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COLTENE to acquire SciCan and MicroMega

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COLTENE to acquire SciCan and MicroMega

A woman in a white lab coat and hairnet is working on a dental machine in a laboratory setting. She is holding a small object, possibly a dental component, and looking at it. The machine is blue and white, with a large tray of small, purple, cylindrical objects in the foreground. Another person is visible in the background, also working on a machine. The background is a clean, white laboratory environment with various pieces of equipment and a sign on the wall that reads "Lager" and "Büro".

1. Transaction Summary & Rationale

Martin Schaufelberger CEO

2. Financials & Financing

Gerhard Mahrle CFO

3. Strategy Update & Outlook

Martin Schaufelberger CEO

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 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



SciCan – worldwide competence in the field of hygiene

SciCan is a specialized full service provider of infection control products and sterilization solutions, founded 1957. SciCan employs around 230 associates and has branches in Canada, USA, Switzerland and Germany.

SciCan is a market leader in the dental specific hygiene businesses, offering a full range of instrument-reprocessing solutions like sterilizers and washers and handpieces in over 100 countries worldwide.

SciCan
Your Infection Control Specialist™



MicroMega – specialist in endodontics

MicroMega has been developing and producing instruments for dental surgery in Besançon, France, for over a century. MicroMega employs around 180 associates and markets its products mainly in Europe and North America.

MicroMega's innovative products are sold to more than 250 recognized dealers in 125 countries around the world. The company produces and sells a variety of high quality endodontic products such as root canal instruments, root canal files and obturation materials.



Size matters

Combining COLTENE with SciCan and MicroMega 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

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

STRONG FINANCIAL PROFILE OF NEW COLTENE

Significantly increased sales volume

Mid-term positive EBIT impact

Positive impact on EPS

Additional products, markets and expertise

COLTENE

Restoration 25%



Mirio
SYNERGYTMD6
BRILLIANT

ParaCore[®]
COMPONEER[®]
One Coat Bond

Prosthetics 21%



AFFINIS[®] SPEEDEX
PRESIDENT

Endodontics 21%



COLTENE ENDO
ParaPost[®] System
HyFlex^{CM}
roeko
HYGENIC

Treatment
Auxiliaries 14%



roeko
HANEL
HYGENIC

Rotary
Instruments 9%



Alpen
Precision Instruments

Infection Control 7%

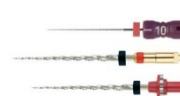


BioSonic[®]
roeko

KENDA
DENTAL EQUIPMENT

SciCan / MicroMega

Endodontics 23%



MM[®]
MICRO
MEGA
Your Endo Specialist[™]

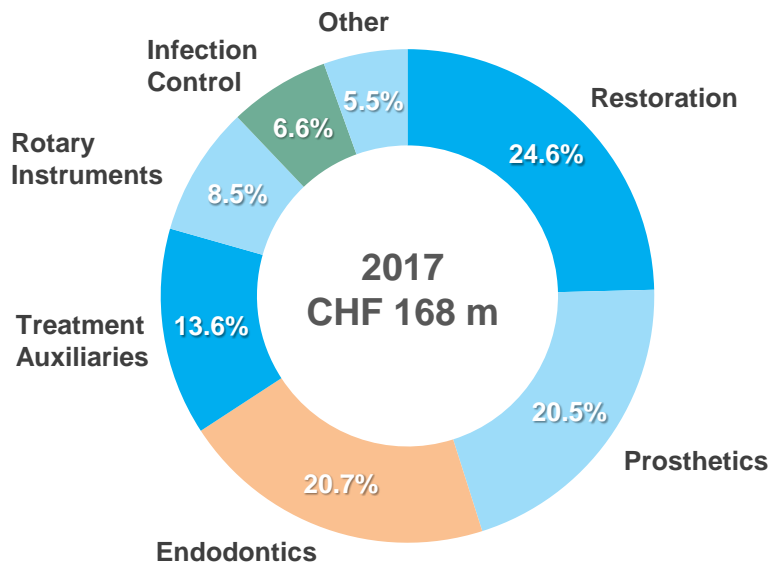
Infection Control 77%



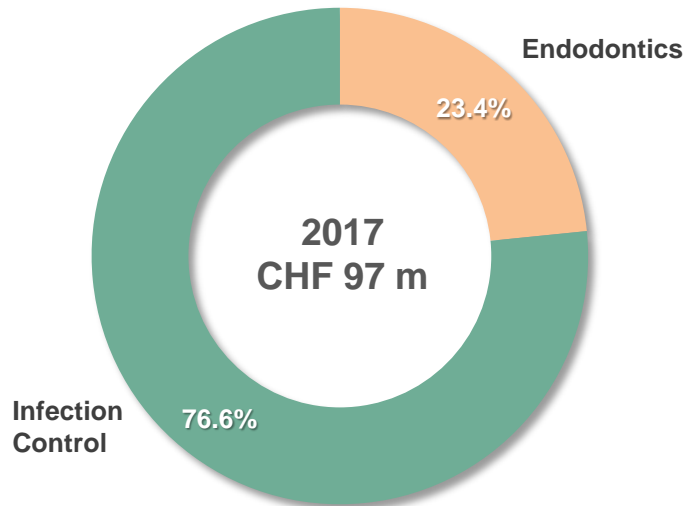
SciCan
Your Infection Control Specialist[™]

Net sales by product group 2017 – combined product range strengthens endodontics and infection control

COLTENE

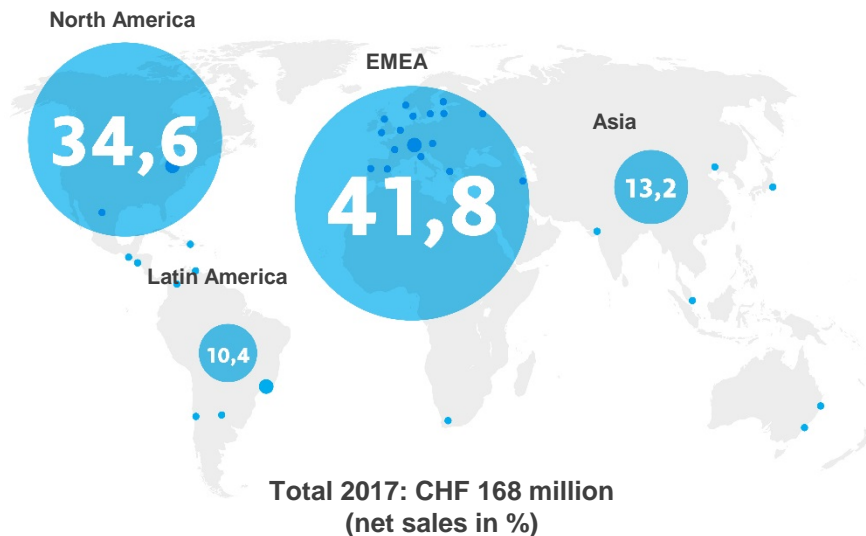


SciCan + MicroMega

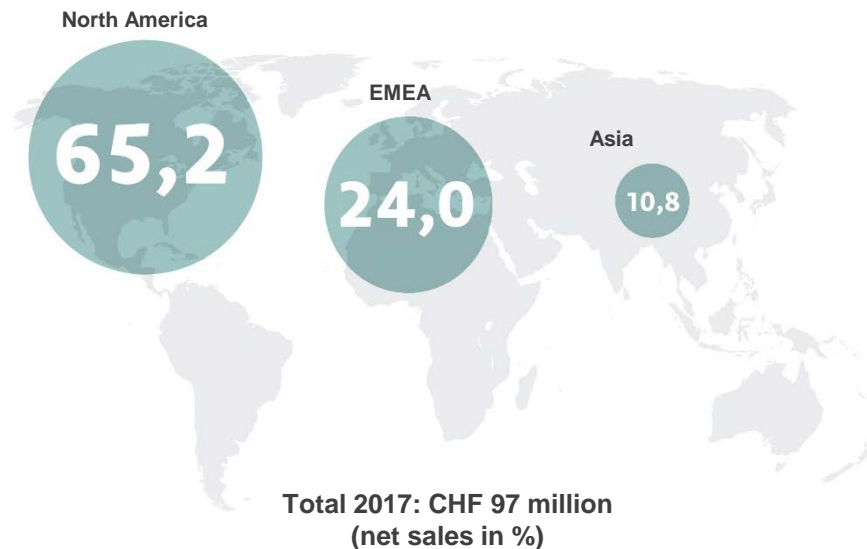


Net sales by region 2017 – strong footprint in EMEA & the US

COLTENE



SciCan + MicroMega



Global presence with 6 manufacturing sites



USA, Cuyahoga Falls (OH)



Germany, Langenau



Brazil, Rio de Janeiro



Switzerland, Altstätten



Canada, Toronto



Your Endo Specialist™

France, Besançon



Well-known and established product brands to remain under umbrella brand COLTENE



roeko



whaledent®



STATIM



HyFlex

Dental Dam

ParaPost



BRAVO



roeko Surgitip

SYNERGY®D6

BioSonic®

Speedster

OPTIM

K File

roeko Luna

BRILLIANT

AFFINIS®



PRESIDENT



Organization of new COLTENE Group

Board of Directors

- The BoD will propose to the planned extraordinary general meeting the election of Allison Zwingenberger as an additional board member. Allison Zwingenberger is an associate professor of Diagnostic Imaging in the Department of Veterinary Radiology at the University of California, Davis, USA. She is the daughter of Arthur Zwingenberger, owner of Arno Holding, one of the sellers.

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 MicroMega belong.

Financials & Financing

Gerhard Mahrle CFO



Profit and loss statement fiscal year 2017

in million CHF	COLTENE Group		SciCan + MicroMega	
Net sales	168.0	100.0%	97.0	100.0%
Gross margin	121.7	72.4%	50.7	52.2%
EBITDA	31.2	18.6%	13.8	14.2%
EBIT	25.5	15.2%	12.6	13.0%
Net income/loss (-)	19.1	11.3%	8.9	9.2%

Accounting Standard	IFRS (audited)	IFRS (audited)
Net sales growth 2017	4.6%	10.8%
Market capitalization	407.0	-
Estimated purchase price	-	195.0
EBIT multiple	16.0	15.5

Balance sheet 31 December 2017

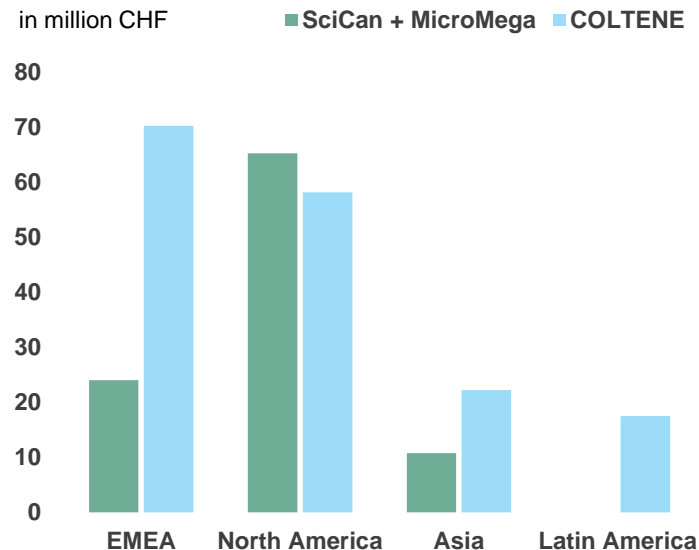
in million CHF

	COLTENE Group		SciCan + MicroMega	
Cash and cash equivalent	22.0	13.2%	7.0	11.6%
Current assets	94.1	56.2%	42.5	70.4%
Non-current assets	73.2	43.8%	17.9	29.6%
Assets	167.3	100.0%	60.4	100.0%
Current liabilities	31.4	18.7%	16.9	28.0%
Non-current liabilities	14.3	8.5%	17.7	29.3%
Total liabilities	45.6	27.3%	34.6	57.3%
Equity	121.7	72.7%	25.8	42.7%
Liabilities and equity	167.3	100.0%	60.4	100.0%
Net Cash – (Net Debt)	13.8		(11.1)	
EBITDA	31.2		13.8	
Net leverage factor	n.a.		0.8	

Net Sales by region in 2017

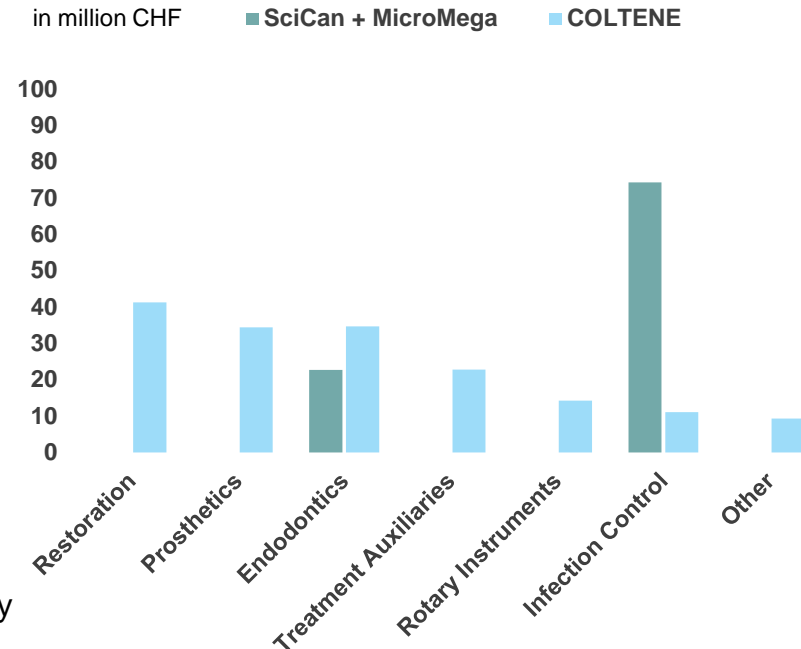
in million CHF	COLTENE Group		SciCan + MicroMega	
EMEA	70.2	41.8%	23.3	24.0%
North America	58.1	34.6%	63.2	65.2%
Latin America	17.5	10.4%	-	-
Asia	22.2	13.2%	10.5	10.8%
Total	168.0	100.0%	97.0	100.0%

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



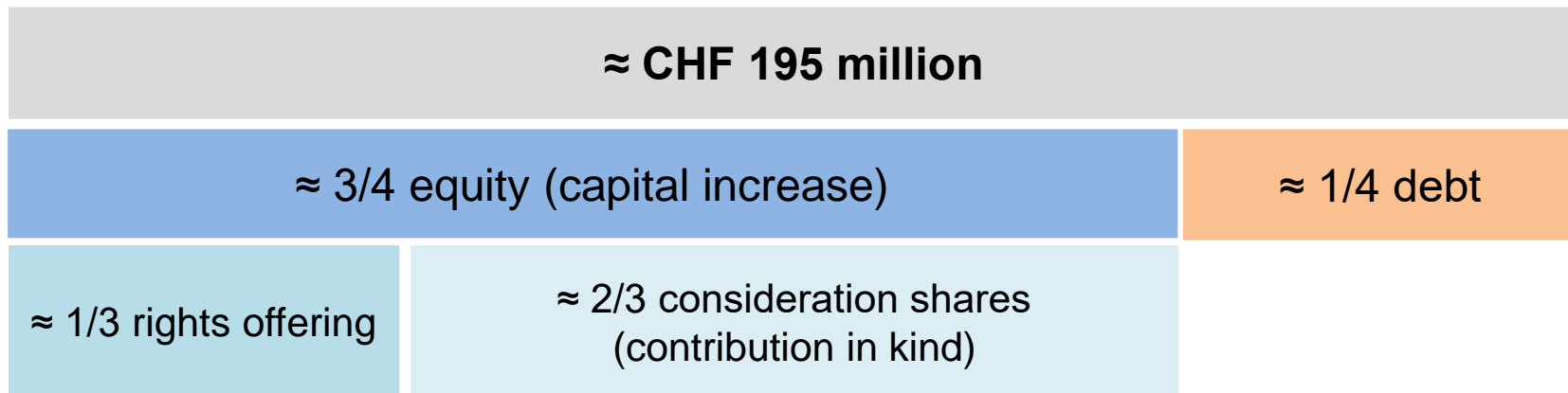
Net Sales by product group in 2017


in million CHF	COLTENE Group		SciCan + MicroMega	
Restoration	41.3	24.6%	-	-
Endodontics	34.7	20.7%	22.7	23.4%
Prosthetics	34.4	20.5%	-	-
Treatment Auxiliaries	22.8	13.6%	-	-
Rotary Instruments	14.3	8.5%	-	-
Infection Control	11.2	6.6%	74.3	76.6%
Other	9.3	5.5%	-	-
Total	168.0	100.0%	97.0	100.0%



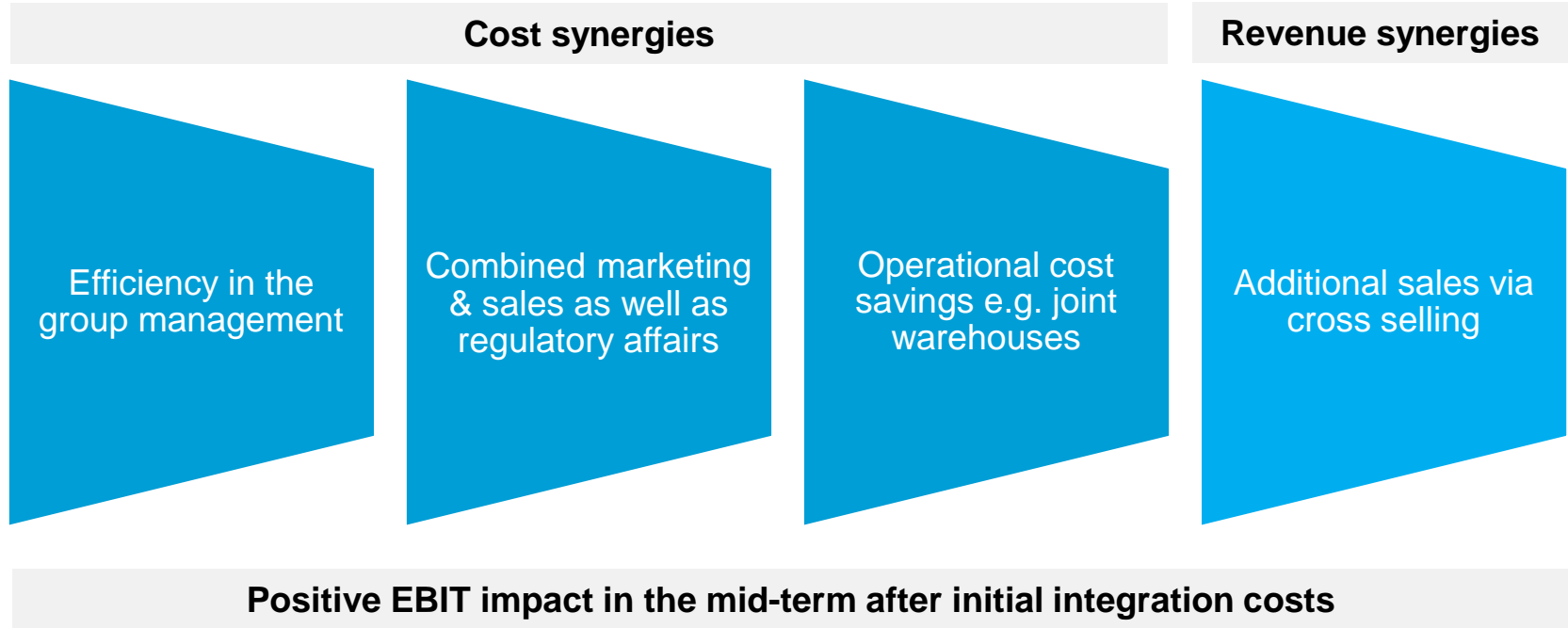
- › Infection control is growing in importance due to increasingly demanding regulatory requirements for dental practices
- › The niche market for endodontics becomes a high priority

Financing of the acquisition price

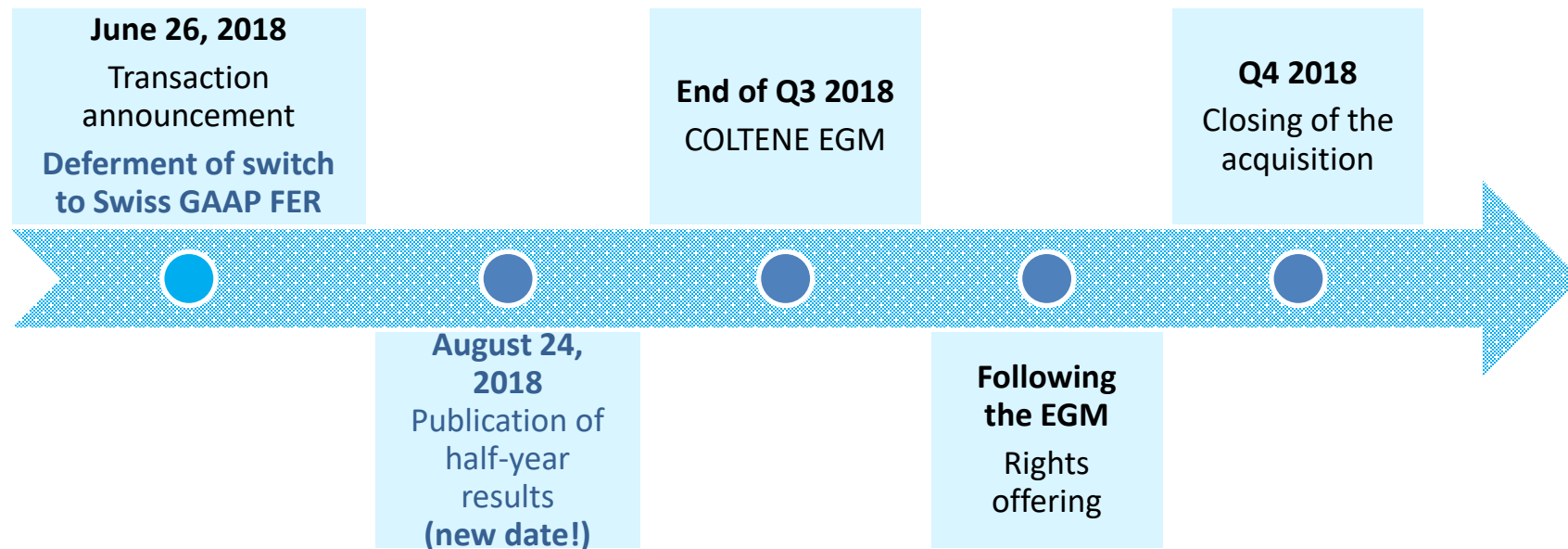


 Post transaction Arthur Zwingenberger, indirectly through Arno Holding, and Stefan Helsing (sellers) will hold 18.1% of total capital and voting rights of COLTENE Holding AG

Lift EBIT margin with cost and revenue synergies



Preliminary transaction timeline



Strategy Update & Outlook

Martin Schaufelberger CEO



Updated outlook and priorities post acquisition

MARKETS

Fostering leading market position based on strengthened footprint and enhanced product offering
Ambition to outperform general market growth of 2-3% in dental consumables and small appliances
Exploit additional growth opportunities based on the combination of two sales organizations

FINANCIALS

Focus on realizing combined sales volume and take advantage of new synergies
Return to the EBIT margin of pre-transaction level of 15% in the mid-term
Strengthened natural hedge, even though FX situation will remain a challenge
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

OPERATIONS

Exploit further market potential by combining sales forces and marketing activities
Synergies in combined logistics and supply chain management
Continued modernizations of sites and implementation of digital processes and tools

PRODUCTS

Place SciCan and MicroMega 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

Build on synergies

Strategy review with focus on consolidation and synergies

Integration and consolidation

- › Seamless integration process
- › Exploit revenue synergies
- › Improve efficiency and effectiveness
- › Share best practice

Using technology in the entire group

- › Product Information Mgmt. System (PIM)
- › Customer Relationship Management (CRM)
- › Digital Marketing (Internet, Social Media)

Sales

- › Combine the global sales organization based on COLTENE's distribution network

Marketing

- › Build strong brands using all marketing tools of the group marketing units

Operation and Regulatory

- › Harmonize quality and regulatory processes; use the same tools and procedures

A significant step forward for COLTENE

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

Questions & Answers



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