2017 Full-year report – Media Release

Straumann Group revenue exceeds CHF 1bn, rising 21% (16% organic), while operating margin expands to 26%

- Full-year revenue climbs 21% in Swiss francs (16% organic[1]) to CHF 1112 million
- Q4 revenue rises 18% (organic) driven by double-digit growth in all regions
- Strong volume growth lifts underlying EBITDA & EBIT margins[2] to 29% & 26%, respectively
- Net profit reaches CHF 276m (margin: 25%)
- Solid cashflow despite investments in manufacturing capacity and portfolio expansion
- Board proposes further dividend increase to CHF 4.75 per share (2016: CHF 4.25)

KEY FIGURES

(in CHF million)	FY 2017 reported	FY 2017 *excl. exceptionals[2]*	FY 2016 reported
Revenue	**1112.1**		**917.5**
Change in CHF %	*21.2*		*14.9*
Change in l.c.%	*19.8*		*13.9*
Change in organic growth %[1]	*15.7*		*13.1*
Gross profit	**840.5**	**842.4**	**718.5**
Margin in %	*75.6*	*75.8*	*78.3*
Change in %[3]	*17.0*	*17.2*	*16.9*
EBITDA	**323.5**	**325.5**	**259.2**
Margin in %	*29.1*	*29.3*	*28.3*
Change in %[3]	*24.8*	*25.6*	*24.9*
Operating profit (EBIT)	**283.6**	**285.6**	**227.2**
Margin in %	*25.5*	*25.7*	*24.8*
Change in %[3]	*24.9*	*25.7*	*31.6*
Net profit	**275.6**		**229.6**
Margin in %	*24.8*		*25.0*
Change in %[3]	*20.0*		*221.1*
Basic EPS (in CHF)	**17.61**		**14.68**
Free cash flow[4]	**144.7**		**138.7**
Margin in %	*13.0*		*15.1*
Number of employees (end of December)	**4881**		**3797**

[1] Excluding the effects of currencies and acquisitions/business combinations (i.e. Medentika, Equinox, Dental Wings, and ClearCorrect).

[2] Exceptional effects in 2017: CHF 23m gain related to the Medentika business combination (CHF 24m after tax), including inventory revaluation expenses of CHF 2m (COGS) and a CHF 25m consolidation gain. The Dental Wings takeover resulted in a consolidation gain of CHF 44m. A loan revaluation led to an impairment expense of CHF 16m in the financial result. In 2016, net profit benefitted from a one-time effect of CHF 43m related to the capitalization of deferred tax assets in Brazil.

[3] Change versus 'reported' values in prior year.

[4] I.e. net cash from operating activities, less capital expenditures, plus net proceeds from property, plant and equipment.

Basel, 15 February 2018: In 2017, the Straumann Group reported its strongest growth since 2007, as revenue climbed 21% in Swiss francs to CHF 1112 million. Fuelled by double-digit increases across all businesses, organic growth rose 16%, driven by North America (+19%) and Asia/Pacific (+24%). Acquisitions and business combinations (ClearCorrect, Dental Wings, Equinox and Medentika) contributed CHF 32 million to revenue. In Q4, organic revenue rose 18%, driven by North America and EMEA (Europe, Middle East & Africa), which each added a third of the Group's growth.

The Group achieved further improvements in profitability despite significant investments in new segments, geographic expansion, R&D, and production capacity. Underlying EBITDA and EBIT (operating profit) both rose 26%, with the respective margins reaching 29% and 26%. Net profit increased 20% to CHF 276 million, bringing the corresponding margin to 25% and earnings per share to CHF 17.61.

Marco Gadola, Chief Executive Officer, commented: *"2017 was a landmark year. Revenue crossed the CHF 1-billion threshold for the first time, while our operating margin exceeded 25%. We launched multiple innovative products, adding value for customers and patients. We increased our scope, reach, technology capabilities and production capacity. We invested in new markets, new subsidiaries and in people around the world. Our achievements and performance are a tribute to our employees, whose hard work, entrepreneurism, agility and player-learner mindset have made it happen."*

STRATEGIC PROGRESS / NEWS HIGHLIGHTS

Business expansion

2017 was characterized by intense M&A activity, resulting in multiple strategic transactions. To penetrate the non-premium implant segment further, the Group obtained a controlling interest in Medentika. It increased its stake in Dental Wings to 100% to accelerate the development of digital platforms and equipment. It entered the field of orthodontics by acquiring ClearCorrect and purchasing a 38% stake in Geniova. It acquired a 35% stake in Rapid Shape to gain access to 3D-printing technology and it entered a partnership with 3Shape, to distribute high-end intraoral scanners. It increased its stake in Rodo Medical from 12% to 30%, following US and European approvals for Rodo's innovative fixation devices. The Group also entered agreements to acquire various distribution companies to penetrate the attractive markets in Turkey, Portugal and South Africa.

In Q4, the Group acquired Loop Digital Solutions, a start-up software company in the US that has developed an online platform for specialists and referring dentists, which facilitates the patient referral process. It fosters networking, assists doctors and increases transparency and safety through enhanced communication.

Global team expands

In 2017, the Group's global team increased 29% to 4881 employees, reflecting acquisitions as well as business and geographic expansion. The incorporation of Equinox, Medentika, Dental Wings and ClearCorrect added 479 employees, while the remainder came through internal expansion, mainly in Brazil, Switzerland and the US, and largely in production.

BUSINESS PERFORMANCE

All businesses achieved double-digit increases. Two thirds of the Group's growth was generated by the **implant business**, where Straumann's Bone Level Tapered (BLT) range as well as Neodent's Cone Morse and Acqua implants were the key drivers. BLT has become

Straumann's top-selling implant in several markets, fuelled by the new small-diameter (2.9mm) version. Made of high strength Roxolid, it is smaller than its main competitors and is gaining share in the narrow implant segment. Straumann's Roxolid and SLActive kept momentum and Titanium SLA implants enabled the brand to compete successfully in the lower premium segment.

In the **non-premium business**, Neodent, Medentika, Anthogyr and Zinedent all grew strongly and constitute the fastest-growing international implant franchise. Spain, the UK, the US, Brazil and distributor markets all posted strong growth in the non-premium segment. The combined package of complete premium and non-premium solutions has been a key to the success of Straumann's Dental Service Organization business, which grew strongly in Europe and won important tenders in the fast-growing dental chain segment.

The Group's **biomaterials** segment continued to grow strongly. Demand was most notable for bone substitutes and membranes – especially in EMEA, where the Group offers a comprehensive portfolio of guided bone-regeneration products.

The **restorative business** achieved double-digit growth, driven by demand for implant-borne prosthetics (both standard and CADCAM). Straumann's cost-efficient, versatile Variobase range was also a major growth contributor. CADCAM screw-retained bars and bridges, Pro Arch edentulous solutions and the Novaloc fixation system for removable dentures all contributed to growth. Revenues from intraoral scanners and milling equipment accelerated in Q4 and reflect Straumann's efforts to offer complete end-to-end solutions.

REGIONAL PERFORMANCE

Double-digit growth returns in Europe, the Middle East & Africa (EMEA)

Despite the sluggishness in Europe's largest markets, the Group achieved double-digit revenue growth for the first time in several years. Regional revenue rose 11% in organic terms and 19% in Swiss francs to CHF 488 million. Following the International Dental Show in March, the Group rolled out a large number of innovative products. They added to the strong underlying growth, which was driven in particular by Straumann's Roxolid, SLActive, BLT and Variobase lines.

In Q4, regional revenue rose 15% organically and 29% in Swiss francs to CHF 137 million. Digital sales were the main driver of the sequential acceleration, lifted by the new ranges of intraoral scanners and milling machines.The best-performing countries were Iberia, Denmark, France, and the UK, supported by strong growth in Eastern Europe, led by Russia, which benefitted from the launch of BLT. Medentika was launched successfully in Turkey and the Group opened a new subsidiary in Iran.

North America still in the fast lane

In North America, revenue grew 19% organically and 22% in Swiss francs to CHF 312 million. Pursuing its strategy of targeting large competitor accounts, the region attracted well over a thousand new customers in 2017 and increased its share of wallet with existing clients who purchase from more than one implant supplier. Many customers were attracted through innovative products like Straumann's small-diameter BLT implant, the Straumann Allograft Ring, and digital equipment – especially Straumann chairside mills and Dental Wings intraoral scanners.

In Q4, organic growth of 23% was driven by the continuing uptake of Straumann's BLT and Variobase ranges, as well as the strong performance of Neodent. ClearCorrect and Dental Wings, which were both consolidated in October, added 3% points to growth, which rose 23% organically to CHF 91m.

REVENUE BY REGION				
(in CHF million)	Q4 2017	Q4 2016	FY 2017	FY 2016
Europe, Middle East & Africa (EMEA)	**136.6**	**105.6**	**488.0**	**410.8**
Change in CHF in %	*29.3*	*6.4*	*18.8*	*9.5*
Change in local currencies in %	*22.2*	*8.0*	*17.0*	*9.1*
Change organic in %	*15.0*	*8.0*	*11.3*	*9.1*
% of Group total	-	-	*43.9*	*44.8*
North America	**90.7**	**67.5**	**312.0**	**255.7**
Change in CHF in %	*34.5*	*16.6*	*22.0*	*17.9*
Change in local currencies in %	*36.3*	*16.0*	*22.1*	*15.6*
Change organic in %	*22.7*	*16.0*	*18.7*	*15.6*
% of Group total	-	-	*28.1*	*27.9*
Asia / Pacific	**51.8**	**41.0**	**190.5**	**152.5**
Change in CHF in %	*26.3*	*22.1*	*24.9*	*24.1*
Change in local currencies in %	*26.3*	*20.5*	*26.7*	*19.7*
Change organic in %	*22.1*	*20.5*	*23.6*	*19.7*
% of Group total	-	-	*17.1*	*16.6*
Latin America	**31.7**	**28.3**	**121.6**	**98.5**
Change in CHF in %	*12.0*	*25.3*	*23.6*	*17.6*
Change in local currencies in %	*12.3*	*15.0*	*14.8*	*22.8*
Change organic in %	*11.6*	*15.0*	*14.6*	*14.6*
% of Group total	-	-	*10.9*	*10.7*
GROUP	**310.8**	**242.4**	**1112.1**	**917.5**
Change in CHF in %	*28.2*	*13.7*	*21.2*	*14.9*
Change in local currencies in %	*25.5*	*13.0*	*19.8*	*13.9*
Change organic in %	*18.0*	*13.0*	*15.7*	*13.1*

Fastest growth in Asia/Pacific, powered by China and Japan

Asia/Pacific posted another dynamic year, as revenue climbed 24% in organic terms and 25% in Swiss francs to CHF 190 million. China was the main driver, driven by the premium business, sales-force expansion and an increasing presence in the value segment with Anthogyr. Robust implant and scanner sales fuelled regional growth, with Japan, South Korea and Australia posting double-digit growth.

In Q4, regional revenue increased 22% organically and 26% in Swiss francs to reach CHF 52 million. A number of key products were launched in China at a 3-day symposium, which was held in four cities simultaneously and attracted 1000 visitors onsite and 13 000 online. The Group also obtained key approvals in India and launched the Straumann brand at a similar event in Mumbai, which attracted 600 visitors onsite.

Robust performance in Latin America despite weak Brazilian market

In spite of a challenging economic situation in parts of the continent, Latin America achieved organic growth of 15% (24% in Swiss francs), as revenue reached CHF 122 million. In Brazil, both Straumann and Neodent gained new customers and posted double-digit growth. The region increased its sales force and network of stores, and significantly expanded Neodent's production capacity. Mexico enjoyed strong growth, while the recently established subsidiaries in Argentina, Colombia, and Chile also delivered excellent results.

In Q4, organic growth rose to 12%, despite the long seasonal break in Brazil and the strong previous quarter, when Neodent's innovative Grand Morse implant system was launched in Brazil. Revenue rose 12% in Swiss francs to CHF 32 million.

OPERATIONS AND FINANCES

The business combinations of Medentika and Dental Wings led to the following non-cash-relevant effects in 2017:

- On 1 January 2017, the Group consolidated Medentika. Its 51% stake was previously reported as 'share of results of associates', but now contributes to the financial statements at all levels. This business combination led to several one-time effects, which include inventory revaluation expenses of CHF 2 million under 'costs of goods sold' and a one-time gain of CHF 25 million below the EBIT line (see Financial Report Note 3 for details). In connection with this transaction, the Group further recognized a financial liability of CHF 55 million in the balance sheet to reflect the present value of the put option granted to the founding shareholders.

- In October 2017, the Group increased its stake in Dental Wings from 55% to 100% and consolidated the business. This led to a consolidation gain of CHF 44 million below the EBIT line.

Double-digit volume expansion lifts gross profit

Strong volume growth in premium and value implant solutions lifted gross profit by 17% to CHF 841 million (reported). Excluding the exceptional inventory-adjustment charge, underlying gross profit was CHF 842 million and the respective margin reached 76%. This is 270 basis points lower than in the prior year period, reflecting the strong demand for digital equipment products, the Medentika integration costs, a higher share of third-party products, the integration of acquired businesses, and ramp-up costs in the expanded facilities.

To cater for strong volume growth and to meet future demand, the Group invested significantly in production capabilities and capacity expansion in Curitiba (BR), Andover (US) and Villeret (CH), resulting in higher production costs.

Operating profit (EBIT) margin exceeds 25%

Distribution costs, which comprise sales-force salaries and commissions as well as logistics expenses, rose by CHF 39 million to CHF 250 million as the company incorporated the aforementioned businesses, invested further in its direct distribution network in under-penetrated markets, and expanded its international non-premium franchise. This figure includes amortization expenses of CHF 10 million, mainly for customer-related intangible assets of acquired companies.

Administrative expenses increased from CHF 283 million in 2016 to CHF 311 million in 2017. This includes overheads, R&D, and marketing costs for the newly-added businesses. Relative to sales, administrative expenses decreased 290 base points to 28%, which was the key driver of the profit margin improvement.

Earnings before interest, tax, depreciation, amortization (EBITDA) and exceptionals increased 26% to CHF 326 million, lifting the respective margin 100 base points to 29%.

After depreciation and amortization charges of CHF 40 million, the underlying operating profit amounted to CHF 286 million (CHF 284 million reported) compared with CHF 227 million in 2016. The underlying EBIT margin increased 90 base points to reach 26%.

Net profit increases 20%
Excluding exceptionals, the net financial result remained stable at a negative CHF 3 million, largely reflecting coupon payments for the outstanding CHF 200-million corporate bond. The Group recognized cumulative consolidation gains of CHF 69 million, mainly because the fair value of the investments in Medentika and Dental Wings exceeded the respective carrying amount. This exceptional effect is both cash and tax-neutral and is shown in a separate line in the income statement under 'Gain on consolidation of Medentika and Dental Wings'.

The Group's share of results from associate partners[5] was a negative CHF 10 million compared with a negative CHF 2 million in 2016. The change reflects mainly this year's business combination of Medentika.

Income-tax expenses amounted to CHF 48 million in contrast to the exceptional tax income of CHF 7 million in 2016. The sale of treasury shares in September in the amount of CHF 260 million resulted in a one-time tax expense of CHF 8 million. Going forward, the anticipated tax rate is expected to be approximately 15%.

The combination of these effects meant that net profit increased by 20% to CHF 276 million, with the corresponding margin amounting to 25%. Basic earnings per share increased by nearly CHF 3 to CHF 17.61. Return on equity (ROE) amounted to 32% and the company is (net) debt-free.

Free cash flow climbs to CHF 145 million
Cash flow from operations increased 18% to CHF 217 million, reflecting a strong cash conversion rate of 79%[6]. Cash generation was constrained by higher inventory levels due to the newly-created subsidiaries, extension of the product portfolio (implant and abutment SKUs) and the product range (mainly CAD/CAM equipment). The dynamic topline growth in emerging and distributor markets led to an increase in accounts receivable. Days of sales outstanding increased by one to 56. The Group invested heavily in capacity expansion at various production sites, increasing CAPEX by CHF 27 million to CHF 73 million. The combination of these effects resulted in a free cash flow of CHF 145 million and a respective margin of 13%.

Due to the expansion of the Group's business volume, production capacity, distribution network and acquisition activities, the balance sheet total increased 54% to CHF 1.7 billion by year-end.

Dividend increase proposed
Based on the positive results in 2017 and the outlook for 2018 and beyond, the Board proposes a further dividend increase to CHF 4.75 per share (2016: CHF 4.25), payable on 12 April 2018.

[5] Associate companies in 2017 comprise: maxon dental, Geniova, Rodo Medical, Createch, Anthogyr, Rapid Shape, T-Plus, Valoc, V2R, Abutment Direct, and Zinedent. The equity method of accounting is applied for these companies, in which Straumann holds a non-controlling stake. The associate result is shown net-of-tax and after amortization of intangibles.
[6] Relationship between operating cash flow and net profit.

Going forward, the Board's intention is to increase the dividend per share continuously, subject to further good performance.

OUTLOOK 2018 (barring unforeseen circumstances)

The Group expects the global dental implant market to grow at about 4% and is confident that it can continue to expand its market share by achieving organic growth in the low double-digit percentage range. Assuming fairly stable currency exchange rates, the expected organic revenue growth and operational leverage should lead to further improvements in the EBITDA margin in spite of further investments in Sales & Marketing, Research & Development, and Logistics. With the continued high level of investment in production capacity and the amortization of acquisition-related intangibles, the Group expects EBIT margin to remain stable.

About Straumann

The Straumann Group (SIX: STMN) is a global leader in tooth replacement and orthodontic solutions that restore smiles and confidence. It unites global and international brands that stand for excellence, innovation and quality in replacement, corrective and digital dentistry, including Straumann, Neodent, Medentika, ClearCorrect, Dental Wings, and other fully/partly owned companies and partners. In collaboration with leading clinics, institutes and universities, the Group researches, develops, manufactures and supplies dental implants, instruments, CADCAM prosthetics, biomaterials and digital solutions for use in tooth replacement and restoration or to prevent tooth loss.

Headquartered in Basel, Switzerland, the Group currently employs 4881 people worldwide and its products, solutions and services are available in more than 100 countries through a broad network of distribution subsidiaries and partners.

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Annual Report

Further details of the 2017 performance and financials can be found in the Group's 2017 Annual Report. The financial statements are integral part of the Annual Report, which can be viewed online and downloaded (www.straumann-group.com/ar2017).

Media and analysts' conference
Straumann's 2017 full-year results conference will take place at 10.30h Swiss time in Basel today. The event will be webcast live on the internet (www.straumann-group.com/webcast). The audio webcast of the conference call will be available for the next month.

The telephone conference can be accessed at:
Europe & RoW: +41 (0)58 310 50 09
UK: +44 (0) 207 107 0613
USA: +1 (1) 631 570 56 13

Presentation
The conference presentation slides are available at www.straumann-group.com/2017-fy-presentation and on the Media and Investors pages at www.straumann-group.com.

UPCOMING CORPORATE / INVESTOR EVENTS

Date	Event	Location
2018		
26 February	Investor meetings	London
06 March	Investor meetings	Toronto, Paris
07 March	Investor meetings	Boston
22 March	Kepler Cheuvreux Conferece	Zurich
04 April	**Annual General Meeting 2018**	**'Messe Basel'**
26 April	**Q1 revenue publication**	**Webcast**
07 May	Investor meetings	Milano
23 May	Investor meetings	Zurich
29 May	Investor meetings	Boston
30 May	Stifel Dental & Veterinary conference	New York
31 May	Investor meetings	New York

Details on investor relations activities 2018 are published on www.straumann-group.com (Investors > Events).

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