

Combined Forces

Half-Year Results 2019 COLTENE Group – Media and Financial Analysts Conference Call

Martin Schaufelberger, CEO
Gerhard Mahrle, CFO

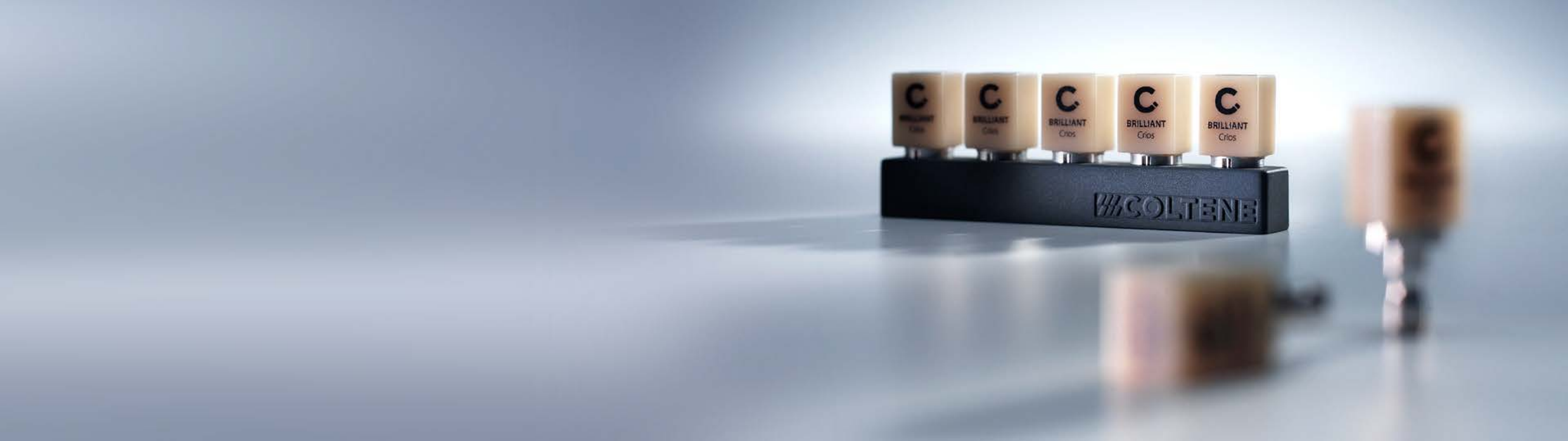
Safe Harbor Statement

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.

Agenda

Media and financial analysts conference call H1 2019

-
- ⦿ Highlights H1 2019
Martin Schaufelberger, CEO
 - ⦿ Financials H1 2019
Gerhard Mahrle, CFO
 - ⦿ Combined Forces
Martin Schaufelberger, CEO
 - ⦿ Outlook
Martin Schaufelberger, CEO
-







Highlights H1 2019

Martin Schaufelberger, CEO

H1 2019 Highlights

Strong sales growth thanks to acquisitions

-
- | | |
|--|---|
|  Financials | Sales CHF 135.4 mn; +58.2% compared to H1 2018 – hereof M&A +56.8%, organic +1.4%, organic in LC 2.0%
EBIT margin stood at 9.4% (H1 2018: 12.0%), impacted by effects from M&A and the reporting of such in IFRS
Net profit amounted to CHF 7.9 mn (H1 2018: CHF 6.2 mn)
H1 2019 results: first report using the IFRS accounting rules |
|--|---|
-
- | | |
|---|--|
|  M&A | Integration of Kenda, SciCan and Micro-Mega according to plan addressing the new growth opportunities
- Merging various marketing and sales organizations
- Leveraging cross-selling opportunities for SciCan and Micro-Mega products
North America advanced to clearly largest and most important sales region |
|---|--|
-
- | | |
|---|--|
|  Operational | Organic growth in local currencies of 2.0%, clearly outperforming the stagnating overall market
Strengthening Group identity and profile under the COLTENE umbrella brand
Harmonizing Group-level workflows and processes
Introduction of Product Life Cycle Management (PLM) tool; expansion of SAP, ERP and PIM to new companies
Continued expansion of Regulatory Affairs teams |
|---|--|
-
- | | |
|--|--|
|  Products | Strong presence at IDS in Cologne, presenting the Group's new products
- Infection Control: BioSonic WIPEOUT
- Dental Preservation: BRILLIANT COMPONEER composite enamel shells, BRILLIANT Crios Disc composite
- Efficient Treatment: Gelatamp forte |
|--|--|
-

New Product Group Structure and Recently Launched Products

Strong combined portfolio

Infection Control

„The infection control specialist“

Instrument reprocessing
by cleaning and sterilizing

Surface cleaning and disinfection

BioSonic WIPEOUT



Dental Preservation

„Sustainable preservation from root to crown“

Materials for restoration

Solutions for endodontic treatments

BRILLIANT COMPONEER composite enamel shells,
BRILLIANT Crios Disc composite



Efficient Treatment

„Smart & efficient utilities dentists rely on“

Impression materials

Rotary instruments

Treatment utilities

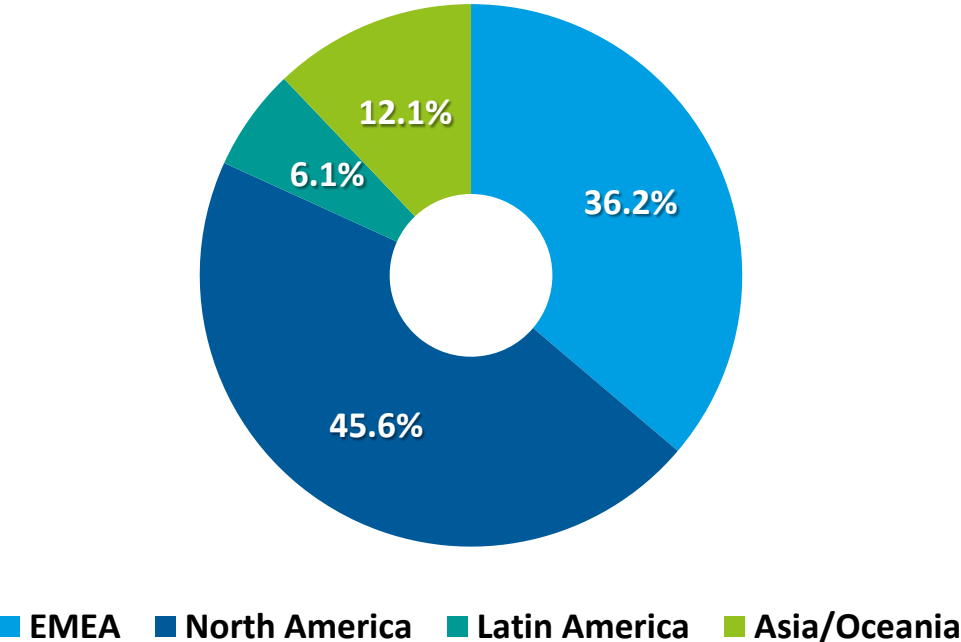
Gelatamp forte



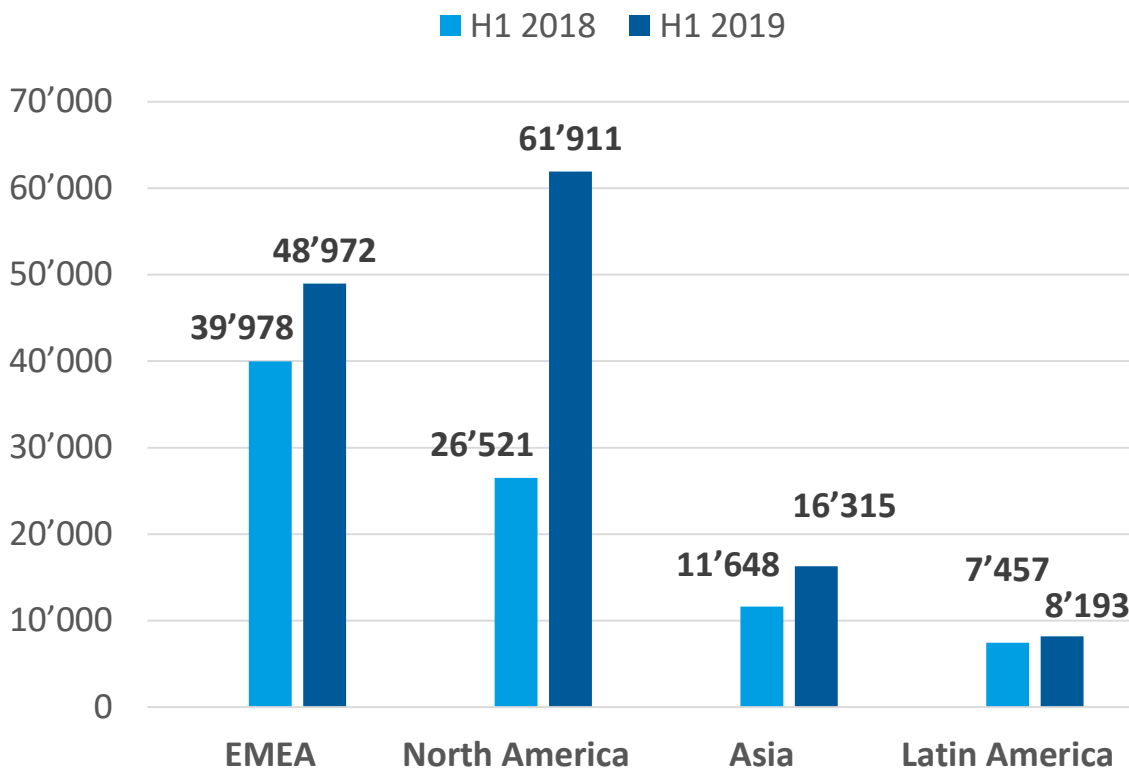
Net Sales by Region

Acquisitions made North America the Group's largest product group

Net sales H1 2019 by regions (shares)



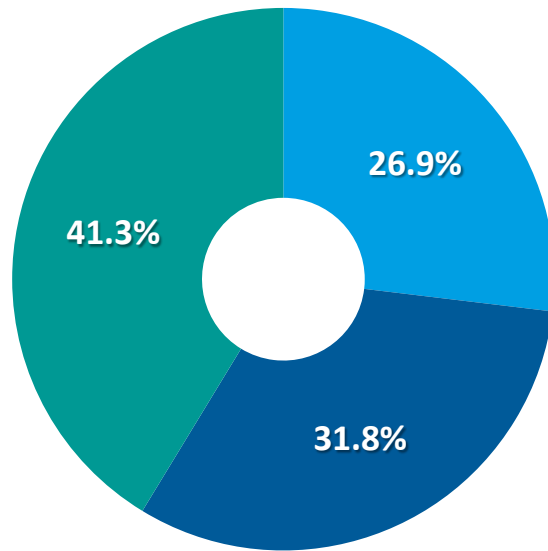
Net sales H1 2019 by regions (in CHF 1,000)



Net Sales by Product Groups

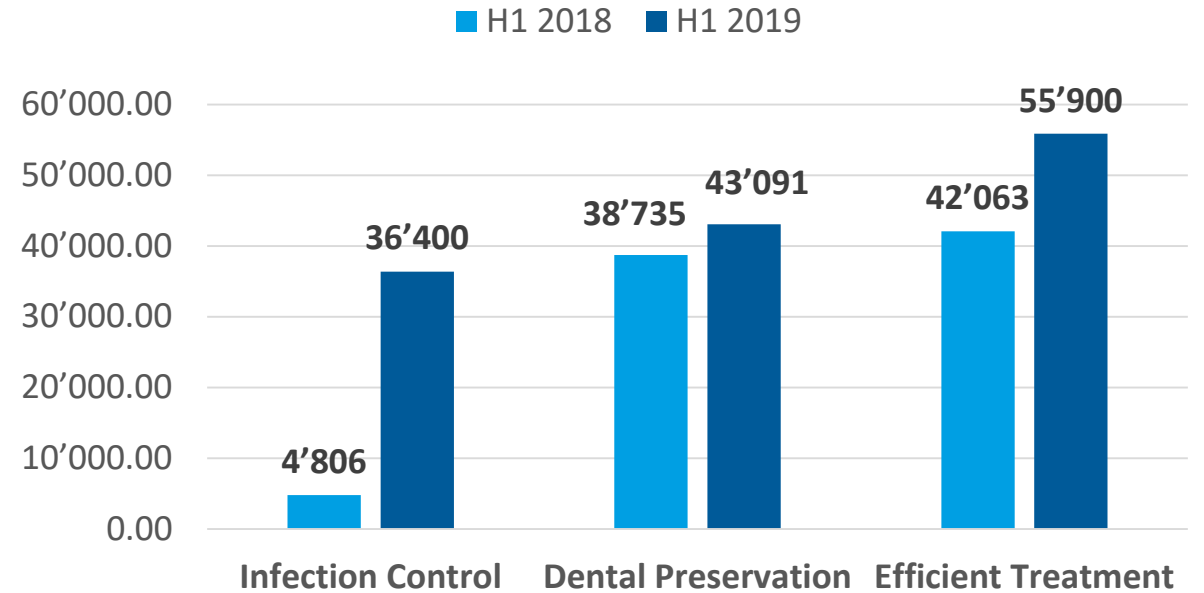
Growth in all product groups, Efficient Treatment leads sales

Net sales H1 2019 by product groups
(shares)



■ Infection Control ■ Dental Preservation ■ Efficient Treatment

Net sales H1 2019 by product groups (in CHF 1,000)



Financials H1 2019

Gerhard Mahrle, CFO

Photo: ParaPost – Well thought-out root post system for virtually every clinical situation



Financial Summary H1 2019

Strong top-line growth, impacted by one-time acquisition and integration costs

● Sales	New record sales of CHF 135.4 mn, up 58.2% Organic growth in LC of 2.0%, clearly above stagnating overall market Contributions from SciCan and Micro-Mega totaled to 48.6 mn or 56.8%
● EBIT	EBIT of CHF 12.8 mn (H1 2018: CHF 10.2 mn), supported by acquisition-led sales growth and strict cost management EBIT margin at 9.4% (H1 2018: 12.0%)
● Net Profit	Net profit amounted to CHF 7.9 mn (H1 2018: CHF 6.2 mn) Net profit margin of 5.9% (H1 2018: 7.2%)
● Tax Rate	Tax rate receded to 26.8% (H1 2018: 27.3%)
● Cash Flow	Cash flow from operations of CHF 8.6 mn (H1 2018: CHF 8.1 mn) Cash flow from investing activities of CHF -7.3 mn (H1 2018: CHF -12.2 mn, including Kenda acquisition) Improved free cash flow of CHF 1.3 mn (H1 2018: CHF -4.1 mn)
● Balance Sheet	Net debt of CHF 45.8 mn (31.12.2018: 29.2 mn), increase attributable to the external financing of acquisitions Equity ratio 42.6% (31.12.2018: 47.4%), decrease mainly due to capital distributed to shareholders from capital contribution reserves

Since the start of 2019, the consolidated financial statement has been reported in accordance with Swiss GAAP FER. The previous year's figures have been adjusted accordingly.

Income Statement

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

in CHF mn	H1 2019	%	H1 2018	%	% YoY
Net Sales	135.4	100.0	85.6	100.0	+58.2
Material expenses	-43.2	-31.9	-22.6	-26.4	+90.9
Gross Profit	92.2	68.1	63.0	73.6	+46.4
Operating expenses	-76.2	-56.3	-50.1	58.4	+52.4
Depreciation and amortization	-3.2	-2.4	-2.7	-3.2	+17.8
EBIT	12.8	9.4	10.2	12.0	+24.9
Financial result	-1.9	-1.4	-1.8	-2.1	+9.8
Tax expenses	-3.0	-26.8	-2.2	-27.3	+25.9
Net Income	7.9	5.9	6.2	7.2	+28.8

- Increase of net sales and operating expenses are mainly due to the acquisition of SciCan and Micro-Mega.
- Revenue contribution of SciCan and Micro-Mega H1/2019: CHF 48.6 million.
- Sales growth from acquisitions: 56.8%
- Organic sales growth in local curr: 2.0%

Since the start of 2019, the consolidated financial statement has been reported in accordance with Swiss GAAP FER. The previous year's figures have been adjusted accordingly.

EBIT Development

In CHF million



Factors influencing the operating result

- Competitive market environment
- Launch of new products
- Integration project of SciCan and Micro-Mega
- Compliance with the new regulatory requirements contained in the European Union's Medical Device Regulation (MDR) increases personnel expenses
- First time consolidation (inventory step-up)
- Acquisition impact

EBIT margin in % of net sales declined

H1/2018: 12.0%

H1/2019: 9.4%

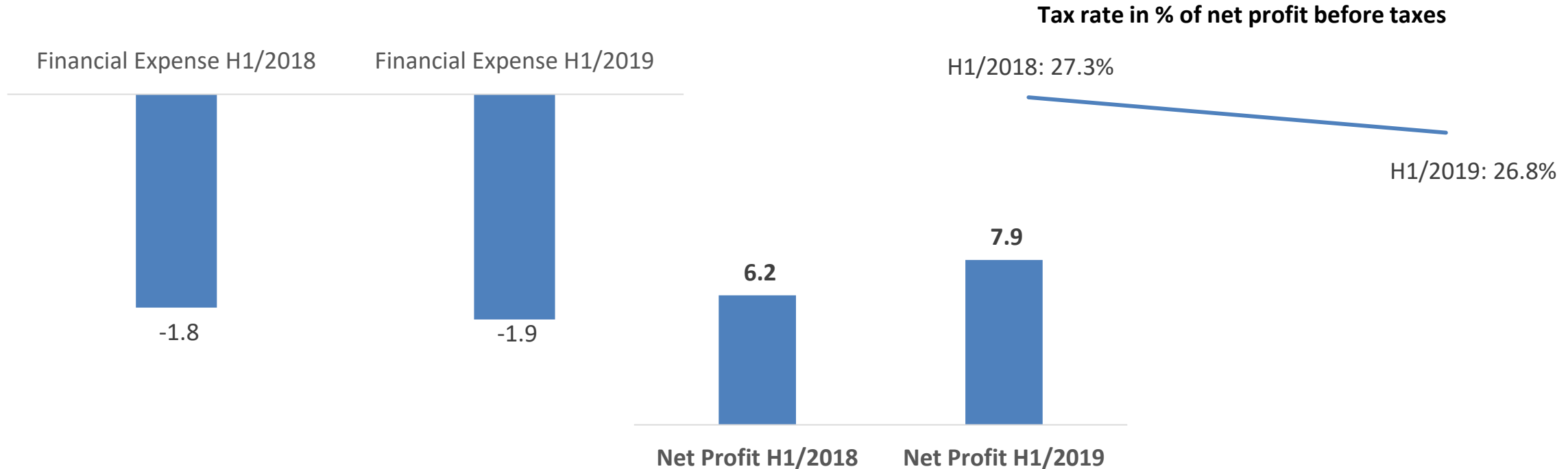
Since the start of 2019, the consolidated financial statement has been reported in accordance with Swiss GAAP FER. The previous year's figures have been adjusted accordingly.

Net Profit

In CHF million

- Financial expenses slightly higher than previous year
- Bank loan for financing the acquisitions

- Tax rate declined from 27.3% to 26.8%
- Lower profits in high tax countries
- Expected medium-term tax rate approximately 25%



Since the start of 2019, the consolidated financial statement has been reported in accordance with Swiss GAAP FER. The previous year's figures have been adjusted accordingly.

Balance Sheet

Solid financial basis despite capital distribution to shareholders from capital contribution reserves

in CHF million	30.06.19	31.12.18	% YoY
Cash & cash equivalents	20.5	20.9	-1.9
Receivables	56.4	60.7	-7.1
Inventory	56.6	55.5	+2.0
Property, plant & equipment	45.5	42.4	+7.3
Financial, intangible & tax assets	6.0	6.0	0
Total assets	185.0	185.5	-0.3
Payables & short term liabilities	33.7	41.3	-18.4
Bank loans (short and long term)	66.3	50.1	+32.3
Other long term liabilities	6.3	6.2	+1.6
Equity	78.7	87.9	-10.5
Total liabilities & equity	185.0	185.5	-0.3
Net debt	45.8	29.2	+56.8

The acquisition of SciCan and Micro-Mega took place at the beginning of October 2018 and was financed by capital increases (85%) and bank loans (15%).

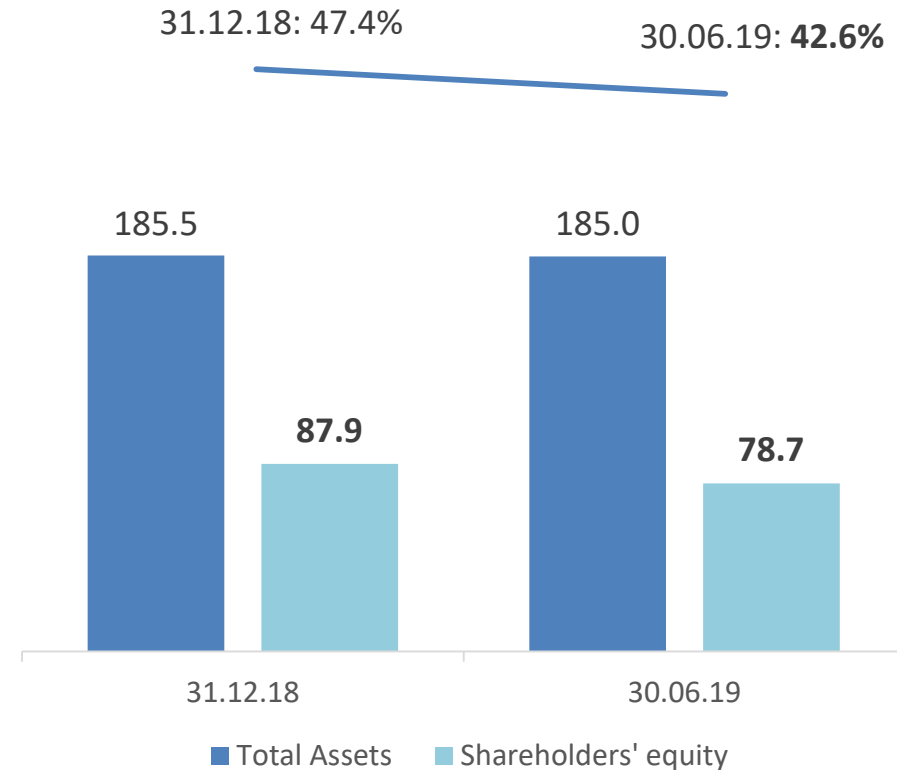
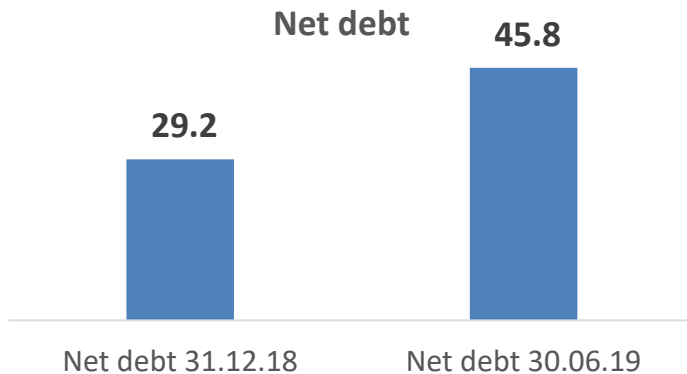
Since the start of 2019, the consolidated financial statement has been reported in accordance with Swiss GAAP FER. The previous year's figures have been adjusted accordingly.

Equity

Solid equity ratio after switch from IFRS to Swiss GAAP FER

In CHF million

- Equity ratio: 42.6%
- Decline in equity ratio due to dividend payment (payment out of reserves from capital contribution reserves)
- Net debt: CHF 45.8 million
(Net debt 31.12.18: CHF 29.2 million)



Since the start of 2019, the consolidated financial statement has been reported in accordance with Swiss GAAP FER. The previous year's figures have been adjusted accordingly.

Cash Flow Statement

High investments in current and future growth

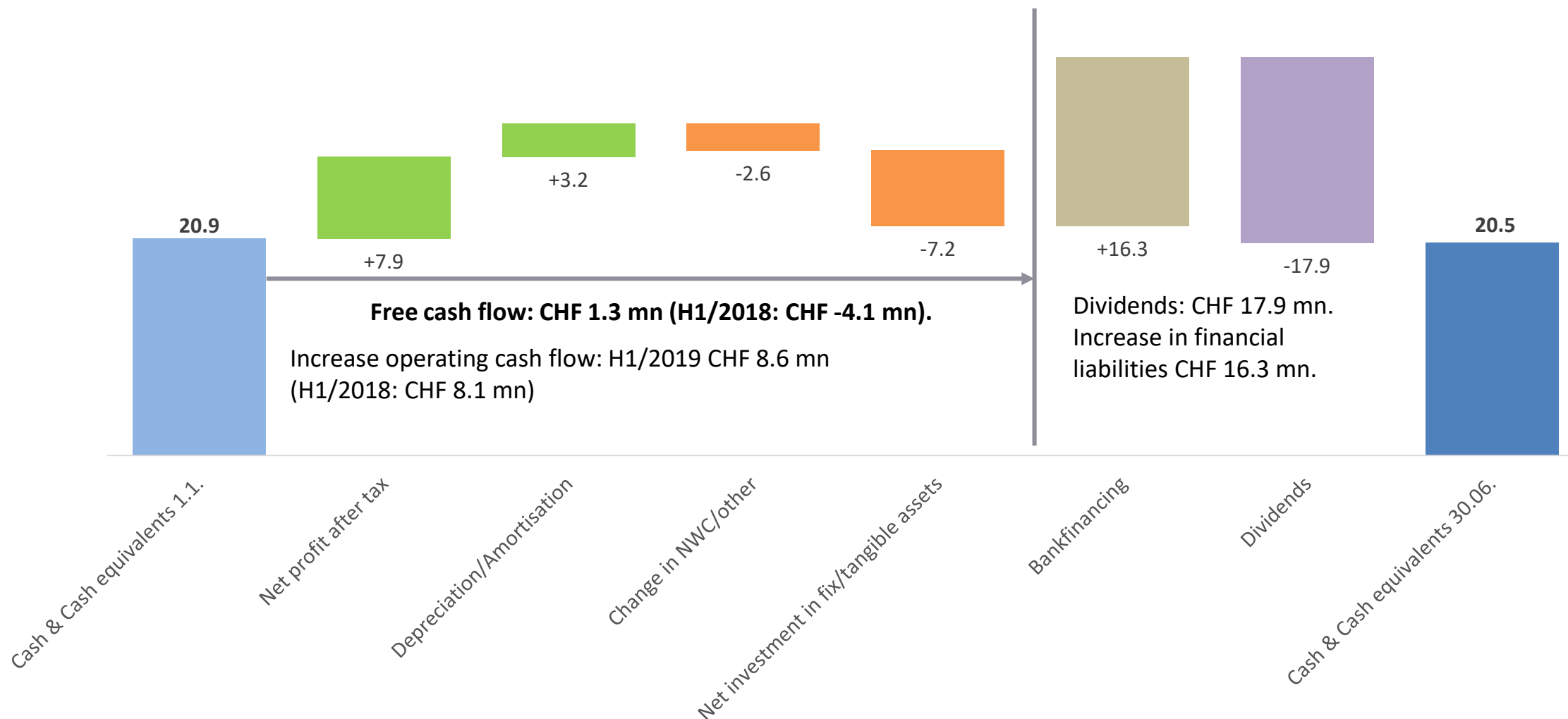
in CHF million	H1 2019	H1 2018	% YoY
Net profit	7.9	6.2	-21.5
Depreciation and amortization	3.2	2.7	-15.6
Other non cash items	4.2	2.7	-35.7
Changes in NWC	-1.3	0.5	-138.5
Interest and tax paid/received	-5.4	-4.0	-25.9
Cash flow from operating activities	8.6	8.1	-5.8
Purchase of PPE (net)	-7.2	-4.2	-41.7
Purchase of int. & finan. assets (net)	-0.1	-0.2	
Acquisition of subsidiaries (net of cash)	0.0	-7.8	
Cash flow from investing activities	-7.3	-12.2	67.1
Cash flow from financing activities	-1.7	-8.2	
Change in cash and cash equivalents	-0.4	-12.3	
Free cash flow	1.3	-4.1	

Negative free cash flow in H1/2018 due to a significant investment in a new production and office building at COLTENE's headquarter in Altstaetten.

Since the start of 2019, the consolidated financial statement has been reported in accordance with Swiss GAAP FER. The previous year's figures have been adjusted accordingly.

Free Cash Flow Development

In CHF million



Since the start of 2019, the consolidated financial statement has been reported in accordance with Swiss GAAP FER. The previous year's figures have been adjusted accordingly.

Change in Accounting Standard

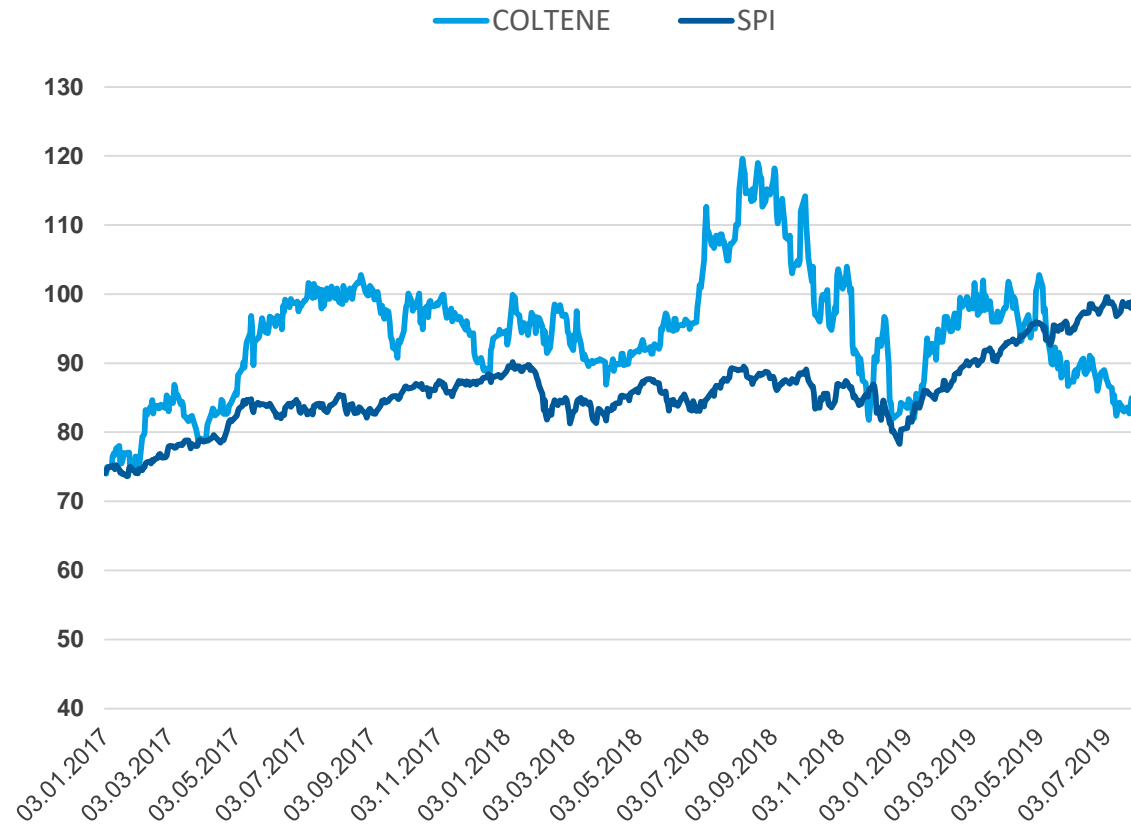
Change over from IFRS to Swiss GAAP FER took place on January 1, 2019

Changes	IFRS	Swiss GAAP FER	Effects in B/S 31.12.2018
Valuation of goodwill	Contained in intangible assets	Offset against shareholder's equity	Offset CHF 172.8 million
Purchase price allocation (technology, IP, customers)	Contained in intangible assets		Offset CHF 58.1 million
Liability from defined benefit pension plans (IAS 19)	Calculated and recognized in the balance sheet and P&L according to the projected unit credit method	Recognized in the balance sheet and P&L on the basis of real liabilities or benefits (e.g. according to financial statements)	Adjustment CHF 5.7 million
Deferred tax assets from tax-loss carryforwards	Capitalized in case of highly probable future profits	Elected not to capitalize	n.a.
Currency translation adjustments		«Fresh start» election	n.a.
Deferred taxes	n.a.	n.a.	Offset DTL: CHF 11.9 million Offset DTA: CHF 1.1 million

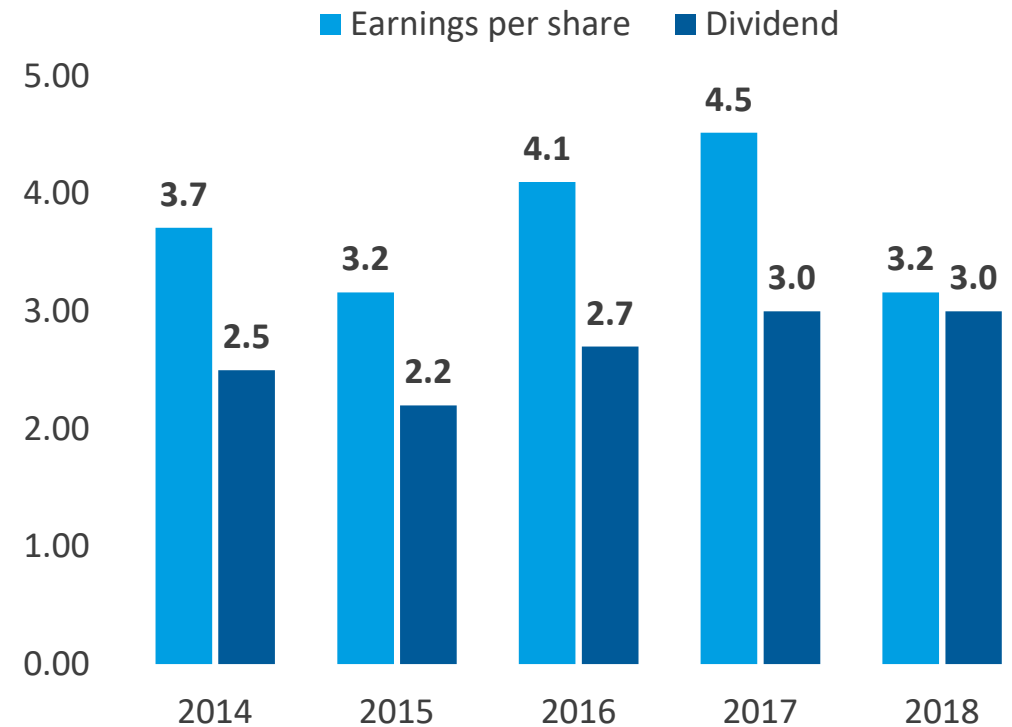
Share Performance

Volatile financial market environment

Share price



Earnings per share/dividend



A woman with long dark hair tied back, wearing a black turtleneck, is looking upwards and to the left. In the background, there is a glowing blue, complex network structure resembling a molecular model or a data visualization against a dark blue background.

Combined Forces

Martin Schaufelberger, CEO

Photo: The COLTENE Group strengthened its position with two well-known industry leaders SciCan and Micro-Mega.

Combined Forces

Strategic priorities for 2019-2021

Endodontics	Infection Control	Marketing	Sales	Synergies
<ul style="list-style-type: none">• Establish sales teams with endodontics specialists for selected markets• Adapt the product portfolio to meet the needs of different target customers• Position the Hyflex and Micro-Mega instruments for different applications• Add COLTENE products to Micro-Mega's product range	<ul style="list-style-type: none">• Tailor the positioning of ultrasonic cleaners, instrument washing systems and comprehensive solutions to specific customer needs• Future-ready alignment of the product roadmap• Update instrument reprocessing guide line• Advance the strategic development of the BioSonic and OPTIM range of surface cleaning, sterilization and disinfection products	<ul style="list-style-type: none">• Implement the Group-wide COLTENE umbrella brand strategy while boosting brand consonance worldwide• Optimize the allocation of resources and capital for trade shows and marketing activities• Establish a university partnership program• and organize a global COLTENE Key Opinion Leader Seminar	<ul style="list-style-type: none">• Establish a global sales organization with a country and customer segmentation• Share existing sales channels: for example, sell the UC 150 ultrasound cleaner through SciCan channels; sell OPTIM and Micro-Mega products through COLTENE channels• Create new market access points for SciCan through COLTENE• Create new training tools and modules for the sales teams	<ul style="list-style-type: none">• Steadily build up powerful, global marketing and sales structures• Strengthen market positions, especially in endodontics and infection control• Spread the costs of digitalization projects in marketing across the entire organization• Achieve Group-wide compliance with increasingly strict regulations for medical equipment and devices

Group-wide harmonization and optimization of workflows and the introduction of standardized systems and data infrastructure

Outlook

Martin Schaufelberger, CEO

Photo: BRILLIANT EverGlow – universal submicron hybrid composite



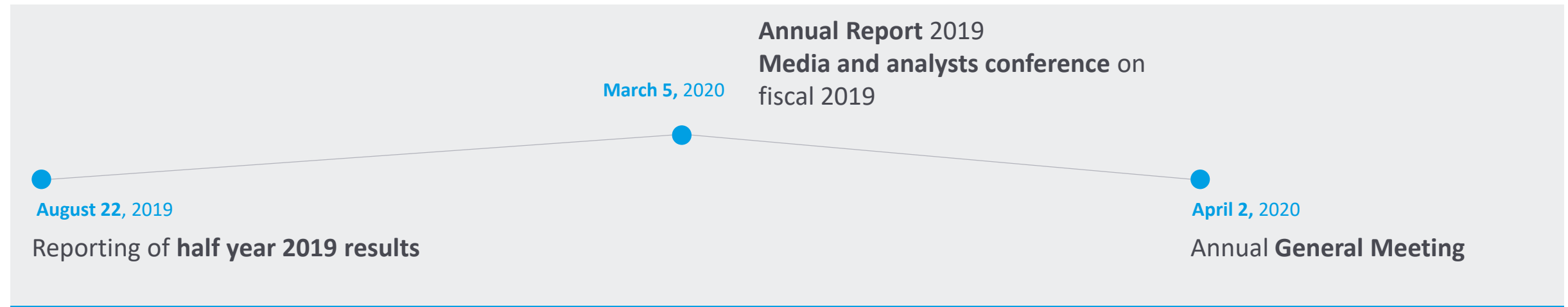
Milestones 2019 and Summary

Consumables in dental industry have limited, but robust growth expectations

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 thanks to **cross selling opportunities** from the merger.

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



Outlook

Continued growth and profitability gains

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
- Due to stricter regulations and on-going integration costs operating profit and net profit for the full FY 2019 are no longer expected to match the anticipated sales growth
- Mid-term to regain 15% EBIT margin

Ongoing integration of new Group companies

- Economies of scale effects
- Synergies and efficiency gains

Management focus

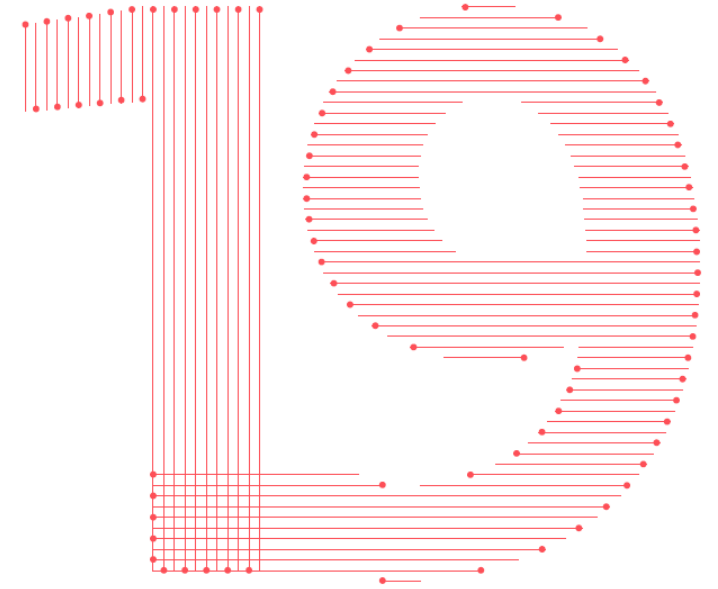
- Be closer to customers regarding sales and service
- Drive innovation to match customer needs
- R&D focus on digital dental treatment methods

COLTENE
is Upgrade Dentistry

Better Quality.
Better Reliability.
Better Practice.

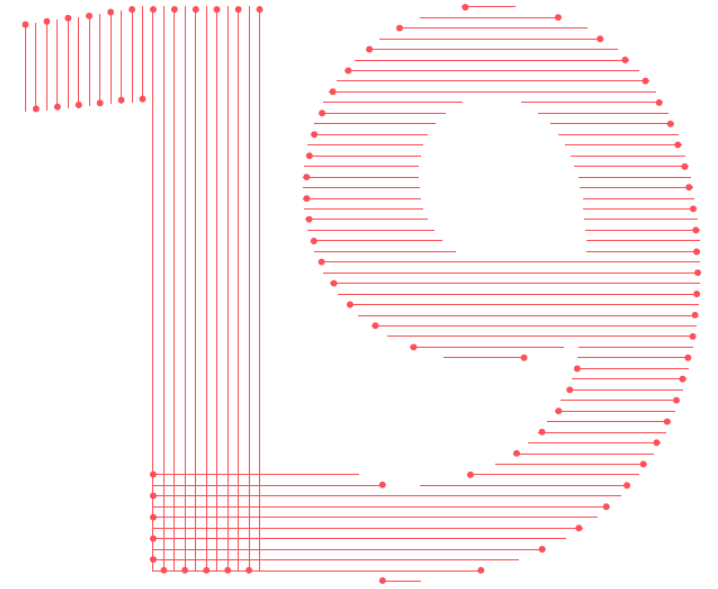
Combined Forces

Q&A



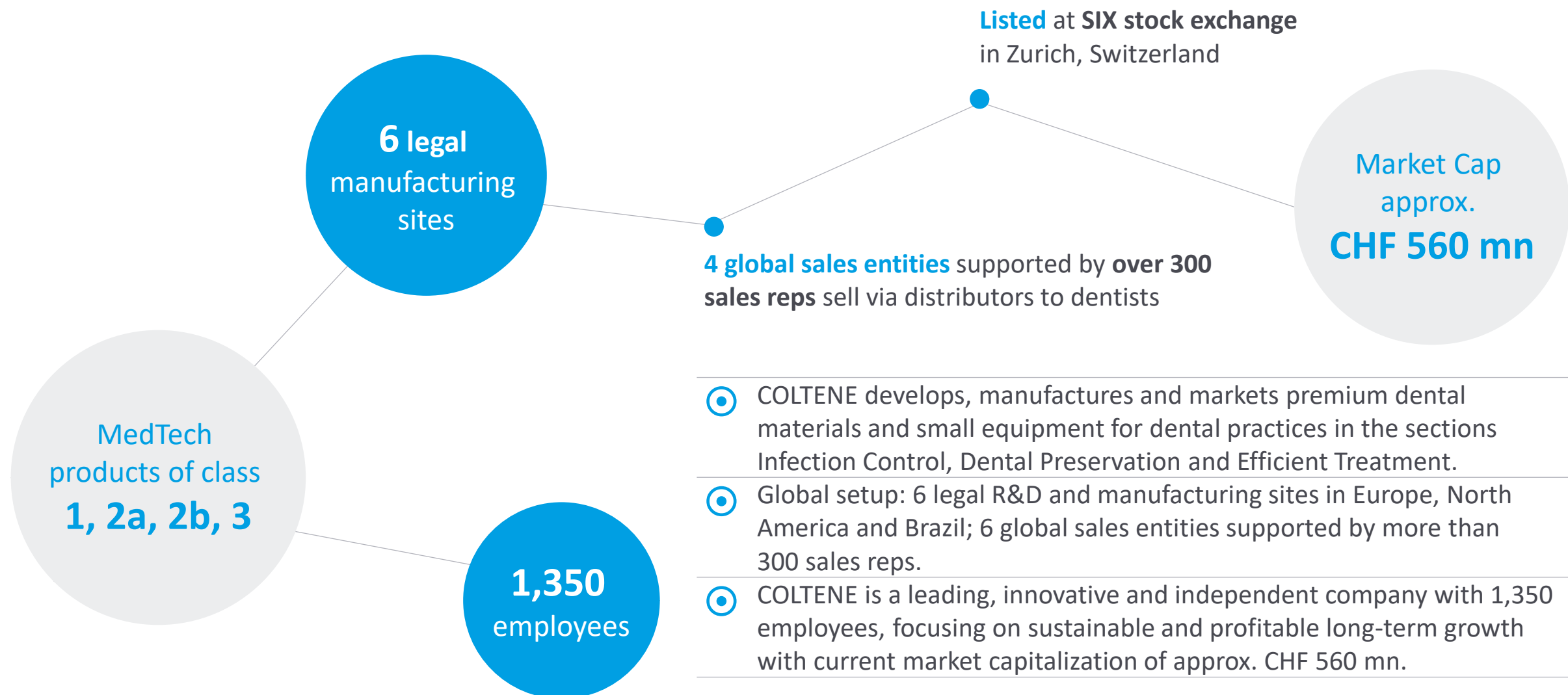
Combined Forces

Annexe



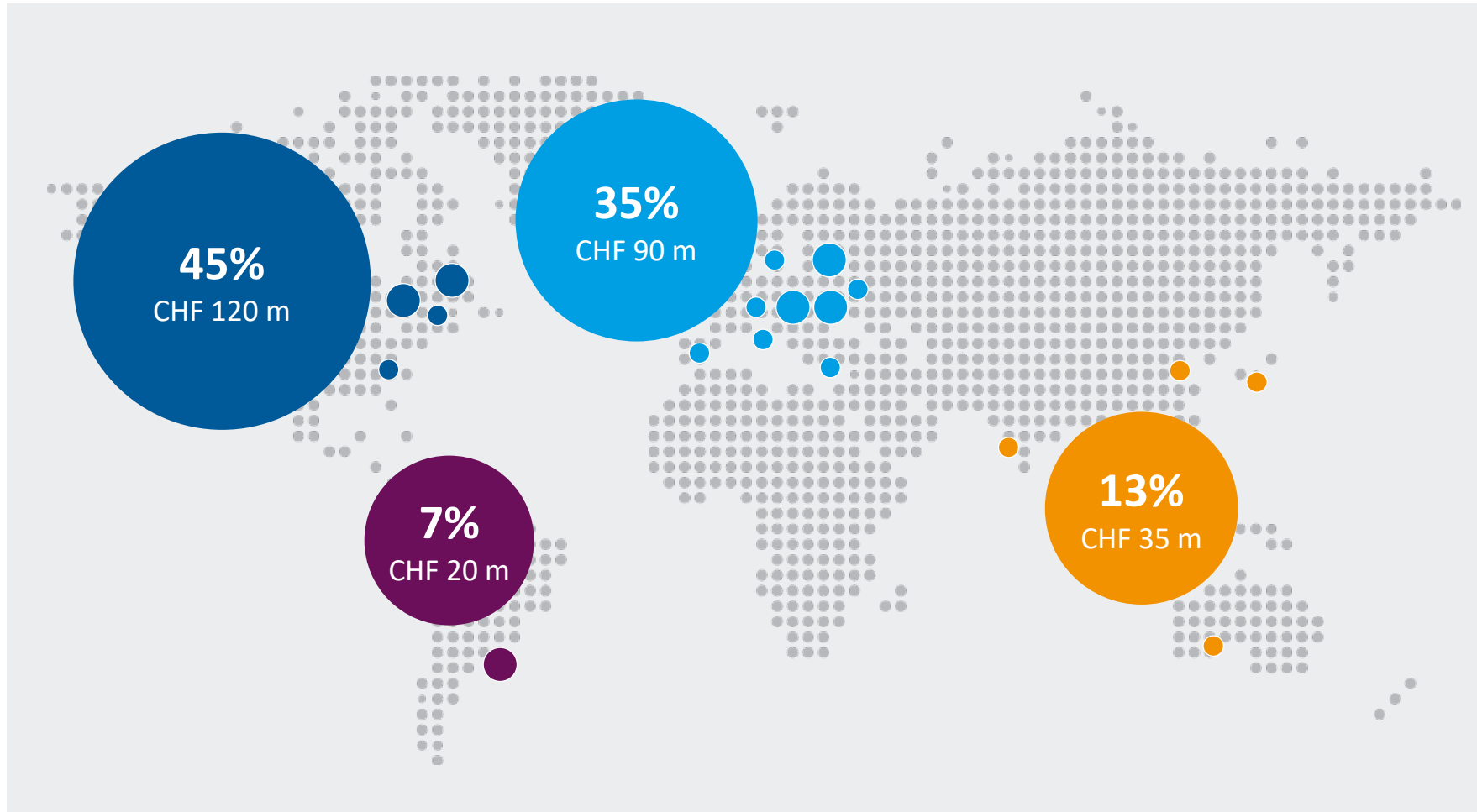
Company Portrait

COLTENE – at a glance



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

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

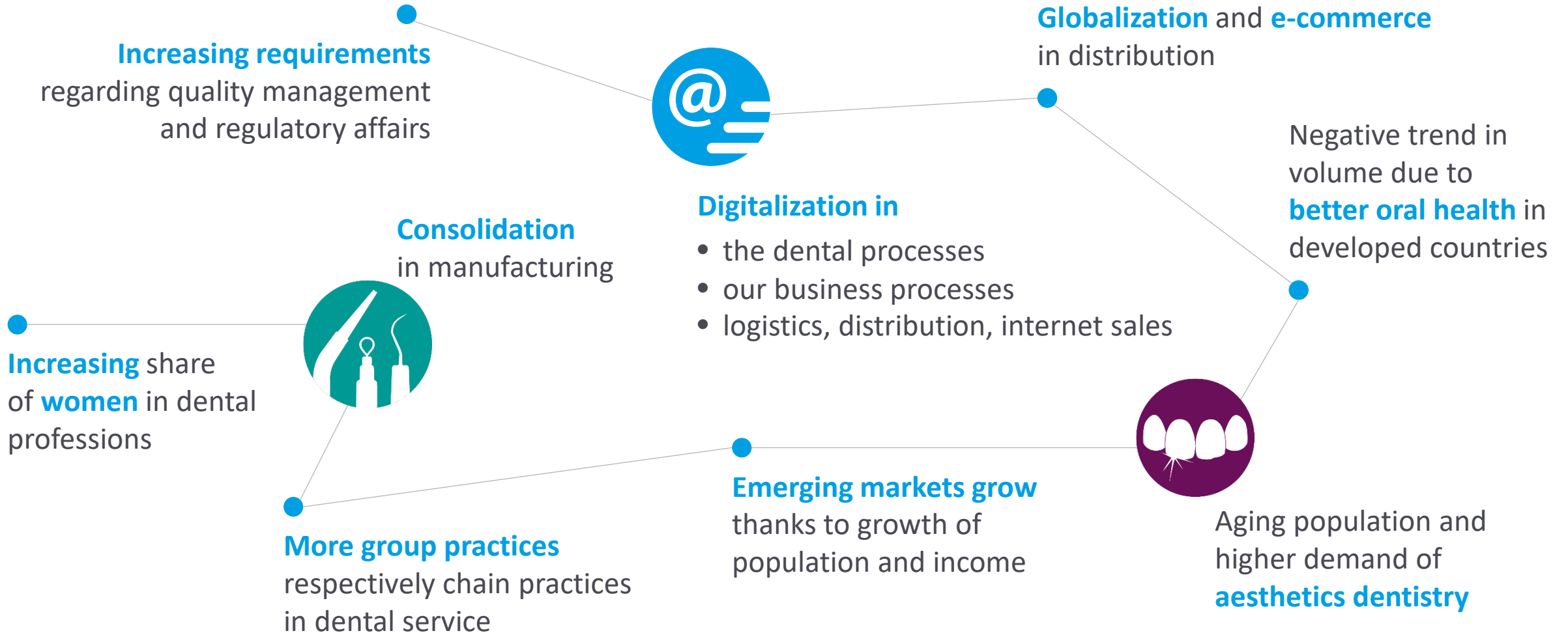
Werner Mannschedel, VP Q&RA

Christophe Loretan, VP Sales



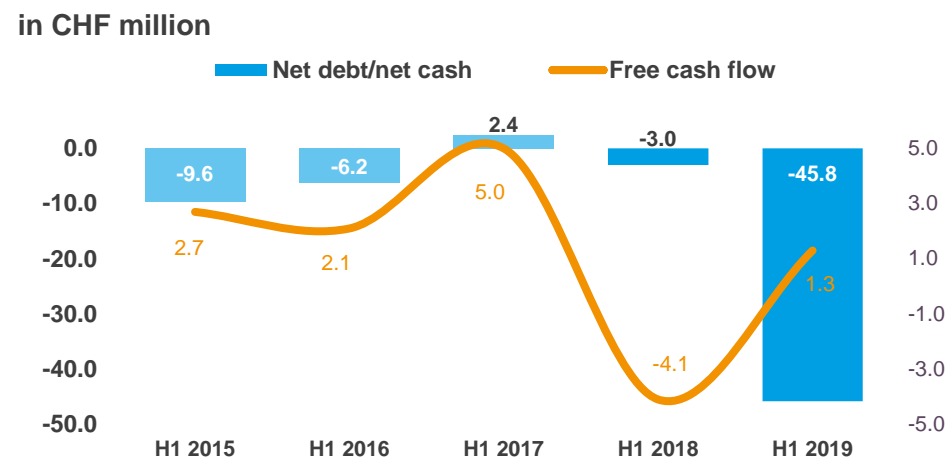
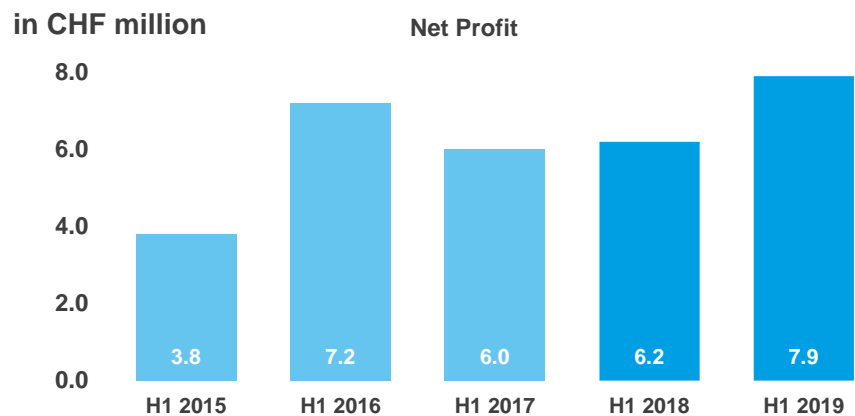
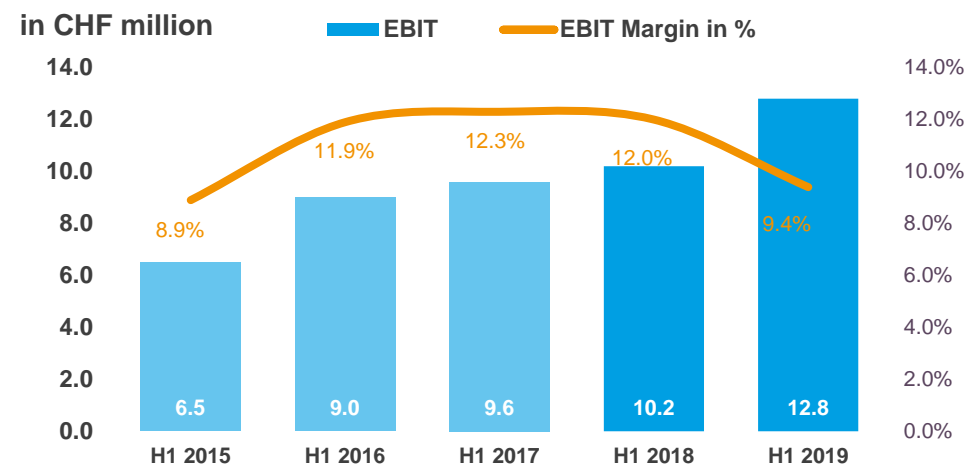
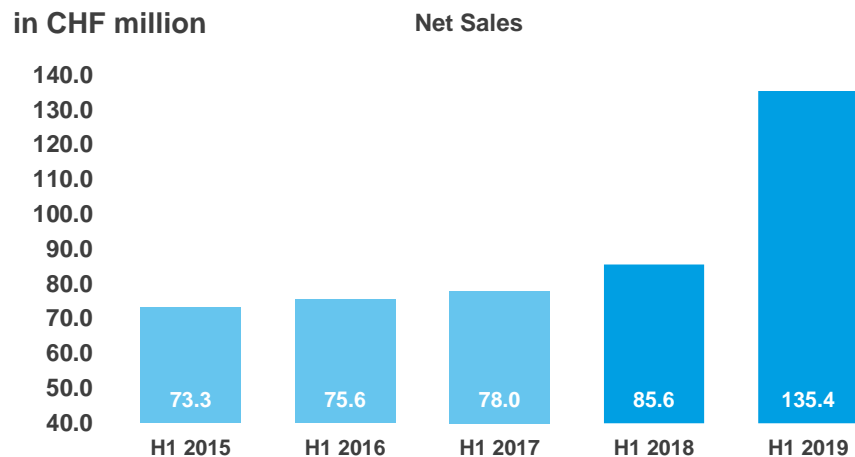
Dental Industry

Mega trends



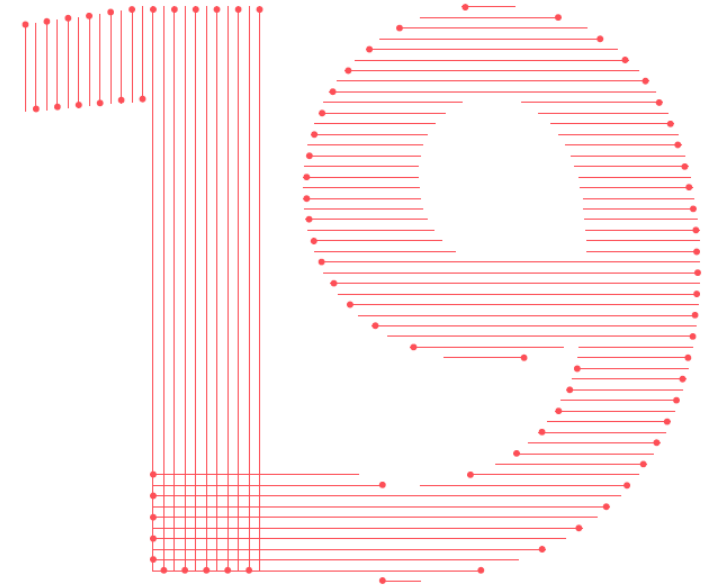
Financial Overview

5-year overview of the key figures in H1 (H1 2015 - H1 2017: IFRS / H1 2018 - H1 2019: Swiss GAAP FER)



Combined Forces

Thank You for Your Interest



COLTENE Holding AG

Martin Schaufelberger, CEO
Gerhard Mahrle, CFO

Feldwiesenstrasse 20
9450 Altstaetten

+41 71 757 53 80

info@coltene.com