

Workflow

Media and Financial Analysts Conference – Financial Year 2021

Martin Schaufelberger, CEO

Markus Abderhalden, 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 full year 2021

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- ⦿ **Review of the year 2021**
Martin Schaufelberger, CEO
 - ⦿ **Financials 2021**
Markus Abderhalden, CFO
 - ⦿ **Outlook**
Martin Schaufelberger, CEO
 - ⦿ **Q&A**
All
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Review of the Year 2021

Martin Schaufelberger, CEO



Highlights 2021

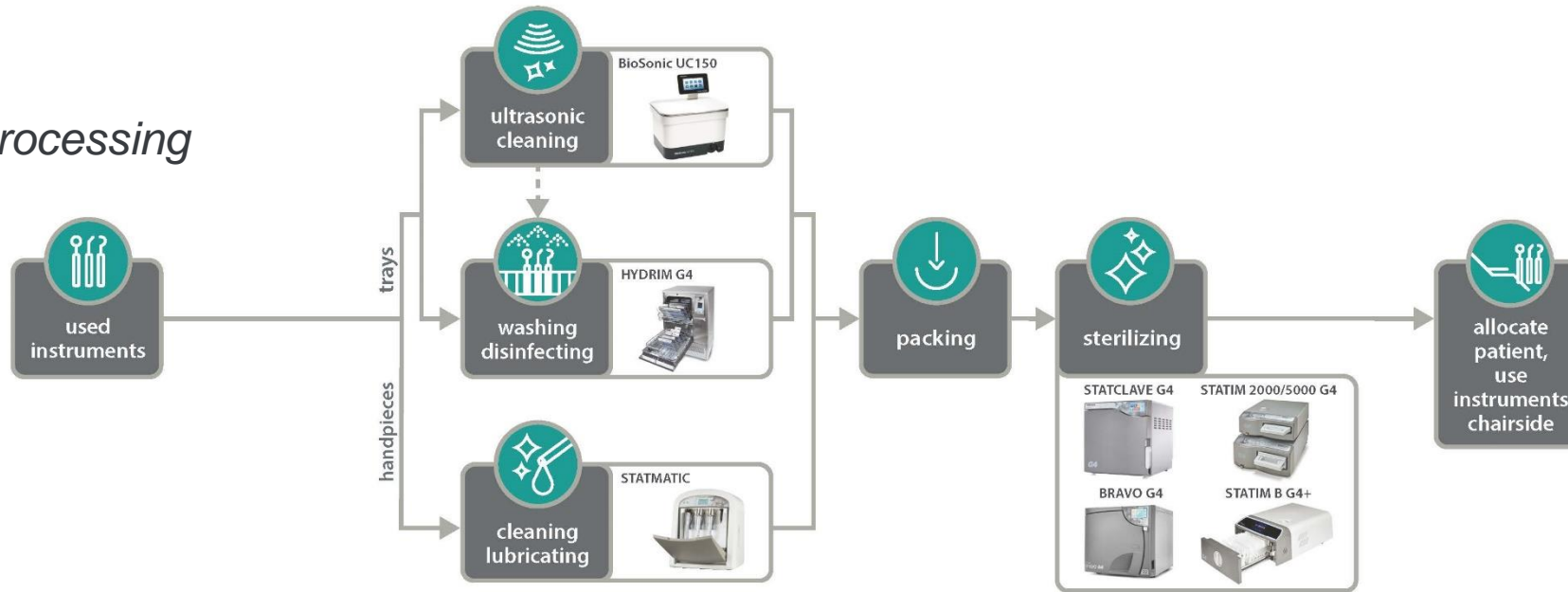
Significant growth and record result –

Strong first half year with a rebound effect in net sales, combined with a low cost basis

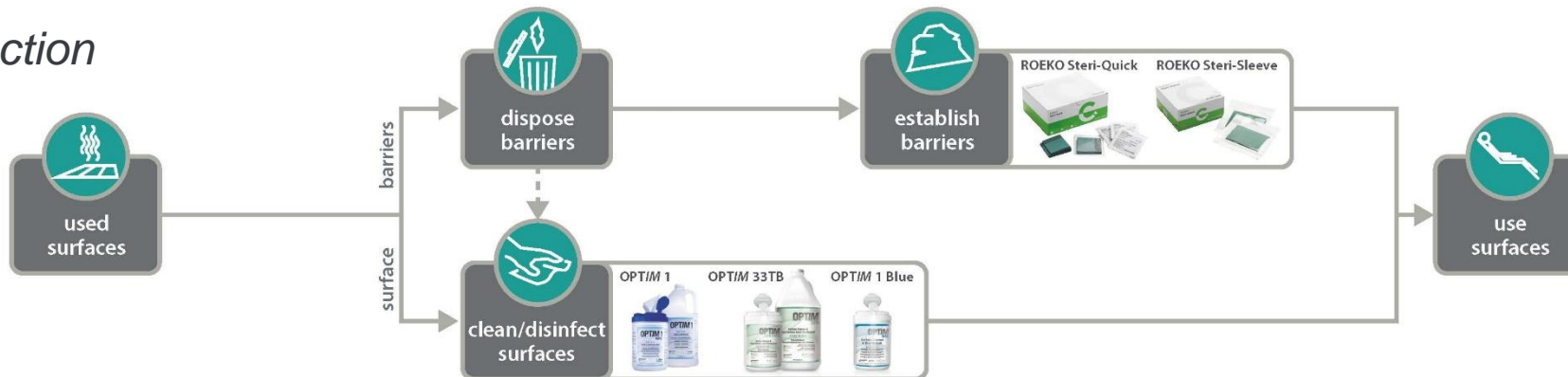
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- ◎ **Key figures**
 - **Net sales CHF 279.2 mn** (PY 248.4); +12.4% in CHF and +14.9% adjusted by FX and divestment of Vigodent
 - **EBIT margin at a high 15.7%** (PY 12.9% operational and 11.7% in 2019 respectively)
 - **Net profit amounted to CHF 31.7 mn** (2020: CHF 8.2 mn, resp. 2019 CHF 20.0 mn)
 - First HY contained a rebound of sales after COVID impact - second HY was considered back to “normal” business
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- ◎ **Operational**
 - Managed high volumes in HY1 and raw material supply shortage and price increase in HY2
 - SAP operational at all sites (including Micro-Mega France and SciCan Canada)
 - Product training and marketing activities are based on the three main workflows of our customers: infection control, restoration, and endodontic
 - Unified dealer agreements and price list for full COLTENE portfolio – price increase announced for early 2022 to compensate cost increases
 - Group wide CRM system with customer service and repair functionality further improves customer proximity
 - Autoclave STATIM B6000 with a new version of IoT functionality introduced
 - Upgrading technical files of the first product groups in fulfillment of Medical Device Registration (MDR) requirements for Europe in 2024, passed first requalification audits
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- ◎ **Organizational**
 - Markus Abderhalden appointed as new CFO
 - Paul Frey new VP Sales & MarCom North America
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Workflow Infection Control

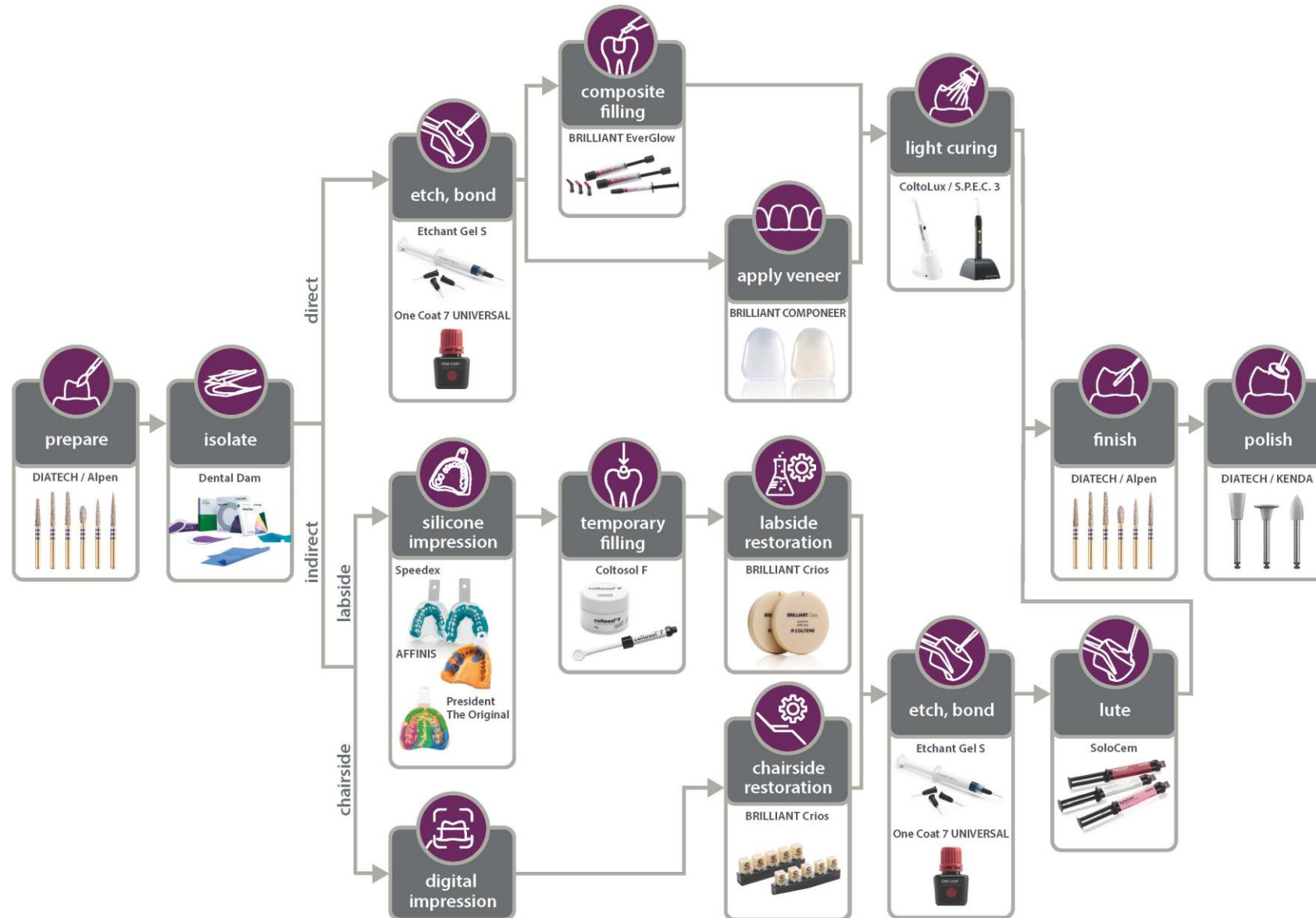
Instrument Reprocessing



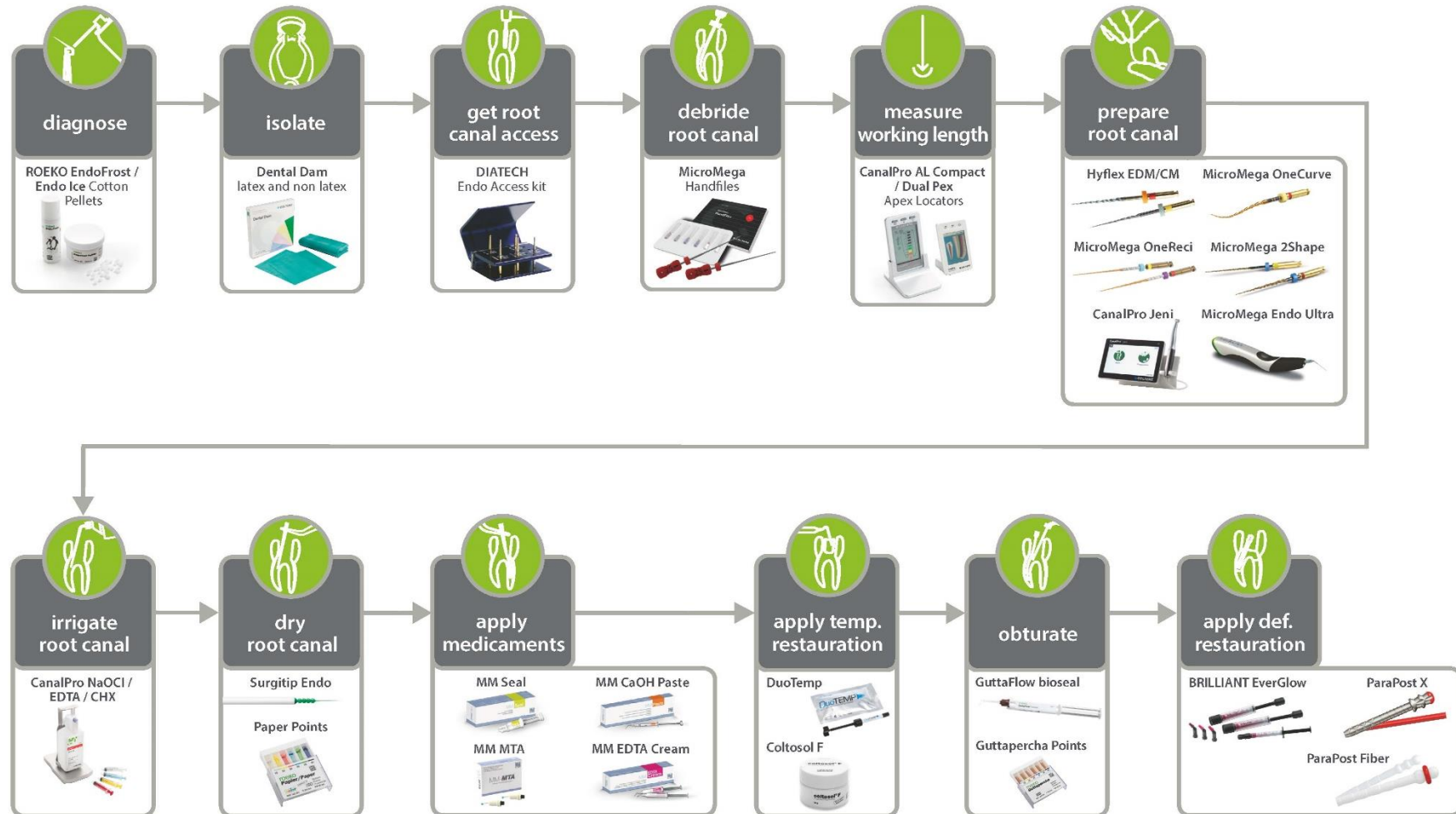
Surface Disinfection



Workflow Restoration



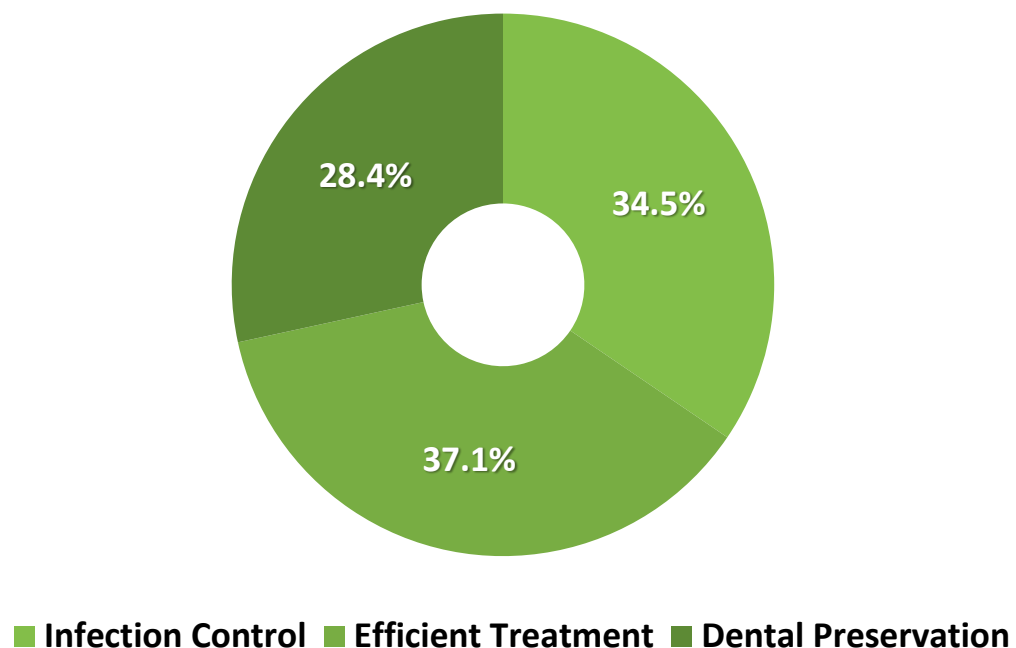
Workflow Endodontic



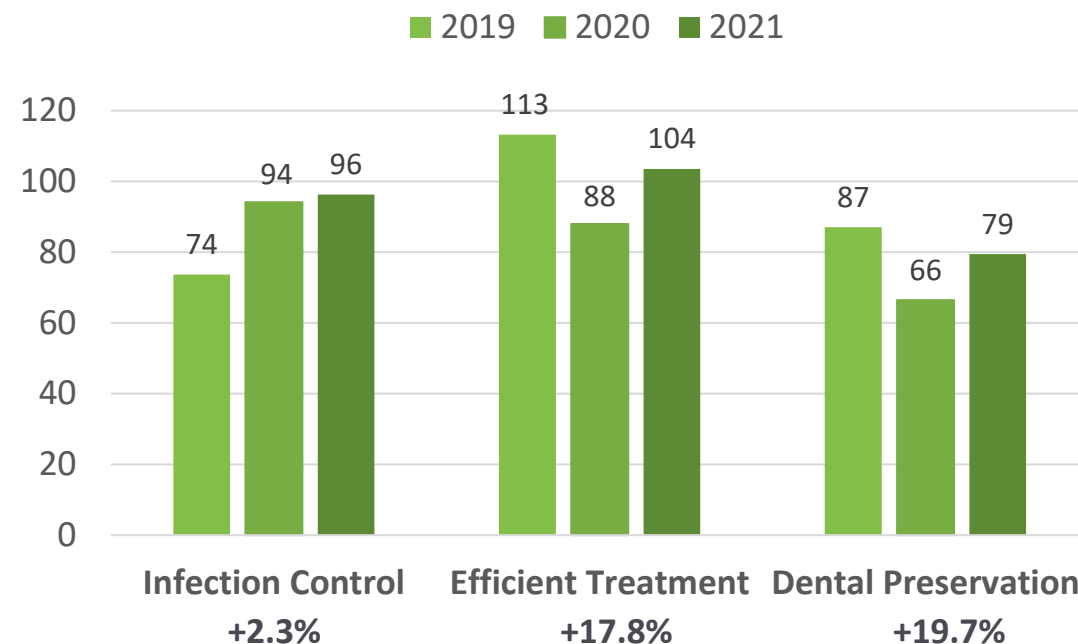
Net Sales by Product Groups

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

Net sales 2021 by product groups (shares)



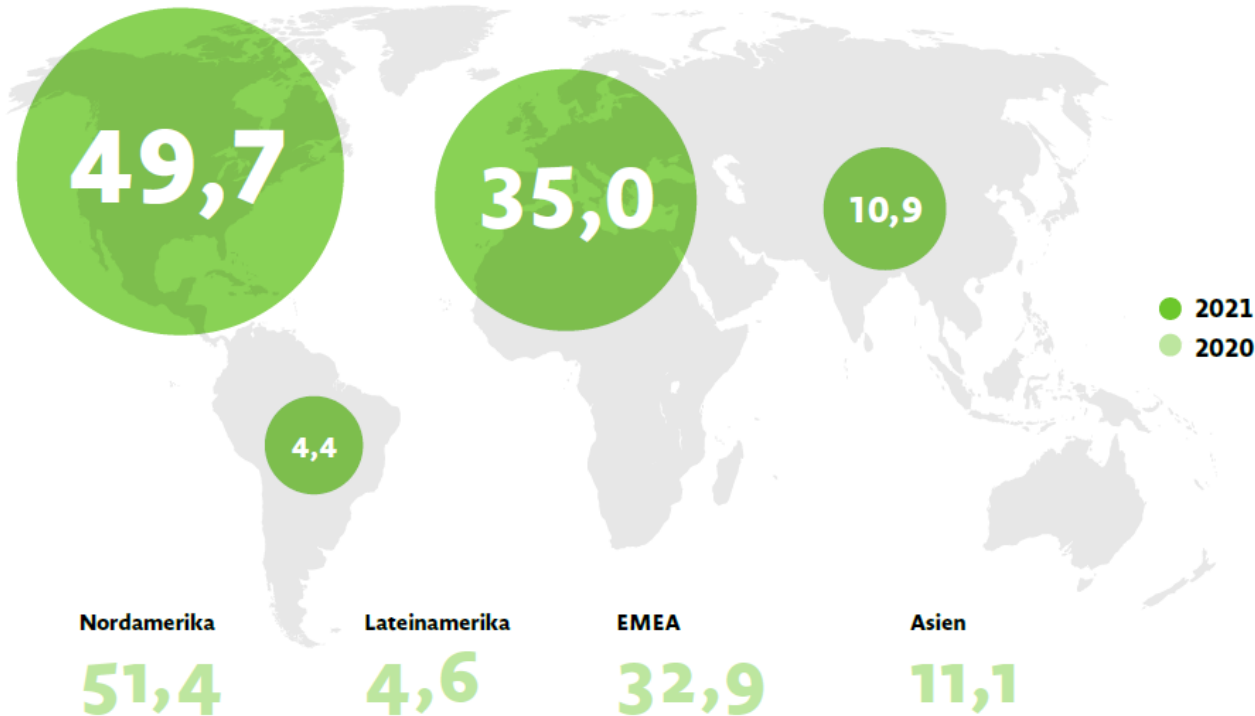
Net sales by product groups (in CHF mn)



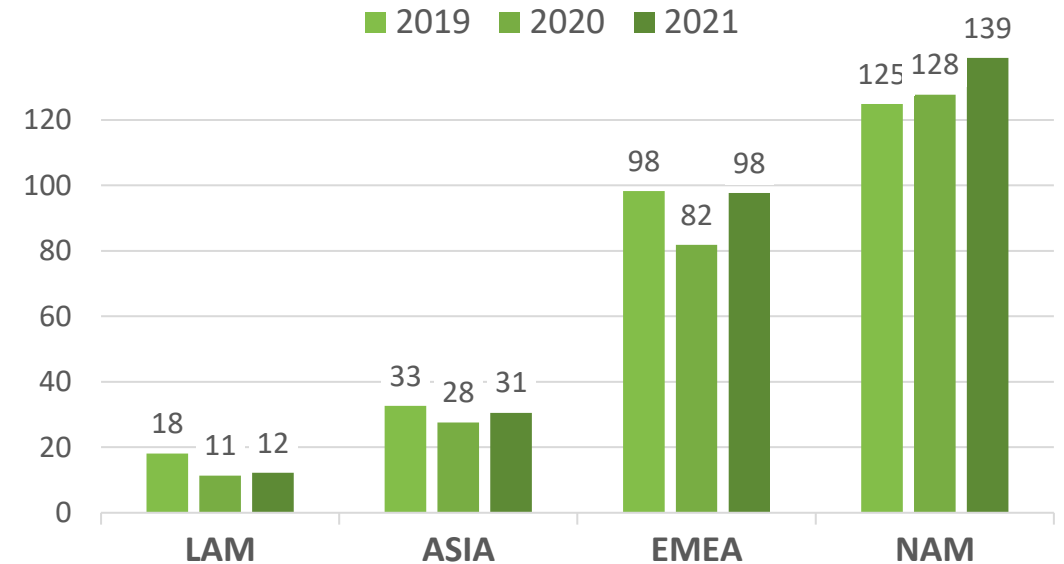
(compared to 2019 the organic growth was 10.6%, at constant exchange rates and adjusted for the disposal of Vigodent)

Net Sales by Region

North America remains strongest market



Net sales by regions (in CHF mn)



(compared to 2019 the organic growth was 10.6%, at constant exchange rates and adjusted for the disposal of Vigodent)

Financials 2021

Markus Abderhalden, CFO



Financial Summary 2021

Sharp rise in sales and profits thanks to a strong first half year

● Sales	<ul style="list-style-type: none">• Net sales up by 12.4% to CHF 279.2 mn• At constant FX rates and adjusted by the disposal of Vigodent net sales increased by 14.9%• Compared to 2019, also at constant FX rates and adj. by the disposal of Vigodent, organic growth was 10.6%
● EBIT	<ul style="list-style-type: none">• EBIT increased to a new record of CHF 43.8 mn (+ 88.3% vs 2020)• EBIT margin at 15.7% (2020: 9.4% as reported and 12.9% adjusted by the loss from the sale of Vigodent)• Positive EBIT supported by rebounding sales and benefiting from a low cost basis in the first half year
● Net profit	<ul style="list-style-type: none">• Net profit amounted to CHF 31.7 mn (2020: CHF 8.2 mn)• Net profit of 2020 negatively impacted by the disposal effect of Vigodent (CHF 11.7 mn)• Net profit margin of 11.4% (2020: 3.3%)
● Tax rate	<ul style="list-style-type: none">• Effective tax rate decreased to 23.0% (2020: 54.3%), representing a more sustainable tax rate• Last year's effective tax rate significantly influenced by tax losses which will not be utilized in the future• Furthermore, higher profits in FY 2021 in low tax countries (especially Switzerland)
● Cash flow	<ul style="list-style-type: none">• Free cash flow of CHF 22.7 mn (2020: CHF 24.3 mn)• Cash flow from operating activities negatively impacted by investment in delivery capacity and taxes paid
● Balance sheet	<ul style="list-style-type: none">• Net debt further reduced to CHF 17.2 mn (Dec 2020: CHF 21.9 mn)• Equity ratio improved to 57.5% (Dec 2020: 48.1%)

Income Statement

Rise of EBIT margin from 9.4% to 15.7% driven by rebound effects in sales and a low cost basis

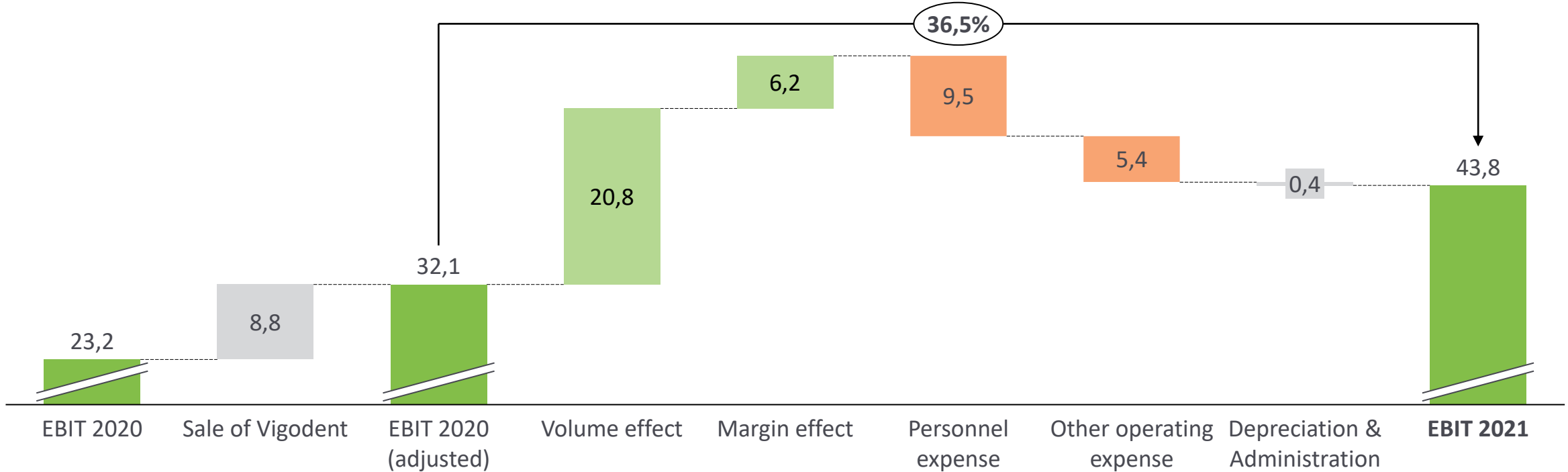
in CHF mn	2021	%	2020	%	% YoY
Net Sales	279.2	100	248.4	100	12.4
Material expenses	-91.8	-32.9	-87.9	-35.4	4.5
Gross Profit	187.4	67.1	160.5	64.6	16.8
Operating expenses	-137.2	-49.1	-131.2	-52.8	4.6
Depreciation and amortization	-6.4	-2.3	-6.0	-2.4	6.8
EBIT	43.8	15.7	23.3	9.4	88.3
Financial result	-2.6	-0.9	-5.2	-2.1	-50.4
Tax expenses	-9.5	-23.0 ¹⁾	-9.8	-54.3 ¹⁾	-3.1
Net Income	31.7	11.4	8.2	3.3	285.2

¹⁾ In % of earnings before taxes

- Net sales increase driven by a strong recovery in dental preservation (+19.7%) and efficient treatment (+17.8%)
- Gross profit margin increased thanks to the product mix (lower sales of surface disinfection products)
- OPEX up by CHF 6.0 mn, adjusted by the loss from the sale of Vigodent in 2020 the OPEX increased by CHF 14.9 mn mainly driven by higher personnel expenses
- Financial result impacted by FX losses in various countries
- Tax expenses representing a more sustainable effective tax rate; In 2020 the tax rate was negatively impacted by losses that cannot be utilized in the future, losses incurred by group companies in Brazil & India, and the weighting of earnings of entities with relatively high tax rates

EBIT Development 2020 –2021

In CHF million



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

Personnel Expenses increased by CHF 9.5 mn largely due to the compensation received from governments in 2020 (short-time work compensation of CHF 3.8mn), higher bonuses and the increase of 53 FTE's (mainly in production).

OPEX increased due to higher expenses for marketing & sales as well as for regulatory affairs. Additionally, maintenance expenses increased due to a strict cost savings program during the pandemic year 2020.

Net Profit

Net profit boosted by excellent operational results – normalized tax rate

Decrease in financial expenses:

- Last year's financial expenses included a negative impact of CHF 2.8 mn from the sale of Vigodent
- Decline in interest expenses
- Higher foreign exchange losses

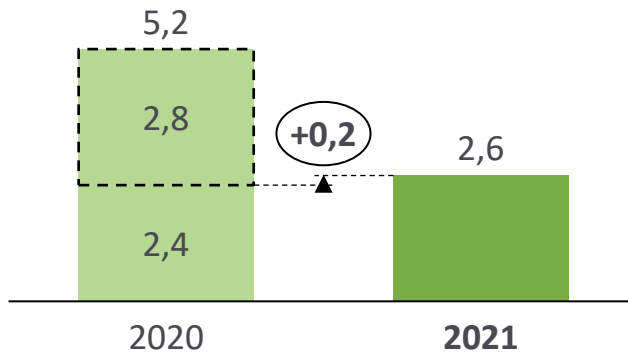
Tax rate decrease:

- In previous year exceptionally high effective tax rate due to losses which can not be utilized in the future
- Higher earnings of entities with relatively lower tax rates

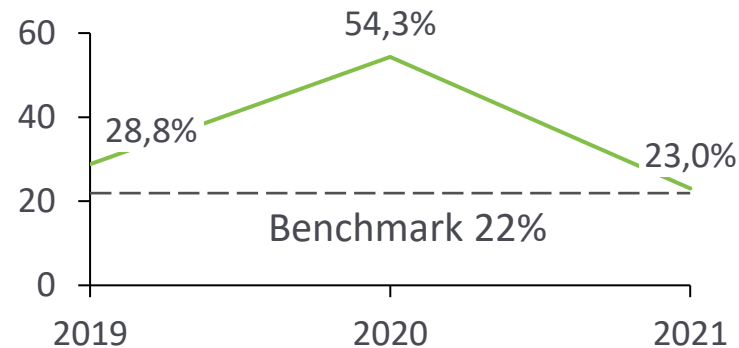
Net profit increase:

- Net profit of last year impacted by the sale of Vigodent (CHF 11.7 mn)
- The increase of net profit adjusted for the sales of Vigodent amounted to CHF 11.8 mn, thanks to the new record in sales as well as in EBIT margins

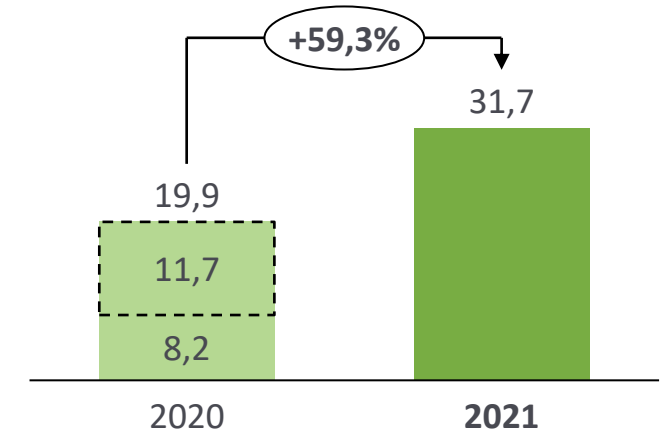
Financial expenses in CHF mn:



Tax rate in %:



Net profit in CHF mn:



Balance Sheet

Ensuring adequate liquidity and a healthy balance sheet

in CHF million	31.12.2020	31.12.2021	% YoY
Cash & cash equivalents	38.5	25.7	-33.2%
Receivables	45.1	41.6	-7.8%
Inventory	52.0	63.7	22.5%
Property, plant & equipment	47.2	49.2	4.2%
Financial, intangible & tax assets	4.8	6.6	37.5%
Total assets	187.6	186.8	-0.4%
Payables & short term liabilities	31.0	31.5	1.6%
Bank loans (short and long term)	60.3	42.9	-28.9%
Other long term liabilities	6.0	5.0	-18.0%
Equity	90.2	107.4	19.1%
Total liabilities & equity	187.6	186.8	-0.4%
Net debt	21.9	17.2	-21.5%

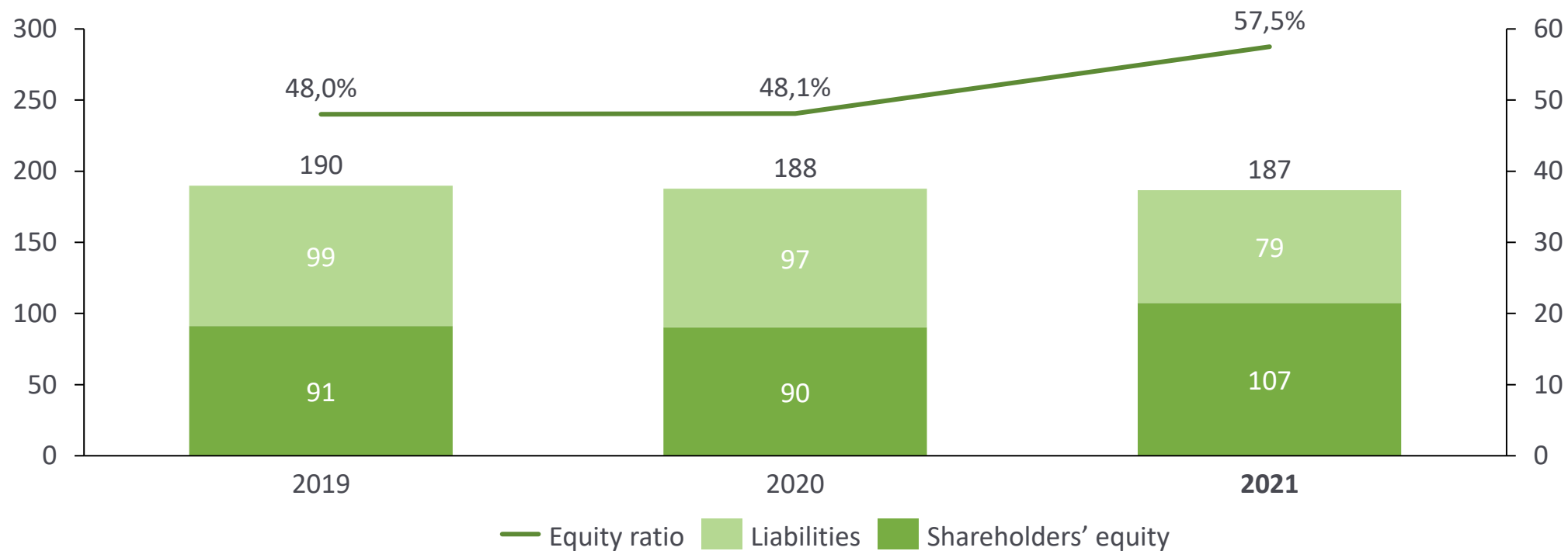
- Decrease in cash due to the repayment of financial liabilities of CHF 17.9 mn
- Increase in inventories mainly driven by surface disinfection and the investment in the delivery capacity
- Further decrease in net debt to CHF 17.2 mn thanks to a strong operating cash flow
- Increase in equity despite the dividend distribution, driven by strong operational profits

Equity

Increase of equity ratio while balance sheet remains stable

In CHF million

- Total assets stable at CHF 187 mn
- Equity ratio: increased to 57.5% (Dec 2020: 48.1%)



Cash Flow Statement

Strong operating cash flow despite high taxes and investment in delivery capacity

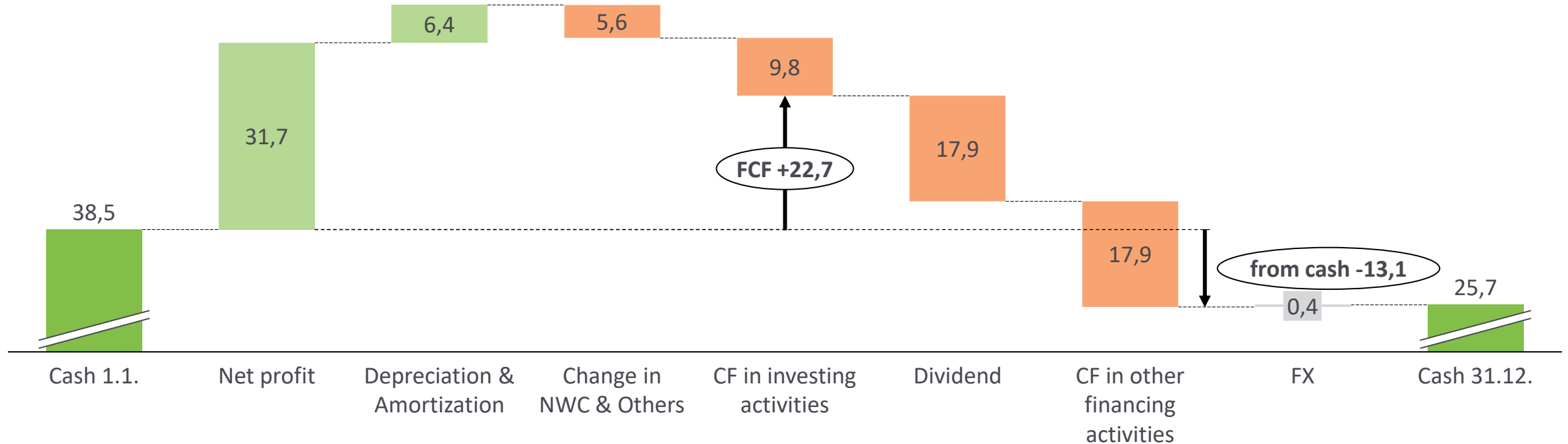
in CHF million	2020	2021	% YoY
Net profit	8.2	31.7	286.6%
Depreciation and amortization	10.9	6.4	
Other non cash items	19.1	11.0	
Changes in NWC	1.2	-1.8	
Interest and tax paid/received	-4.6	-14.8	
Cash flow from operating activities	34.8	32.5	-6.6%
Purchase of PPE (net)	-7.3	-7.6	
Purchase of int & finan. assets (net)	-2.1	-2.2	
Acquisition of a business	-1.1	0.0	
Cash flow from investing activities	-10.5	-9.8	-6.7%
Cash flow from financing activities	-8.1	-35.8	342.0%
Change in cash and cash equivalents	15.5	-12.7	
Free cash flow	24.3	22.7	-6.6%

- Operating cash flow at a high level despite taxes paid and investment in delivery capacity
- Cash flow from operational investment activities at same level as in prior year
- Cash flow from financing activities mainly driven by dividends paid of CHF -17.9 mn (2020: CHF -9.0 mn) and repayment of financial liabilities of net CHF -17.6 mn (2020: CHF +1.1 mn)

Cash Flow Statement

In CHF million

- NWC significantly driven by investment in delivery capacity and taxes paid
- Dividend amounted to CHF 17.9 mn whereas the free cash flow stood at CHF 22.7 mn
- Cash reduced by CHF 12.8 mn due to high repayment of financial liabilities



AGM 2022

Proposals to the general assembly – pay-out increase by 10% to CHF 3.30 per share

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 as Chairman

Distribution

Board of Directors proposes distribution of CHF 3.30 per share to be paid from capital contribution reserves

Dividend yield of 2.9% based on year-end share price of CHF 112.40

Distribution of 62% from the net profit

Compensation of the Board of Directors and Group Management

For the Board of Directors from AGM 2022 – AGM 2023: CHF 540 000 in cash and CHF 210 000 for the award of 1600 shares.

For Group Management for fiscal year 2023: CHF 2 700 000 maximum fixed compensation

Consultative vote on the Compensation Report 2021

Group Auditor

Re-election of EY

Outlook

Martin Schaufelberger, CEO



What Can we Expect in 2022?

Focus on sustainable growth

🕒 Supply chain

- Problems to source certain raw materials continue
- Further price increases depend on inflation scenario
- Price increases typically can be passed on with short delay

🕒 Economic development

- End of pandemic allow dentists going back to normal business
- Uncertainty from Russia / Ukraine war & increased volatility in foreign exchange rates

🕒 Cost increase in sales, marketing and personnel expenses

- Cost increase due to going back to normal with some inflation
- Investment in sales & marketing to accelerate organic growth

🕒 Solid demand in dental consumables and small equipment

- Main markets expected to show solid demand for COLTENE products

🕒 Continued trend in increasing regulatory hurdles

- Continue efforts towards MDR in 2024
 - Increasing demands from regional regulatory agencies e.g. China FDA
-

Our Main Focus for 2022

Focus on sustainable growth

-
- ① **Digital experience of customers**
 - IoT – digital service for our customers
-
- ② **Further build infection control and endodontics business**
 - Sales push in selected key countries with focus on endo and infection control
-
- ③ **Enlarge footprint in China – high market potential**
 - Further develop our successful sales organization
 - Investigate on cooperation and manufacturing of selected products for local market
-
- ④ **Improve service level for end user (dentists and dental offices)**
 - Expand customer service functions for conventional and digital channel
-
- ⑤ **Explore growth options**
 - Solid constellation: successful integration of SciCan and Micro-Mega, no major damage from pandemic, solid balance sheet and healthy equity ratio
 - Streamline product portfolio and investments in main products and key markets
 - Open for targeted acquisitions in the medium term
-

Guidance 2022

Focus on sustainable growth

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- ① **Sales growth modestly above the market**
 - Economic growth uncertain
 - COLTENE target modestly above market growth
-
- ② **15% EBIT margin confirmed as medium-term target**
 - Challenge: Manage cost increase after pandemic as well as price increases (inflation)
 - Investing in sales & marketing to push organic growth
-
- ③ **Attractive dividend: Pay-out ratio target about 70%**
 - Sustainable, long term dividend policy
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Workflow

Q&A

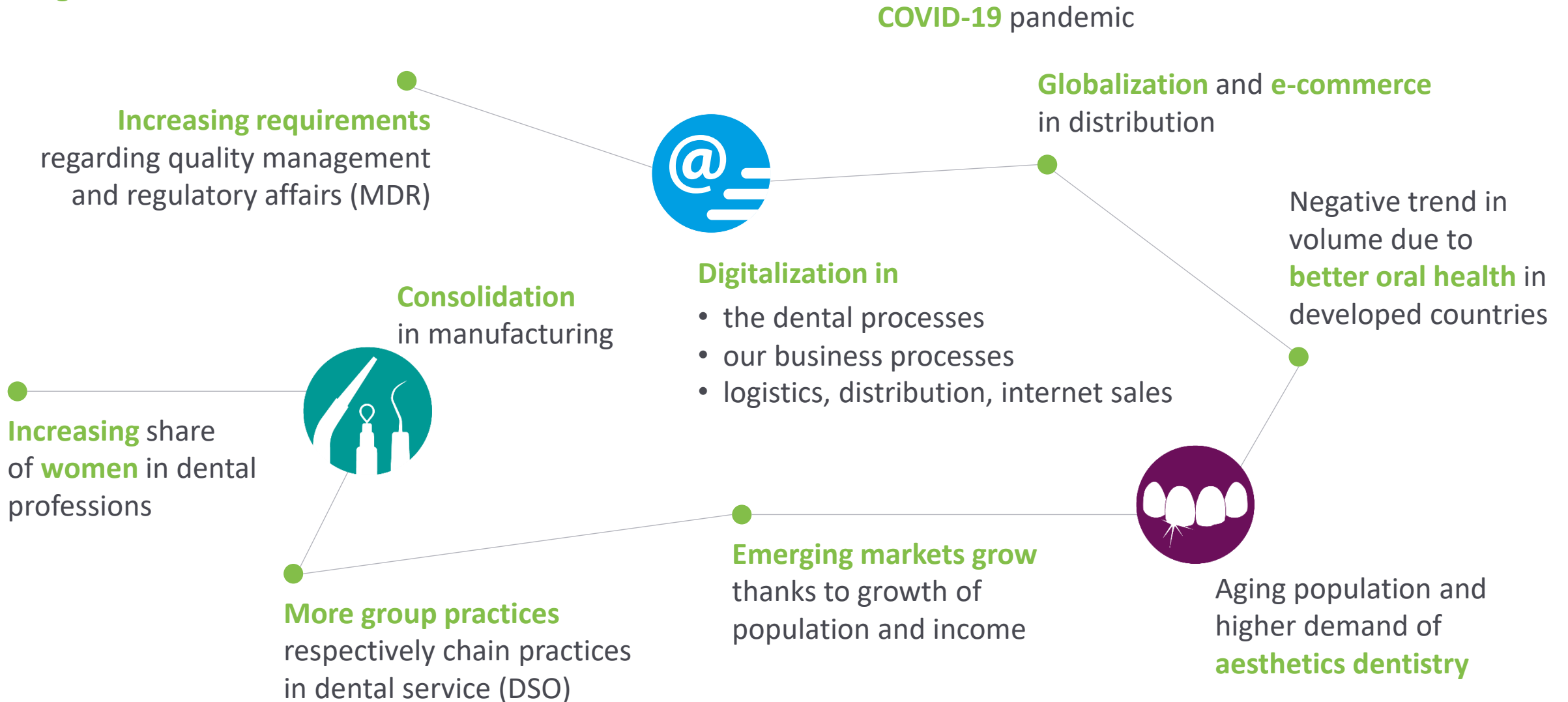


Annex



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

Stefan Helsing, COO

Paul Frey, VP Sales & MarCom
NAM

Markus Abderhalden, CFO

Martin Schaufelberger, CEO

Martin Schlüter, VP R&D /
Innovation

Werner Barth, VP Product
Management / Group Marketing

Christophe Loretan,
VP Sales / MarCom EMEA / ROW



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
- **1 300 employees**

Toronto (Canada)



Cuyahoga Falls (OH/USA)



Altstätten (Switzerland)



Langenau (Germany)

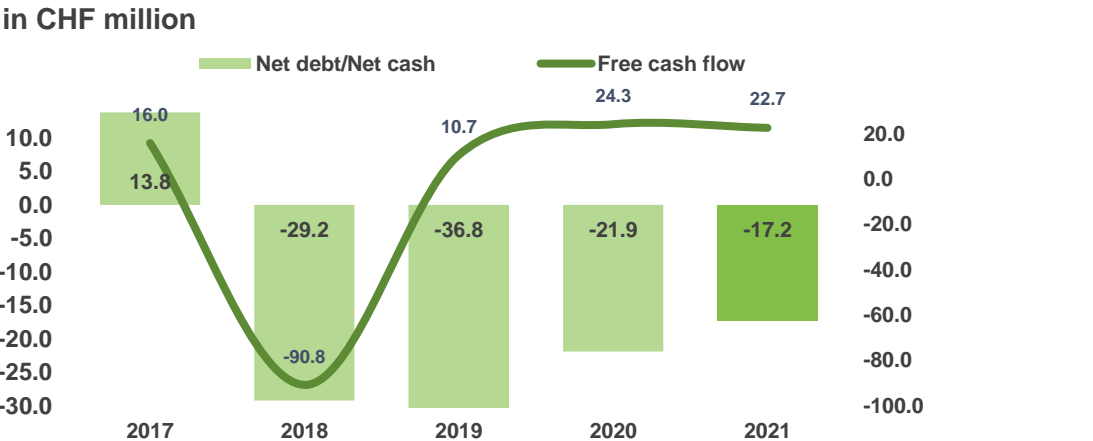
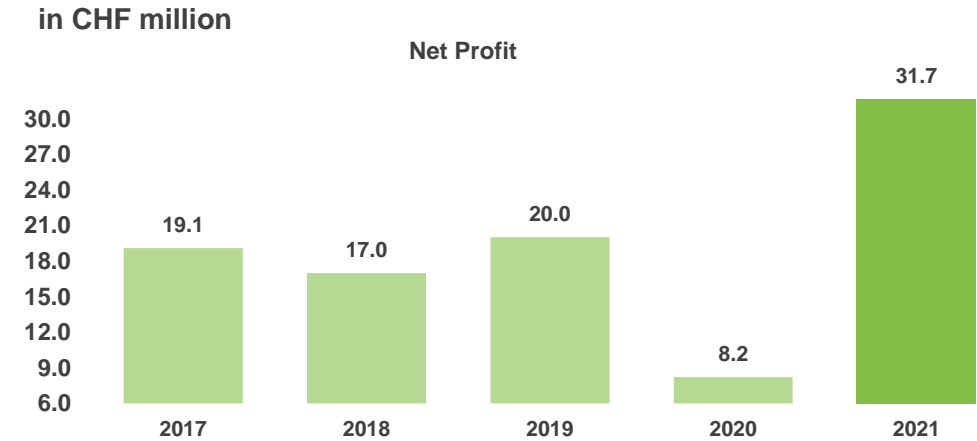
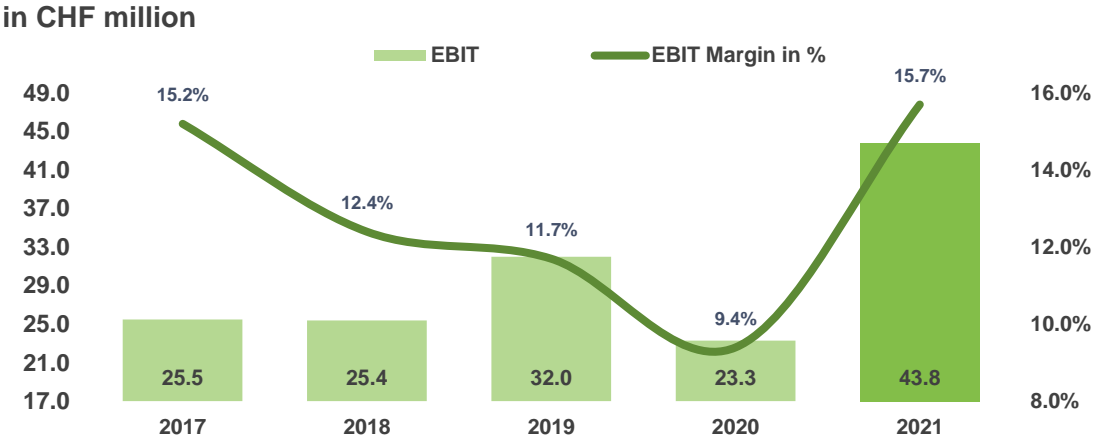
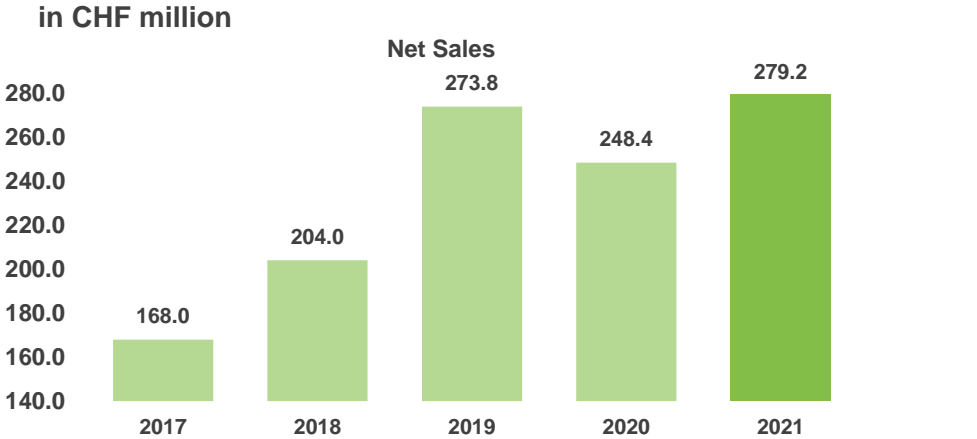


Besançon (France)



Key Figures

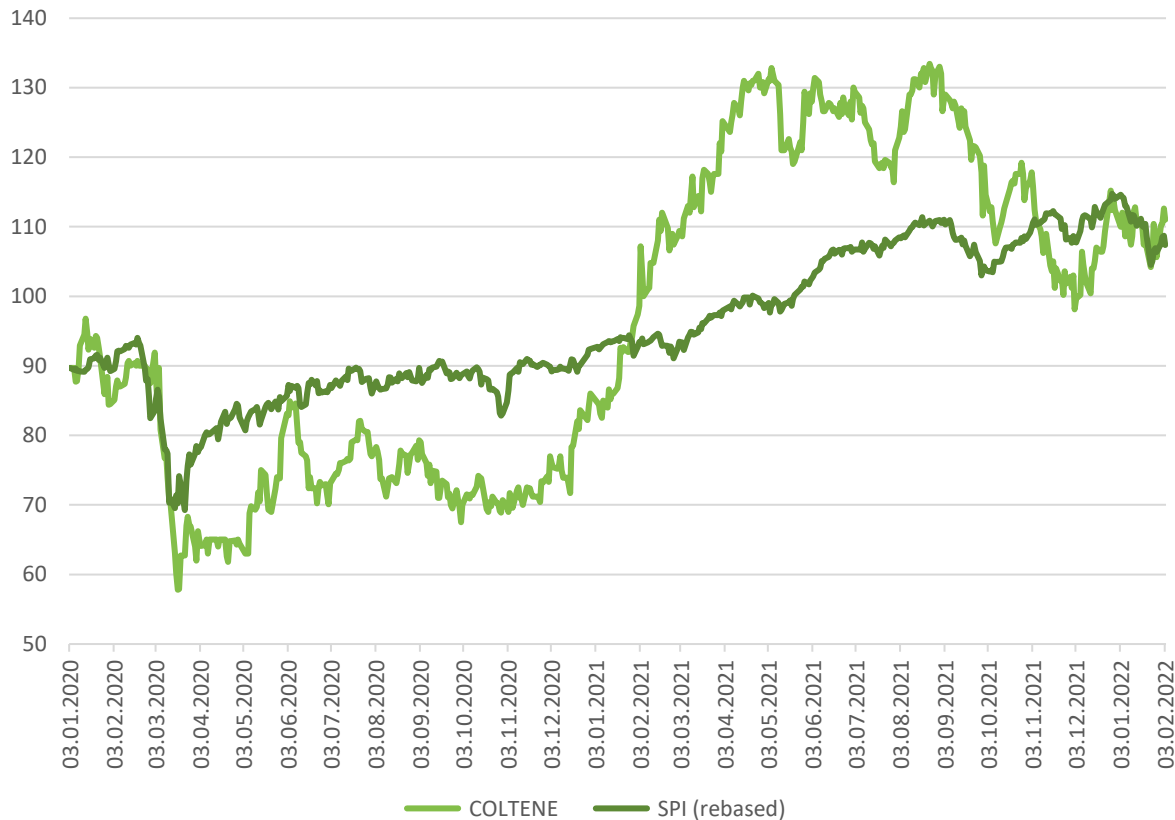
Five year overview



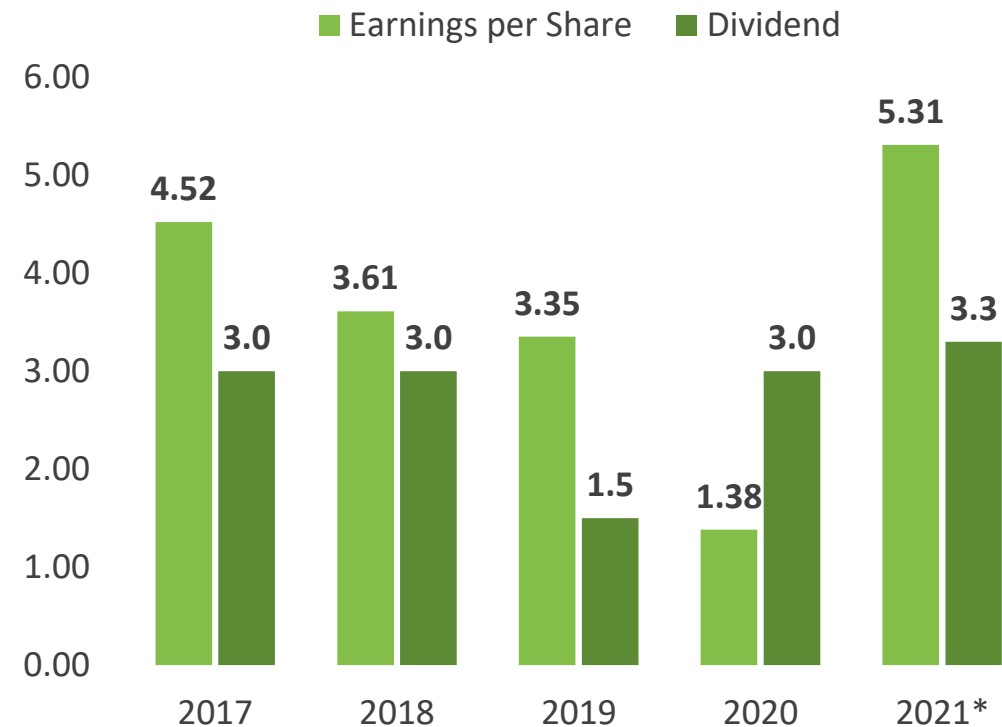
Share Performance

Volatile financial market environment

Share price



Earnings per share/dividend



* Board of Directors' proposal to the AGM on 21 April 2022: distribution of CHF 3.30 per share from capital contribution reserves excluding treasury shares

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www.coltene.com



COLTENE Holding AG

Martin Schaufelberger, CEO
Markus Abderhalden, CFO

Feldwiesenstrasse 20
9450 Altstätten

+41 71 757 53 80

investor@coltene.com