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## Half-Year Results 2018 Media and Financial Analysts Conference

# Dynamic Growth

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

Zurich – August 24, 2018

COLTENE – AN INTERNATIONALLY LEADING DEVELOPER, MANUFACTURER AND SELLER OF CONSUMABLES AND SMALL EQUIPMENT FOR DENTAL PRACTITIONERS.

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## AGENDA

### Highlights H1 2018

Martin Schaufelberger CEO

### Financials H1 2018

Gerhard Mahrle CFO

### Update on SciCan/Micro-Mega Acquisition

Martin Schaufelberger CEO, Gerhard Mahrle CFO

### 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 **Switzerland, Germany, US** 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 **and** in all **segments** during the **2017** fiscal year, both in Swiss francs and in local currency.

## Net Sales



## Net Profit



# Significant sales growth and over proportionate increase in profitability

## SALES & MARKETING

Dynamic growth clearly above general market

Pleasing organic growth in the EMEA/Asian regions; slight contraction in the Americas

Continued expansion of sales teams in core and emerging markets

Asian KOL seminar

## FINANCIALS

Sales of CHF 85.6 million in H1 2018; +9.7% to H1 2017; 4.3% organic growth, 3.3% acquired growth (Diatech and Kenda), 2.2% positive FX

EBIT of CHF 11.3 million, +17.8% compared to H1 2017;

Robust EBIT margin of 13.2% in the seasonally weaker first half-year

Net profit of CHF 6.9 million, +14.8% compared to H1 2017;

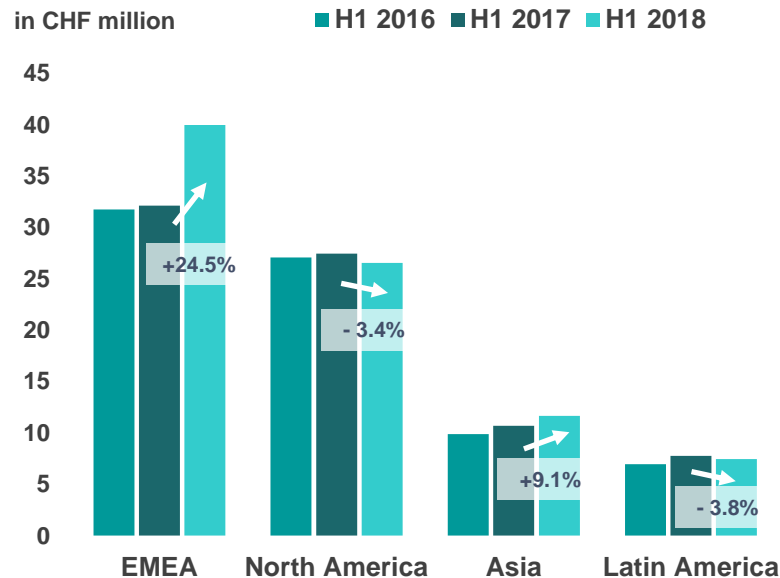
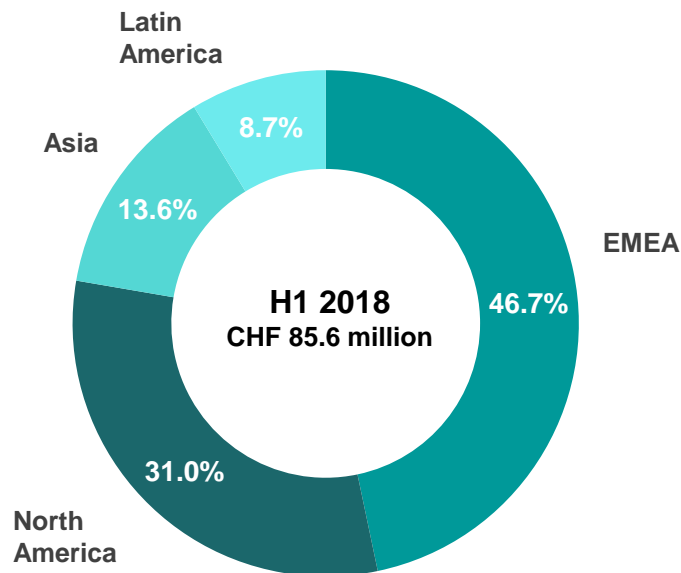
## ORGANIZATION

Continued extension of sales teams in key markets

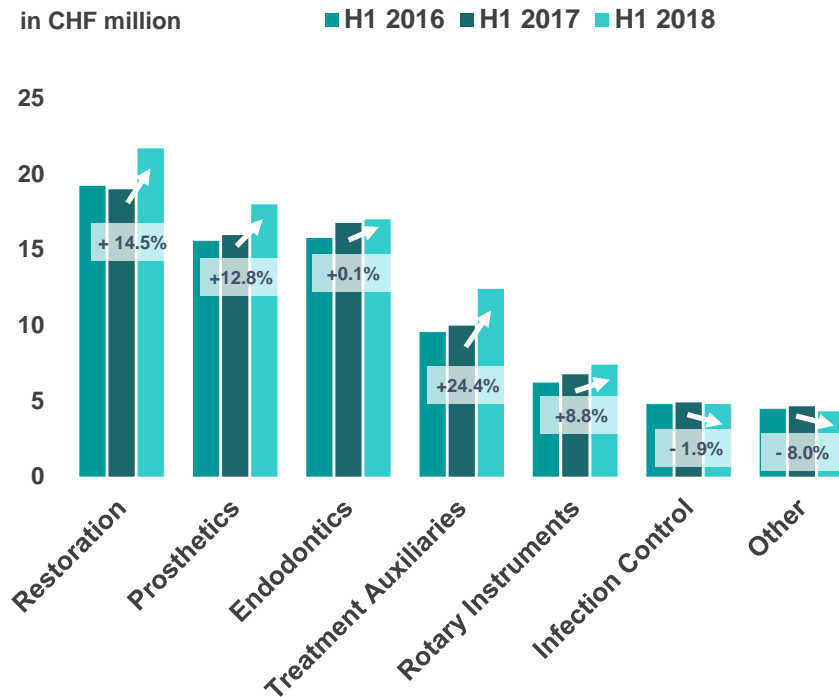
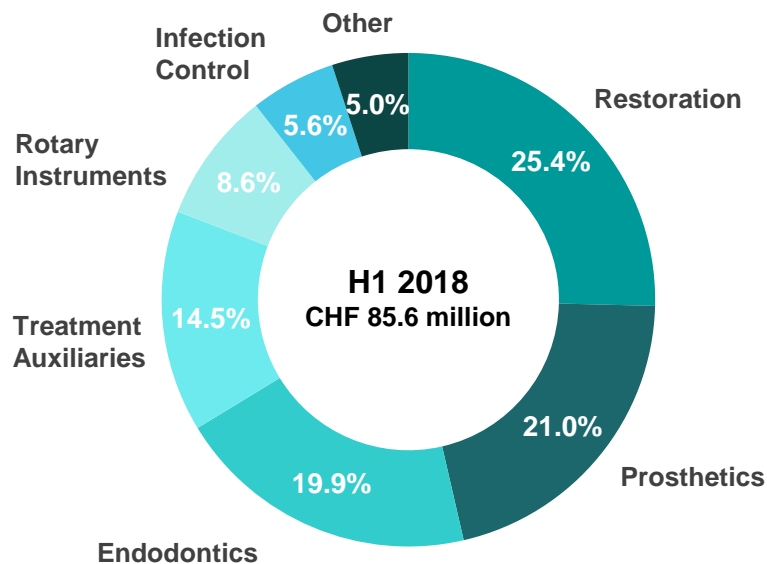
Successful integration of Diatech and KENDA

Planned acquisitions of SciCan and Micro-Mega

## Pleasing growth in EMEA and Asia regions



## Strong Treatment Auxiliaries, Restoration and Prosthetics



## AGENDA

# Financials H1 2018

Gerhard Mahrle CFO





## **Increased profitability and firm balance sheet**

### **SALES**

**Net sales growth of 9.7% - clearly above average market growth of 2-3%  
4.3% organic growth, 3.3% acquired growth, 2.2% positive currency effects**

**Pleasing upswing in the Middle east, Africa and most of the European  
countries, slight decline in North and Latin America**

**Restoration profited from recently launched new products,  
strong Treatment Auxiliaries in the wake of more demanding hygiene standards**

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### **FINANCIALS**

**EBIT improved by 17.8% to CHF 11.3 million, EBIT margin of 13.2%**

**Net profit increased by 14.8% to CHF 6.9 million (H1 2017: CHF 6.0 million),  
Return of sales increased to 8.1% (H1 2017: 7.7%)**

**Negative free cash flow of CHF -4.1 million (H1 2017: CHF 5.0 million):  
acquisition of Kenda and investment in new building in Altstätten**

**Net debt position of CHF 3.0 million**

**Strong equity ratio of 70.9%**

# Overproportional increase in profitability

in CHF million	H1 2018	%	H1 2017	%	% YoY
<b>Net Sales</b>	<b>85.604</b>	<b>100.0%</b>	<b>78.013</b>	<b>100.0%</b>	<b>9.7%</b>
Material expenses*	-22.608	-26.4%	-20.677	-26.5%	9.3%
Gross Profit	62.996	73.6%	57.336	73.5%	9.9%
Operating expenses	-48.818	-57.0%	-44.955	-57.6%	8.6%
Depreciation and amortization	-2.890	-3.4%	-2.796	-3.6%	3.4%
<b>EBIT</b>	<b>11.288</b>	<b>13.2%</b>	<b>9.585</b>	<b>12.3%</b>	<b>17.8%</b>
Financial result	-1.792	-2.1%	-1.071	-1.4%	67.4%
Tax expenses	-2.575	-3.0%	-2.485	-3.2%	3.6%
<b>Profit for the period</b>	<b>6.921</b>	<b>8.1%</b>	<b>6.029</b>	<b>7.7%</b>	<b>14.8%</b>

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

## Comments

Net sales increase 9.7%; sales from acquisitions CHF 2.6 million or 3.3% (Diatech and Kenda); positive FX impact of CHF 1.8 million or 2.2%.

Gross margin remained at the previous year's level of 73.6%.

Operating expenses well under control.

Financial result of CHF -1.8 million. As in H1 2017, this item mainly consisted of unrealized exchange losses on foreign currency liabilities of Vigodent.

Tax rate fell to 27.1% from 29.2% due to higher profits in lower-tax countries and reduced US corporate income tax.

# High Equity Ratio

in CHF million	30.06.18	31.12.17	%YoY
Cash & cash equivalents	9.701	22.040	-55.9%
Receivables	37.265	40.483	-7.9%
Inventory	36.629	31.551	15.8%
Property, plant & equipment	30.268	28.413	6.7%
Financial, intangible & tax assets	49.821	44.824	11.2%
<b>Total assets</b>	<b>163.684</b>	<b>167.311</b>	<b>-2.2%</b>
	<b>30.06.18</b>	<b>31.12.17</b>	<b>%YoY</b>
Payables & short term liabilities	21.450	23.075	-6.9%
Bank loans	12.694	8.281	53.0%
Other long term liabilities	13.517	14.250	-4.9%
Equity	116.023	121.705	-4.7%
<b>Total liabilities &amp; equity</b>	<b>163.684</b>	<b>167.311</b>	<b>-2.2%</b>
<b>Net debt / net cash</b>	<b>-2.993</b>	<b>13.759</b>	<b>-121.7%</b>

## Comments

Reduction of cash & cash equivalents in the amount of CHF 12.4 million mainly due to the dividend payment of CHF 12.7 million in April.

Increase of bank loans in the amount of CHF 4.4 million.

Net debt amounted to CHF 3.0 million as of June 30, 2018. In contrast, COLTENE had a net cash position of CHF 13.8 million as of December 31, 2017.

The increase of PPE is mainly attributed to the construction of a new production and office building (CHF 2.3 million H1 2018)

Equity ratio of 70.9%.

The main addition in Goodwill and Intangible Assets in 2018 results from the Kenda acquisition.

# High investment in sustainable growth

in CHF million	H1 2018	H1 2017	% YoY
Net profit	6.921	6.029	14.8%
Depreciation and amortization	2.890	2.796	3.4%
Other non cash items	1.862	3.491	-46.7%
Changes in NWC	512	-1.134	145.1%
Interest, tax paid/received	-4.093	-2.942	39.1%
<b>Cash flow from operations</b>	<b>8.092</b>	<b>8.240</b>	<b>-1.8%</b>
Purchase of PPE (net)	-4.230	-1.534	175.7%
Proceeds from int./finan. (net)	-7.957	-1.746	355.7%
<b>Cash flow from investments</b>	<b>-12.187</b>	<b>-3.280</b>	<b>271.6%</b>
<b>Free cash flow</b>	<b>-4.095</b>	<b>4.960</b>	<b>182.6%</b>

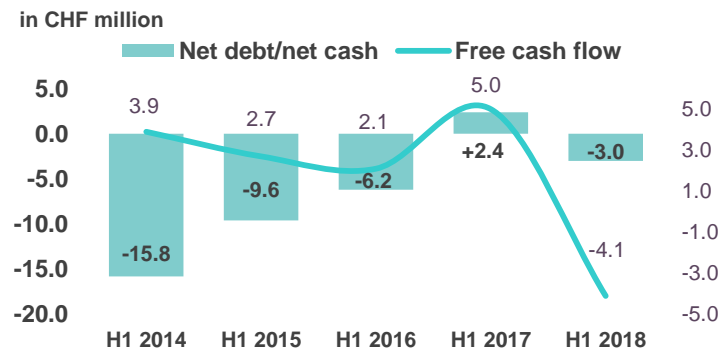
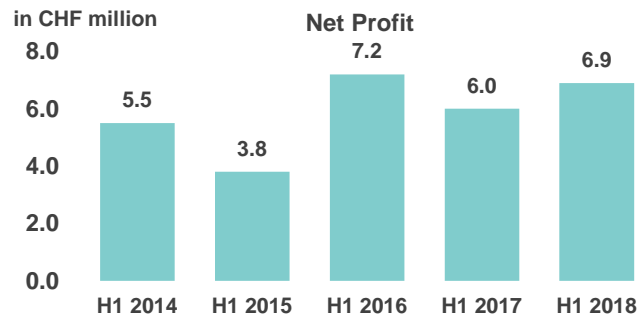
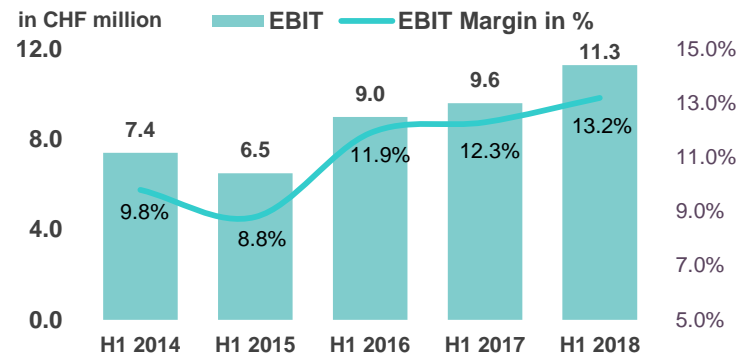
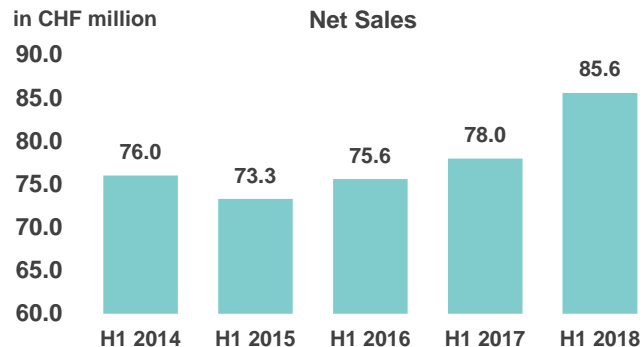
## Comments

Cash flow from operations practically unchanged at CHF 8.1 million. Higher tax payments and an increase in inventories offset higher net income.

Significantly increased cash flow from investments included Kenda acquisition with an investment volume of CHF 7.8 million net of cash and the construction of the new facility in Altstätten.

Accordingly, free cash flow fell to CHF -4.1 million in the first half of 2018 from CHF 5.0 million in H1 2017.

# 5-year overview of the key figures in H1





## AGENDA

# Update on SciCan/Micro-Mega Acquisition

Martin Schaufelberger CEO  
Gerhard Mahrle CFO

# Worldwide competence in the field of hygiene




<b>Specialization</b>	Specialized full-service provider of infection control products and sterilization solutions		
<b>Business locations</b>	Canada, Switzerland and Germany		
<b>Established</b>	1957		
<b>Markets</b>	Market leader in North America; full-range supplier of instrument management systems, sterilization solutions and washing equipment with customers in more than 100 countries.		
<b>Number of employees</b>	230		
<b>Product brands</b>	<b>STATIM</b>	<b>BRAVO</b>	<b>OPTIM</b>



# Specialist in endodontics



Your Endo Specialist™

<b>Specialization</b>	Endodontic products with a focus on innovative root canal instruments and obturation materials		
<b>Business locations</b>	Besançon, France		
<b>Established</b>	1905		
<b>Markets</b>	Mainly Europe and North America; active in 125 countries across the world		
<b>Number of employees</b>	180		
<b>Product brands</b>			





# Net Sales by region in H1 2018

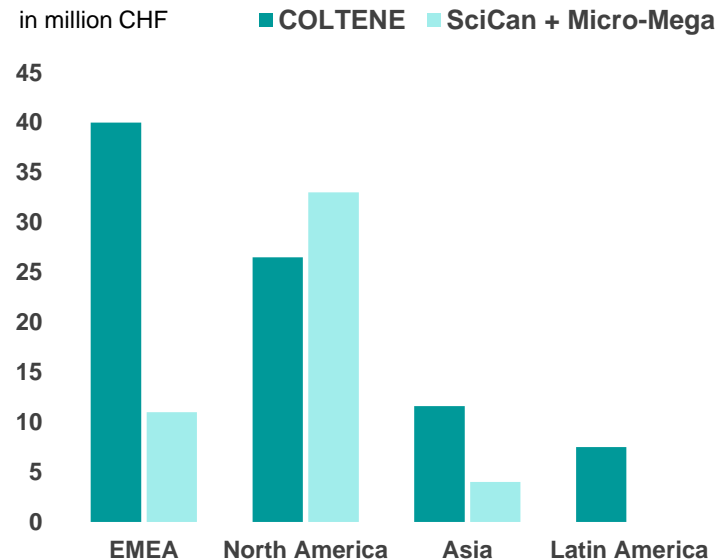
SciCan



in million CHF	COLTENE Group		SciCan + Micro-Mega	
EMEA	40.0	46.7%	11.4	23.8%
North America	26.5	31.0%	32.7	68.4%
Latin America	7.5	8.7%	-	-
Asia	11.6	13.6%	3.7	7.8%
<b>Total</b>	<b>85.6</b>	<b>100.0%</b>	<b>47.8</b>	<b>100.0%</b>

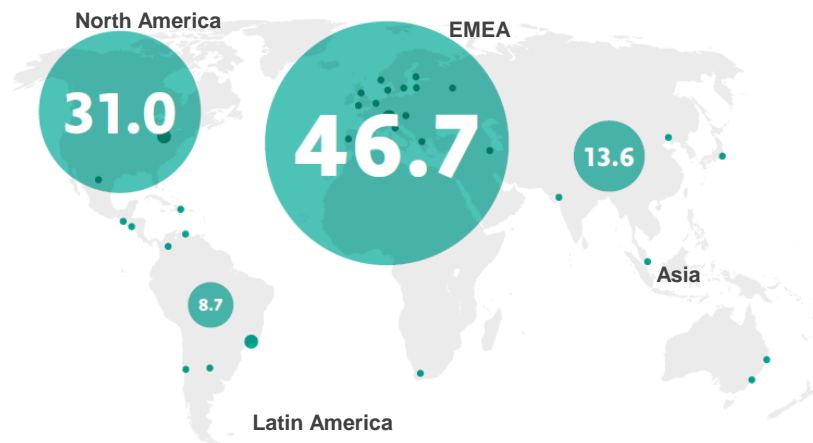
  

Main markets	EMEA and NAM	EMEA and NAM
Sales potentials	Canada	EMEA and LATAM
Common growth opportunity	Asia	Asia



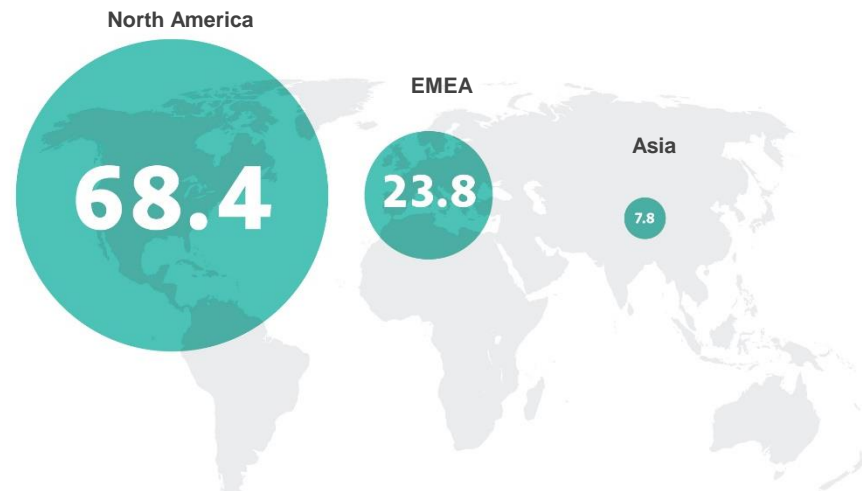
# Net sales by region H1 2018 – strong footprint in EMEA & the US

## COLTENE



Total H1 2018: CHF 85.6 million  
(net sales in %)

## SciCan + Micro-Mega

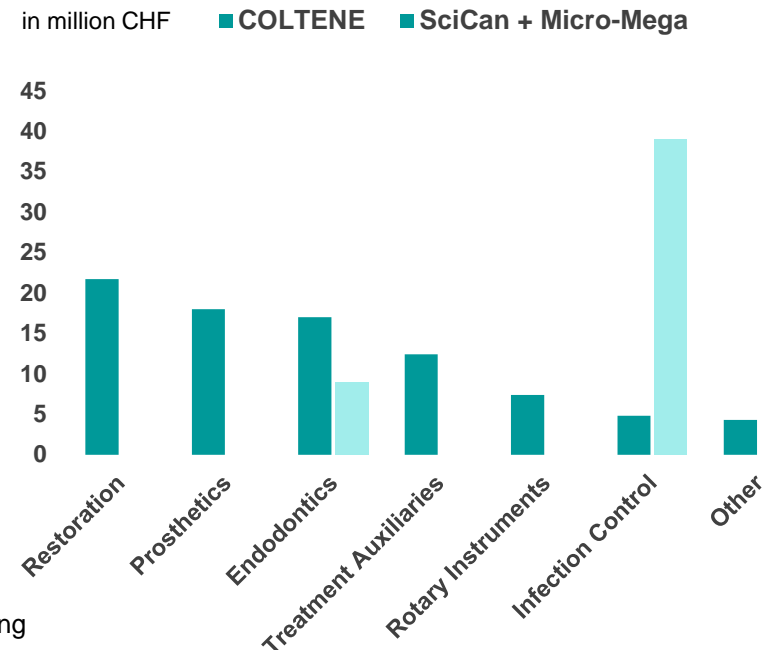


Total H1 2018: CHF 47.8 million  
(net sales in %)

# Net Sales by product group in H1 2018



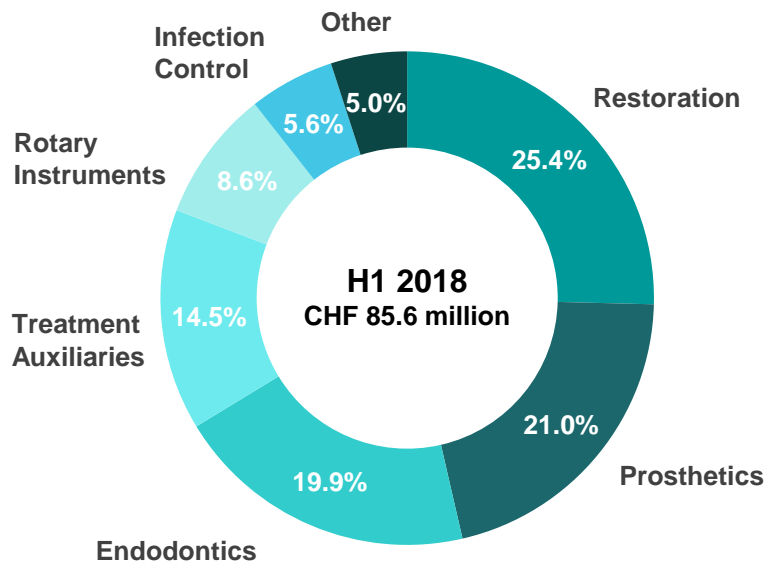

in million CHF	COLTENE Group		SciCan + Micro-Mega	
Restoration	21.7	25.4%	-	-
Endodontics	17.0	19.9%	9.0	18.7%
Prosthetics	18.0	21.0%	-	-
Treatment Auxiliaries	12.4	14.5%	-	-
Rotary Instruments	7.4	8.6%	-	-
Infection Control	4.8	5.6%	38.8	81.3%
Other	4.3	5.0%	-	-
<b>Total</b>	<b>85.6</b>	<b>100.0%</b>	<b>47.8</b>	<b>100.0%</b>



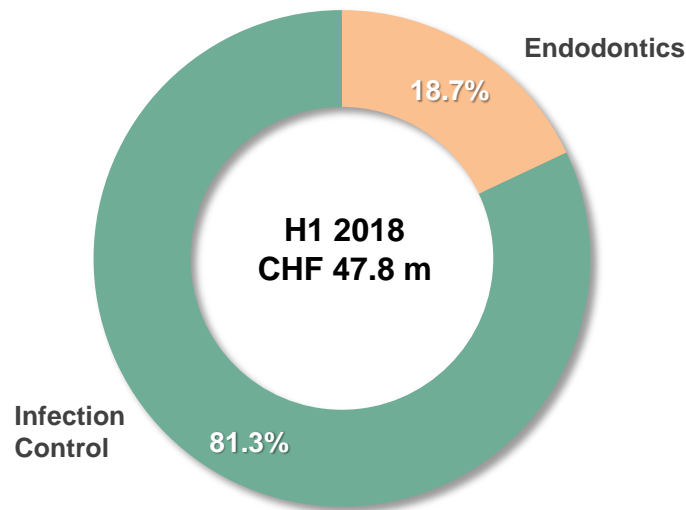
- › Infection control is growing in importance due to increasingly demanding regulatory requirements for dental practices
- › The niche market for endodontics becomes a high priority

# Net sales by product group H1 2018 – extension of core areas infection control and Endodontics

## COLTENE



## SciCan + Micro-Mega



## Profit and loss statement H1 2018

SciCan



in million CHF

	COLTENE Group		SciCan + Micro-Mega	
<b>Net sales</b>	<b>85.6</b>	<b>100.0%</b>	<b>47.8</b>	<b>100.0%</b>
Gross margin	63.0	73.6%	25.3	52.9%
<b>EBITDA</b>	<b>14.2</b>	<b>16.6%</b>	<b>6.3</b>	<b>13.2%</b>
<b>EBIT</b>	<b>11.3</b>	<b>13.2%</b>	<b>5.7</b>	<b>11.8%</b>
<b>Net income</b>	<b>6.9</b>	<b>8.1%</b>	<b>4.3</b>	<b>8.9%</b>
Accounting Standard	IFRS (reviewed)		IFRS (reviewed)	
Net sales growth H1 2018 in CHF	9.7%		11.5%	
Market capitalization 22.08.18	497.0		-	

## Comments

SciCan and Micro-Mega achieved net sales of about CAD 64 million (CHF 47.8 million) in H1 2018.

Gross margin was at 52.9% in H1/2018.

The combined EBIT margin of SciCan and Micro-Mega for H1/2018 stood at 11.8%. This figure excludes the one-time transaction costs incurred in H1/2018 for the sale of SciCan and Micro-Mega to COLTENE.

## Balance sheet June 30, 2018

SciCan



in million CHF	COLTENE Group		SciCan + Micro-Mega	
<b>Cash and cash equivalent</b>	<b>9.7</b>	<b>5.9%</b>	<b>2.5</b>	<b>4.6%</b>
Current assets	83.6	51.1%	40.5	73.4%
Non-current assets	73.2	48.9%	14.7	26.6%
<b>Assets</b>	<b>163.7</b>	<b>100.0%</b>	<b>55.2</b>	<b>100.0%</b>
Current liabilities	34.2	20.9%	12.8	23.2%
Non-current liabilities	13.5	8.2%	13.4	24.3%
Total liabilities	47.7	29.1%	26.2	47.5%
<b>Equity</b>	<b>116.0</b>	<b>70.9%</b>	<b>29.0</b>	<b>52.5%</b>
<b>Liabilities and equity</b>	<b>163.7</b>	<b>100.0%</b>	<b>55.2</b>	<b>100.0%</b>
<b>Net Debt</b>	<b>3.0</b>		<b>10.3</b>	

## Comments SciCan and Micro-Mega

Reduction of cash & cash equivalents in the amount of CHF 4.5 million mainly due to the repayment of liabilities.

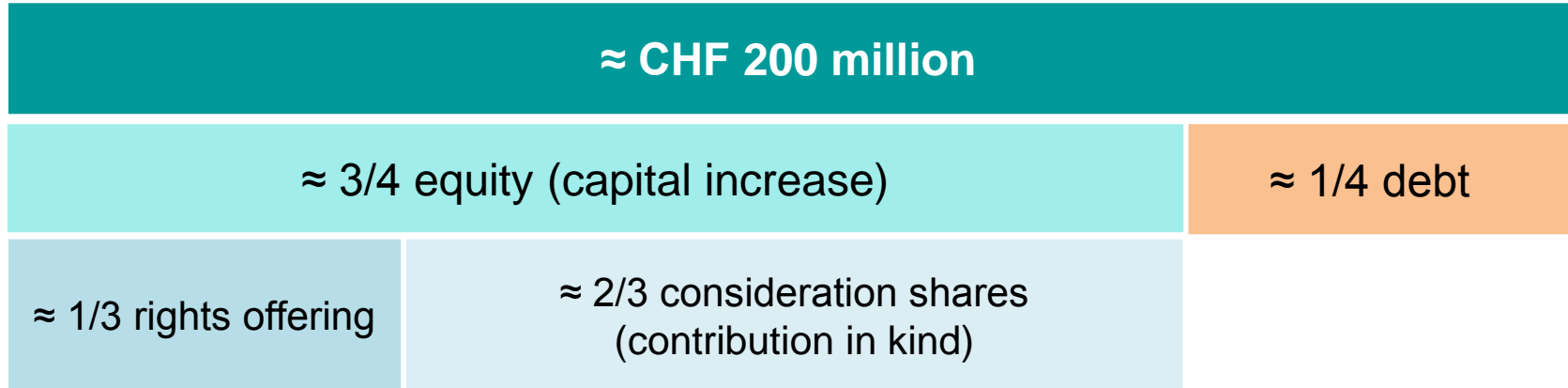
Inventories increased by CHF 4.2 million within the first half year due to new products in the pipeline.

Total liabilities declined from CHF 34.7 million to CHF 26.2 million (-8.4%) during the last 6 months.

The equity ratio is 52.5% in H1/2018 (end of 2017: 42.7%); equity increased by CHF 3.2 million in H1/2018.

Net debt as on June 30, 2018 amounted to CHF 10.3 million, in contrast to a net debt of CHF 10.9 million at the end of 2017.

## 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

## Agenda of extraordinary General Meeting

### Extraordinary General Meeting COLTENE Holding AG

**September 14, 2018**

10:00 a.m.  
(doors open at 9:30 a.m.)

Hotel Seedamm Plaza  
in Pfäffikon SZ



Ordinary Share Capital Increase in a maximum amount of CHF 75,000 through issuance of a maximum of 750,000 new registered shares



Creation of Authorized Share Capital in a maximum amount of CHF 115,000 through issuance of a maximum of 1,150,000 new registered shares



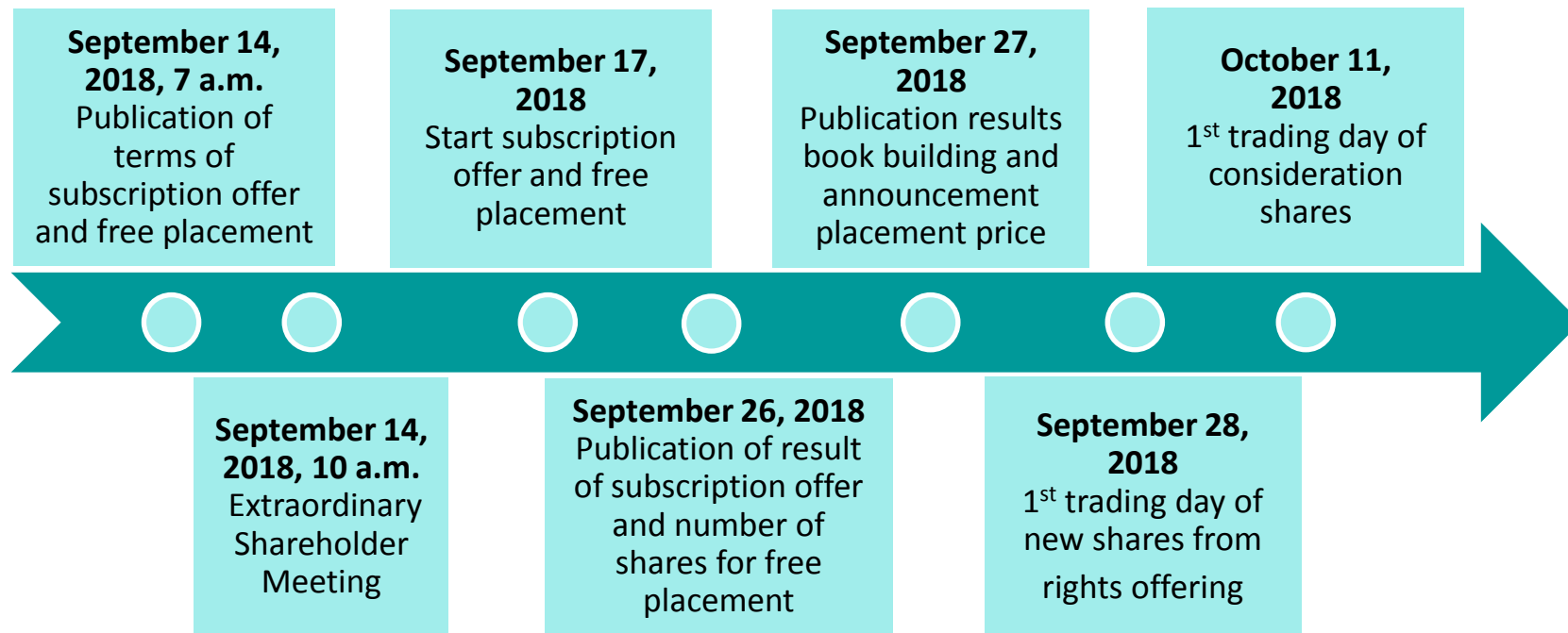
Election of Ms. Allison Zwingenberger as an additional Board member

In addition, the COLTENE 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 Micro-Mega belong.



## Preliminary transaction timeline



A woman in a white lab coat is seated at a laboratory workstation, looking through the eyepiece of a microscope. The workstation includes a computer monitor and various lab equipment. In the background, other people in lab coats are visible, suggesting a busy laboratory environment. The text 'AGENDA' is overlaid on the left side of the image.

AGENDA

# Outlook & Priorities

Martin Schaufelberger CEO

## A new COLTENE with SciCan and MicroMega

**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

## Updated outlook and priorities post acquisition

### SALES & MARKETING

Exploit further market potential by combining sales forces and marketing activities  
Enable cross selling opportunities in the group  
Emphasize on Training Courses, Customer Service and Key Opinion Leader cooperation

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### FINANCIALS

Ambition to outperform general market growth of 2-3%  
Return to the EBIT margin of pre-transaction level of 15% in the mid-term  
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

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### OPERATIONS

Harmonize and optimize processes across the group  
Synergies in combined logistics and supply chain management  
Continued modernizations of sites and implementation of digital processes and tools

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### PRODUCTS

SciCan and Micro-Mega 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

**Many thanks for  
your attention!**

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