



# The New COLTENE

## Full Year Results 2018 COLTENE Group – Media and Financial Analysts Conference

Martin Schaufelberger, CEO  
Gerhard Mahrle, CFO



4 April 2019, Zurich

# Safe Harbour 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.

# Agenda

Media and financial analysts conference FY 2018

⦿ <b>Highlights 2018</b>	Martin Schaufelberger, CEO
⦿ <b>Financials 2018</b>	Gerhard Mahrle, CFO
⦿ <b>The New COLTENE Group</b>	Martin Schaufelberger, CEO
⦿ <b>Outlook</b>	Martin Schaufelberger, CEO



A man with short dark hair and safety glasses is working on a large, complex battery pack in a factory. He is wearing a white lab coat with a name tag that says "Mar" and a logo that says "SciCan". He is using a pair of pliers to work on the battery. The battery pack is made of many cylindrical cells and is connected to various wires and components. The background shows a factory setting with a brick wall and some equipment.

# Highlights 2018

Martin Schaufelberger, CEO

Photo: Max Cui  
Production Service Technician / SciCan Ltd.  
Toronto, Canada

# Company Portrait

COLTENE – at a glance



# FY 2018 Highlights

Entering into a new era for the Company

## Financials

**Sales CHF 204.0 mn** +21.4% compared to 2017 – hereof M&A +18.1%, FX +0.6% , organic +2.7%

Proposal to pay **dividend of CHF 3.00** per share from capital contribution reserves

**Excluding extraordinary items**  
EBIT margin would have been at 15.0% (2017: 15.2%).  
Net profit amounted to CHF 14.9 mn (2017: CHF 19.1 mn)

**EBIT margin stood at 11.6%**  
Impacted by effects from M&A and the reporting of such in IFRS

## M&A

**Quantum leap** thanks to the acquisitions of Kenda, SciCan and Micro-Mega

**Net Sales** of the COLTENE Group incl. Kenda, Micro-Mega and SciCan for the full year 2018 would be: **CHF 279.6 mn** (2017: CHF 269.0 mn) → +3.9%

**Strong growth in acquisition related markets and sectors**

**Product sectors:** Infection Control and Endodontics  
**Regions:** North America, France

**Integration** according to plan addressing the new growth opportunities

# FY 2018 Highlights

Entering into a new era for the Company

## Operational

Commissioning of new office and manufacturing building at the headquarters in Altstaetten

**Strong emerging markets**, led by China and other far east countries

**Expansion** of regulatory affairs teams

**Organic growth of 2.7%** clearly outperforming the stagnating overall market

**EBIT margin** adjusted by one-time M&A and consolidation effects would have been at **15.0%**

**Strengthening global setup** and distribution network

## Products

Introduction of the new **product group structure**

R&D focus on **digital dental treatment** methods



# New Product Group Structure

What COLTENE stands for

## Infection Control

*„The infection control specialist“*

Instrument reprocessing  
by cleaning and sterilizing

Surface cleaning and disinfection

SciCan, BioSonic



## Dental Preservation

*„Sustainable preservation from root to crown“*

Materials for restoration

Solutions for endodontic treatments

ParaCore, OneCoat, BRILLIANT Colt lux, ParaPost, MicroMega, HyFlex, CanalPro, ROEKO, TMS



## Efficient Treatment

*„Smart & efficient utilities dentists rely on“*

Impression materials

Rotary instruments

Treatment utilities

Speedex, AFFINIS, PRESIDENT, DIATECH, Alpen, Kenda, ROEKO, HYGENIC, Perfect TCS, HANEL

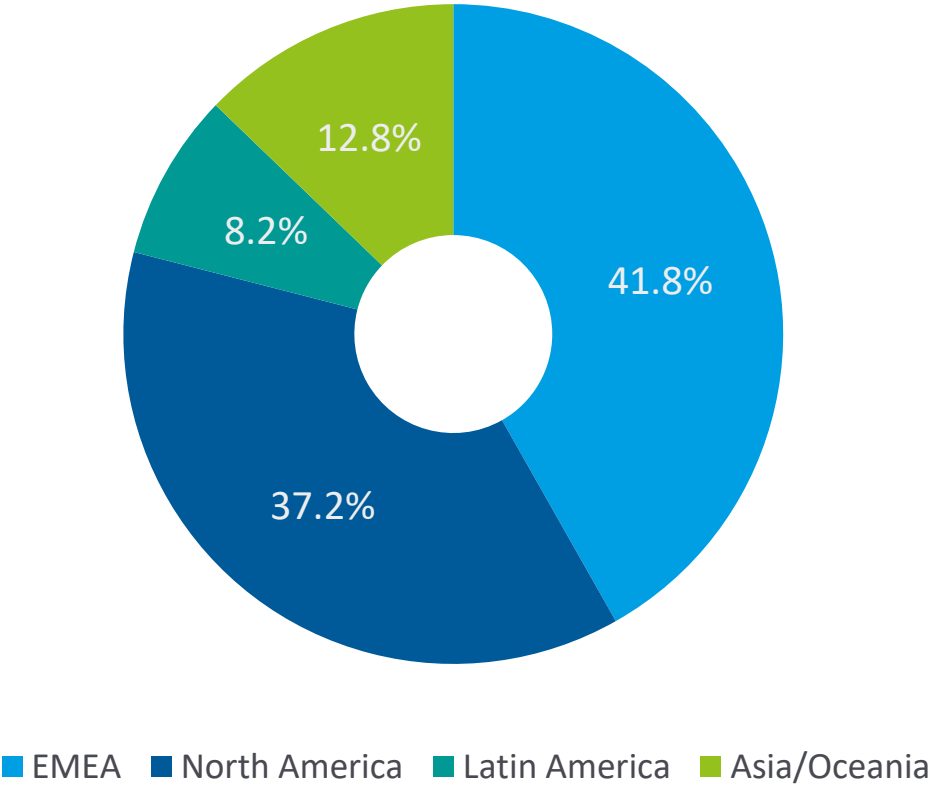




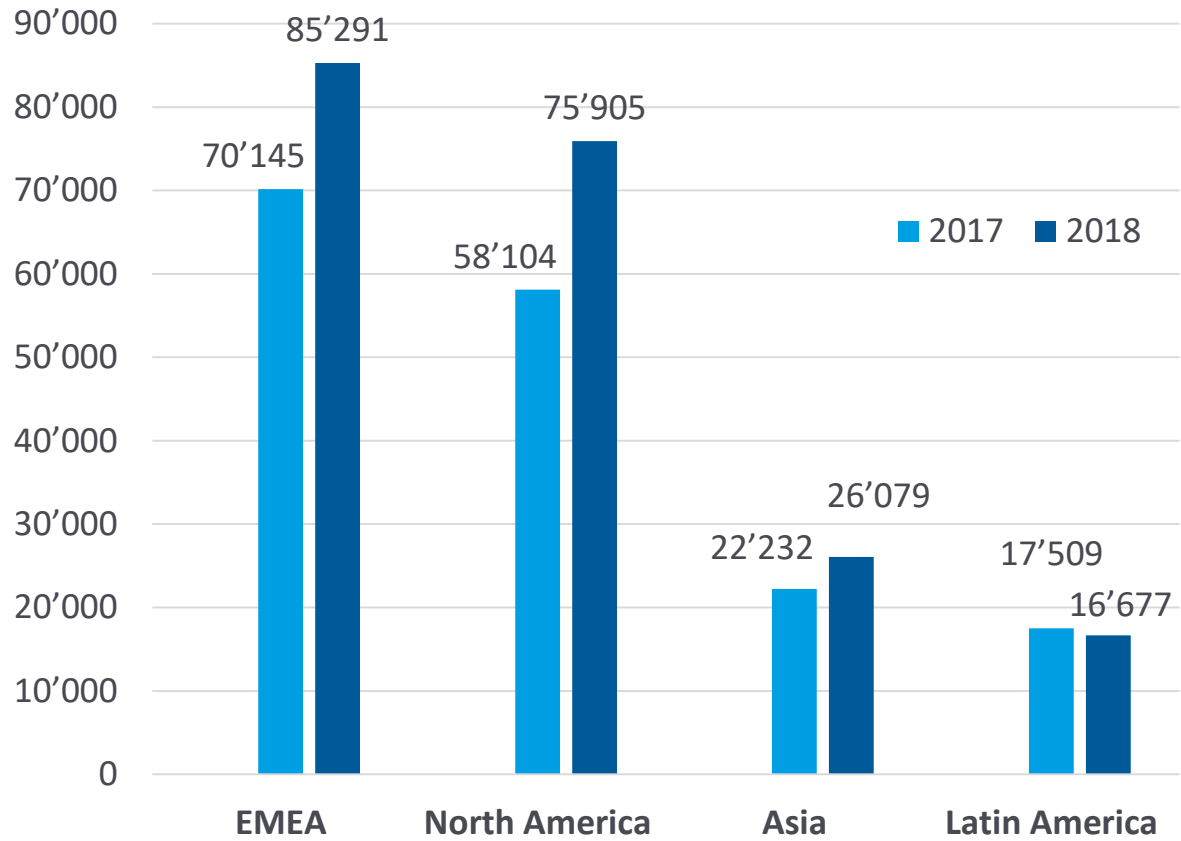
# Net Sales by Region

Significant growth in North America and Europe

Net sales 2018 by regions (shares)



Net sales 2018 by regions (in CHF 1,000)

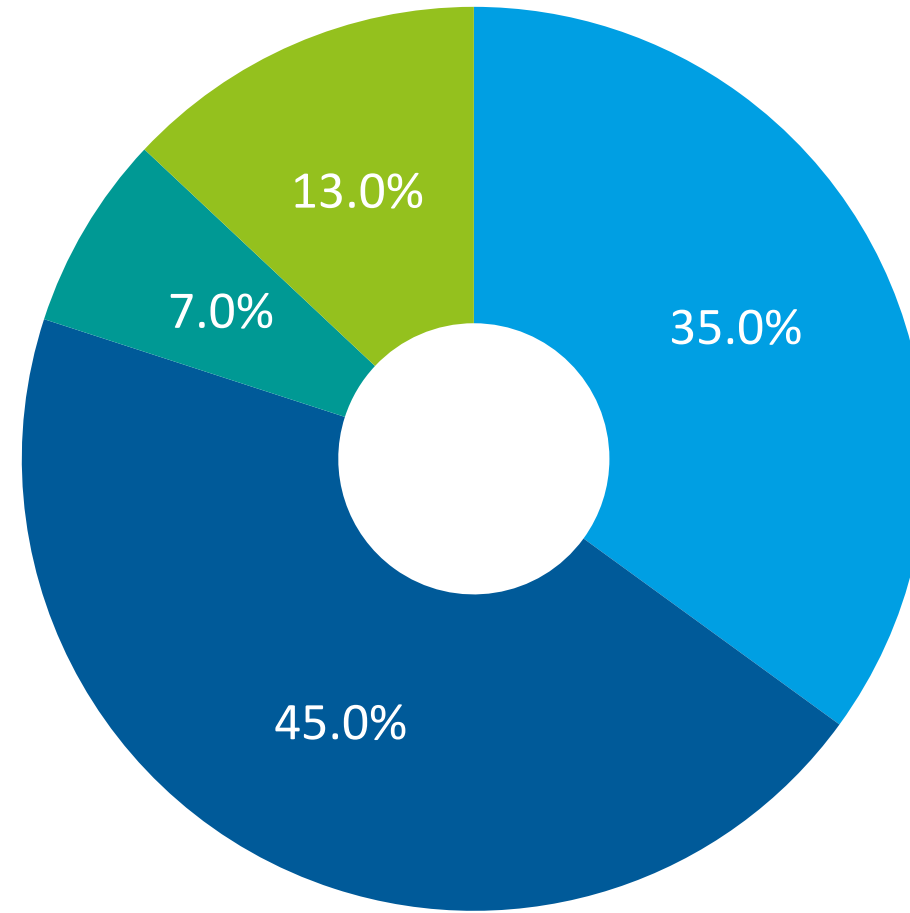


# Net Sales by Region

## Share by region of the new COLTENE

based on adding sales of  
COLTENE+Micro-Mega+SciCan for 2018

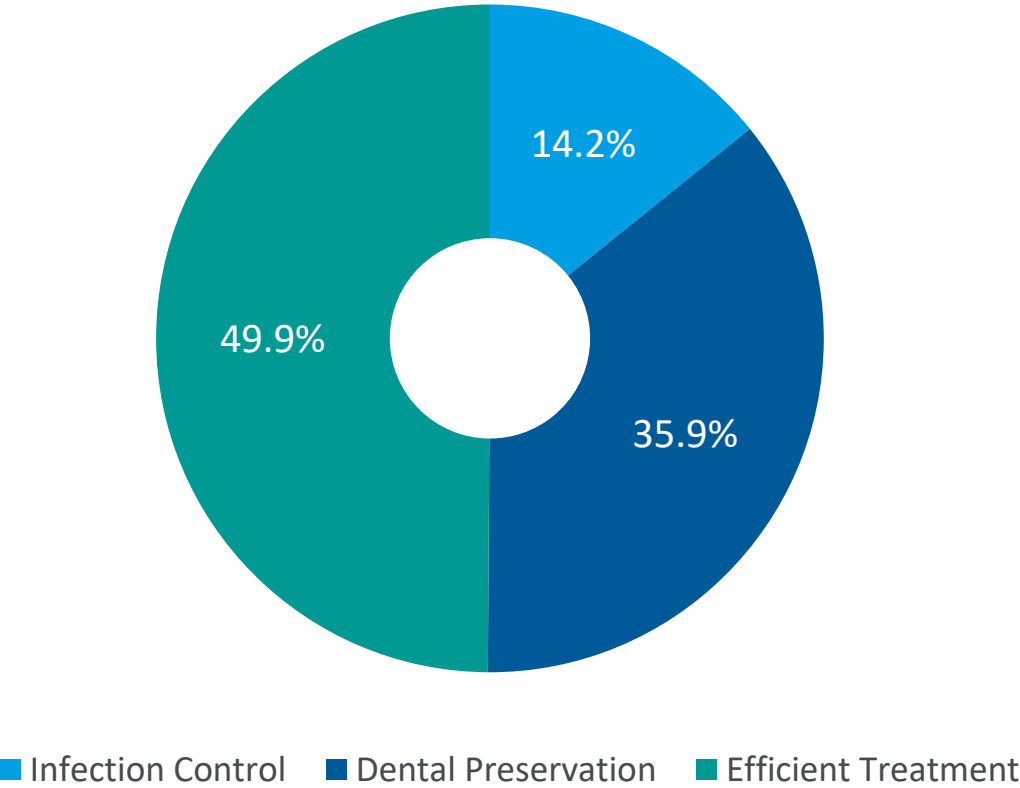
- EMEA
- North America
- Latin America
- Asia/Oceania



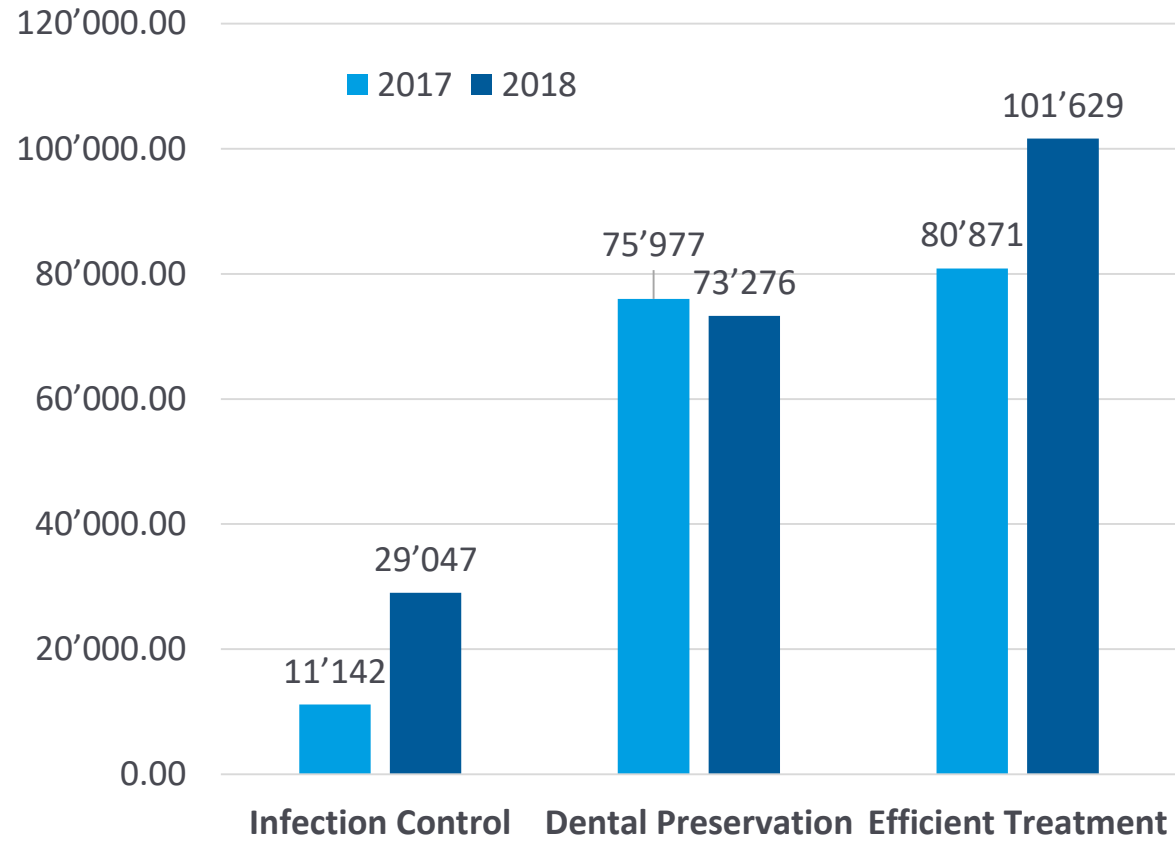
# Net Sales by Product Groups

New product groups established, Efficient Treatment leads sales

Net sales 2018 by product groups (shares)



Net sales 2018 by product groups (in CHF 1,000)

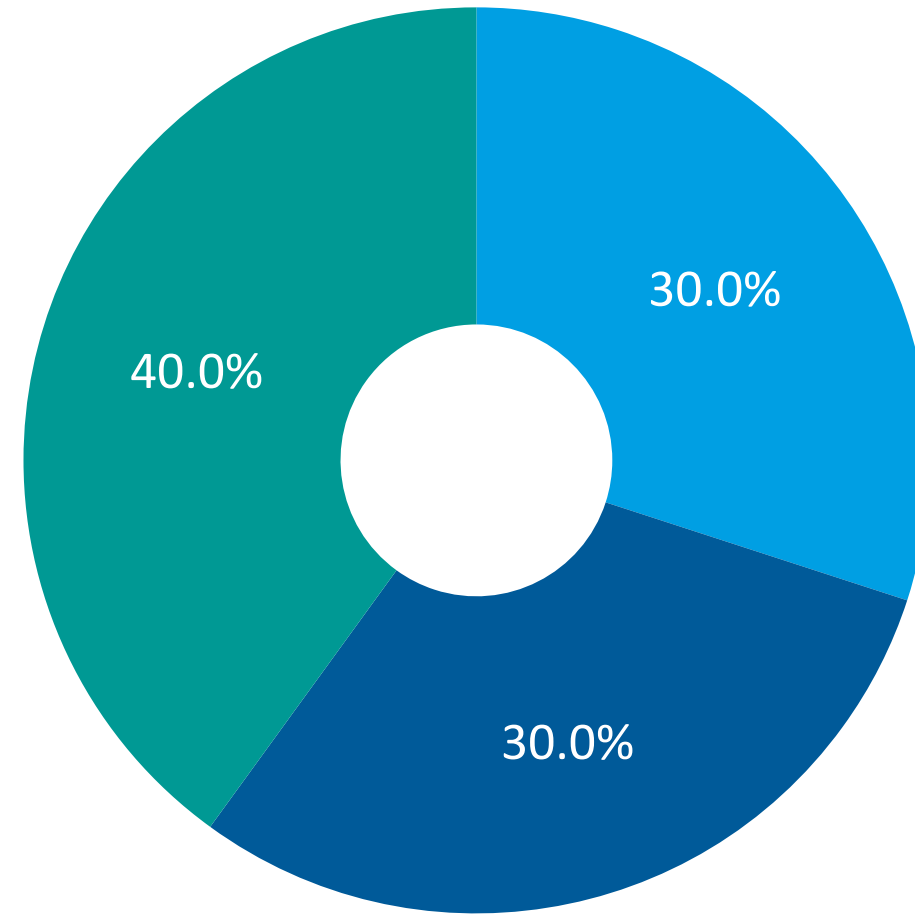


# Net Sales by Product Groups

## Share by product group for the new COLTENE

based on adding sales of  
COLTENE+Micro-Mega+SciCan for 2018

- Infection Control
- Dental Preservation
- Efficient Treatment



# Financials 2018

Gerhard Mahrle, CFO

Photo: Eric Ozelski

Product Manager North America / SciCan Inc.

Pittsburgh, USA





# Financial Summary 2018

Strong top-line, impacted bottom line by one-time extraordinary effects

## Sales

New record sales of CHF 204.0 mn, up 21.4%

Organic growth of 2.7%, clearly above stagnating overall market

Contributions from Kenda, SciCan and Micro-Mega totaled to 30.4 mn or 18.1%

## EBIT

EBIT of CHF 23.7 mn (2017: CHF 25.5 mn), impacted by non-operational, one-time extraordinary effects associated with the first-time consolidation of the acquired companies; extraordinaries totaled to CHF 7.0 mn

EBIT margin at 11.6%, excluding extraordinary items at 15.0%

## Net Profit

Net profit amounted to CHF 14.9 mn (2017: CHF 19.1 mn)

Tax law changes in the US burdened net profit additionally

Treatment utilities

# Financial Summary 2018

Strong top-line, impacted bottom line by one-time extraordinary effects

## Tax Rate

Tax rate of 30.4% (2017: 22.2%)

Tax provisions of CHF 0.7 mn due to changes in the US corporate income and sales tax regime

Excluding one-time effects, adjusted tax rate was 25.1%

## Cash Flow

Cash flow from operations of CHF 24.6 mn (2017: CHF 21.9 mn)

Cash flow from investing activities surged to CHF 115.4 mn (2017: CHF 5.9 mn), following the acquisitions in 2018

Investment of CHF 12.0 mn in new manufacturing and office building in Altstaetten

Corresponding negative free cash flow of CHF 90.8 mn (2017: CHF +16.0 mn)

## Balance Sheet

Net debt position of CHF 29.2 mn (2017: net cash position of 13.8 mn)

Equity ratio 70.5% (2017: 72.7%)

# Income Statement

Non-recurring effects from first-time consolidation of acquisitions decreased operating results

## Income statement reflects acquisitions

Net sales increased by +21.4%

Acquisitions boosted net sales by CHF 30.4 mn  
or 18.1% in the last quarter

Organic growth: 2.7%

**Gross Profit margin** decreased from 72.4% to 69.8%

*Reason: Non-cash and non-recurring effects of first-time consolidation*

**OPEX ratio** increased from 53.9% to 54.7%

*Reason: Non-cash and non-recurring effects of first-time consolidation*

**Tax rate** increased from 22.2% to 30.4%

*Reason: Tax provision of CHF 0.7 mn in US based entities*

in CHF mn	2018	%	2017	%	% YoY
<b>Net Sales</b>	<b>204.0</b>	<b>100.0</b>	<b>168.0</b>	<b>100.0</b>	<b>+21.4</b>
Material expenses*	-61.6	-30.2	-46.3	-27.6	<b>+33.0</b>
Gross Profit	142.3	<b>69.8</b>	121.7	<b>72.4</b>	<b>+16.9</b>
Operating expenses	-111.5	<b>-54.7</b>	-90.5	<b>-53.9</b>	<b>+23.2</b>
Depreciation and amortization	-7.2	-3.5	-5.7	-3.4	<b>+26.3</b>
<b>EBIT</b>	<b>23.7</b>	<b>11.6</b>	<b>25.5</b>	<b>15.2</b>	<b>-7.1</b>
Financial result	-2.2	-1.1	-1.0	-0.6	<b>+120.0</b>
Tax expenses	-6.5	<b>-30.4</b>	-5.5	<b>-22.2</b>	<b>+18.2</b>
<b>Net Income</b>	<b>14.9</b>	<b>7.3</b>	<b>19.1</b>	<b>11.3</b>	<b>-22.0</b>

# Income Statement

EBIT margin stood at 15% after factoring out non-operational and non-recurring effects from first-time consolidation of acquisitions


in CHF mn	2018 as reported	%	Step-up Inventory	Transaction cost	Amortization Intangibles	Tax Effect	2018 adjusted	% 2018	% 2017
<b>Net Sales</b>	204.0	100.0					<b>204.0</b>	<b>100.0</b>	<b>100.0</b>
Material expenses*	-61.6	-30.2	4.0				-57.7	-28.3	-27.6
Gross Profit	142.3	69.8					146.3	71.7	72.4
Operating expenses	-111.5	-54.7		1.7			-109.8	-53.8	-53.9
Depreciation and amortization	-7.2	-3.5			1.3		-5.9	-2.9	-3.4
<b>EBIT</b>	<b>23.7</b>	<b>11.6</b>					<b>30.7</b>	<b>15.0</b>	<b>15.2</b>
Financial result	-2.2	-1.1					-2.2	-1.1	-0.6
Tax expenses	-6.5	-30.4				-0.6	-7.1	-25.1	-22.2
<b>Net Income</b>	<b>14.9</b>	<b>7.3</b>	<b>4.0</b>	<b>1.7</b>	<b>1.3</b>	<b>-0.6</b>	<b>21.3</b>	<b>10.4</b>	<b>11.3</b>

Total CHF 7.0 mn

# Income Statement

Non-operational and non-recurring effects from first-time consolidation of acquisitions

in CHF mn	2018 as reported	%	Step-up Inventory	Transaction cost	Amortization Intangibles	Tax Effect	2018 adjusted	
<b>Net Sales</b>	<b>204.0</b>	<b>100.0</b>					<b>204.0</b>	
Material expenses*	-61.6	-30.2	4.0				-57.7	Inventory step up (finished goods valued at fair value = sales price ./ sales cost)
Gross Profit	142.3	69.8					146.3	
<b>Operating expenses</b>	<b>-111.5</b>	<b>-54.7</b>		1.7			<b>-109.8</b>	Transaction cost effect in the P&L of acquisitions of Kenda, SciCan and DentalDrives (Micro-Mega)
Depreciation and amortization	-7.2	-3.5			1.3		-5.9	Amortization of capitalized acquired intangible assets for customers, technology and intellectual property rights
<b>EBIT</b>	<b>23.7</b>	<b>11.6</b>					<b>30.7</b>	Non-cash effect on EBIT: CHF 7.0 mn
Financial result	-2.2	-1.1					-2.2	
Tax expenses	-6.5	-30.4				-0.6	-7.1	Tax effect of above mentioned impacts and a provision of CHF 0.7 mn due to a change in the US tax regime regarding state and sales tax
<b>Net Income</b>	<b>14.9</b>	<b>7.3</b>	<b>4.0</b>	<b>1.7</b>	<b>1.3</b>	<b>-0.6</b>	<b>21.3</b>	<b>Non-cash effect on net income: CHF 6.4 mn</b>



**Total CHF 7.0 mn**



# Balance Sheet: Total Assets

Significant increase of intangible assets due to recent acquisitions – no impairment

## Balance sheet total increased through acquisitions

**Goodwill** increased by CHF 138.9 mn on acquisition date  
(Kenda: CHF 3.2 mn; SciCan and Micro-Mega: CHF 135.7 mn)

Total goodwill 31.12.18: CHF 172.8 mn  
FX effect on GW 31.12.18: CHF 5.9 mn

*No impairment!*

**Intangible assets** increased by CHF 62.7 mn  
(Kenda: 3.0 mn; SciCan and Micro-Mega: CHF 59.7 mn)

*Amortization in 2018: CHF 1.3 mn*

**CAPEX** in 2018 CHF 13.4 mn  
(CHF 8.0 mn new office and production site in Altstaetten;  
CHF 5.4 mn replacement and maintenance CAPEX)

Normalized CAPEX: ~3% of net sales

in CHF million	31.12.18	31.12.17	% YoY
Cash & cash equivalents	20.9	22.0	-5.0
Receivables	64.4	40.5	+59.0
Inventory	55.6	31.6	+75.9
Property, plant & equipment	42.5	28.4	+49.6
Financial, intangible & tax assets	236.8	44.8	+428.6
<b>Total assets</b>	<b>420.2</b>	<b>167.3</b>	<b>+151.2</b>
Payables & short term liabilities	45.3	23.1	+96.1
Bank loans (short and long term)	50.0	8.3	+502.4
Other long term liabilities	28.7	14.3	+100.7
Equity	296.2	121.7	+143.4
<b>Total liabilities &amp; equity</b>	<b>420.2</b>	<b>167.3</b>	<b>+151.2</b>
<b>Net cash</b>	<b>-29.2</b>	<b>+13.8</b>	

# Balance Sheet: Total Liabilities and Equity

Solid financial basis thanks to capital increases

## Two major capital increases

**Net debt** stood at CHF 29.2 mn due to acquisition financing (PY: net cash of CHF 13.8 mn)

**Net leverage** factor of comfortable 0.9

**Equity ratio** decreased from 72.7% to 70.5%

*Still a very solid financed balance sheet*

## Two capital increases

**Ordinary capital increase**  
of 675k shares

- net proceeds of CHF 69.5 mn
- issue price per share: CHF 104.00

**Contribution in kind capital increase** of 1'082k shares

- net proceeds of CHF 110.9 mn
- issue price per share: CHF 104.00

Resulting **capital contribution reserves**  
**CHF 169.8 mn** for  
tax free distribution

B/S sheet total increased by 150% or CHF 253 mn

in CHF million	31.12.18	31.12.17	% YoY
Cash & cash equivalents	20.9	22.0	-5.0
Receivables	64.4	40.5	+59.0
Inventory	55.6	31.6	+75.9
Property, plant & equipment	42.5	28.4	+49.6
Financial, intangible & tax assets	236.8	44.8	+428.6
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Payables & short term liabilities	45.3	23.1	+96.1
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Equity	296.2	121.7	+143.4
<b>Total liabilities &amp; equity</b>	<b>420.2</b>	<b>167.3</b>	<b>+151.2</b>
<b>Net debt / net cash</b>	-29.2	+13.8	

# Cash Flow Statement

High investments in current and future growth

**Higher cash flow from operations**  
**Net investments of CHF 115.4 mn**

Cash flow from operating activities increased by CHF 2.7 mn

Cash flow from investing activities in acquisitions  
(net of cash) increased significantly in 2018

- Kenda: CHF 7.7 mn
- SciCan/Micro-Mega: CHF 95.2 mn (including consideration shares the purchase price amounted to CHF 216.2 mn)

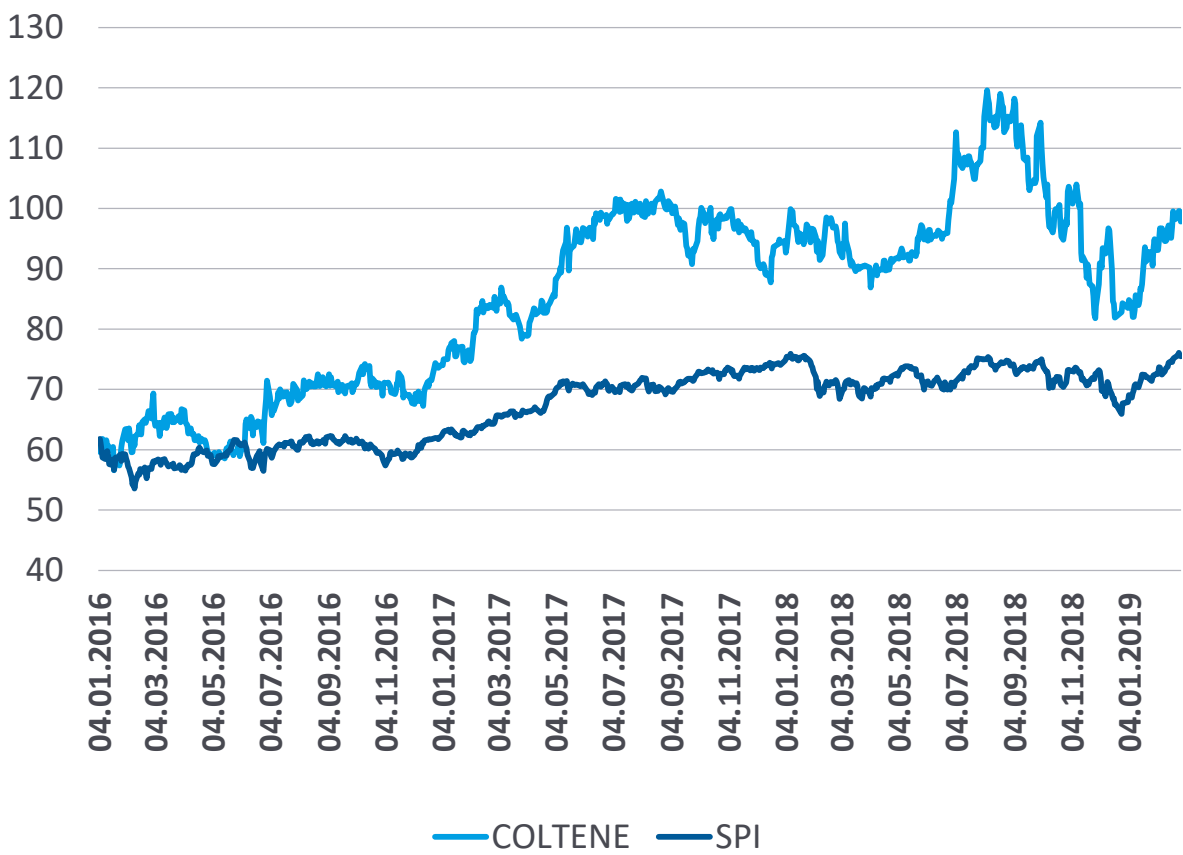
Negative free cash flow of CHF

in CHF m	2018	2017	% YoY
Net profit	14.9	19.1	-22.0
Depreciation and amortization	7.2	5.7	+26.3
Other non cash items	6.0	4.6	+30.4
Changes in NWC	4.8	-1.0	-580.0
Interest, tax paid/received	-8.3	-6.5	+27.7
<b>Cash flow from operating activities</b>	<b>24.6</b>	<b>21.9</b>	<b>+12.3</b>
Purchase of PPE (net)	-12.2	-3.9	+212.8
Purchase of int. & finan. assets (net)	-0.3	-0.7	-57.1
Acquisition of subsidiaries (net of cash)	-102.9	-1.3	
<b>Cash flow from investing activities</b>	<b>-115.4</b>	<b>-5.9</b>	
<b>Cash flow from financing activities</b>	<b>90.6</b>	<b>-15.7</b>	
Change in cash and cash equivalents	-1.1	0.5	
<b>Free cash flow</b>	<b>-90.8</b>	<b>16.0</b>	
<b>In % of net sales</b>	<b>-</b>	<b>9.5</b>	<b>5.1</b>

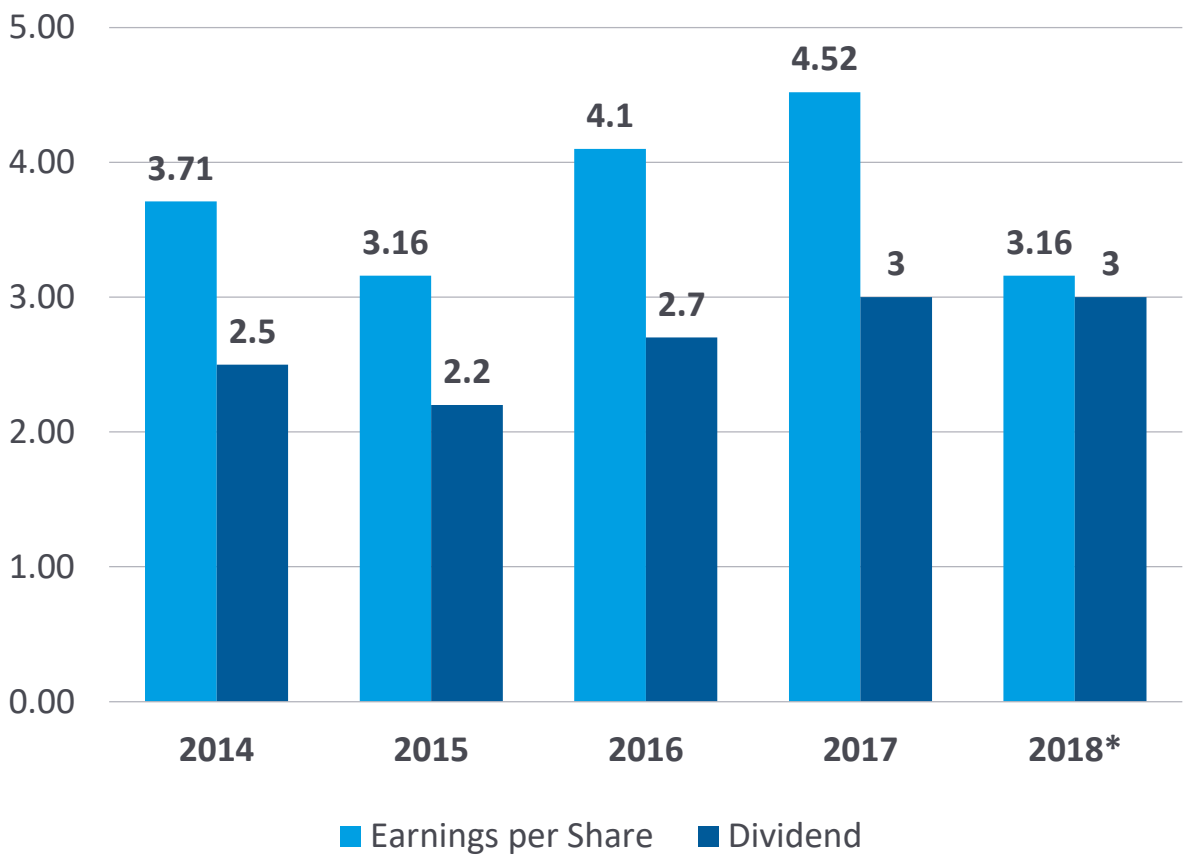
# Share Performance

Positive perception of acquisitions, drop in Q4 in line with market-wide drawbacks

Share price



Earnings per share/dividend



# Change in Accounting Standard in FY 2019

## COLTENE will change its accounting standard from IFRS to Swiss GAAP FER

### Change will take place in 2019

On February 14, 2019, the Board of Directors of COLTENE Holding AG decided to adopt Swiss GAAP FER as the Company's accounting and reporting standard as of fiscal year 2019. COLTENE Holding AG will publish its interim closing report on June 30, 2019 for the first time according to Swiss GAAP FER.

### Effects

Reporting under Swiss GAAP FER will continue to give a "true and fair view" of the Company's financial performance and position. COLTENE will offset the entire goodwill carried in its balance sheet against equity. This will lead to a reduction of total balance sheet assets and a lower equity ratio. Moreover, the balance sheet will be unburdened of the pension benefit reporting requirements stipulated by IAS 19. A transitional report will be given with the reporting of results for the first half of 2019.

### Rational

The reasons for the Company's decision are the increasing complexity of IFRS and the related, constantly growing requirements. They entail high administrative costs for small and mid-sized companies listed on the stock market. COLTENE Group will continue to prepare its consolidated financial statements in accordance with "true and fair" principles, with the same quality and transparency, thus ensuring an accurate view of its financial performance and position.

### Provisional impact on income statement and balance sheet of FY 2018

No major impact on income statement expected

**EBIT might improve slightly:** No pension expense because of IAS 19 CHF <0.2 mn

#### Impact on consolidated balance sheet

- **Goodwill** will be offset against equity (CHF 173 mn)
- **Intangible assets** will be offset against equity (CHF 60 mn)
- Provision for **pension liabilities** will be offset against equity (CHF 7 mn)
- DTL will decrease (CHF 29 mn)
- DTA will increase (CHF 1 mn)
- **Equity** will decrease by 196 mn
- **Equity ratio** will decrease from 70% to >50%



# AGM 2019

## Proposals to the general assembly

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

Nick Huber, Erwin Locher, Jürgen Rauch, Matthew Robin, Astrid Waser, Roland Weiger, Allison Zwingenberger

The Board of Directors proposes that Nick Huber be re-elected Chairman

### Distribution

Board of Directors proposes distribution of CHF 3.00 per share to be paid from capital contribution reserves

Dividend yield of 3.6% based on year-end share price of CHF 84.30, Payout ratio of >100%

### Compensation of the Board of Directors and Group Management

Maximum aggregated amount of compensation

for the members of the Board of Directors for fiscal year 2020: CHF 620,000

for the members of Group Management for fiscal year 2020: CHF 3,900,000; thereof CHF 2,500,000 will be paid as maximum fixed compensation and CHF 1,400,000 as maximum variable compensation

Consultative vote on the Compensation Report 2018

### Group Auditor

Re-election of EY

A woman with long brown hair, wearing a dark patterned blazer over a white top, stands behind a white office desk. She is smiling and holding a pen over some papers. The desk has a computer monitor displaying the COLTENE logo, a keyboard, and a printer. In the background, there are large windows and a row of blue and black binders on a shelf.

# The New COLTENE Group

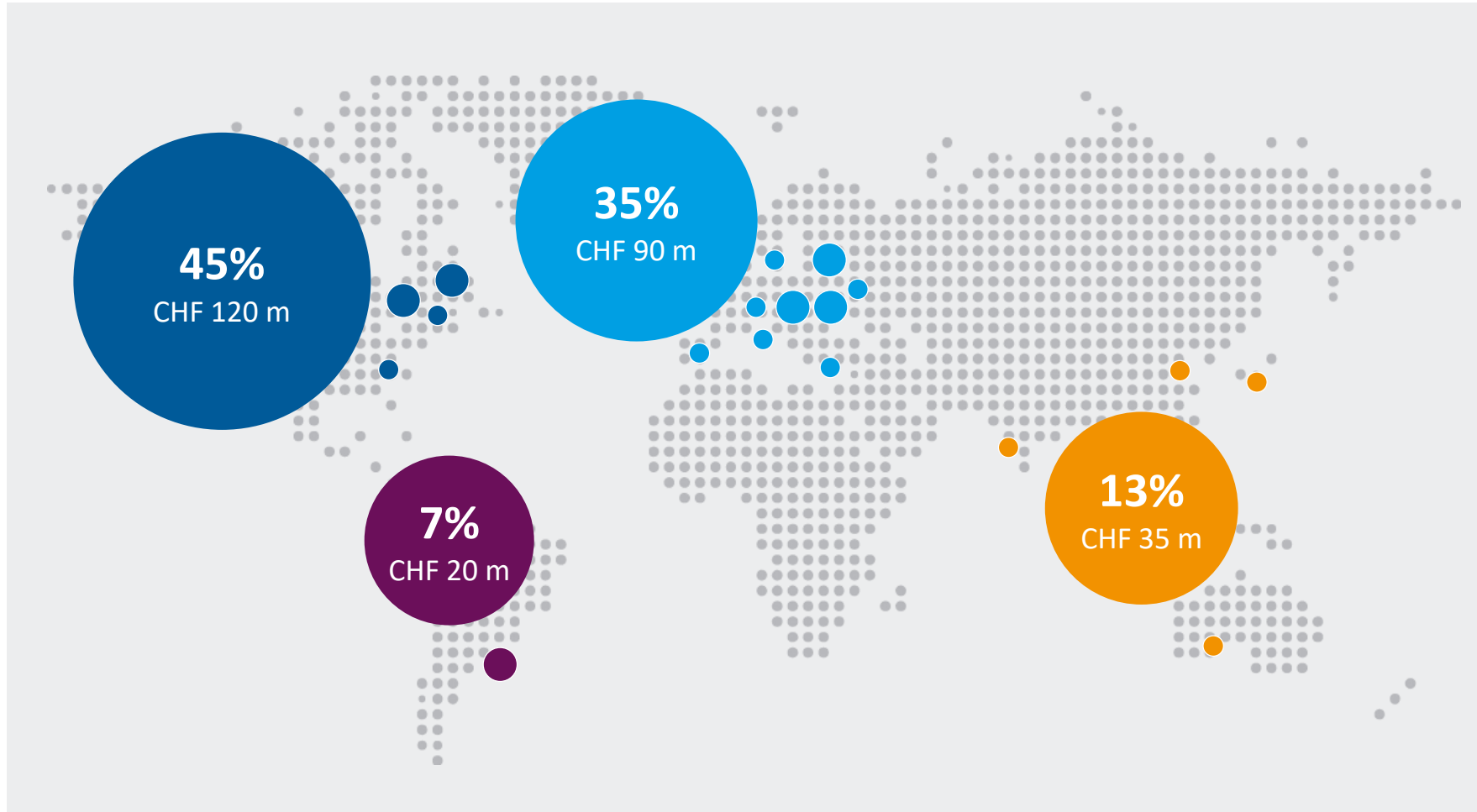
Martin Schaufelberger, CEO

Photo: Jasmin Gaby

QM / Regulatory Affairs Office / Coltène/Whaledent AG  
Altstaetten, Switzerland

# Truly Global Setup

Own sales force across North and Latin America, Europe, Asia including India and China



## North America

Group companies	4
Production sites	2
Workforce (FTE)	610

## Latin America

Group companies	1
Production sites	1
Workforce (FTE)	120

## Europe EMEA

Group companies	20
Production sites	4
Workforce (FTE)	540

## Asia Pacific

Group companies	4
Production sites	0
Workforce (FTE)	80



# Operations

State-of-the-art production facilities in the US, Canada, Brazil, Germany, France and Switzerland



**Canada, Toronto**



**Switzerland, Altstaetten**



**Germany, Langenau**



**USA, Cuyahoga Falls (OH)**



**Brazil, Rio de Janeiro**



**France, Besançon**

# Comprehensive Product Portfolio

Update dentistry – Better Quality, Better Reliability, Better Practice

## Infection Control

Instrument reprocessing and  
surface disinfection



BioSonic UC150



SciCan HYDRIM



SciCan STATIM



SciCan BRAVO



SciCan OPTIM



BioSonic WipeOUT

Sales ~ CHF 85 mn 30%

## Dental Preservation

Restoration



BRILLIANT EverGlow



BRILLIANT Crios



ParaPost

Endodontics



MicroMega OneCurve  
HyFlex CM/EDM



ROEKO PP/GP



GuttaFlow BioSeal

Sales ~ CHF 85 mn 30%

## Efficient Treatment

Impression  
materials



Speedex



AFFINIS



PRESIDENT

Rotary  
instruments



DIATECH



ALPEN



KENDA

Treatment  
utilities



Roeko Surgitip



Hygenic DentalDam

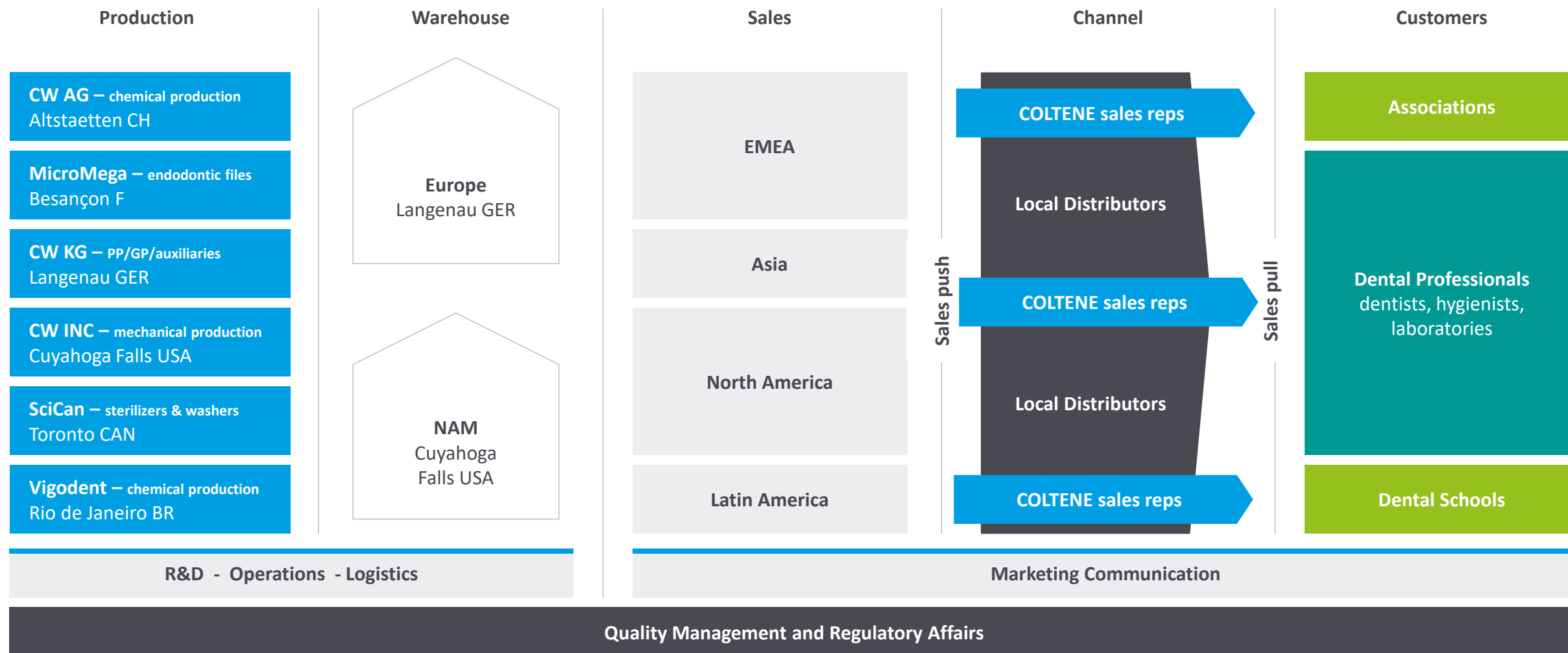


Roeko Gelatamp

Sales ~ CHF 110 mn 40%

# Business Model

## Product Management



# Strategic Approach

Leverage synergies and cross sales potential

## Understand the customers' needs

Focus on innovation

Visible sales and service organization

Agile organization

## Materialize the expected synergies from the merger with SciCan and Micro-Mega

Push short-term merger projects

Review strategy combined with mid-/long-term merger needs

Execute synergy mandates

## Establish the base for operational excellence

Review group processes

Select and implement corresponding IT tools

Adapt sales and marketing to the mega trends



# Key Topics on the Agenda

## Commitment to profitable sustainable growth

- ⦿ Define and implement short term merger projects
- ⦿ Strategy review process and implementation of strategy mandates
- ⦿ Review product road map and focus on key innovation projects
- ⦿ Improve quality systems and regulatory affairs – to be ready for new/higher requirements in the MedTech industry (MDSAP, MDR,...)
- ⦿ Combine sales force in all markets into one global sales organization
- ⦿ Cooperate in marketing activities e.g. trade shows, promotions, messages
- ⦿ Operational excellence in manufacturing
- ⦿ Roll-out common IT infrastructure

# Organization

## Management

### Board of Directors

Matthew Robin

Allison Zwingenberger

Jürgen Rauch

**Nick Huber**, Chairman

Astrid Waser

Roland Weiger

Erwin Locher



### Group Management

Werner Barth, VP Marketing

**Martin Schaufelberger**, CEO

Gerhard Mahrle, CFO

Stefan Helsing, COO

Werner Mannschedel, VP Q&RA

Christophe Loretan, VP Sales





# Outlook

Martin Schaufelberger, CEO

Photo: Gaelle Batista  
Technical Support Logistics / Micro-Mega SA  
Besançon, France

# Dental Industry

## Mega trends





# Milestones 2019 and Outlook

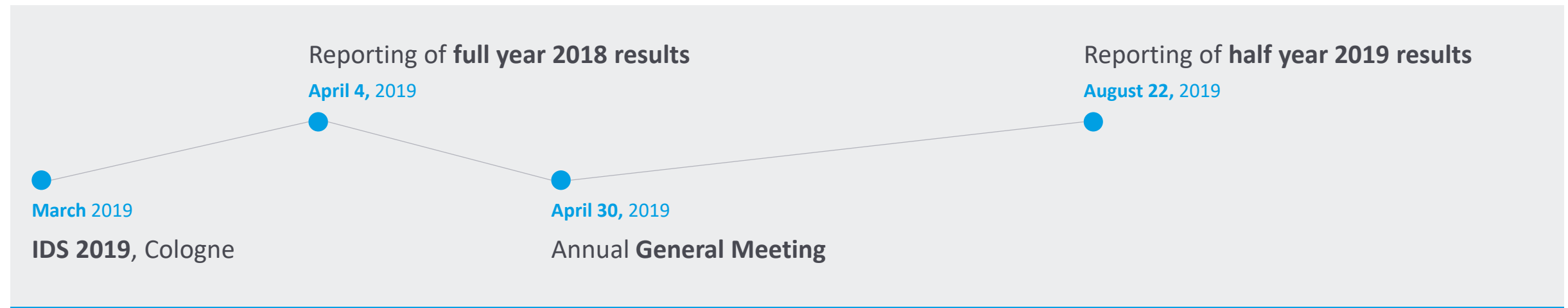
Continued growth and profitability gains

We expect a **global organic growth** of our market segment in the area of 1.0-2.0 % in 2019

COLTENE **expects to grow** slightly more than the market

The merger will support growth by **cross selling opportunities**

After additional cost due to the transaction & integration projects, we expect to achieve an **EBIT margin of 15% mid-term again**



# Summary

Consumables in dental industry have limited, but robust growth expectations

## The recent merger rises sales

from CHF ~ 170 to ~ 280 mn and allowing to benefit from economy of scale effects in

- increasing regulatory efforts
- maintaining a truly global setup

## Confirming guidance

- above market growth
- mid-term to regain 15% EBIT margin
- pay dividend of about 70% of consolidated net profit after tax

## Sound financial situation

post merger with net debt of CHF ~ 30 mn

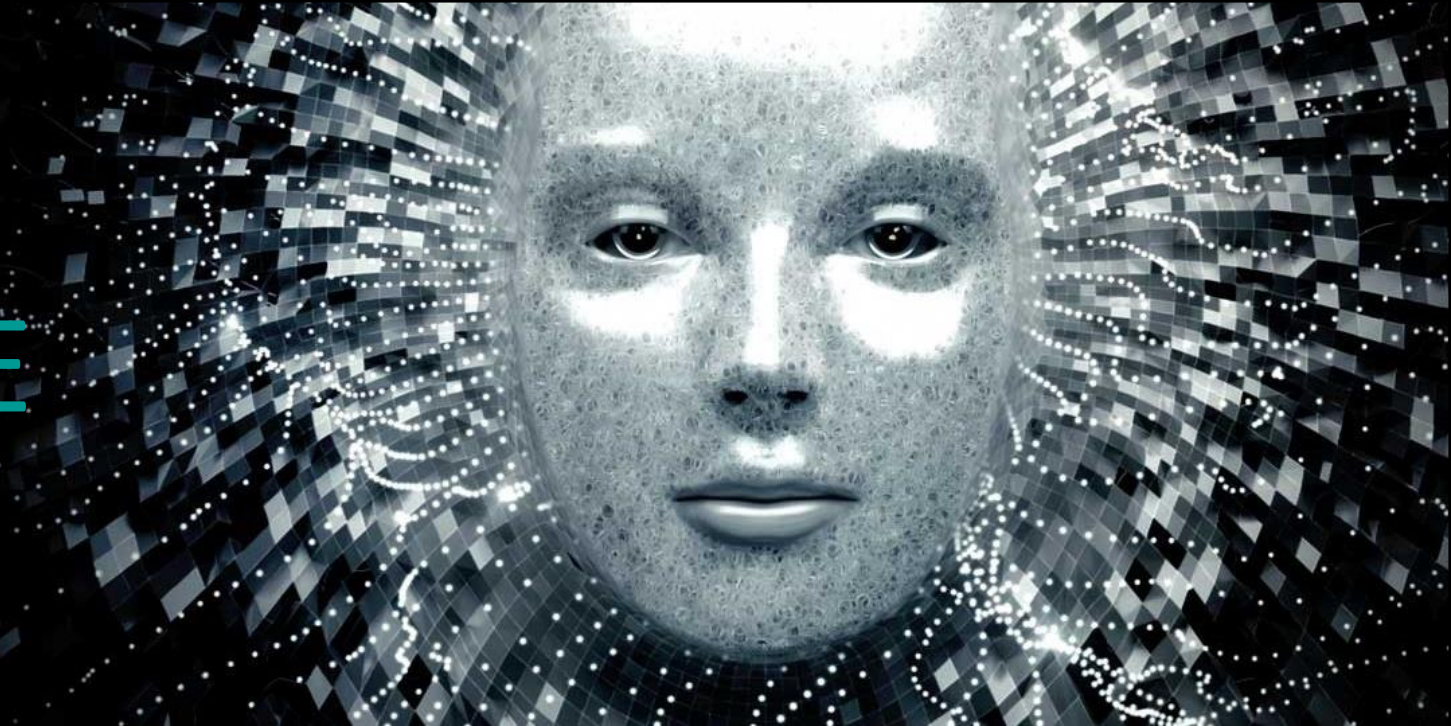
## Management focus

- be closer to customers regarding sales and service
- drive innovation to match customer needs

**COLTENE**  
is Upgrade Dentistry

Better Quality.  
Better Reliability.  
Better Practice.

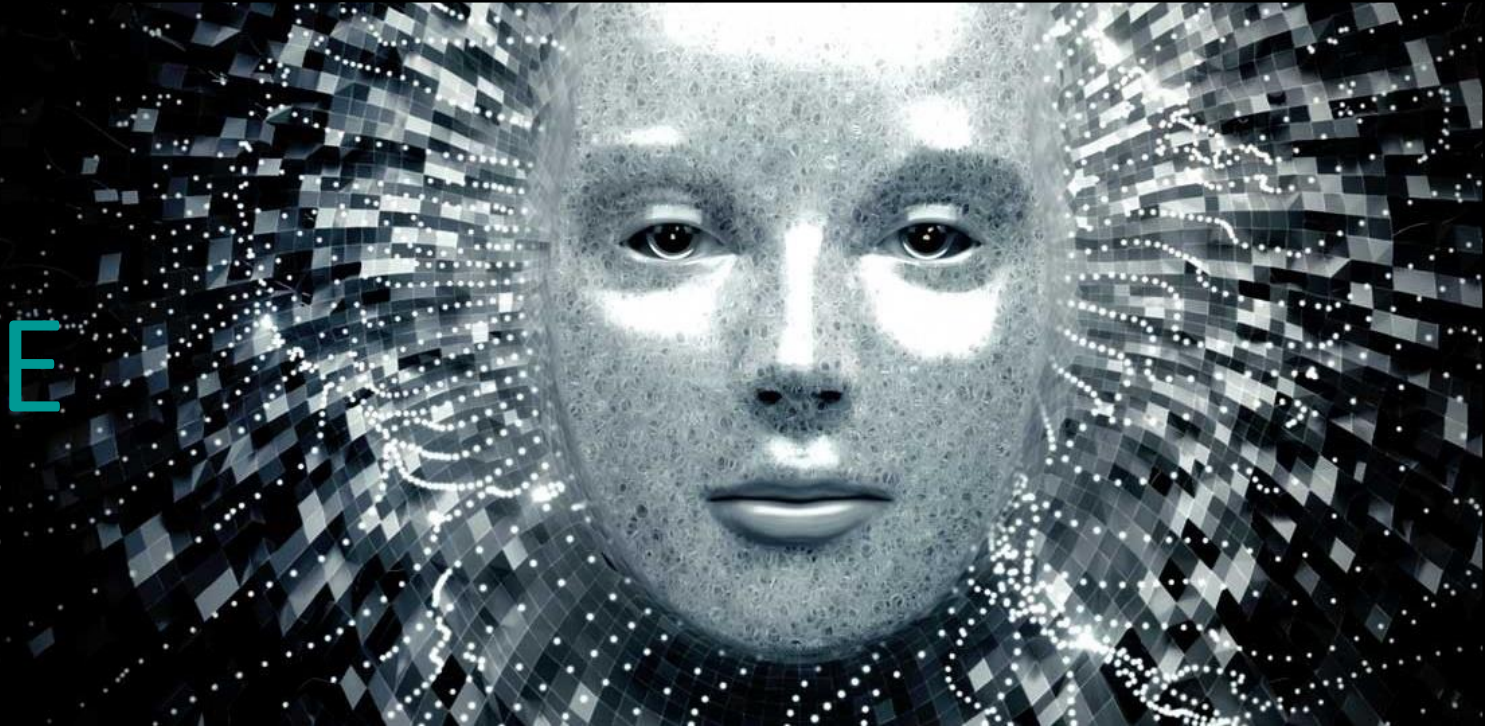
# The New COLTENE



Q&A



# The New COLTENE



Thank You for Your Interest

## **COLTENE Holding AG**

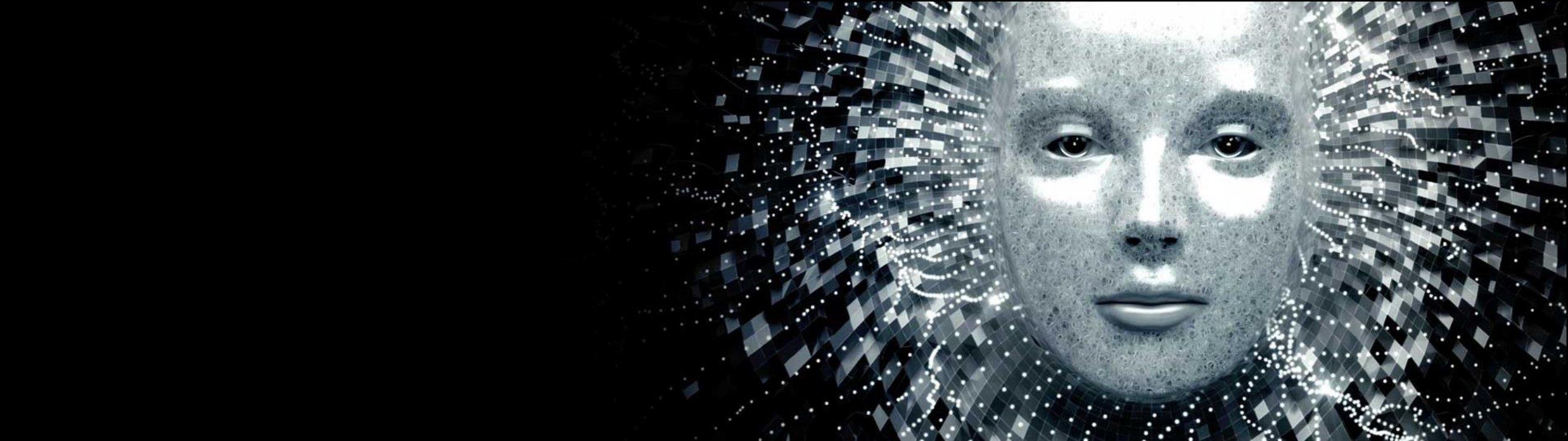
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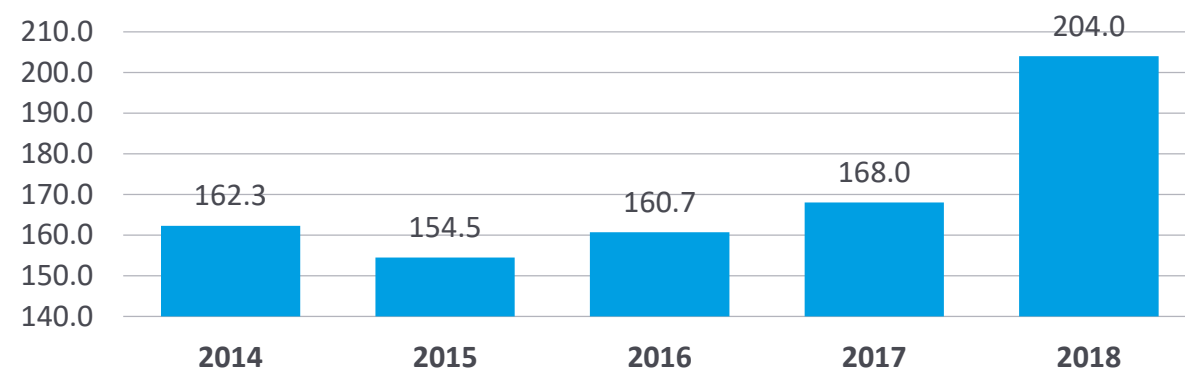


Annexe

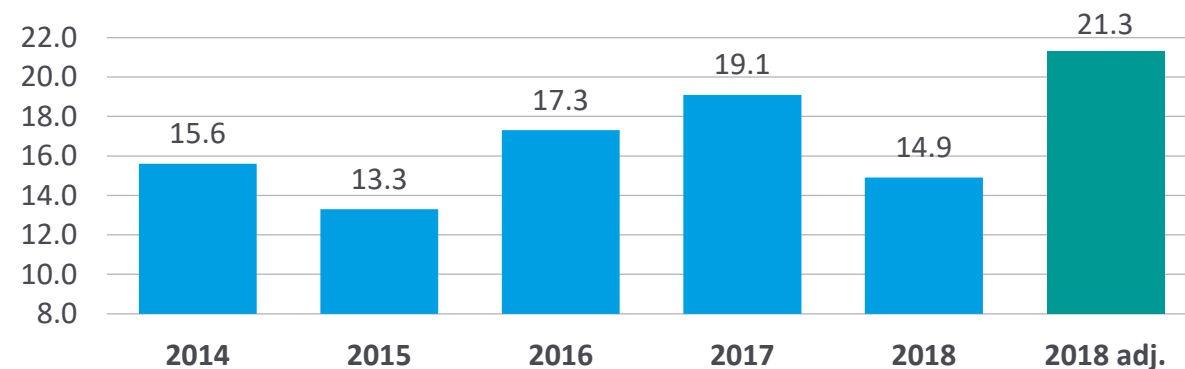
# Key Figures

## Five year overview

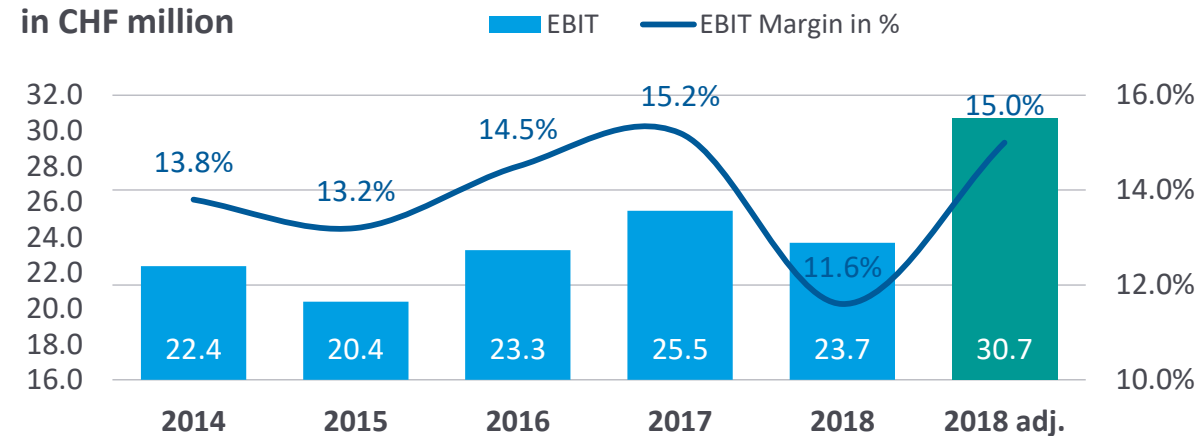
### Net Sales in CHF million



### Net Profit in CHF million



### in CHF million



### in CHF million

