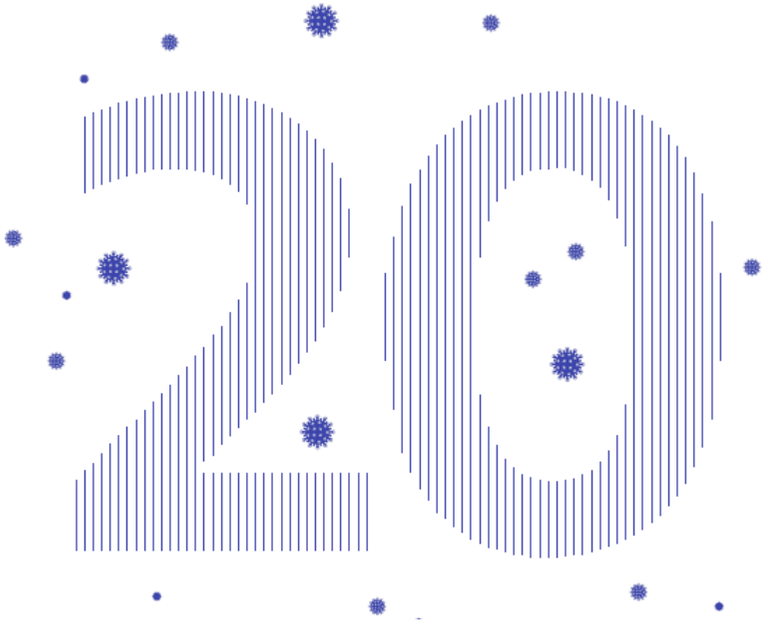
Strategic focus on Infection Control and the acquisitions of SciCan and Micro-Mega proven right

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



Infection Control

Q&A



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Thank you!

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