

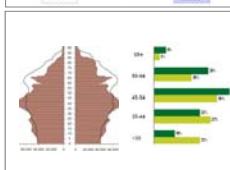
# How will dentistry look in 2020?

Gilbert Achermann, Chairman  
Capital Markets Day  
Amsterdam, 16 May 2012

COMMITTED TO  
**SIMPLY DOING MORE**  
FOR DENTAL PROFESSIONALS

## Methodology

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To complement existing research, we conducted more than 40 interviews with KOLs and dental experts,...

...benchmarked against other industries...

...and researched the fundamentals of the dental industry

## Patient & oral health trends

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- Dental health will improve
- No substitute for dental implants will emerge in the next 10 years
- The number of dental patients with co-morbidities will increase
- Patients will want more and better information on dental health & treatment options

## Dental practice trends (1/2)

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Single-owner practices	Today	2020
Germany	80-85%	~75%
USA	70%	50-60%

- Group practices (including dental chains) will increase while single-owner practices decline

Female dentists	Today	2020
Germany	40%	45-50%
USA	22%	~30%

- More women are entering dentistry
- Women graduates less likely to specialize further in surgery
- A growing proportion of female dentists will work part-time

## Dental practice trends (2/2)

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Dentists by age (in %) <sup>1</sup>	<35	35-44	45-54	55-64	>65	Total
DE	15	24	33	23	5	100
US	14	22	26	26	14	100

- ≡ ~25% of dentists today are aged 55–64 and are expected to retire by 2020
- ≡ Majority of young dentists replacing retiring dentists will be female

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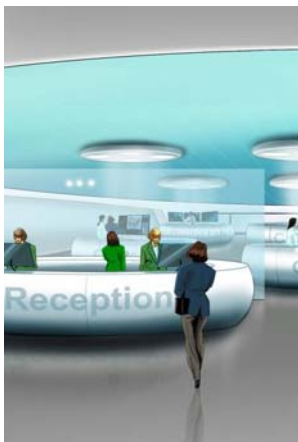
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<sup>1</sup> 2010 data. DE projection refers to practitioners, US projection refers to professionally active dentists. This may explain the higher percentage of dentists >65 in the US  
Source: Bundeszahnärztekammer 2010; 2010 ADA Dental workforce model: 2008-2030

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## Dental professional trends

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- ≡ Productivity will be higher, chair time will be shorter
- ≡ Implant procedures will be driven by prosthetics
- ≡ Investments in new technology will raise the barrier for opening new dental practices
- ≡ Implants are an increasingly attractive economic option for dentists

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## Dental lab & dental technician trends

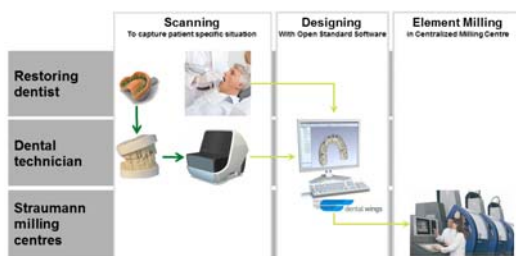
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- Reduction of independent labs; fewer dental technicians
- Many labs integrated in dental practices
- Dental technicians will be computer savvy
- Simple restorations will be generally produced chair-side
- Complex restorations will be milled centrally
- Monolithic restorations will be commonly used for crowns

## Digital technology trends

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- Digitalization will further change value chain & workflows for dentists and labs
- Dental and medical patient dossiers will be digital and integrated
- Digital scanning will provide a complete 3D-view of the oral situation
- Surgical and prosthetic design software will converge

## Industry & economic trends

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- ✓ Further industry consolidation expected
- ✓ Increased competition for talent
- ✓ Dental implant market growth correlates with consumer behaviour and macroeconomic environment
- ✓ Economic pressure in developed countries fosters 'good-enough' mentality among patients and dentists

## General assumptions implant dentistry 2020

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### We assumed...

- ✓ Implant penetration will increase
- ✓ More GPs will restore and place implants in simple cases
- ✓ Implants will be in place for long periods; need for maintenance will increase
- ✓ Customized abutments will reach market share of ~30% by 2020

### We did NOT assume...

- ✓ Implants will become the standard in restorative dentistry
- ✓ All GPs will place implants themselves
- ✓ High incidence of periimplantitis
- ✓ Customized abutments will fully replace standard abutments

## Implant market assumed to grow in high single digits

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Implant dentistry market<sup>1</sup> value (in CHF bn)

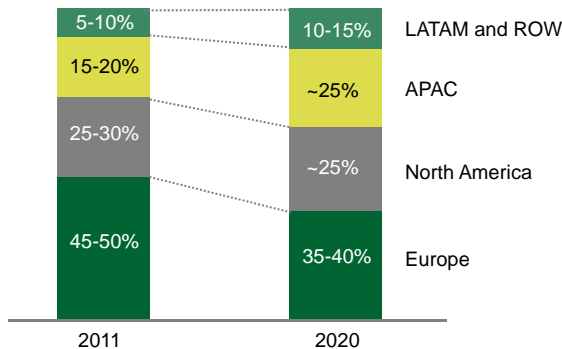
2011	2020	CAGR 2011-20
~3.5	6-8	6-10%

- Main threat to long-term market growth in implant dentistry is the possibility of another global recession between now and 2020 (lower range estimate)
- High single-digit growth of implant dentistry market is considered most likely

## Share of APAC & LATAM/ROW will increase significantly

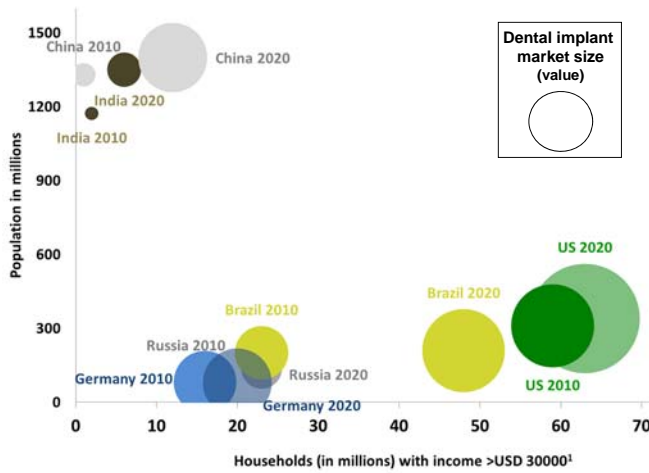
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The global dental implant market by region<sup>1</sup>



# Strong growth in BRIC; US a significant driver

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# Key drivers for implant volume growth

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## ACCEPTANCE<sup>1</sup>

- What will the projected market growth imply for the implant penetration rate?
- Is there a natural ceiling for the implant penetration rate?

## AFFORDABILITY

- Will patients have the money available for implant treatment?
- Will dentists shift to non-premium or will premium remain strong?

## ACCESS

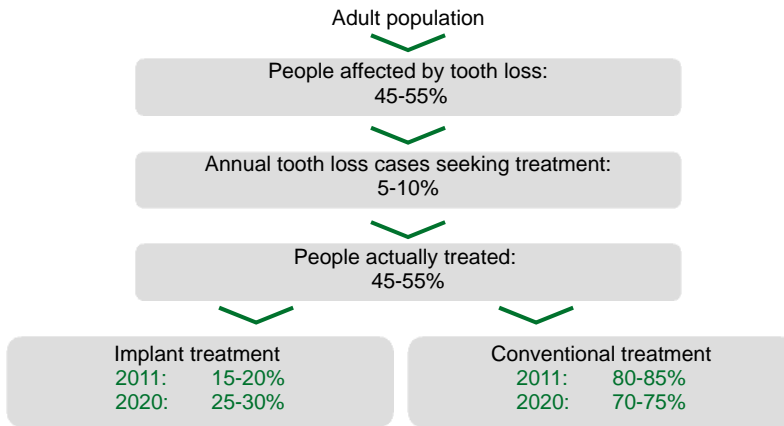
- Will patients have access to trained dentists for implant treatment?
- Will the productivity of trained dentists be sufficient?



## US example: implant penetration rising to 25-30%

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### Tooth loss and treatment courses (US)



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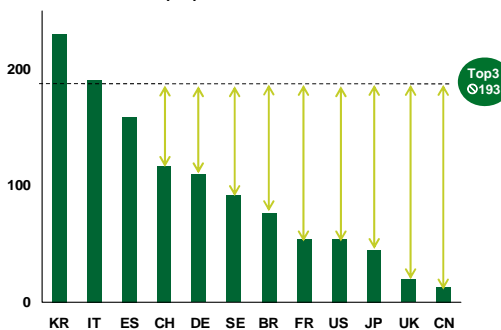
- 1 Straumann definition for dental implant penetration: Number of people treated with dental implants/number of people treated for tooth loss
- 2 Source: Straumann proprietary study based on ~5000 respondents conducted by AFG Research 2011; Straumann estimates

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## Implant penetration: long-term growth driver

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Dental implants per 10 000 population in 2011



- Implant penetration is a long-term growth driver
- Today, in most countries, the number of implants placed annually per 10K population is >50% lower than the average of the three highest-penetrated countries

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Source: Straumann estimates, MRG 2011.

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# Key drivers for implant volume growth

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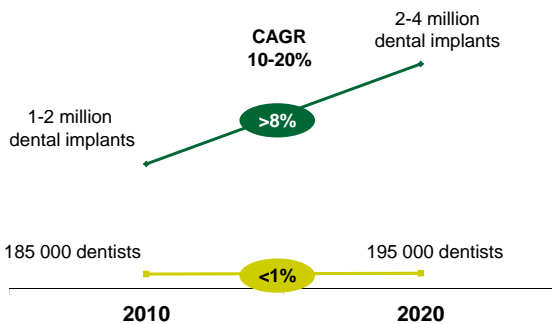
## ACCESS

- Will patients have access to dentists trained in implant treatment?
- Will the productivity of trained dentists be sufficient?

# US example: dentist population growing slower than implant market

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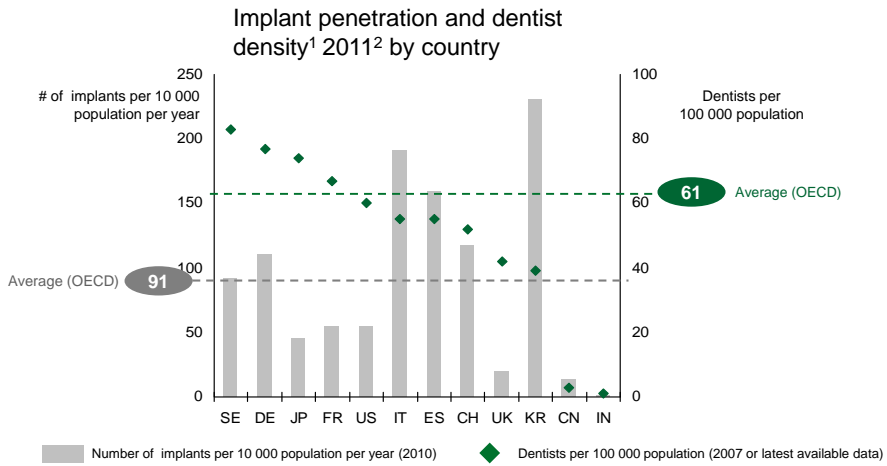
Development of number of dental implants and dentists in the US 2010-2020



- ✓ Approx. 18-20% dentists in the US place implants<sup>1</sup>
- ✓ 55-60 dental implants on average are placed per dentist per year
- ✓ Increase of treatment provider pool (GPs, females) and efficiency gains of the treatment workflow needed to drive penetration

# Treatment access crucial for growth in India & China

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<sup>1</sup> China, India dentist density represent estimates by STMN based on V2020 since not included in OECD  
<sup>2</sup> Implants: 2010 data; Dentists: 2007 or latest available data ; Source: Health at a glance 2009, OECD indicators; Straumann estimates; IHS Global Insight

# Efficiency and education

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- ✦ In developed countries, efficiency must improve to cope with future patient flow (fewer technicians/dentists per patient)
- ✦ Simpler and more standardized treatment protocols will be important to reduce chair time and this in turn means that efficiency will increase
- ✦ Education remains key to support growth in emerging markets

# Key drivers for implant volume growth

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## ACCEPTANCE<sup>1</sup>

- What will the prognosed market growth imply for the implant penetration rate?
- Is there ‚a natural ceiling‘ for the implant penetration rate?

## AFFORDABILITY

- Will patients be able to pay for implant treatment?
- Will dentists shift to non-premium or will premium remain strong?



## ACCESS

- Will patients have access to trained dentists for implant treatment?
- Will the productivity of trained dentists be sufficient?

# ‘Affordability’ in developed and emerging countries

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- ✓ Change in public reimbursement for implant treatment is not foreseen
- ✓ Price difference between implant and conventional bridge solutions for single-tooth replacement remains relatively small in developed markets
- ✓ In emerging markets affordability is the key to unlocking full market potential; increasing wealth in emerging markets will strengthen premium segment over time
- ✓ Workflow efficiency gains should reduce overall treatment costs

# Premium expected to be largest segment in 2020, despite slower growth than overall market

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Implant market segment	Premium	Value	Discount
Presence	Global	Regional, local <sup>2</sup>	Local
Examples for countries with predominant segment today	US Japan Germany		Brazil, South Korea
Expected development 2020			
Volume	↗	↗	↗
Price	↘	↘	↔
Rationale	Price discipline of players Differentiation through innovation & services	Volume growth in BRIC Price decline due to increased competition, challenges to differentiate	Volume growth in BRIC Prices stable since many players already struggle with profitability today
Segment ranking within total market <sup>1</sup>	#1	#2	#3

# Key points in brief

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## Key trends

### Patients

- Better informed
- More co-morbidities
- Customer base more diverse

### Dental profession

- More female dentists
- Shortage of dentists placing implants
- Prosthetics determine treatment

### Technology

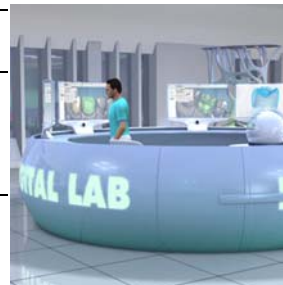
- Digitalization changing workflows + value chain
- Innovation expanding patient pool

### Industry + markets

- Growth driven by penetration + demographics
- Geographic shifts (emerging markets)
- Brand + differentiation essential in maturing markets
- Need for implant maintenance

### Economic environment

- Continued weak economy in Europe
- US and emerging markets drive growth
- Increased competition for talent



# The dental practice of the future – a glimpse

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Shaping  
the future  
together

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