

Full Year Results 2017
Media and Financial Analysts Conference

Upgrade Dentistry

Martin Schaufelberger – CEO COLTENE Holding AG
Gerhard Mahrle – CFO COLTENE Holding AG

Zurich - March 6, 2018

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.

COLTENE Annual Reporting 2017

Highlights 2017

Martin Schaufelberger CEO

Financials 2017

Gerhard Mahrle CFO

Upgrade Dentistry

Martin Schaufelberger CEO

Outlook & Priorities

Martin Schaufelberger CEO



COLTENE – At a Glance



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



Global setup: R&D and operations in Europe, North America 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 during the 2017 fiscal year, both in Swiss francs and in local currency.

Net Sales



Net Profit



Higher Sales, EBIT and Net Profit

SALES

Growth at faster pace than underlying market

Pleasing growth in all four major regions in Swiss francs and local currencies (LC) headed by India, China and Brazil

Rotary Instruments delivered the highest growth rate

FINANCIALS

Net sales of CHF 168.0 million in 2017; +4.6% compared to 2016

EBIT margin passed the 15% target with a margin of 15.2% (2016: 14.5%)

Net profit grew by 10.4% to CHF 19.1 million (2016: CHF 17.3 million)

OPERATIONS

2 strategic acquisitions: Diatech and KENDA

Ongoing optimization and efficiency gains

Strong commitment to Switzerland as head quarter and manufacturing location

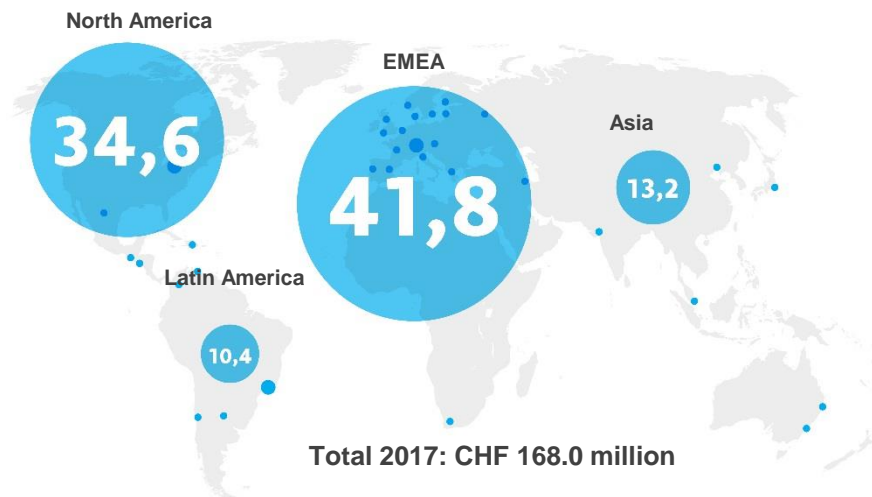
PRODUCTS

Launch of BioSonic UC150 and BRILLIANT EverGlow Flow

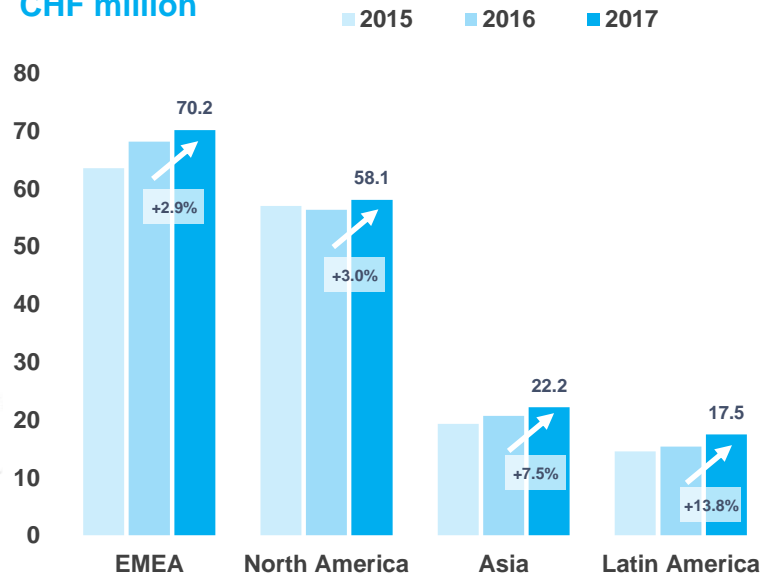
R&D focus on digital dental treatment methods

Growth on Every Continent

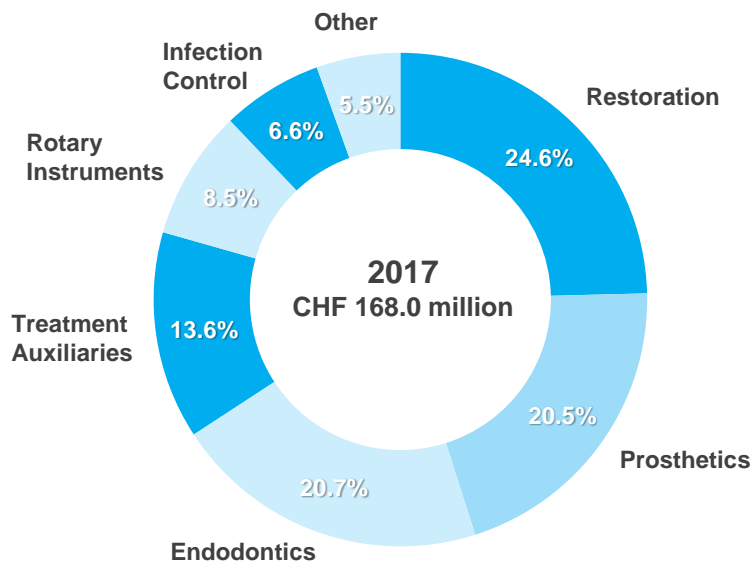
Net Sales in %



Net Sales in
CHF million

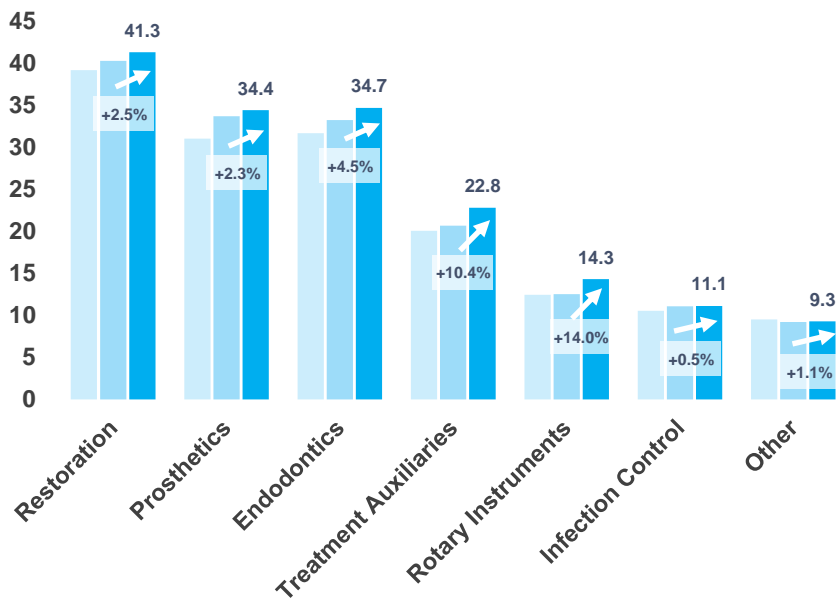


Restoration Strongest, Rotary with Highest Growth



Net Sales in
CHF million

2015 2016 2017



Digitalization Opens up New Opportunities

MARKETS

EMEA: Pleasant growth in Southern Europe, France, Benelux countries and Switzerland

Asia: Continued dynamic growth in India and China

North America: Sales grew in line with underlying markets

Latin America: Pleasing top and bottom line performance in Brazil

CURRENCIES

Slight depreciation of USD to CHF

Supporting appreciation of EUR to CHF

Stronger BRL to CHF compared to 2016

TRENDS

Ongoing concentration among distributors

Digital technologies disrupting supply chains and revolutionizing dental treatments

Growing importance of emerging markets

Increasing Operational Efficiency

STRATEGY

Ongoing implementation of strategic goals 2016-2018 focusing on Sales & Marketing activities, Innovation management and Partnerships

Continued extension of sales force, plus 15 sales reps

2 strategic acquisitions, extension of Rotary Instruments segment

ORGANIZATION

Deepened customer relationships at IDS and European key opinion leader seminar

Intensified training courses and new research alliances

Astrid Waser elected as new member of the Board of Directors by the AGM in 2017

OPERATIONAL EFFICIENCY

On-going optimizations and efficiency gains

Continued automatization and digitalization

Positive effects from modern Customer Relationship Management (CRM) and Product Information Management (PIM) systems

Financials 2017

Gerhard Mahrle CFO



Sales and Profit Increase - Solid Balance Sheet

SALES

Net sales of CHF 168.0 million; +4.6% compared to 2016; +2.6% organic growth in LC

Asia and Latin America with high one digit growth in LC; North America in line with markets, EMEA slightly below expectations

Brazil compensating weaker other Latin American markets

FINANCIALS

EBIT margin climbed to 15.2% and passed 15% mid term target

Net profit grew by 10.4% to CHF 19.1 million (2016: CHF 17.3 million)

Slightly lower free cash flow of CHF 16.0 million (2016: CHF 17.1 million)

-> acquisition of Diatech

High equity ratio of 72.7%; net cash position of CHF 13.8 million

Accounting

Switch to Swiss GAAP FER

Substantial Increase in Profitability

in CHF million	2017	%	2016	%	% YoY
Net Sales	168.0	100.00%	160.7	100.00%	4.6%
Material expenses*	-46.3	-27.6%	-44.3	-27.5%	4.6%
Gross Profit	121.7	72.4%	116.4	72.5%	4.5%
Operating expenses	-90.5	-53.9%	-87.5	-54.5%	3.4%
Depreciation and amortization	-5.7	-3.4%	-5.6	-3.5%	1.9%
EBIT	25.5	15.2%	23.3	14.5%	9.3%
Financial result	-1.0	-0.6%	0.1	0.1%	n.a.
Tax expenses	-5.5	-3.2%	-6.2	-3.8%	-11.7%
Profit for the period	19.1	11.3%	17.3	10.7%	10.4%

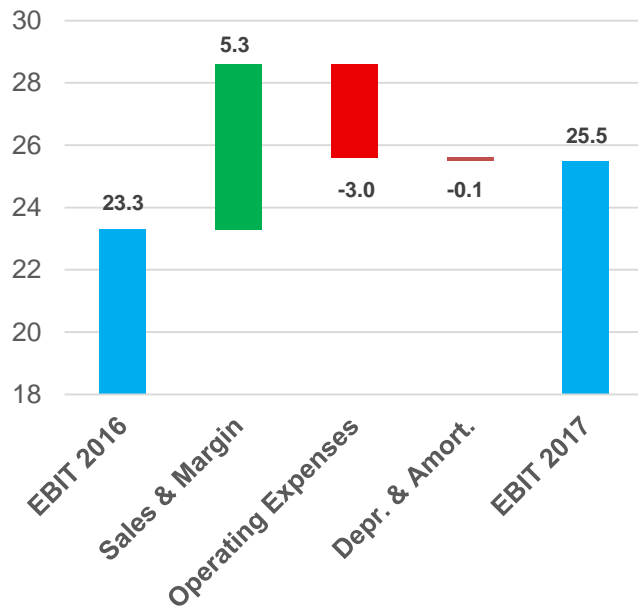
Comments

- Net sales growth of 4.6%
- Positive FX impact of CHF 1.7 million or 1.1% on net sales
- 2.6% organic growth in local currencies
- Diatech contributed CHF 1.8 million
- OPEX increase: 2/3 due to planned increase of personnel expenses
- Negative financial result driven by currency losses on IC loans
- Tax rate decreased from 26.3% to 22.2% mainly due to the reduction of the income tax rate in the US (lower DTL)

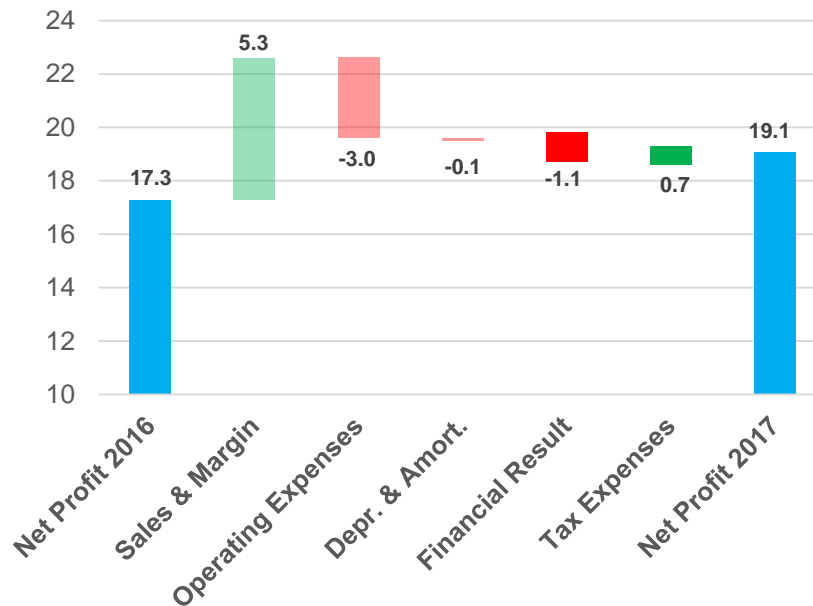
* Raw materials used, changes in inventory and work performed capitalized

Positive Development of EBIT and Net Profit

in CHF million



in CHF million



Solid Balance Sheet and High Equity Ratio

in CHF million	31.12.17	31.12.16	YoY
Cash & cash equivalents	22.0	21.6	0.5
Receivables	40.5	36.0	4.5
Inventory	31.6	30.8	0.7
Property, plant & equipment	28.4	30.0	-1.5
Financial, intangible & tax assets	44.8	42.0	2.8
Total assets	167.3	160.4	6.9
	31.12.17	31.12.16	YoY
Payables & short term liabilities	23.1	18.6	4.5
Bank loans	8.3	12.9	-4.6
Other long term liabilities	14.3	16.7	-2.4
Equity	121.7	112.3	9.5
Total liabilities & equity	167.3	160.4	6.9
Net cash	13.8	8.6	5.1

Comments

- Balance sheet total increased by CHF 6.9 million or 4.3% (increase of NWC)
- High cash balance of CHF 22.0 million and net cash position of CHF 13.8 million
- Increase of intangible assets on account of the acquisition of Diatech and positive currency effects
- Reduction of bank loans by CHF 4.6 million
- Reduction of US income tax rate leads to a reduction of DTL
- Equity ratio increased from 70.0% to 72.7%.

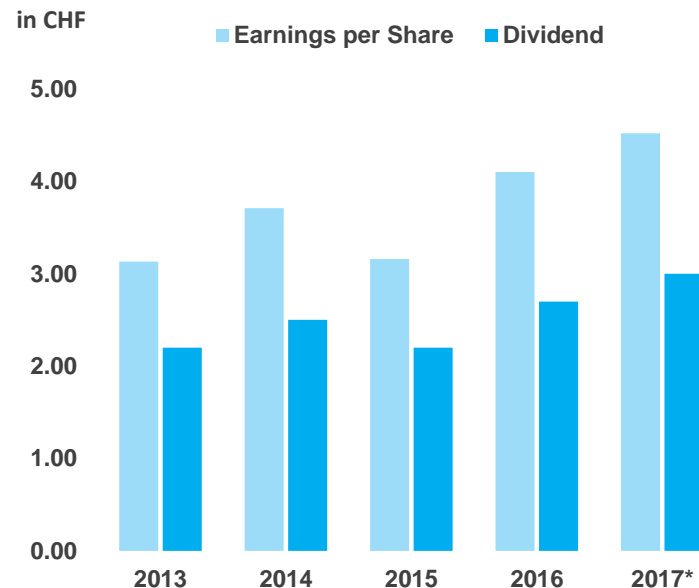
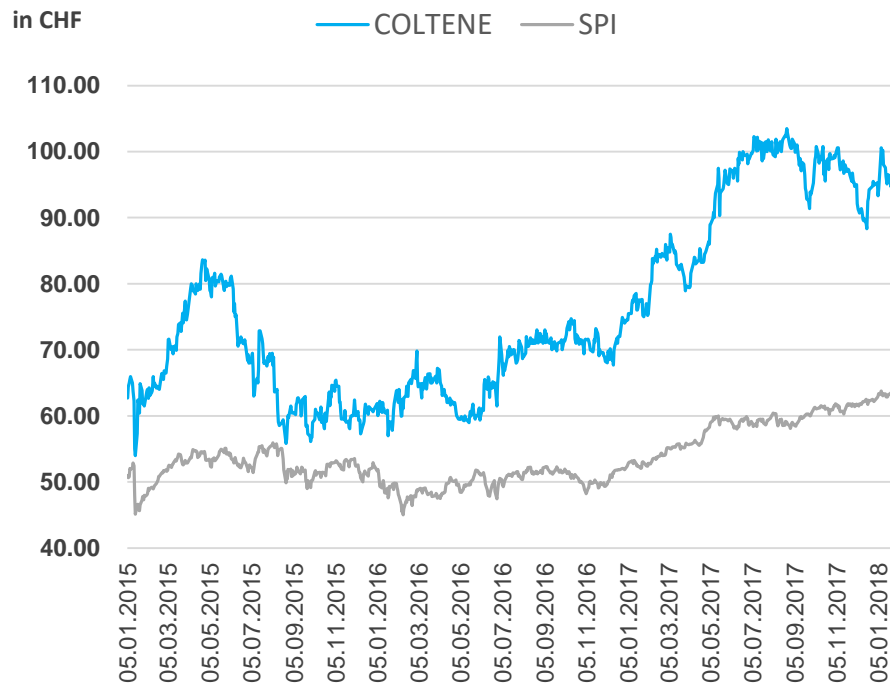
High Positive Free Cash Flow

in CHF million	2017	2016	% YoY
Net profit	19.1	17.3	10.4%
Depreciation and amortization	5.7	5.6	1.9%
Other non cash items	4.6	4.3	8.5%
Changes in NWC	-1.0	0.6	n.a.
Interest, tax paid/received	-6.5	-5.0	28.4%
Cash flow from operating activities	21.9	22.7	-3.4%
Purchase of PPE (net)	-4.1	-5.1	-19.0%
Purchase of int./finan. assets (net)	-1.8	-0.5	260%
Cash flow from investing activities	-5.9	-5.6	4.7%
Cash flow from financing activities	-15.7	-10.1	54.9%
Change in cash and cash equivalents	0.5	6.9	-93.2%
Free cash flow	16.0	17.1	-6.1%
In % of net sales	9.5%	10.6%	

Comments

- Drop of cash flow from operating activities through an increase of the net working capital and higher income taxes paid despite a higher net income
- CHF 5.9 million cash flow from investing activities including the acquisition of Diatech
- Free cash flow CHF 1.1 million lower than in the previous year

Attractive Share Performance and Dividend



*Board of Directors' proposal to the AGM on March 28, 2018

Proposals to the General Assembly

Re-election of the current members of the Board of Directors

Dividend to the AGM 2018

CHF 3.00 per share; Dividend yield of 3.2% based on year-end share price of CHF 94.9
Payout ratio of 66%

Compensation of the Board of Directors and Group Management

Maximum aggregated amount of compensation

- for the members of the Board of Directors for financial year 2019: CHF 560'000
- for the members of Group Management for financial year 2019: CHF 3'100'000

Consultative vote on the Compensation Report 2017

Re-election of EY as Group auditor

Upgrade Dentistry

Martin Schaufelberger CEO



Better Quality. Better Reliability. Better Practice.



COLTENE is convinced that everything can always be a little bit better, easier and more reliable.

With expertise and enthusiasm, we turned this claim into reality. The Company knows exactly what its end customers need and desire. The teams work tirelessly to provide them with innovative and smart solutions.

“Upgrade Dentistry”
This is not an empty promise, it is a mission.

Growth Strategy

STRATEGY REVIEW WITH FOCUS ON SUSTAINABLE GROWTH

Improve efficiency and effectiveness of the global sales teams:

Training of sales staff and use of new sales and marketing tools

Increase number of sales representatives pursuant to market potential:

15 to 20 new sales staff (recruiting process ongoing)

Reinforcement of key account management:

Focus on special markets (governments, group practices)

Increase awareness of COLTENE in major dental schools worldwide:

Intensify contact with universities and dental schools

R&D focus on digital dental treatment methods

Further acceleration of fast track development of new products

Using technology: Product Information Management System (PIM), Customer Relationship Management (CRM), Digital Marketing (Internet, Social Media) are key

Trends – Strategy – Innovation

**TRENDS AND
OPPORTUNITIES
COLTENE IS
MONITORING
CONSTANTLY**



Tooth preservation: endodontic treatments and its procedures

Prevention and minimal invasive restoration



Practice infection control management

Auxiliaries for effective processes in dental treatment



Grow opportunities in emerging markets



Strategic cooperations with dental schools, dental institutions, universities and key opinion leaders

Changes in the distribution channels

Recently Launched Products



BRILLIANT Crios
CAD/CAM composite blocs
for permanent restoration



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



Diatech
Burs in the US



KENDA
Polishette



GuttaFlow® bioseal
Bioactive cold filling system
for root canals



Diatech Z-Rex
Ceramic treatment diamond bur
and ShapeGuard polisher



BioSonic® UC150
Compact 5.7L (1.5 gal) ultrasonic cleaner
with heater and tracing functionality

S1/2016

S2/2016

S1/2017

S2/2017

S1/2018

Outlook & Priorities

Martin Schaufelberger CEO



Market Opportunities and Challenges

		Impact
SALES	Dynamic Asian markets headed by China and India	++
	Competitive environment in North America and some Western European markets	+/-
	Growth potential in selected Asian countries	+
	Further growth potential in Latin America	+
INDUSTRY	Ongoing consolidation of dealers, distribution and marketing power	-
	More group practices and government business	+/-
	Brands gain importance in maturing markets	+
CUSTOMERS	Innovative treatments and shorter treatment times thanks to digital innovations	++
	Growing importance of aesthetic dentistry	+
MEGATRENDS	Demographic changes – ageing population, growing middle class	++
	Globalization – rising importance of emerging markets	+
	Increasing dental health conditions in developed markets	-

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

Consolidation of EBIT margin at the current level of 15% or more

Focus on top-line growth

FX situation will remain a challenge

Healthy balance sheet with an equity ratio higher than 60%

Attractive payout ratio of at least 60% of consolidated net earnings

OPERATIONS

Exploit further market potential by hiring additional sales specialists

Further increase operational efficiency through modernizations of sites and continued implementation of digital processes and tools

PRODUCTS

Further improvement of product portfolio and growth in COLTENE branded products

Market launch of new products supporting digital dental treatments

**Many thanks for
your attention!**

APPENDIX



Full Spectrum of Dental Care

Restoration



The Restoration product group offers a comprehensive range of products for restorative fillings, from complementary adhesive systems and restorative filling materials to curing lights.

Prosthetics



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



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

Treatment Auxiliaries



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



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



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

Global Setup

North America

Group companies 2
Production sites 1

USA, Cuyahoga Falls (OH)



Latin America

Group companies 1
Production sites 1

BRAZIL, Rio de Janeiro



GERMANY, Langenau



Europe

Group companies 10
Production sites 2

SWITZERLAND, Altstätten



Middle East and Africa

Group companies 0
Production sites 0

Asia Pacific

Group companies 3
Production sites 0

Highly Experienced Group Management



Werner Mannschedel

Vice President R&D and Regulatory Affairs

Since 2015

Before:

- Global R&D and Regulatory Manager, 2012-2015; Manager global operations, 2011-2012; President European Operations, 2007-2011; Manager European Operations, 2002-2007, COLTENE Group
- General Manager ROEKO GmbH + Co. KG, 1998-2002

Gerhard Mahrle

Group CFO

Since 2014

Before:

- CFO Kardex AG, 2009-2013
- CFO via Abrasives Holding AG, 2000-2009
- CFO Batigroup Holding AG, 1998-2000
- CFO Eugster/Frismag Group, 1992-1998

Christophe Loretan

Vice President Sales

Since 2015

Before:

- Technical Service and Sales Director EMEA, 2013-2015; Customer Solutions Director EMEA, 2006-2013; Global Marketing Manager, 2003-2005, Novozymes Switzerland AG,
- Business Development Manager Pharma/Gastroenterology, Tillotts Pharma AG, 2002-2003

Martin Schaufelberger

Group CEO

Since 2012

Before:

- CEO Kunststoff Schwanden, 2007-2012
- Deputy CEO Kunststoff Schwanden, 2001-2007

Werner Barth

Vice President Marketing

Since 2015

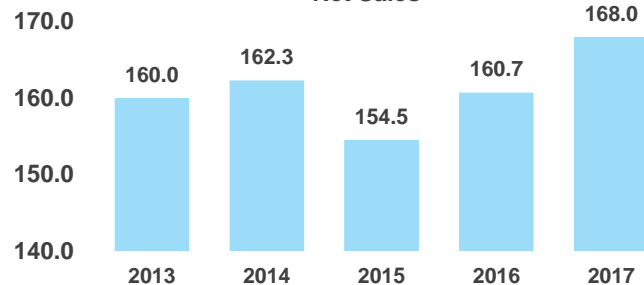
Before:

- Global Director Marketing COLTENE/Whaledent AG, 2013-2015
- Vice President Sales, 2006-2013; Head Marketing & Sales, 2005-2006, Ziemer Ophthalmic Systems AG,
- Product manager and Sales manager HMT High Medical Technologies AG, 2001-2004

5-Year Overview of the Key Figures

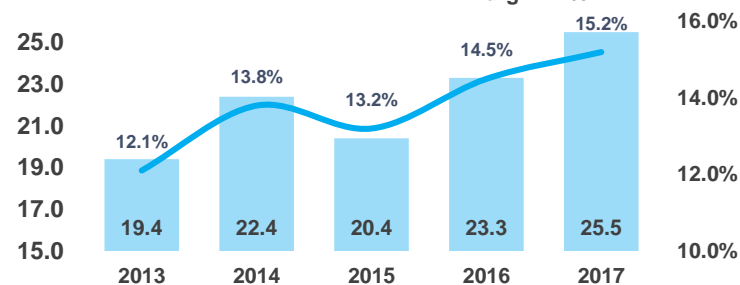
in CHF million

Net Sales



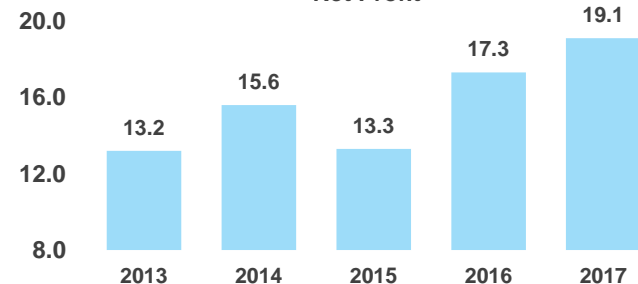
in CHF million

EBIT EBIT Margin in %



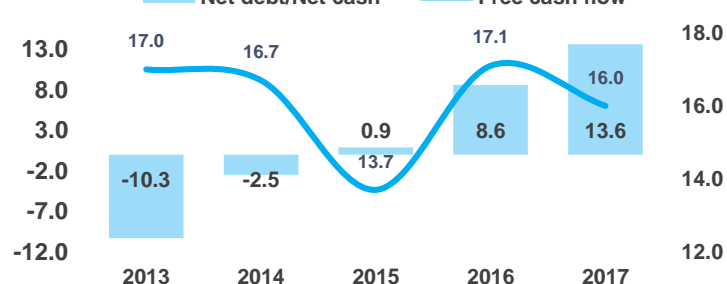
in CHF million

Net Profit



in CHF million

Net debt/Net cash Free cash flow



COLTENE Holding AG

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