

**Investora 2017**

# Going Digital

**Gerhard Mahrle – CFO COLTENE Holding AG**

**September 21, 2017**

# 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

**COLTENE at a Glance**

**Products and Markets**

**Strategy and Outlook**



## COLTENE at a Glance

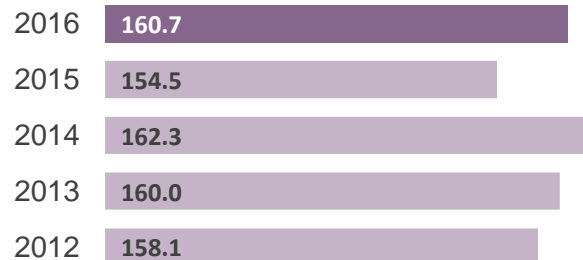
COLTENE develops, manufactures and markets premium consumables in the dental segments of Restoration, Endodontics, Prosthetics, Rotary, Infection Control and Auxiliaries.

Global setup: R&D and operations in Europe, North America and Brazil; Sales with worldwide over 220 sales reps via Distributors.

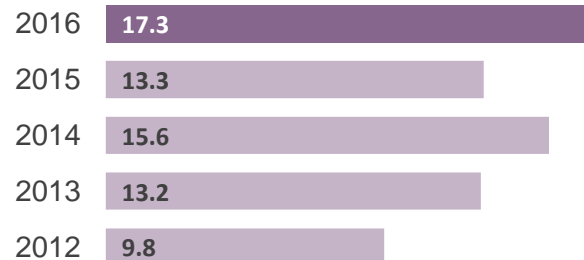
COLTENE is a leading, innovative and independent Company, operating internationally in the dental industry focusing on sustainable and profitable long-term growth.

Highly recognized global brands and strong emerging market position with 30% of total sales in 2016.

### Net Sales



### Net Profit



# Global Setup in Manufacturing and Sales

## North America

Group companies	3
Production sites	1
Workforce (FTE)	310

USA, Cuyahoga Falls (OH)



GERMANY, Langenau



## Europe

Group companies	12
Production sites	2
Workforce (FTE)	380

SWITZERLAND, Altstätten



## Asia Pacific

Group companies	3
Production sites	0
Workforce (FTE)	80

## Latin America

Group companies	1
Production sites	1
Workforce (FTE)	110

BRAZIL, Rio de Janeiro



## Middle East and Africa

Group companies	0
Production sites	0
Workforce (FTE)	2

# Products and Markets



# Full Spectrum of Dental Care

## Restoration (25%)



The Restoratives product group contains all the products used in restorative treatment procedures. These products range from adhesive systems and restorative filling materials to curing equipment.

## Prosthetics (21%)



In Prosthetics, COLTENE offers a broad range of condensation and addition silicon impression materials with excellent flow properties. Highly precise dental impressions improve the treatment outcomes of prosthetic procedures.

## Endodontics (21%)



The Endodontics range is focused on products for root canal therapy, which entails root canal preparation, cleansing and obturation.

## Treatment Auxiliaries (13%)



Treatment Auxiliaries comprises a broad range of products for wound care and treatment and moisture control. These practical supplies and materials make work easier and enhance patient comfort.

## Rotary Instruments (8%)



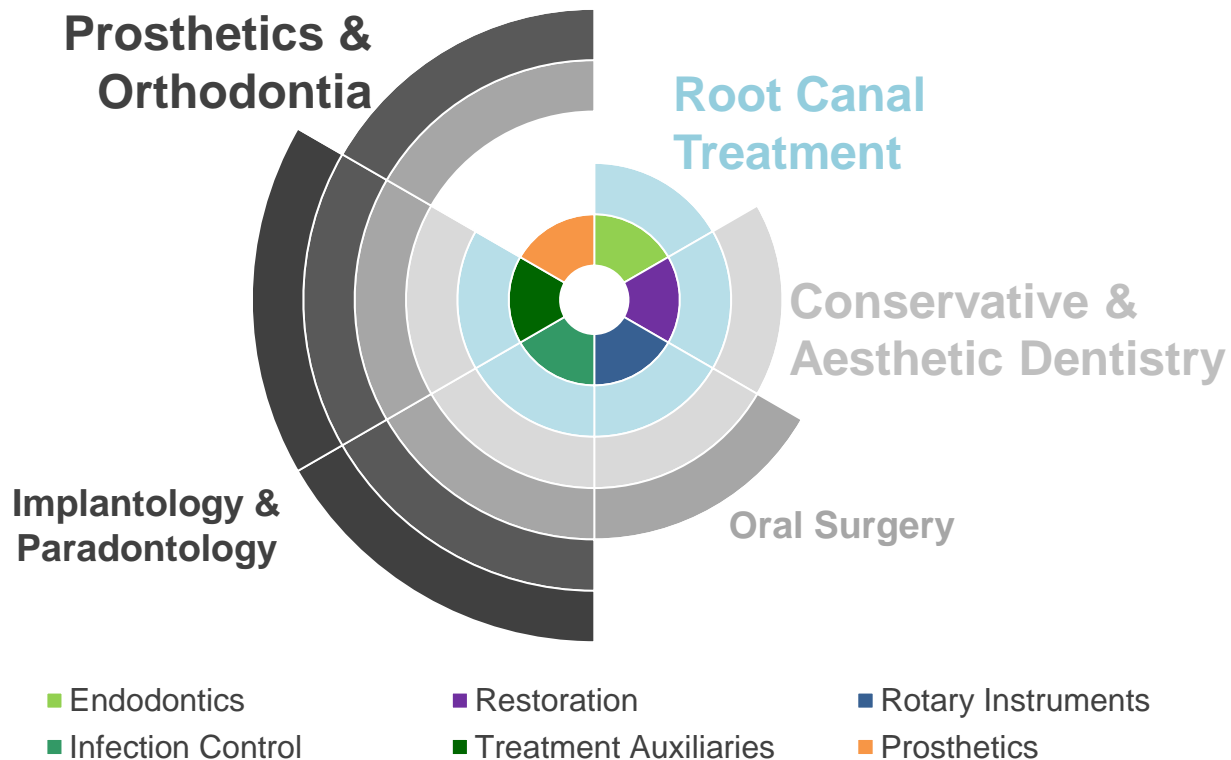
COLTENE offers a comprehensive range of carbide drills, diamond burs and polishing tools. Its Rotary Instruments are distinguished by superior stability and excellent cutting action.

## Infection Control (7%)



The Infection Control product category contains ultrasonic cleaning systems, sterile covers and face masks that provide an effective barrier against infection in dental practices.

## Broad Expertise in Dentistry



**COLTENE** offers a comprehensive product portfolio that allows combined product offerings to dentists for perfect treatment results



Endodontic files that are 7 times more break-resistant than others



Perfect, permanent anterior restoration in just one session  
“smile to go”

Repairable CAD/CAM restoration, extremely rigid, modifiable and gentle with antagonists



Bioactive root canal filling and sealing in one that can promote self-healing



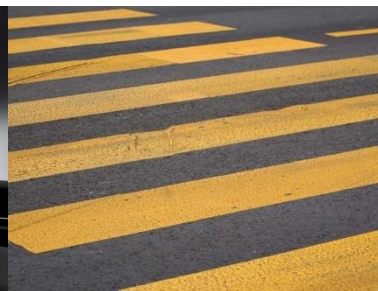
Innovation



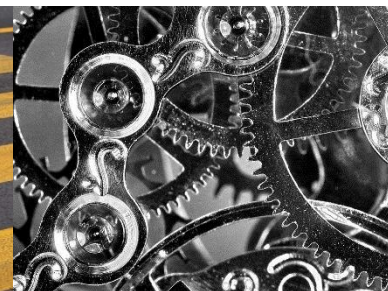
Performance



Comfort



Safety



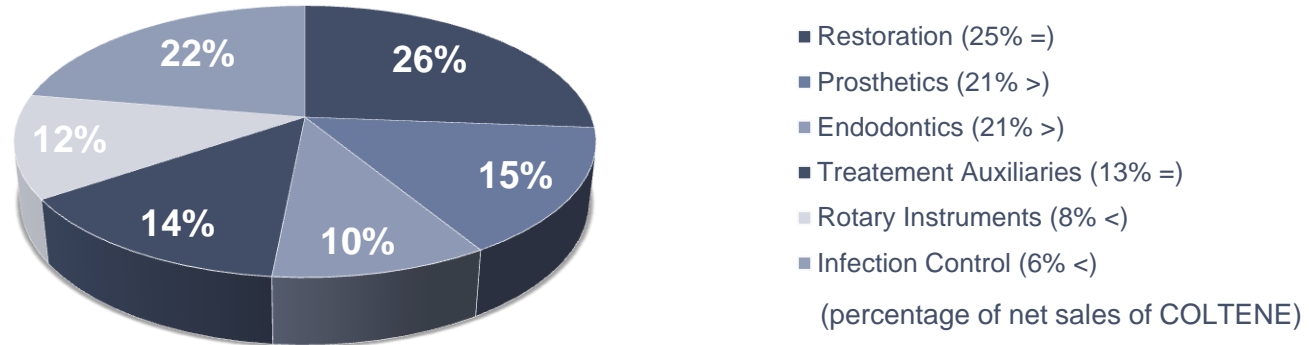
Reliability

High Quality – Reasonable Price

## Relevant Dental Consumables Market

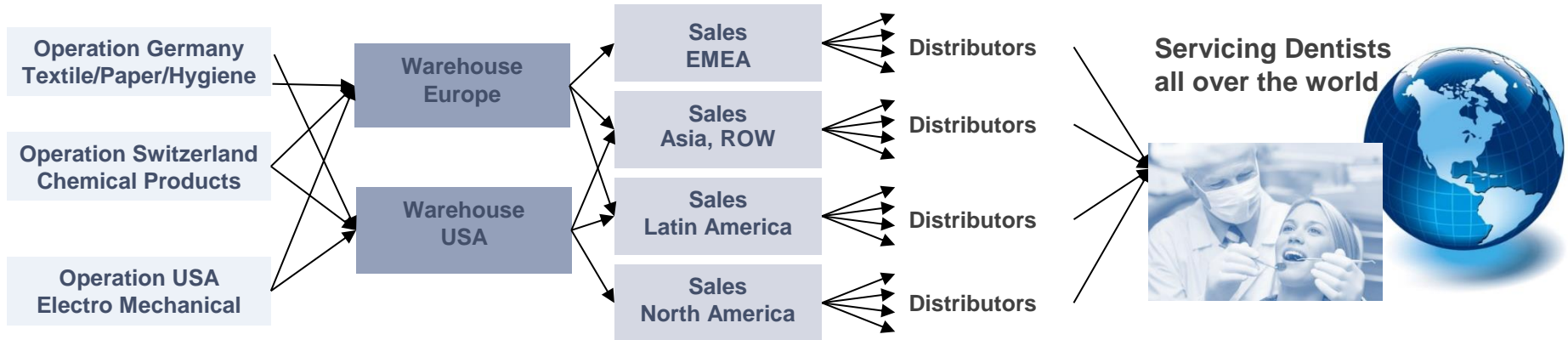
**Relevant market size in 2016: CHF 5'400 million**

Relevant market size by segment in %



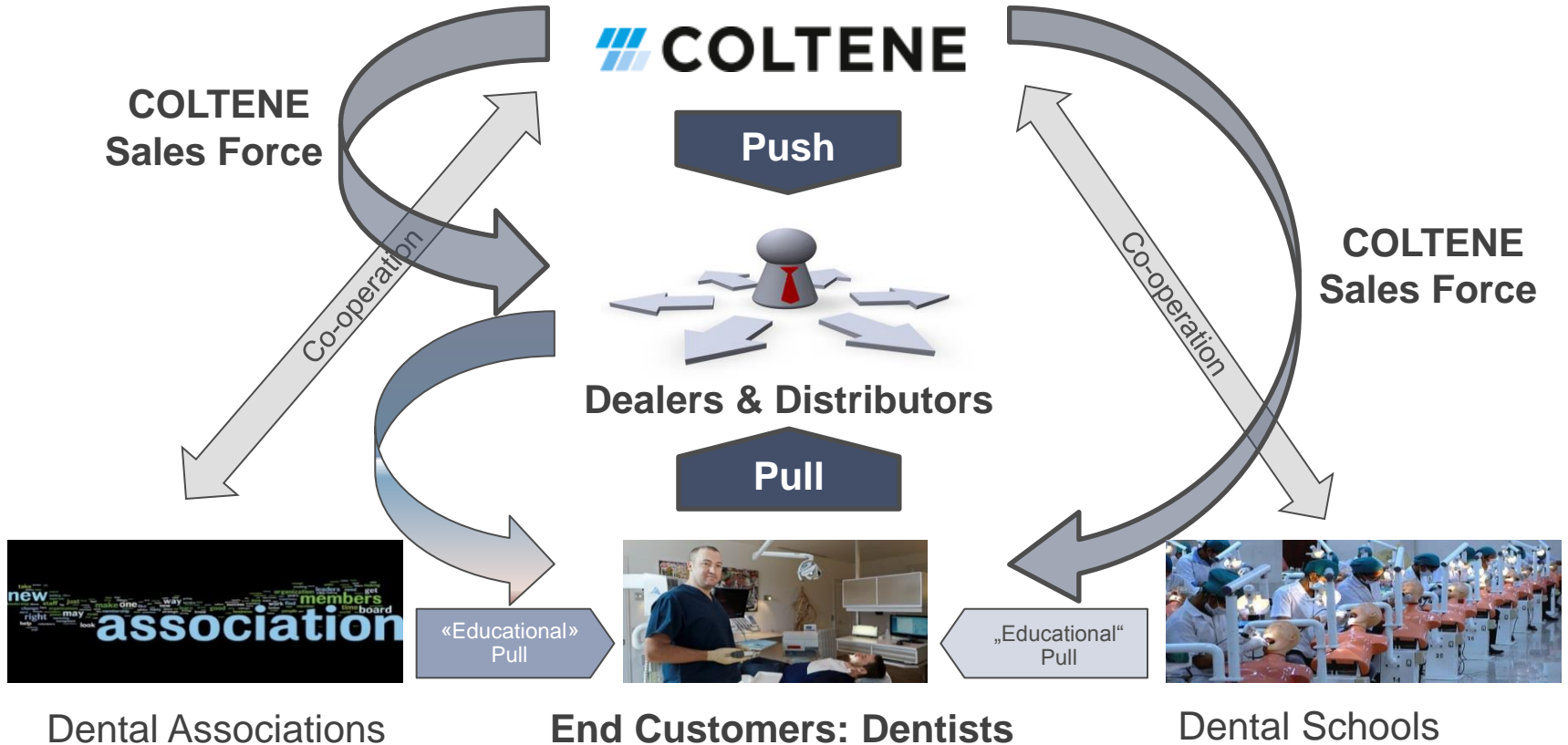
**COLTENE is an important player in attractive niche markets. In the USA for example, COLTENE is uncontested market leader with Pins and Posts and occupies in many other markets place 3 to 7.**

## Distribution Model



- Most of all COLTENE products are available for shipment from each warehouse
- Vigodent is mainly servicing the Brazilian market
- In India and China, the COLTENE Group has own sales entities in order to service these markets adequately

## Market Approach



## Competitive Situation

Restauration (CHF 1.4 bn)

Prosthetics (CHF 0.8 bn)

Endodontics (CHF 0.5 bn)

DENTSPLY

**3M** Science.  
Applied to Life.™

Gebr. Brasseler GmbH & Co. KG

ivoclar  
vivadent  
passion vision innovation

Heraeus Kulzer  
Mitsui Chemicals Group

sybron  
catering for your needs

KaVo Kerr  
Group

GC

VOCO  
DIE DENTALISTEN

COLTENE

# Important Customers

EMEA

North America

Latin America

Asia



Various dealers in  
China

Expodent

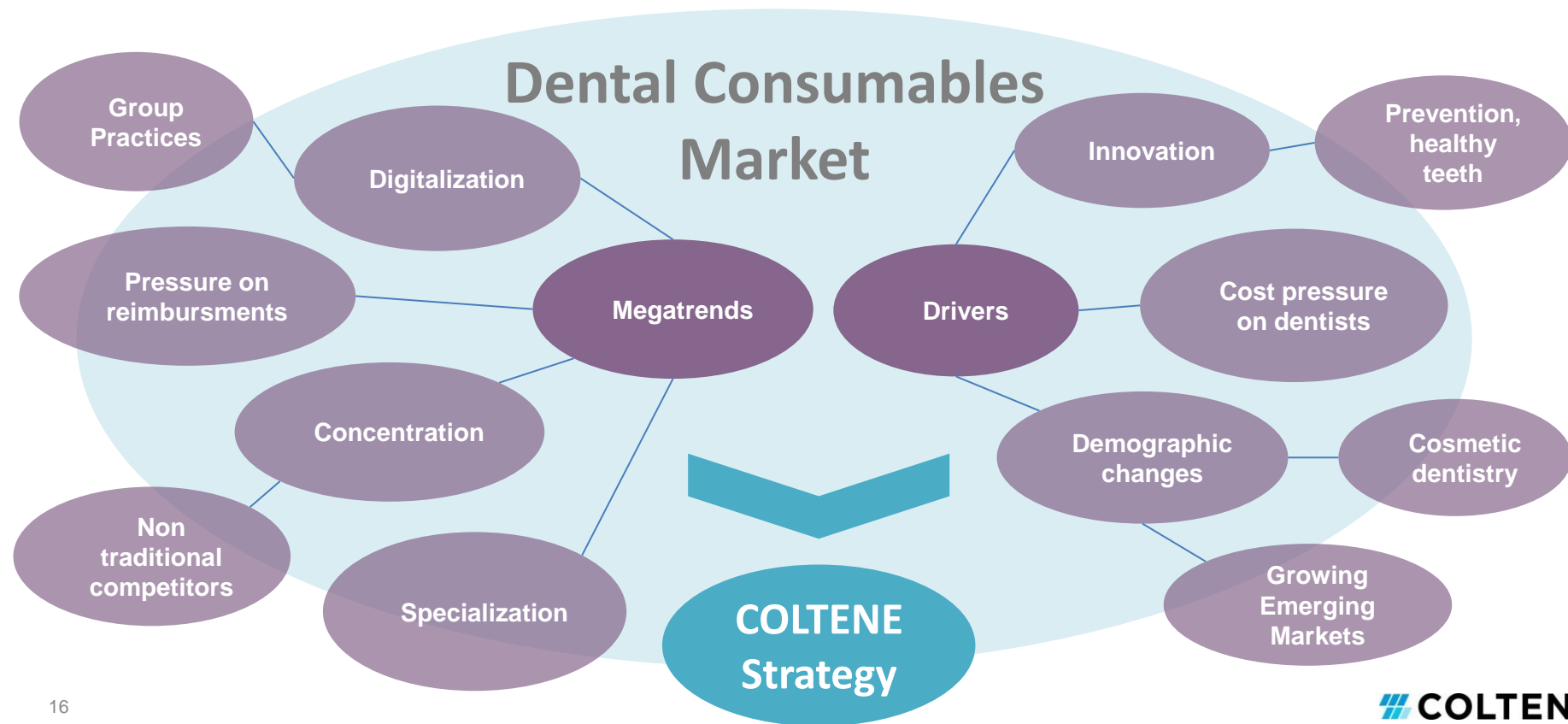


Various dealers in  
India

## Strategy and Outlook



# Megatrends and Drivers in Dental Consumables





# Strategic Answers

## INNOVATION

Modern products reduce complexity in dental practices

Less complexity means reduced treatment times and lower cost for dentists

Increasing digitalization in dental practices improves efficiency and profitability for dentists

Digitalization changes workflow and procedures (CAD/CAM)

## SALES & MARKETING

Expansion of sales teams in core markets and emerging markets

Further push e-marketing and streamline COLTENE brand management strategy

Intensify global school program

Acquisition of Diatech in the US to unify DIATECH brand management

Participation at IDS trade fair in Cologne, Germany, to showcase product portfolio

## GOING DIGITAL

Market launch of new products supporting digital dental treatments

Push innovations in the field of digital dentistry

Increased collaboration with other dental companies, universities and research organizations

# Innovation: Recently Launched Products



**BRILLIANT EverGlow™**  
State-of-the-art universal  
submicron hybrid composite



**BRILLIANT Crios**  
CAD/CAM composite blocs for  
permanent restoration



**BRILLIANT EverGlow™ Flow**  
State-of-the-art universal  
submicron hybrid composite



**HyFlex™ EDM**  
Highly flexible and resistant  
NiTi root canal files



**CanalPro SyringeFill System**  
Innovative, modular system for the safe  
and efficient filling of syringes



**GuttaFlow® bioseal**  
Bioactive cold filling system  
for root canals



**Diatech Z-Rex**  
Ceramic treatment diamond bur  
and ShapeGuard polisher



**BioSonic® UC150**  
Compact 5.7L (1.5 gal) ultrasonic cleaner  
with heater and tracing functionality

S1/2015

S2/2015

S1/2016

S2/2016

S1/2017

S2/2017

# COLTENE's Triple Approach to Digitalization

**DENTAL  
PRACTICE**

**Developing and offering products for digital dental treatment processes in the dental practices**

**SUPPLY  
CHAIN**

**Manufacture and sell products in a digital supply chain**

**INTERNAL  
PROCESSES**

**Working in a digitally supported organization using and benefiting from digital processes and tools**



## Focus on Exploiting Profitable Growth

### MARKETS

Participation in general market growth in dental consumables of ~2-3%

Exploit growth opportunities spurred by megatrends such as digitalization, ageing population, growing middle class and increasing importance of emerging markets

### FINANCIALS

Raise EBIT margin to 15%

FX situation will remain a challenge

Healthy balance sheet with an equity ratio of at least 60%

Payout ration of 70%

### OPERATIONS

Further increase of operational efficiency through digital processes and tools

Promote implementation of strategic goals 2016-2018 with focus on sales & marketing, innovation management and partnerships

### PRODUCTS

Market launch of new products supporting digital dental treatments

Further streamline COLTENE brand management strategy

# Many thanks for your attention!

**COLTENE Holding AG**  
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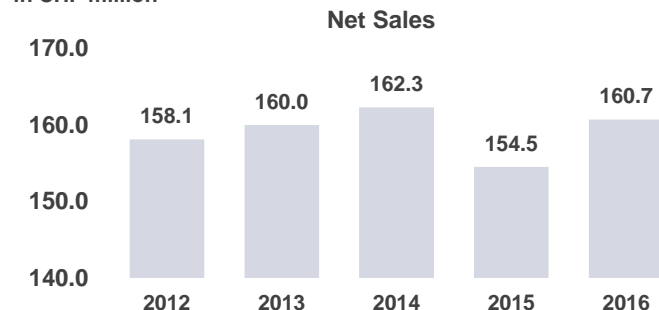
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# Appendix

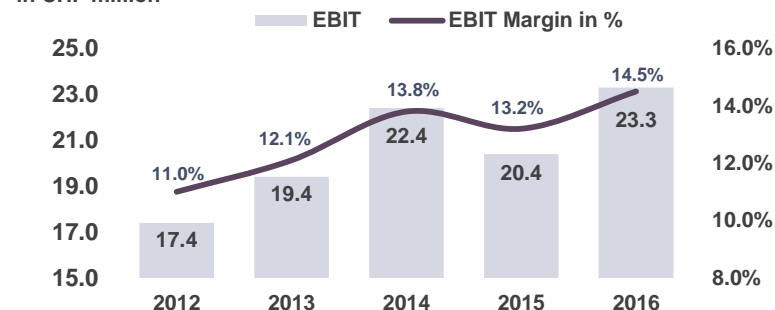


# 5-Year Overview Key Figures

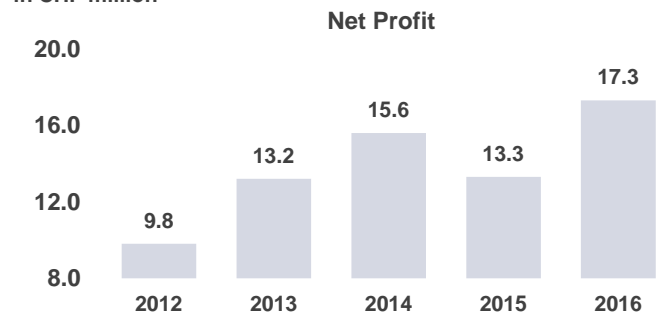
in CHF million



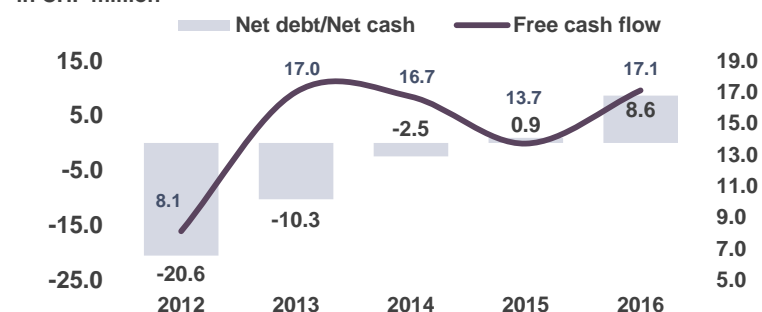
in CHF million



in CHF million



in CHF million



# Highly Experienced Group Management



## **Werner Mannschedel**

**Vice President R&D and Regulatory Affairs**

Since 2015

Before:

- Global R&D and Regulatory Manager, 2012-2015; Manager global operations, 2011-2012; President European Operations, 2007-2011; Manager European Operations, 2002-2007, COLTENE Group
- General Manager ROEKO GmbH + Co. KG, 1998-2002

## **Gerhard Mahrle**

**Group CFO**

Since 2014

Before:

- CFO Kardex AG, 2009-2013
- CFO sia Abrasives Holding AG, 2000-2009
- CFO Batigroup Holding AG, 1998-2000
- CFO Eugster/Frismag Group, 1992-1998

## **Christophe Loretan**

**Vice President Sales**

Since 2015

Before:

- Technical Service and Sales Director EMEA, 2013-2015; Customer Solutions Director EMEA, 2006-2013; Global Marketing Manager, 2003-2005, Novozymes Switzerland AG,
- Business Development Manager Pharma/Gastroenterology, Tillotts Pharma AG, 2002-2003

## **Martin Schaufelberger**

**Group CEO**

Since 2012

Before:

- CEO Kunststoff Schwanden, 2007-2012
- Deputy CEO Kunststoff Schwanden, 2001-2007

## **Werner Barth**

**Vice President Marketing**

Since 2015

Before:

- Global Director Marketing COLTENE/Whaledent AG, 2013-2015
- Vice President Sales, 2006-2013; Head Marketing & Sales, 2005-2006, Ziemer Ophthalmic Systems AG,
- Product manager and Sales manager HMT High Medical Technologies AG, 2001-2004



## Financials H1 2017



## Increased Sales and EBIT

### SALES

Total Sales of CHF 78.0 million in H1 2017; +3.2% compared to H1 2016  
2.4% organic growth in CHF and 1.8% in local currencies

Sales growth in all regions; Ongoing positive trend in Endodontics

### FINANCIALS

EBIT of CHF 9.6 million (H1 2016: CHF 9.0 million); EBIT margin of 12.3%

Free cash flow of CHF 5.0 million (H1 2016: CHF 2.1 million)

### ORGANIZATION

Acquisition of Diatech in the US

Astrid Waser elected to the Board of Directors by the AGM in 2017

# Higher Free Cash Flow and Solid Balance Sheet

## SALES

Net sales of CHF 78.0 million; +3.2% compared to H1 2016

Increase of 1.8% after factoring out exchange-rate fluctuations (CHF 0.4 million) and acquisitions (CHF 0.6 million)

Double digit growth in Latin America; high single digit growth in Asia; sales in North America still affected by inventory reduction at large distributors

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## FINANCIALS

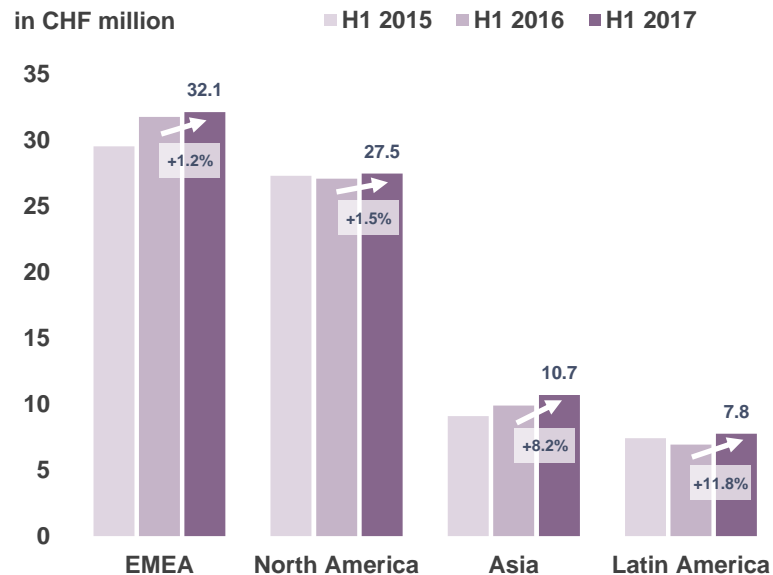
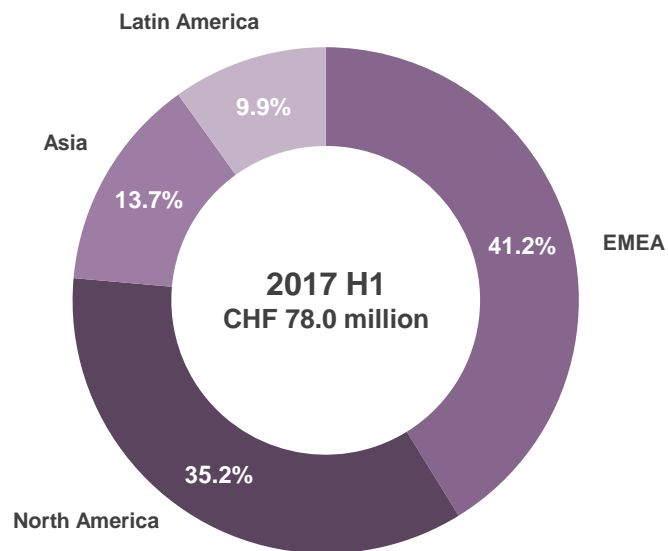
EBIT improved by 6.2% to CHF 9.6 million, EBIT margin widened to 12.3%

Net profit decreased by 16.0% to CHF 6.0 million (H1 2016: CHF 7.2 million)

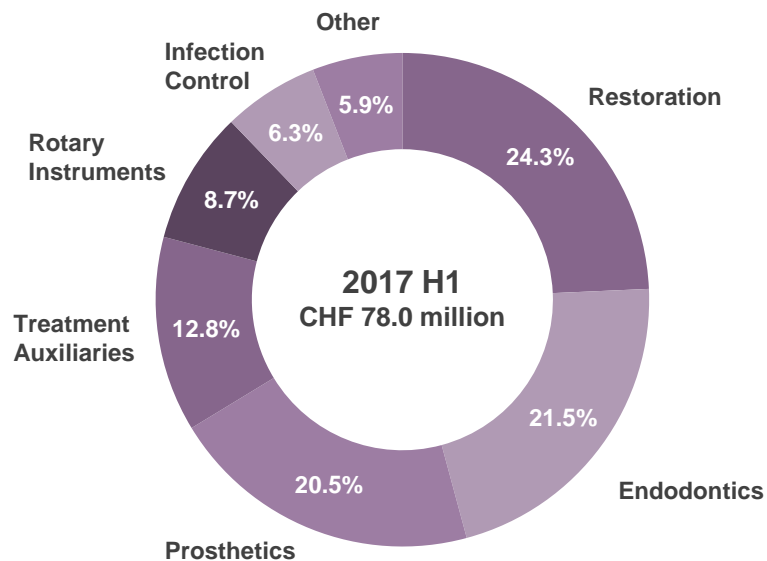
Higher free cash flow of CHF 5.0 million (H1 2016: CHF 2.1 million)

High equity ratio of 70.8%; net cash position of CHF 2.4 million

## Growth in All Regions

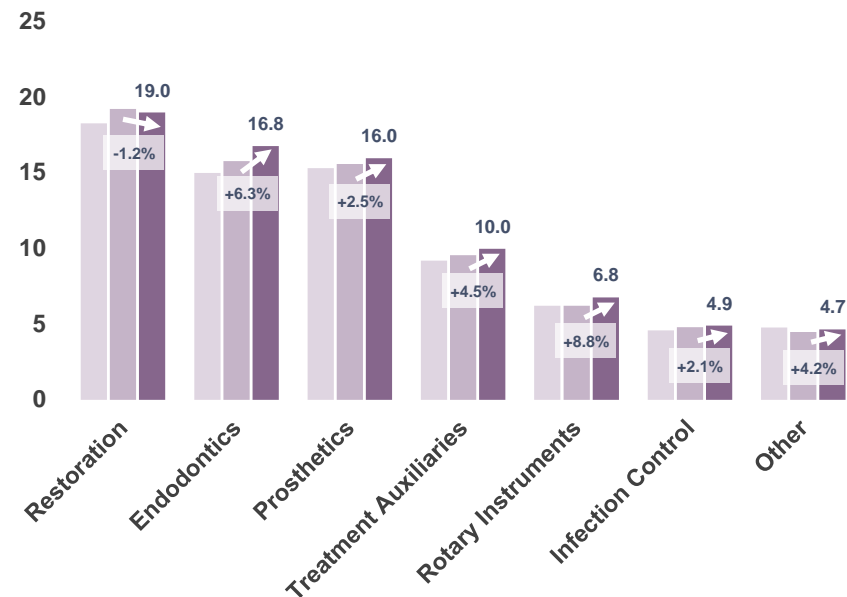


# Endodontics Strong



in CHF million

■ H1 2015 ■ H1 2016 ■ H1 2017



# Higher Sales and EBIT, Lower Net Profit

in CHF million	H1 2017	%	H1 2016	%	% YoY
<b>Net Sales</b>	<b>78.013</b>	<b>100.0%</b>	<b>75.599</b>	<b>100.0%</b>	<b>3.2%</b>
Material expenses*	-20.677	-26.5%	-20.899	-27.6%	-1.1%
Gross Profit	57.336	73.5%	54.700	72.4%	4.8%
Operating expenses	-44.955	-57.6%	-42.917	-56.8%	4.7%
Depreciation and amortization	-2.796	-3.6%	-2.758	-3.6%	1.4%
<b>EBIT</b>	<b>9.585</b>	<b>12.3%</b>	<b>9.025</b>	<b>11.9%</b>	<b>6.2%</b>
Financial result	-1.071	-1.4%	0.113	0.1%	-1047.8%
Tax expenses	-2.485	-3.2%	-1.959	-2.6%	26.9%
<b>Profit for the period</b>	<b>6.029</b>	<b>7.7%</b>	<b>7.179</b>	<b>9.5%</b>	<b>-16.0%</b>

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

## Comments

Net sales increase 3.2%; positive FX impact of CHF 0.4 million and CHF 0.6 million from Diatech INC (acquisition end of March 2017).

Increase of the gross profit margin reflects better sourcing terms and conditions as well as the optimization of production processes.

Operating expense well under control.

Deterioration in net financial result mainly due to non-realized currency losses on Vigodent's debts in foreign currency (sharp drop of BRL).

Tax rate increased from 21.4% to 29.2%. Increase is attributed primarily to substantially higher profits from countries with high income tax rates.

# High Equity Ratio

in CHF million	30.06.17	31.12.16	YoY
Cash & cash equivalents	10.4	21.6	-11.2
Receivables	35.5	36.0	-0.5
Inventory	31.9	30.8	1.1
Property, plant & equipment	27.3	30.0	-2.7
Financial, intangible & tax assets	42.9	42.0	0.9
<b>Total assets</b>	<b>148.0</b>	<b>160.4</b>	<b>-12.4</b>
	30.06.17	31.12.16	YoY
Payables & short term liabilities	18.9	18.6	0.3
Bank loans	8.0	12.9	-4.9
Other long term liabilities	16.3	16.7	-0.4
Equity	104.8	112.3	-7.5
<b>Total liabilities &amp; equity</b>	<b>148.0</b>	<b>160.4</b>	<b>-12.4</b>
<b>Net Cash</b>	<b>2.4</b>	<b>0.9</b>	<b>1.5</b>

## Comments

Reduction of cash & cash equivalents in the amount of CHF 11.2 million mainly due to the dividend payment of CHF 11.4 million in April.

Decrease of bank loans in the amount of CHF 4.9 million.

The net cash position amounts to CHF 2.4 million (year end 2016 CHF 8.7 million, end of June 2016 net debt of CHF 6.2 million).

Credit lines not used: CHF 90 million.

The decline of PPE is mainly attributed to currency effects.

Equity ratio of 70.8%.

No impairment issue regarding goodwill (recoverable).

# Free Cash Flow more than Doubled

in CHF million	H1 2017	H1 2016	% YoY
Net profit	6.029	7.179	-16.0%
Depreciation and amortization	2.796	2.758	1.4%
Other non cash items	3.962	3.512	12.8%
Changes in NWC	-1.912	-5.009	-61.8%
Interest, tax paid/received	-2.942	-3.543	-17.0%
<b>Cash flow from operations</b>	<b>7.933</b>	<b>4.897</b>	<b>62.0%</b>
Purchase of PPE (net)	-1.549	-2.433	-36.3%
Proceeds from int./finan. (net)	-1.424	-0.343	315.2%
<b>Cash flow from investments</b>	<b>-2.973</b>	<b>-2.776</b>	<b>7.1%</b>
<b>Free cash flow</b>	<b>4.960</b>	<b>2.121</b>	<b>133.9%</b>

## Comments

Increase of cash flow from operations of 62% mainly driven by improved NWC management and lower taxes paid.

Cash flow from investments include modernization and replacement of production equipment, investment in software as well as the acquisition of Diatech.

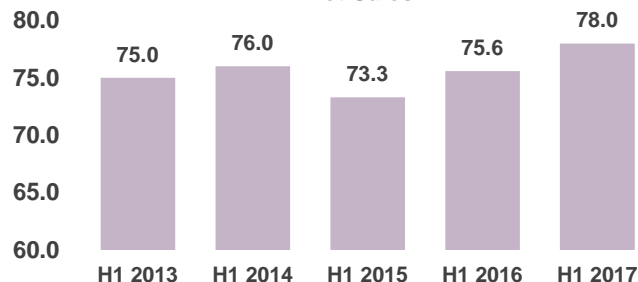
The resulting free cash flow amounts to CHF 5.0 million, CHF 2.8 million higher than in the previous year period.



# 5-Year Overview of the Key Figures

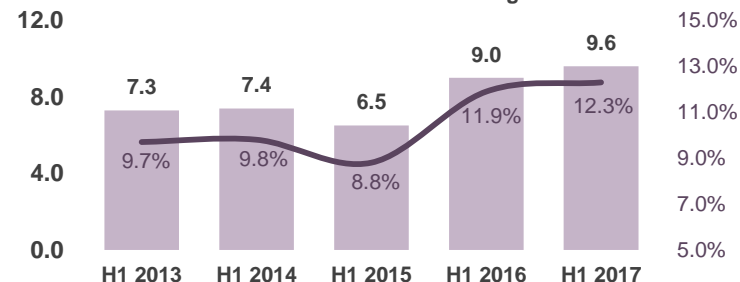
in CHF million

Net Sales



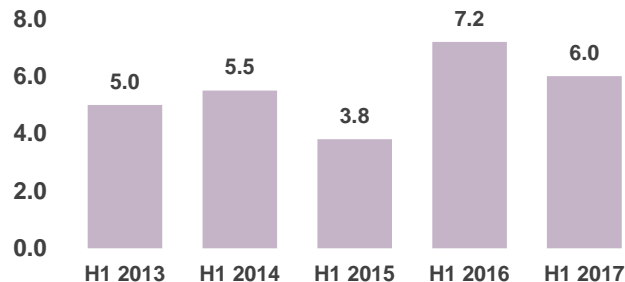
in CHF million

EBIT EBIT Margin in %



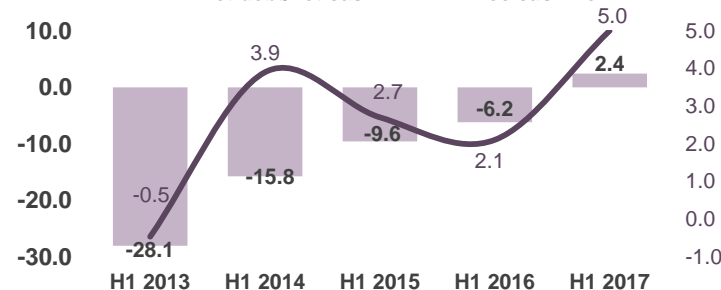
in CHF million

Net Profit



in CHF million

Net debt/net cash Free cash flow



## Attractive Share Performance

