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Rebounding Growth

Half-Year Results 2021 COLTENE Group – Media and Financial Analysts Conference Call

Martin Schaufelberger, CEO
Gerhard Mahrle, CFO

Safe Harbor Statement

This written statement and oral statements or other statements made, or to be made, by us contain forward-looking statements that do not relate solely to historical or current facts. These forward-looking statements are based on the current plans and expectations of our management and are subject to a number of uncertainties and risks that could significantly affect our current plans and expectations, as well as future results of operations and financial condition. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

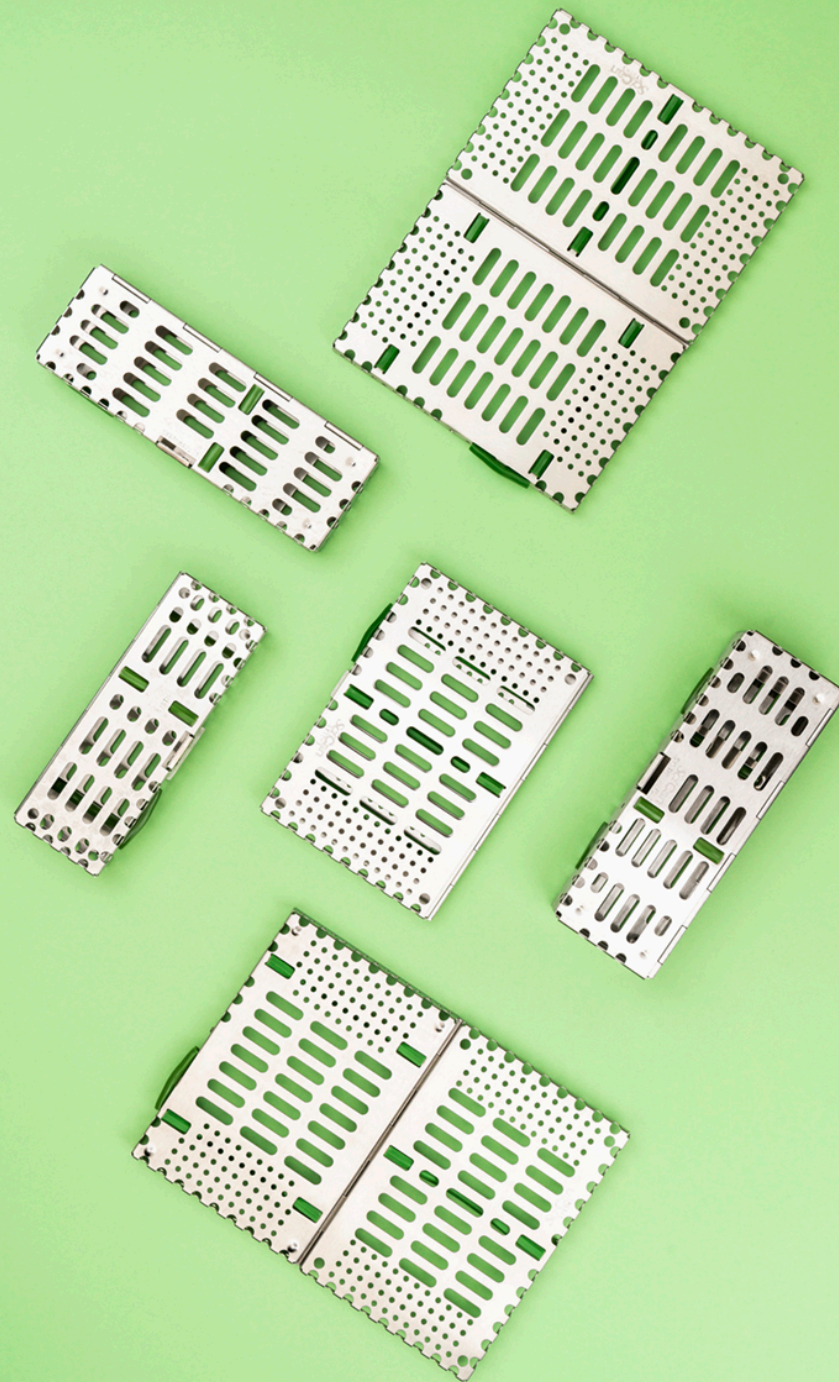
Agenda

Media and financial analysts conference call H1 2021

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- ⦿ Highlights H1 2021
Martin Schaufelberger, CEO
 - ⦿ Financials H1 2021
Gerhard Mahrle, CFO
 - ⦿ Outlook
Martin Schaufelberger, CEO
 - ⦿ Q&A
All
-

Highlights H1 2021

Martin Schaufelberger, CEO



H1 2021 Highlights

Recovery in demand and cost control lead to record high semester results

Financials

- Net sales CHF 143.5 mn; +43.0% adjusted for divestments and in local currencies compared to H1 2020; +38.1% in reporting currency Swiss francs
- Strong Swiss franc appreciated against the USD and negatively impacted sales by CHF 2.7 mn
- EBIT margin stood at 18.1% (H1 2020: 2.5%)
- Net profit amounted to CHF 18.2 mn (H1 2020: CHF 0.3 mn)

Operational

- Rebound of sales after COVID impact (dental offices largely back in normal operation)
- Manage high order volumes and production increase
- Secure raw material supply (bottlenecks in worldwide logistics and procurement)
- Sales push with customer visits and first real-life marketing events

Strategy Implementation

- Standardized price list for all COLTENE, SciCan and MicroMega products with corresponding dealer agreements introduced
 - New customer service software installed, and first processes implemented to increase service level to dentists
 - IoT (Internet of Things): STATIM B G4 with a new IoT platform introduced
 - Unify and simplify quality management and registration processes in the group – change from MDD to MDR certificates
-

Product Group Structure

Strong combined portfolio

Infection Control

„The infection control specialist“

Instrument reprocessing
by cleaning and sterilizing

Surface cleaning and disinfection

OPTIM , BioSonic, STATIM, HYDRIM



Dental Preservation

„Sustainable preservation from root to crown“

Materials for restoration

Solutions for endodontic treatments

HyFlex, Micro-Mega, BRILLIANT



Efficient Treatment

„Smart & efficient utilities dentists rely on“

Impression materials

Rotary instruments

Treatment utilities

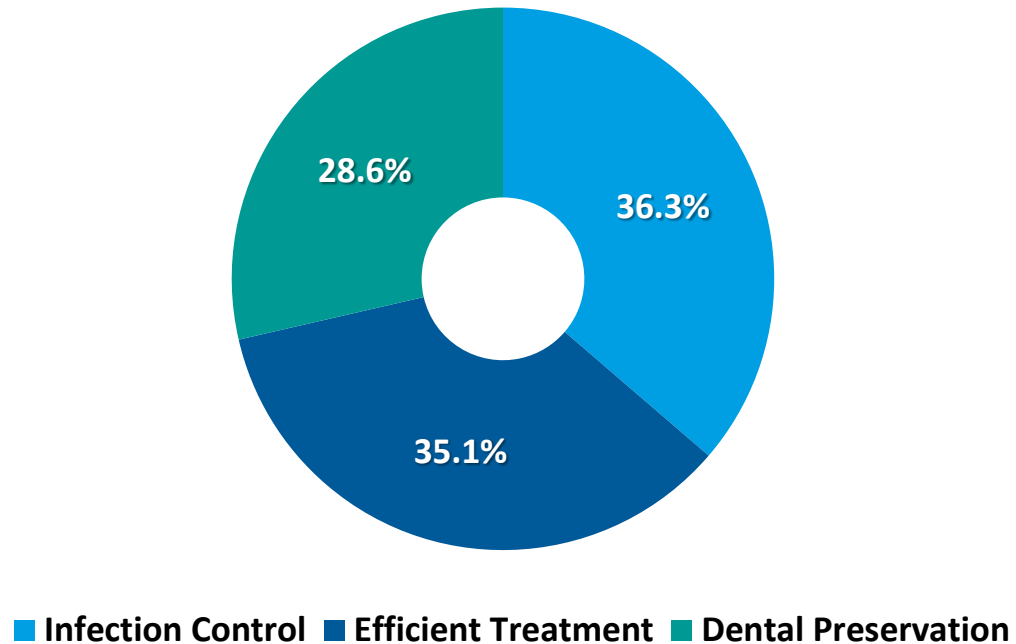
Speedex, AFFINIS, Diatech, Kenda, Roeko, Hygenic



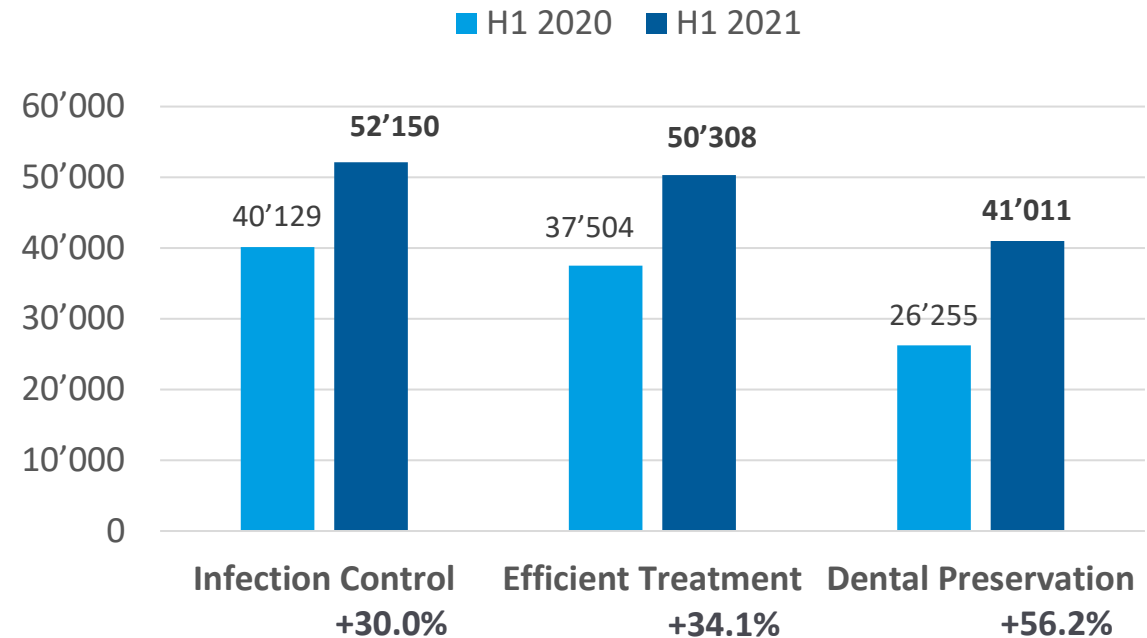
Net Sales by Product Groups

Products in the area Infection Control still in great demand in H1 2021 - rebound of other areas

Net sales H1 2021 by product groups
(shares)



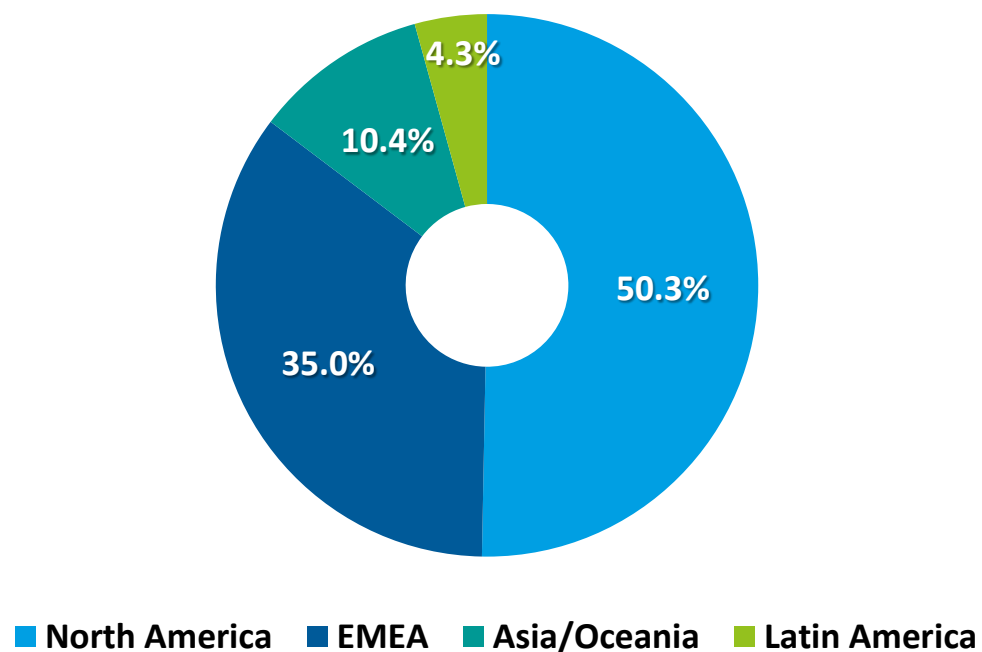
Net sales H1 2020 & 2021 by product groups (in CHF 1'000)



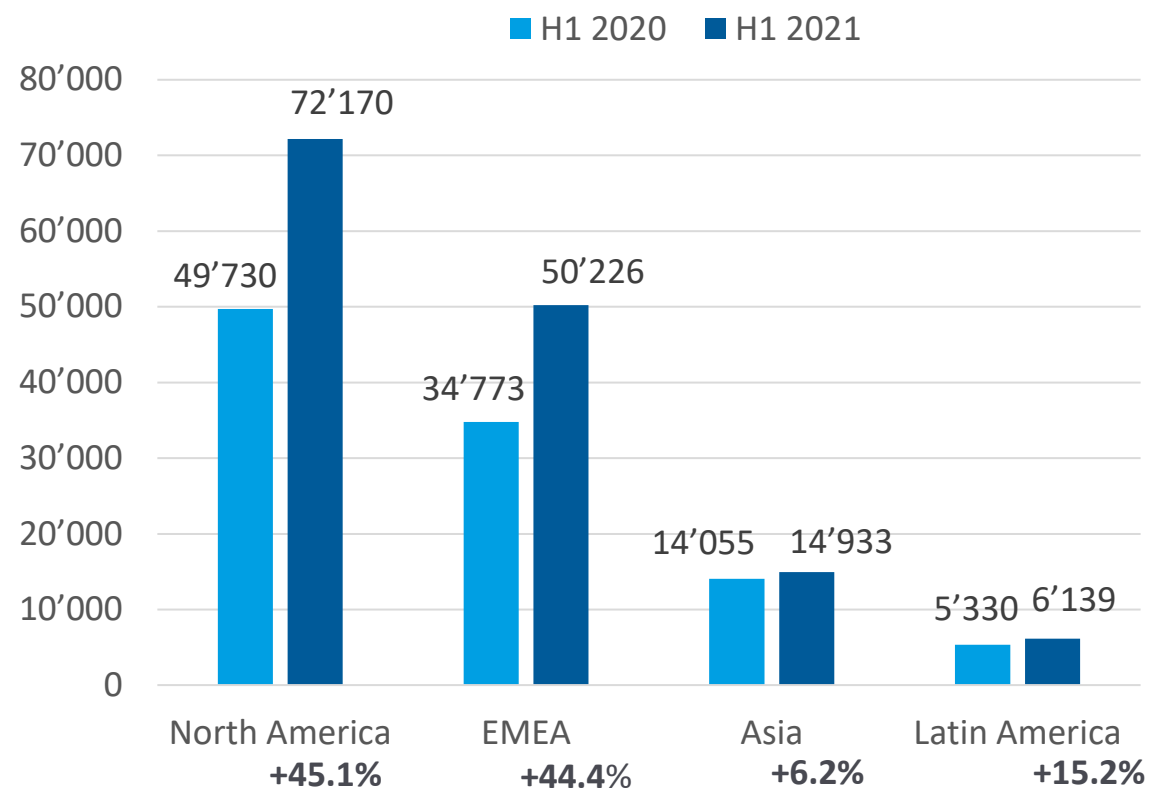
Net Sales by Region

North America remains strongest market

Net sales H1 2021 by regions (shares)

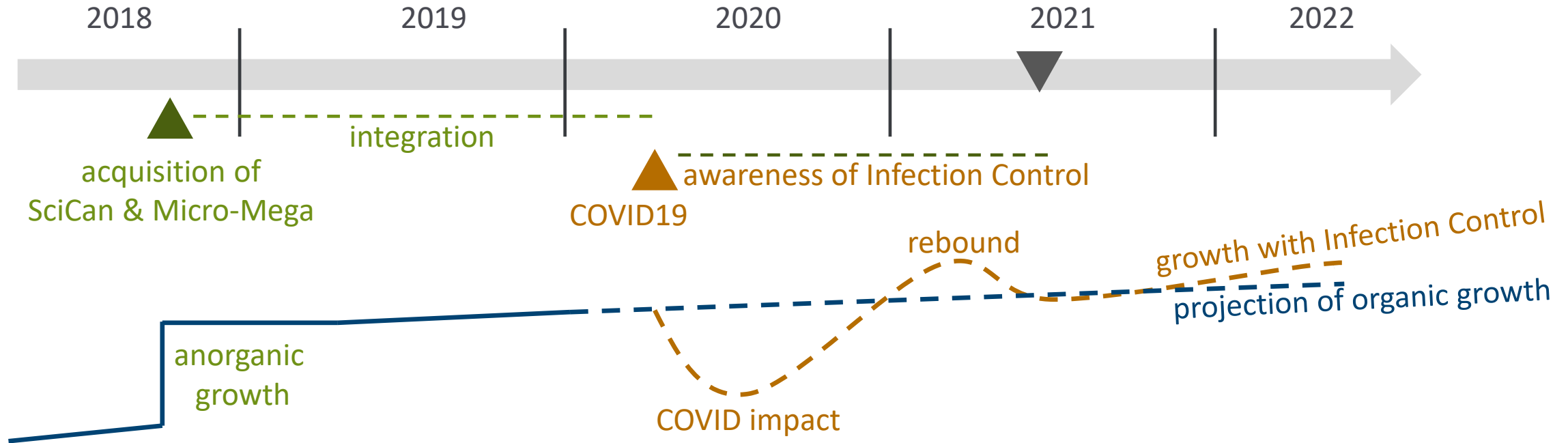


Net sales H1 2020 & 2021 by regions (in CHF 1'000)



COVID Impact and Rebound in Context

Strategic acquisition – focus Infection Control – COVID impact – fast intervention – rebound – ready for organic growth



- October 2018: Acquisition of SciCan and Micro-Mega → focus on Infection Control
- March 2020: COVID-19: increase of the Infection Control business, decrease of the rest of the business
- Q2/2020: Impact and down-swing of total sales → Q3 and Q4 trend reversal
- H1/2021: Rebound, approaching projection line, even-out base line growth, potential of Infection Control

Financials H1 2021

Gerhard Mahrle, CFO

Financial Summary H1 2021

Strong start into 2021: record high sales and results

• Sales	<ul style="list-style-type: none">• H1 2021 sales at CHF 143.5 mn (H1 2020: CHF 103.9 mn; +38.1% above PY)• Net sales adjusted by divestment and in local currency up by 43.0%• Strong Swiss franc reduced sales by CHF 2.7 mn• Strong demand for Infection Control products continued
• EBIT	<ul style="list-style-type: none">• EBIT increased to CHF 26.0 mn (H1 2020: CHF 2.6 mn)• Positive EBIT supported by rebounding sales and continuing cost control• EBIT margin at 18.1% (H1 2020: 2.5%)
• Net profit	<ul style="list-style-type: none">• Net profit amounted to CHF 18.2 mn (H1 2020: CHF 0.3 mn)• Net profit margin of 12.7% (H1 2020: 0.3%)
• Tax rate	<ul style="list-style-type: none">• Effective tax rate decreased to 27.4% (H1 2020: 80.9%), one-time tax effects due to legal restructuring of SciCan
• Cash flow	<ul style="list-style-type: none">• Cash flow from operations of CHF 13.6 mn (H1 2020: CHF 8.3 mn)• Cash flow from investing activities of CHF -4.8 mn (H1 2020: CHF -5.2 mn)• Improved free cash flow of CHF 8.9 mn (H1 2020: CHF 3.1 mn)
• Balance sheet	<ul style="list-style-type: none">• Net debt of CHF 30.4 mn (Dec 2020: CHF 21.9 mn). Increase due to dividend payment of CHF 17.9 mn in April and higher net working capital• Equity ratio raised to 49.5% (Dec 2019: 48.1%)

Income Statement

Rise of EBIT margin from 2.5% to 18.1%

in CHF mn	H1 2020	%	H1 2021	%	% YoY
Net sales	103.9	100.0	143.5	100.0	38.1%
Material expenses	-35.1	-33.8	-46.5	-32.4	32.6%
Gross profit	68.8	66.2	97.0	67.6	41.0%
Operating expenses	-63.3	-60.9	-67.9	-47.4	7.3%
Depreciation and amortization	-3.0	-2.9	-3.1	-2.1	3.5%
EBIT	2.6	2.5	26.0	18.1	916.0%
Financial result	-1.0	-1.0	-0.9	-0.6	-13.1%
Tax expenses	-1.2	-80.9 ¹⁾	-6.9	-27.4 ¹⁾	458.2%
Net income	0.3	0.3	18.2	12.7	6 172.1%

¹⁾ In % of earnings before taxes

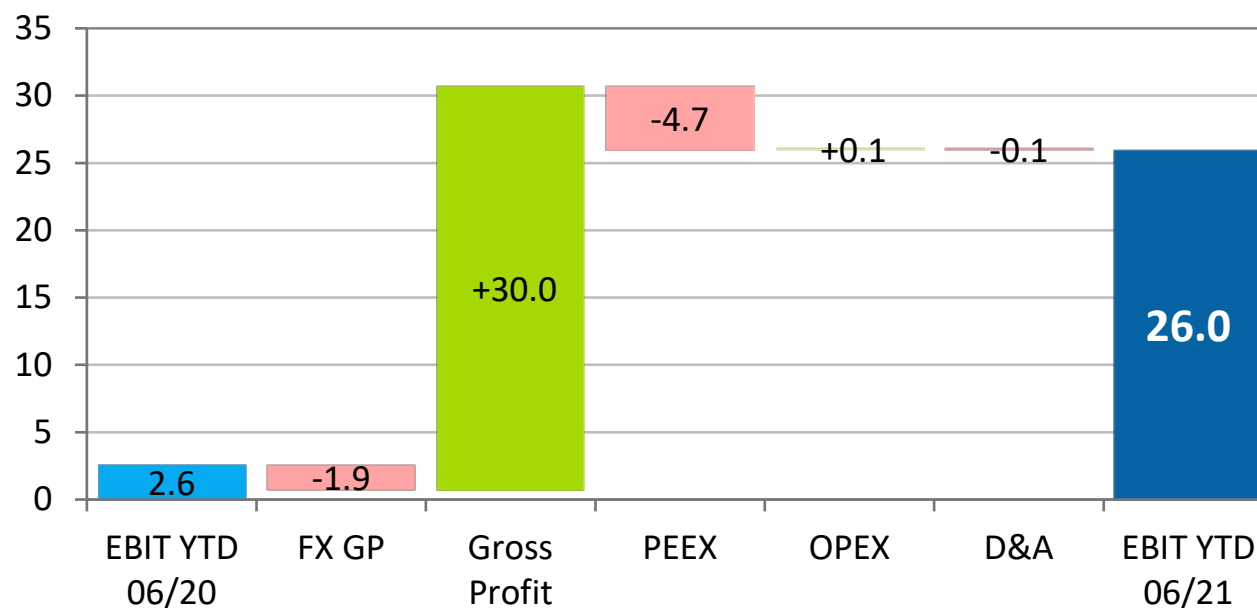
- Net sales increase mainly driven by recovery and restocking effects (negative currency impact on sales CHF 2.7 mn)
- Gross profit increased due to sales growth; gross profit margin increased based on product mix (lower sales of surface disinfection products)
- OPEX increase driven by rebounding business (increase in FTE); cost well under control and OPEX below pre-pandemic level (prior year period included short-time work compensation of CHF 2.3 mn)
- Financial result impacted by FX losses in various countries
- Tax expenses impacted by one-time WHT on legal restructuring of SciCan Group; without this effect, the tax rate would have been 23.8%

EBIT Development H1 2020 – H1 2021

Record high EBIT driven by sales recovery in H1 2021

EBIT Bridge

YTD H1 2020 to H1 2021 - in CHF mn



Negative currency impact on **Gross Profit** of CHF 1.9mn

Gross Profit increased due to sales recovery. Gross Profit Margin increased based on product mix (declining sales of surface disinfection products).

Personnel Expenses (PEEX) increased by CHF 4.7 mn largely due to the lifting of the hiring freeze, more temporary employees in production and the compensation received from governments in HY1 2020 (short-time work compensation of CHF 2.3mn).

OPEX remained unchanged. Cost reductions for advertising, exhibitions, trade shows, travel & accommodation related to Corona lockdown were largely offset by increases in registration and consulting fees.

Net Profit

Net profit boosted by excellent operational results – normalized tax rate

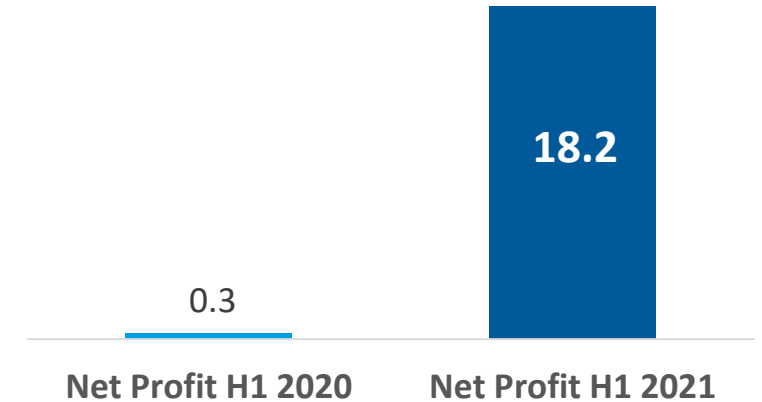
➤ **Overall decrease in financial expenses:**

- FX losses in various countries partially compensated by FX gains in Canada
- Slight decline in interest expenses

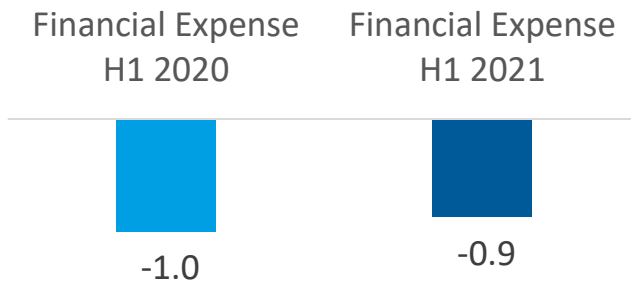
➤ **Tax rate decrease:**

- Effective tax rate decreased from 80.9% to 27.4% (positive results in all factories; no negative tax impact from Vigodent)
- One-time WHT adjusted tax rate: 23.8%
- Expected medium-term tax rate approx. 25%

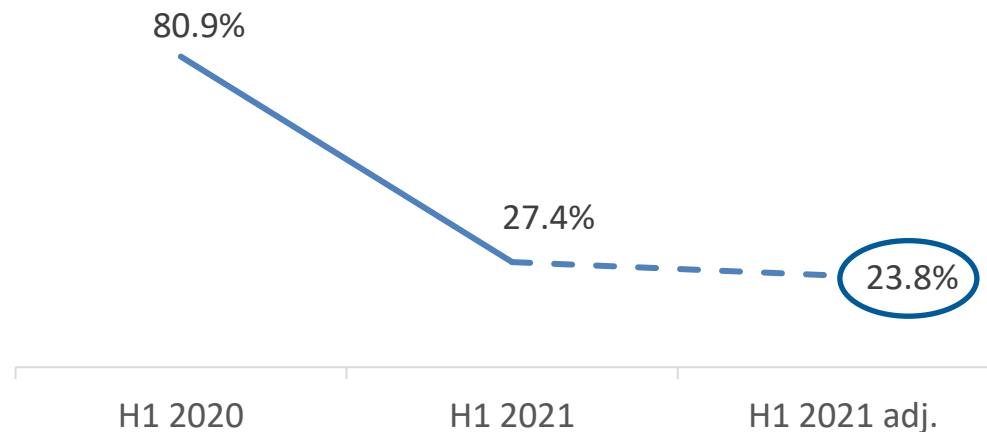
Net profit in CHF mn:



Financial Expenses in CHF mn



Tax rate in % of net profit before taxes



Balance Sheet

Ensuring adequate liquidity and a healthy balance sheet

in CHF million	31.12.20	30.06.21	% YoY
Cash & cash equivalents	38.5	28.2	-26.6%
Receivables	45.1	45.2	0.3%
Inventory	52.0	65.2	25.3%
Property, plant & equipment	47.2	49.2	4.3%
Financial, intangible & tax assets	4.8	5.4	11.9%
Total assets	187.6	193.3	3.0%
Payables & short term liabilities	31.0	32.9	6.0%
Bank loans (short and long term)	60.3	58.6	-2.9%
Other long term liabilities	6.0	6.1	0.8%
Equity	90.2	95.7	6.1%
Total liabilities & equity	187.6	193.3	3.0%
Net debt	21.9	30.4	39.0%

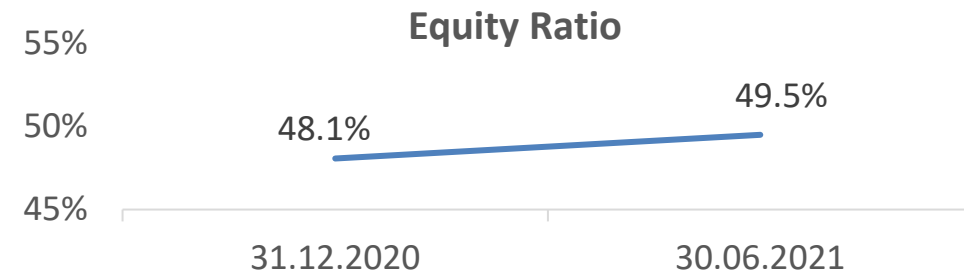
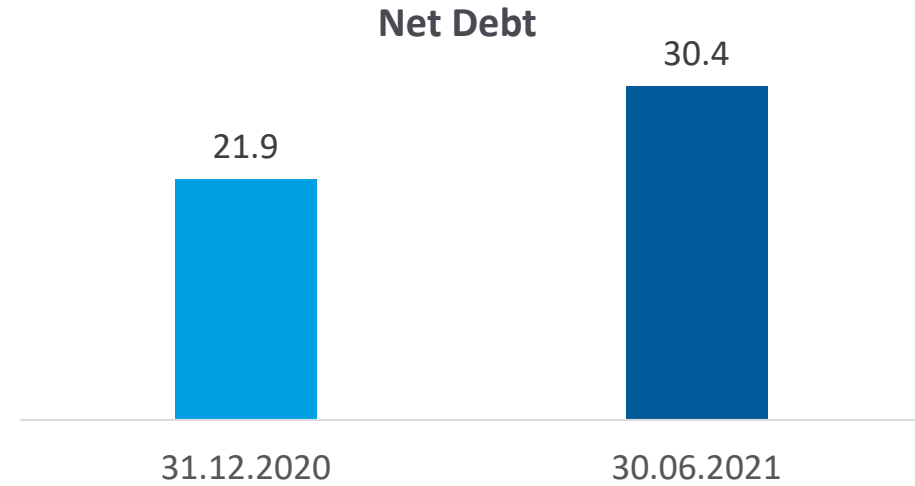
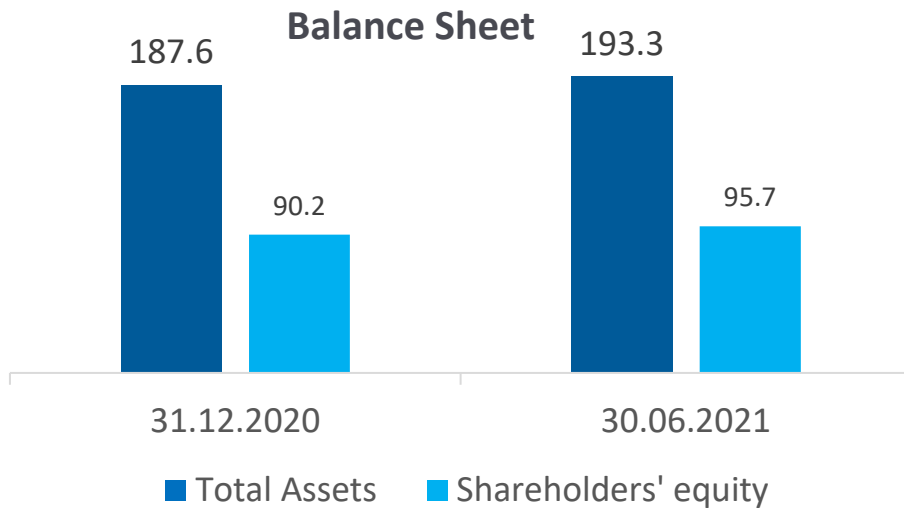
- Decrease in cash due to the payment of CHF 17.9 mn dividend in April 2021
- General increase of working capital due to rebounding business (high inventory because of building up stock based on high demand)
- Increase in net debt mainly attributable to higher working capital and dividend distribution to shareholders
- Increase in equity despite the dividend distribution, driven by good operational profits
- Increase of equity ratio from 48.1% (Dec 2020) to 49.5%

Equity

Increase of equity ratio despite balance sheet growth

In CHF million

- Net debt: CHF 30.4 mn (Dec 2020: CHF 21.9 mn)
- Total assets slightly increased driven by business recovery
- Equity ratio: 49.5% (Dec 2020: 48.1%)



Cash Flow Statement

Pleasant operating cash flow and record high free cash flow

in CHF million	H1 2020	H1 2021	% YoY
Net profit	0.3	18.2	6 172.1%
Depreciation and amortization	3.0	3.1	
Other non cash items	3.2	7.5	
Changes in NWC	3.6	-6.4	
Interest and tax paid/received	-1.7	-8.7	
Cash flow from operating activities	8.3	13.6	64.0%
Purchase of PPE (net)	-4.1	-3.9	
Purchase of int & finan. assets (net)	-0.6	-0.8	
Acquisition of a business	-0.5	0.0	
Cash flow from investing activities	-5.2	-4.8	-8.6%
Cash flow from financing activities	10.6	-20.0	-287.9%
Change in cash and cash equivalents	13.2	-10.2	
Free cash flow	3.1	8.9	187.5%

- Higher operating cash flow due to rebounding business despite increasing working capital and higher taxes paid
- Free cash flow increased due to higher operating cash flows and slightly lower investing activities
- Dividend payment in April led to a cash drain

Outlook

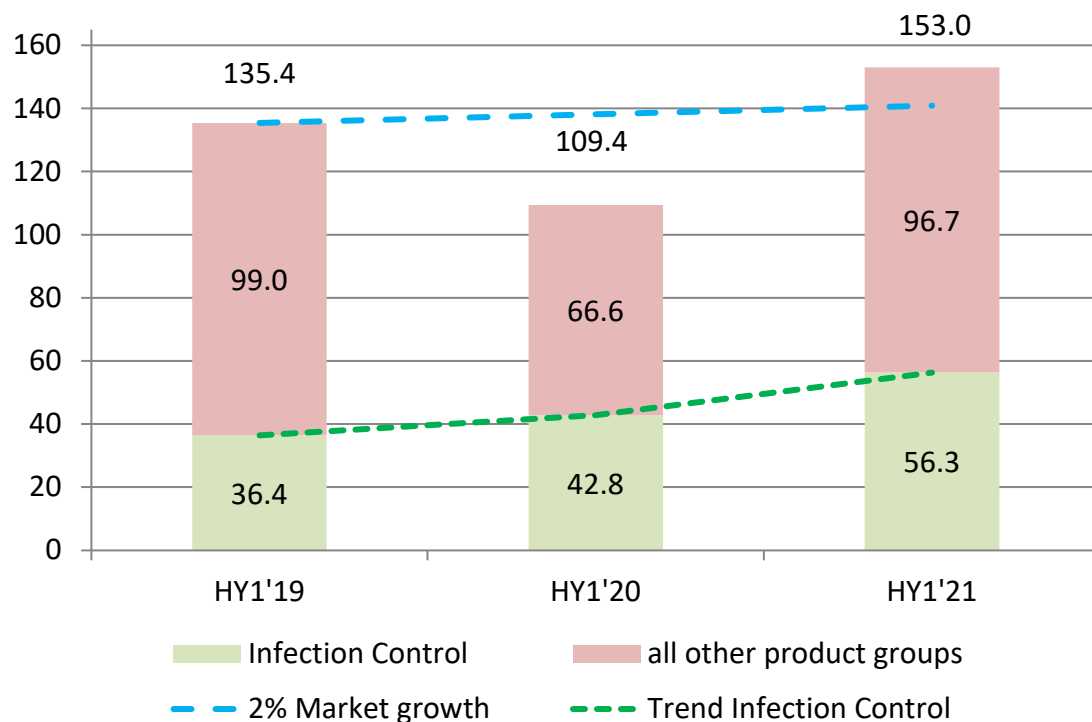
Martin Schaufelberger, CEO



COLTENE Recovery and Outlook after COVID

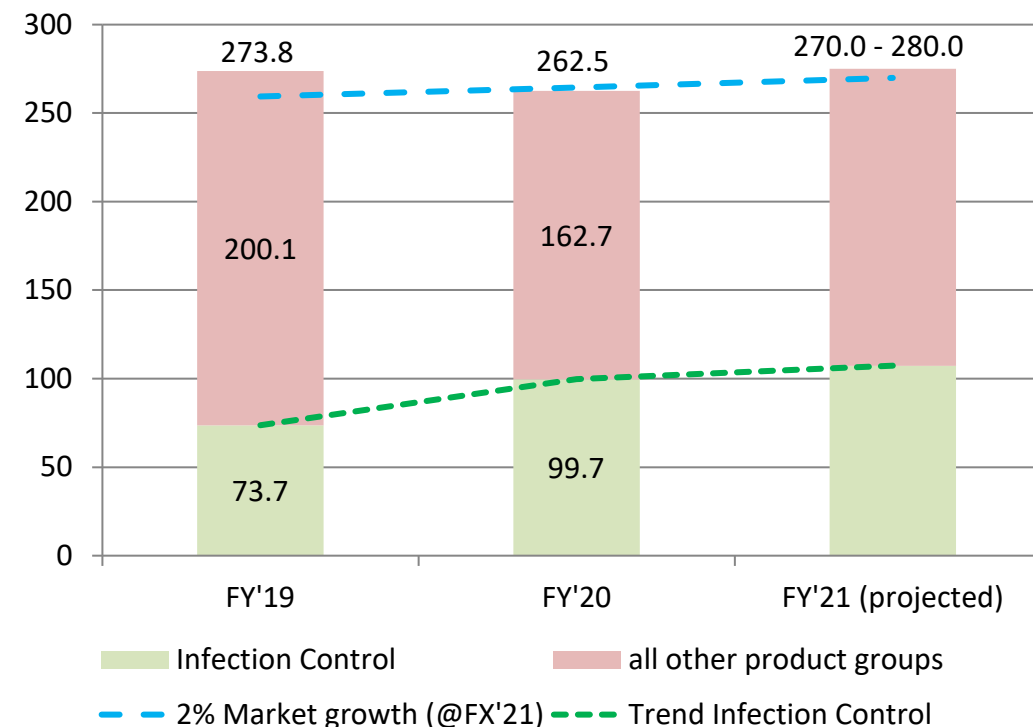
Strategic acquisition – focus infection control – COVID impact – fast intervention – rebound – ready for organic growth

Sales development HY1'19 - HY1'21
Net sales in CHFm (@constant FX 2019)



- Flexible production to adjust to volume changes
- Lower T&E and marketing cost
- Efficient cost management
- H1 2021 clearly better results compared to previous HY results

Sales development FY1'19 - FY'21 (projected)
Net sales in CHFm (@constant FX)



- H1 2021 sales cannot be projected into 2nd half of 2021
- Raw material supply is important to assure production volumes
- Cost increase in T&E, marketing and personnel as pandemic ends
- For FY 2021 an EBIT margin of above 15% is expected

What can we expect in 2021?

Impact by and recovery from COVID-19

-
- | | |
|-------------------------|---|
| Expected Results | <ul style="list-style-type: none">• Sales between CHF 270.0 mn and 280.0 mn for FY 2021• Raw material supply is important to assure production volume• Cost increase in T&E, marketing and personnel as pandemic ends• For FY 2021 an EBIT margin of above 15% is expected• Attractive dividend: Pay-out ratio of 70% |
| <hr/> | |
| Main Focus | <ul style="list-style-type: none">• Digital marketing• Improve service level for end user (dentists and dental offices)• Streamline product portfolio and investments in main products and key markets• Further build on the growing Infection Control business |
| <hr/> | |
| Conclusion | <ul style="list-style-type: none">• Solid balance sheet is assuring the business development of COLTENE• Immediate and clear reactions instantly proved their effectiveness• Strategic focus on Infection Control as one of the three product fields• After successful integration, the new COLTENE can sharpen the group strategy and focus on key markets and products |
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Q&A

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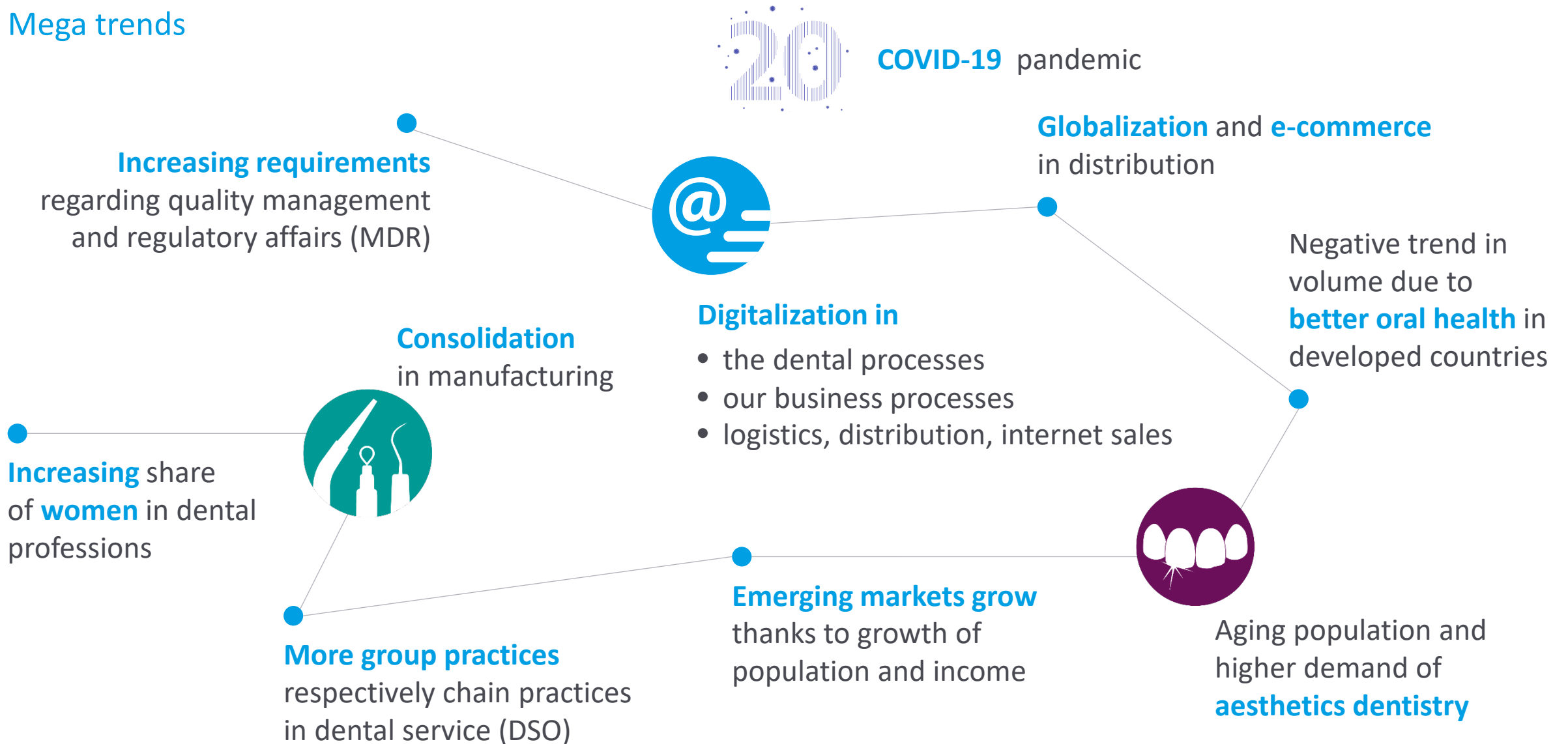
Rebounding Growth

Annex



Dental Industry

Mega trends



Organization

Management

Board of Directors

Matthew Robin

Allison Zwingenberger

Jürgen Rauch

Nick Huber, Chairman

Astrid Waser

Roland Weiger

Erwin Locher



Group Management

Christophe Loretan,
VP Sales / MarCom EMEA / ROW

Stefan Helsing, COO

Gerhard Mahrle, CFO

Martin Schaufelberger, CEO

Martin Schlüter, VP R&D / Innovation

Werner Barth, VP Product
Management / Group Marketing



COLTENE Overview

Top quality dental supplier

- **COLTENE** develops, manufactures and markets **premium dental materials and small equipment** for dental practices
- **5 specialized manufacturing sites**
- **MedTech** products of **class 1, 2a, 2b and 3**
- **13 sales entities** supported by more than **300 sales reps** selling via distributors
- **3 product areas**
 - Infection Control
 - Dental Preservation
 - Efficient Treatment
- **1 250 employees**



Toronto (Canada)

Infection Control



Cuyahoga Falls (OH/USA)

Infection Control
Efficient Treatment



Altstätten (Switzerland)

Dental Preservation
Efficient Treatment



Langenau (Germany)

Dental Preservation
Efficient Treatment



Besançon (France)

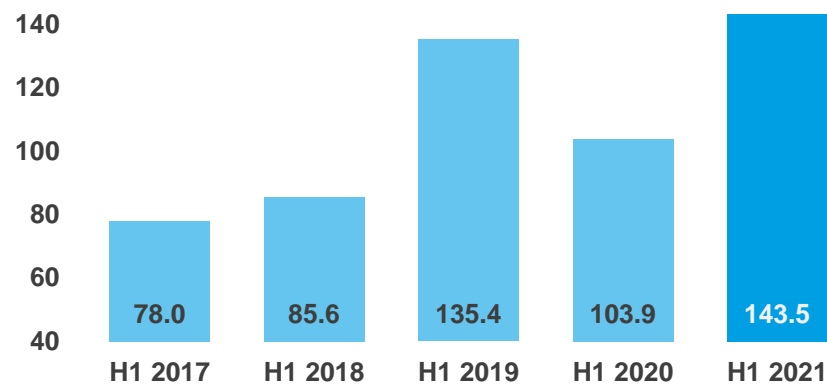
Dental Preservation

5-Year Financial Overview

Key Figures in H1 (2017: IFRS / since 2018 Swiss GAAP FER)

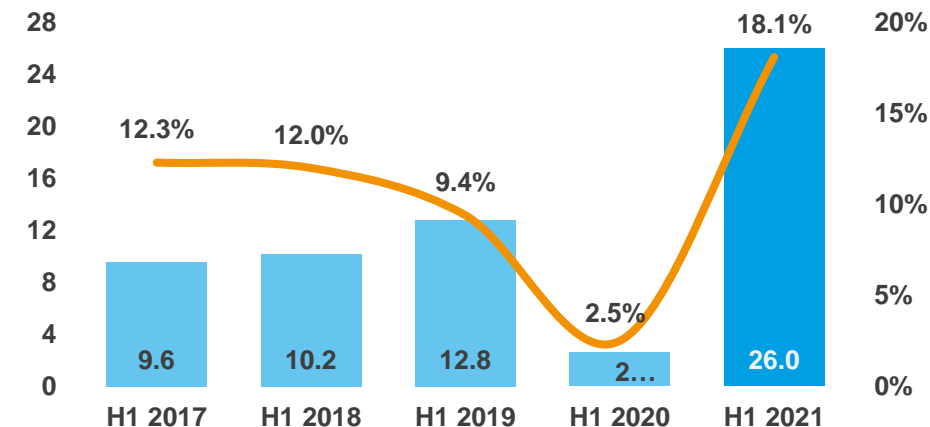
in CHF million

Net sales



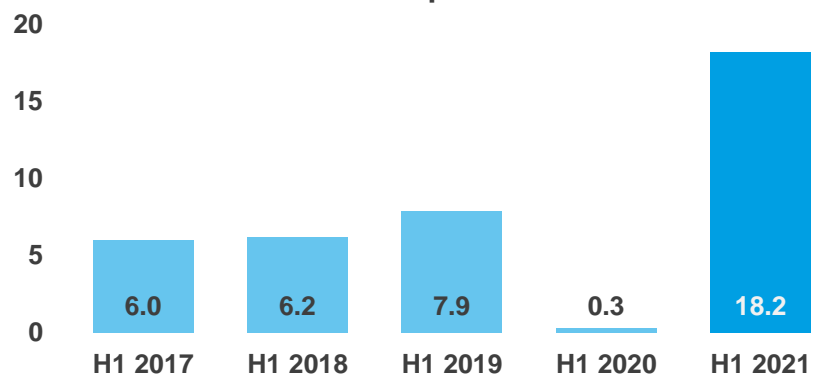
in CHF million

EBIT EBIT margin in %



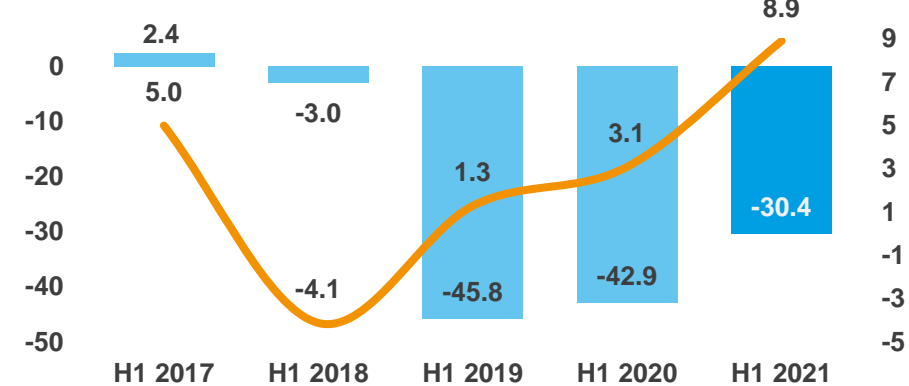
in CHF million

Net profit



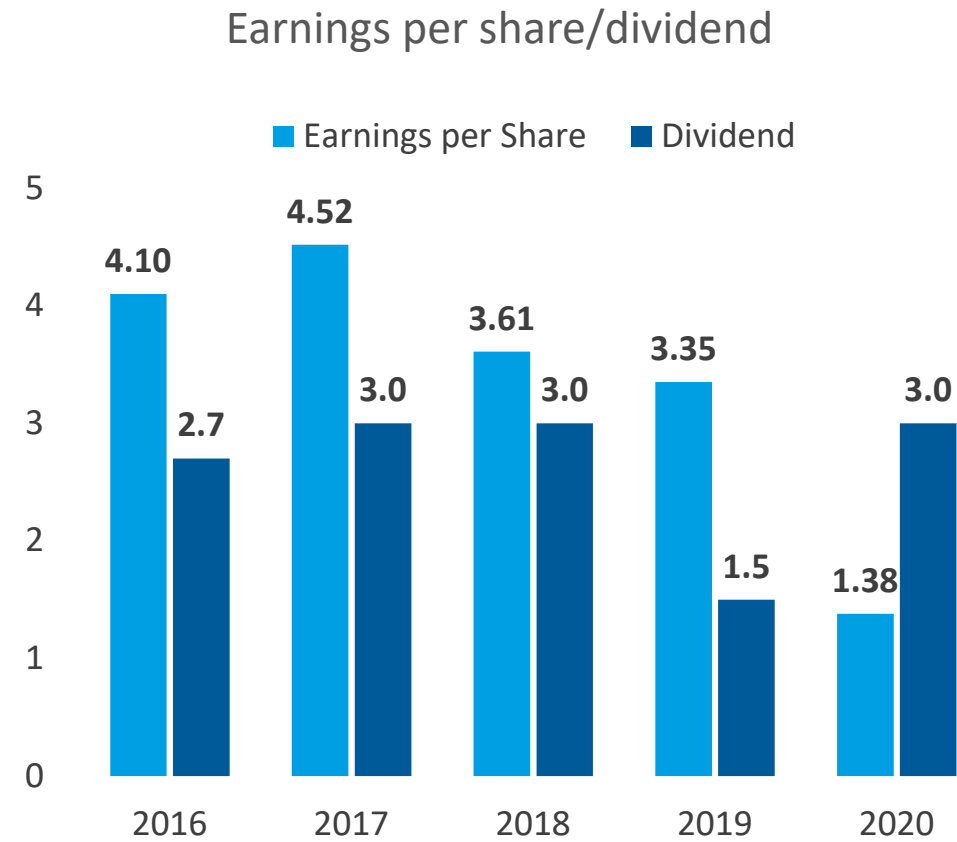
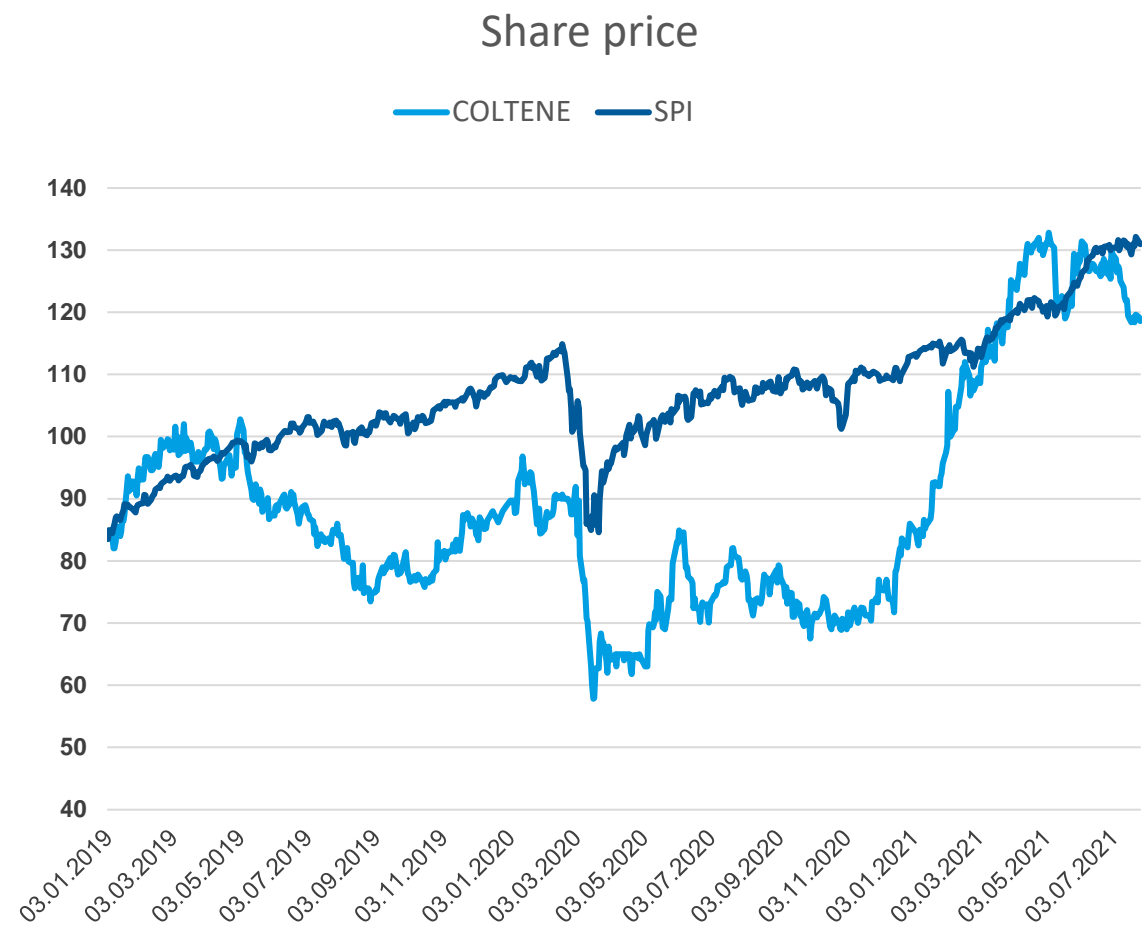
in CHF million

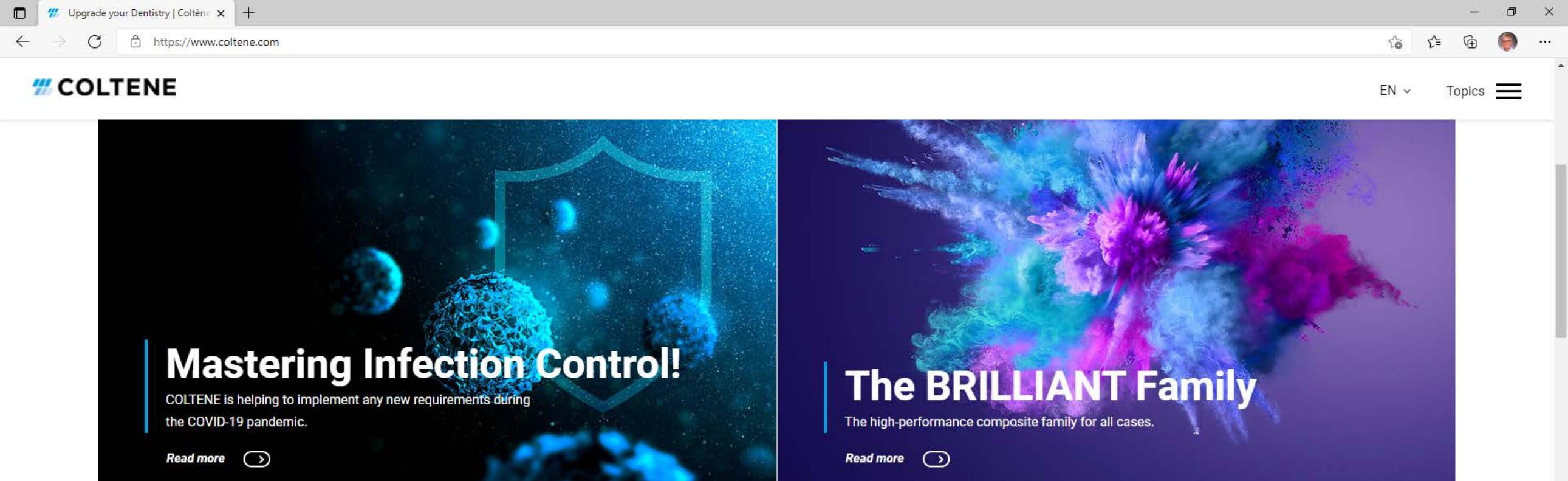
Net debt/net cash Free cash flow



Share Performance

Volatile financial market environment





Visit us on our website:
www.coltene.com



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Gerhard Mahrle, CFO

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