



2017 was a landmark year for the Straumann Group. We achieved our strongest growth since 2007, lifting revenue over the CHF 1-billion threshold for the first time. In parallel, we achieved further improvements in profitability, despite significant investments in new growth opportunities and capacity expansion.

We won customers and market share in every region, bolstering our global lead in implant dentistry. We entered new markets and segments, launched innovative products and solutions and broadened our scope. We strengthened our efforts to make affordable treatment options available to a wider population. We increased our global team to almost 5000 employees, whose energy, agility and passion to drive change have rocked dentistry. However, our greatest achievement has been helping to create smiles for well over a million patients around the world, restoring their confidence and improving their quality of life.

Gilbert Achermann (Chairman of the Board of Directors) and  
Marco Gadola (Chief Executive Officer)

## DOUBLE-DIGIT GROWTH ACROSS ALL REGIONS AND BUSINESSES

Our revenue climbed 21% to CHF 1112 million. Excluding the effects of acquisitions and currencies, the underlying growth amounted to 16%.

By region, North America (+19%<sup>1</sup>) and Europe, the Middle East & Africa (+11%<sup>1</sup>) were the largest growth contributors, while Asia/Pacific was our fastest growing (+24%<sup>1</sup>). Latin America continued (+15%<sup>1</sup>) to grow robustly in a difficult environment.

By business, **implants** generated almost two thirds of our growth, driven by Straumann's Bone Level Tapered (BLT) range. Our premium high-strength material Roxolid and our SLActive surface also made important contributions.

Neodent, Medentika, Zinedent and Anthogyr continued to grow dynamically in the non-premium segment and now constitute one of the fastest growing international implant franchises. Together with Straumann, they enable us to offer a complete package of premium and non-premium solutions, which has been a key to winning tenders in the fast-growing dental chain segment.

Our **restorative business** maintained double-digit growth, driven by standard and CAD/CAM prosthetics as well as Straumann's range of versatile, cost efficient Variobase abutments. Digital was our fastest growing business, lifted by strong sales of new scanning and milling equipment.

**Biomaterials** continued to grow strongly especially in Europe. One highlight in 2017 was the successful introduction in the US of the Straumann Bone Ring Allograft, an innovative approach to repairing significant bone defects and placing implants at the same time.

## PROFITABILITY ON TARGET

We continued our investments in research and development (see p. 32 ff.) to create new and better treatments and to make implant dentistry more comfortable, convenient and reliable. We invested in our non-premium franchise to increase treatment access and affordability. We also funded new training and education concepts to increase the provider base and to ensure the successful use of our products.

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Owing to the strong flow of product launches, the expansion of our sales team and the large number of key events in 2017, we spent more on marketing and sales than in previous years. We also invested significantly in new markets and segments as well as in new jobs, personnel development and cultural change programs to sustain our future growth.

Despite all these developments and the increased proportion of lower margin products in our portfolio, we still achieved our profitability target, as the underlying operating profit (EBIT) margin climbed to 26% and the net profit margin reached 24.8%.

#### **SOLIDLY FINANCED TO INVEST IN FURTHER GROWTH OPPORTUNITIES**

2017 was a year of intense M&A activity, as we acquired/consolidated four companies and invested in another four. Collectively, these transactions amounted to approximately CHF 225 million, which we financed by selling a block of our own shares for CHF 260 million, profiting from a 59% increase in the share price since the purchase date in 2016. We also invested heavily in production capacity expansion at various locations, increasing capital expenditure to CHF 73 million. Our free cash flow rose to CHF 145 million, and return on equity (ROE) amounted to 32%. Being debt-free (net), we remain solidly financed to invest in further growth opportunities.

#### **MARKET DEVELOPMENTS AND TRENDS**

We estimate that the market for implant dentistry was worth CHF 3.7 billion in 2017<sup>2</sup> and grew 4% in value. Having outpaced it significantly, we strengthened our leading position and increased our market share to approximately 24% (see p. 35 ff.).

The key drivers of market growth continue to be increasing prosperity, awareness, the aging population, and innovation. The main trends also remain unchanged and include increases in digitalization, corporate dentistry, female dentists, general dentists placing implants, demand for esthetics and affordability. We address all of them in our strategic initiatives.

By adding new products and expanding into new segments, we have increased our addressable market from CHF 4 billion to CHF 11 billion in the past three years.

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## STRATEGIC GOALS AND EXECUTION

Our aim for the years to come is to be the leading global provider in esthetic dentistry (i.e. replacement and corrective dentistry), which means meeting medical needs, making treatment possible for more people, enhancing the standard of care and offering greater flexibility and value to customers.

Our strategy to achieve this focuses on three key priorities:

- Drive a high-performance culture and organization
- Target unexploited growth markets and segments
- Become a total solution provider in esthetic dentistry.

## A CULTURE OF HIGH PERFORMANCE

High-performance organizations consistently innovate, improve and outperform. They create opportunities, develop employees and use resources effectively without waste. They are agile and collaborate as an aligned team. These are characteristics of the culture we are working to establish throughout the Group. To this end, we continued our cultural journey to promote the player-learner mindset and core behaviors that will drive high performance and our future success. We extended our international program of workshops and training modules and piloted an additional program to foster a commercial mindset and entrepreneurial excellence, which we will roll-out in 2018.

In our annual staff survey, which is an indicator of our progress towards this strategic goal, 88% of respondents said they actively supported our Cultural Journey and 72% observed positive changes in our culture (see p. 77 ff.). Further examples of cultural change are evident in our open-minded, entrepreneurial approach to new strategic initiatives – like our entry into new fields, the convergence of our premium and non-premium activities, and our ability to create partnerships.

## TARGETING UNEXPLOITED GROWTH MARKETS AND SEGMENTS

To serve customers directly and to unlock the full potential of our business, we opened a subsidiary in Iran. Having entered the Indian market through the acquisition of Equinox, we established a Group subsidiary and launched the Straumann premium brand. We continued to invest in fast-growing markets like China and Russia, adding people and bringing key products to market. We also entered agreements to acquire various distribution companies to penetrate the attractive markets in Turkey, Portugal and South Africa.

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### A LEADING POSITION IN THE FAST-GROWING NON-PREMIUM SEGMENT

The premium implant segment remains a key focus and we are determined to extend our lead in it through innovation, documented clinical research, differentiated comprehensive solutions and service excellence. At the same time, we want to lead the non-premium segment, which is growing faster and now accounts for more than a third of the global implant market in value (see p. 35 ff.).

To do this we have built a portfolio of value brands and are driving their international expansion. We continued the European roll-out of Neodent, our brand of progressive dental solutions made in Brazil. At the beginning of the year, we gained a controlling interest in Medentika in Germany and have used it to offer attractively-priced, perfected prosthetics internationally. These initiatives, together with the expansion of Neodent in Brazil and the US, Zinedent in Turkey, and Anthogyr in China and Russia, position us among the world's top three companies in the non-premium segment.

### ADDRESSING CORPORATE DENTISTRY

In recent years, we have highlighted the trend of consolidation and corresponding increase in dental service organizations (DSOs), which range from groups of local practices to international networks of fully integrated clinics. Growing at 17% annually, this segment already represents more than 10% of the dental implant market and is projected to double by 2020. Over the past two years, we have made inroads into it by offering comprehensive, tailored packages with multiple brands. In 2017, we created a dedicated unit to serve and target DSOs, which won several key accounts in 2017.

### DIGITALIZATION – THE NEXT BIT

Digitalization has changed the way we develop, manufacture, sell, and supply our products. It is also changing the way our customers work. Throughout the year, we invested further in e-commerce platforms and developed a single Group e-shop for all our brands, which we will launch this year. In addition to enhancing convenience for customers and increasing efficiency, the platforms will deepen our understanding of customer buying patterns and needs. Digital channels are also increasingly important for disseminating scientific results and product-related information, as the huge response (13000 online participants) to our Big Bang event in China illustrated (see p. 22).

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To accelerate the development of digital platforms and equipment, we took full ownership of our long-standing partner Dental Wings, a leading provider of digital dentistry technologies and solutions that cover the full digital workflow. In addition, we acquired a 35% stake in Rapid Shape to gain access to their state-of-the-art 3D-printing technology as it begins to permeate dental labs and practices.

Our pressing need for a high-end intraoral scanning solution was solved through a partnership with our former competitor 3Shape, allowing us to sell their top-selling Trios3 range under the Straumann brand alongside our own Dental Wings scanners. We launched the scanners together with a new compact milling machine, enabling dentists to produce CAD/CAM prosthetic crowns from ceramics and other materials while the patient is still in the chair (see p. 76).

The new partnerships and our expanded product range fulfil our strategic goal of offering validated digital solutions that cover the full tooth replacement workflow, including guided surgery, intraoral scanning, a full CAD/CAM service, 3D-printing, as well as central and in-house milling – not forgetting our wide range of milling materials.

#### **BECOMING A TOTAL SOLUTION PROVIDER IN ESTHETIC DENTISTRY**

To compete against large companies that cover the entire dental spectrum, our strategy has been to provide total solutions in tooth replacement. In recent years, our strength in innovation and partnerships have enabled us to fill most of the gaps in our portfolio. The few exceptions are being addressed in our current innovation pipeline (see p. 34).

Examples of significant product additions in 2017 (see p. 29) include Straumann's SmallOne – an innovative small-diameter BLT implant designed to make treatment possible for patients with insufficient bone/space for regular implants, the Straumann PURE two-piece ceramic implant, the Straumann range of milling machines and 3D printers for labs and dental practices, Neodent's new Grand Morse implant system and digital solutions, Medentika's multiplatform system of compatible prosthetics for other implant systems, and Dental Wings' powder-free and portable intraoral scanner solutions.

Having come close to our objective of becoming a total solution provider in tooth replacement, we decided at the end of 2016 to broaden our scope to esthetic dentistry and to enter the attractive field of orthodontics, which offers further growth opportunities and synergies.

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#### A FIRM Foothold IN THE CLEAR-ALIGNER MARKET

Within a few months, we acquired ClearCorrect in the US and a 38% participation in Geniova Technologies in Spain. Established in 2006, ClearCorrect develops and produces high-quality attractively-priced clear-aligner solutions that are used typically to treat minor-to-medium malocclusions. It has an estimated global market share of 2% and, with a staff of almost 200, is growing quickly. Geniova, a dynamic young company in Spain, has pioneered an innovative hybrid aligner solution that combines the strength of fixed orthodontic appliances with the flexibility of removable clear aligners. The two companies provide us with technology, expertise, innovation and a solid footing in this field, while we offer them a global network, brand, and digital technology.

Growing awareness, availability and esthetic needs are key growth drivers for the global clear-aligner market, which is estimated to be worth more than CHF 1.6 billion. This and low penetration rates, make the business very attractive.

Digital technology and workflows are central to modern orthodontic treatment. To coordinate and drive growth in our orthodontics and digital businesses, we have created a dedicated Digital Business Unit, which combines our existing capabilities with those of Dental Wings and ClearCorrect to form one of the most powerful digital teams in our industry.

#### **STRAUMANN GROUP BRAND – UNITING, ADDING VALUE AND CREATING OPPORTUNITIES**

At the outset of 2017, we created and introduced the ‘Straumann Group’ umbrella brand to unite our various brands, companies and partners and to give them a common identity. This creates value by allowing them to benefit from Straumann’s global reputation without compromising our premium brand. As the year progressed, it became clear that the Group brand allowed us to bring our premium and non-premium (Instradent) businesses closer together, reducing complexity, creating synergies and selling opportunities, and benefitting customers and patients. We therefore began to integrate all our Instradent subsidiaries, simplifying internal processes, ordering, delivery and invoicing. The integration also enables us to accelerate the launch of Neodent in new markets.

#### **A GOOD EMPLOYER AND CORPORATE CITIZEN**

The strength, diversity and spread of our global team increased significantly, reflecting our business expansion and investments in growth markets. The Straumann Group now employs 4881 people, an increase of 1084 in 2017, almost half of which came through acquisitions, while the remainder came through internal growth, mainly in Brazil, Switzerland and the US.

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**Our new dedicated Digital Business Unit is one of the most powerful digital teams in our industry.**

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**Our Group brand allows us to bring our premium and non-premium businesses closer together.**

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The breadth and depth of our success clearly demonstrate the quality, dedication and hard work of our staff. In recognition of their contribution to exceeding our company objectives, all eligible employees will receive above-target bonus payouts (see p. 130 ff.).

We remain committed to sustainable development and value creation. This means running our operations efficiently and using natural resources effectively to avoid waste and minimize our impact on the environment (see p. 88 ff.). It also encompasses our support for charitable programs in 13 countries with the goal of making dental healthcare available to underprivileged people (see p. 82 ff.).

#### **ANOTHER EXCELLENT RETURN**

The combination of our adapted strategy, market share gains, increased sales momentum, enhanced profitability, replenished pipeline and expanded addressable market is reflected in the development of our share price (see p. 58 f.). In a positive stock market, the share closed the year at CHF 688.50, 73% higher than at the beginning of 2017, making Straumann one of the top 20 performing shares in the Euro Stoxx 600.

Based on the positive results and favorable outlook, the Board proposes a further dividend increase to CHF 4.75 per share, payable on 12 April 2018. Going forward, we intend to increase the dividend further subject to sustained good performance.

#### **OUTLOOK**

Our continuing strong growth and significant outperformance confirm that we are executing an appropriate strategy. We have set the stage for future growth by entering new markets and the attractive field of esthetic dentistry, and we have responded to market and technology trends by building digital capabilities and by devoting resources to the DSO segment. We will continue to be agile in seeking, evaluating and capturing attractive opportunities that are aligned with our strategic priorities, always vigilant and agile to adapt to a fast-changing environment. Fostering a high-performance culture will remain our key priority. We are determined to continue rocking dentistry, challenging the things we do with an increasingly open mind and driving change through innovation.

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We expect the global dental market to grow at about 4% and are confident that we can continue to outperform and expand our share by achieving organic revenue 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 investments in production capacity, as well as the amortization of acquisition-related intangibles, we expect our EBIT margin to remain stable.

On your behalf, we would like to thank all our employees for their commitment, engagement and hard work in 2017. On behalf of the Board we also thank you, our shareholders, for your ongoing support and confidence in our company. This year we celebrate the 20<sup>th</sup> anniversary of Straumann's initial public offering and would like to express our special appreciation to those shareholders who have accompanied us from the start of this exciting and rewarding journey.

Yours sincerely,



**Gilbert Achermann**  
Chairman of the Board  
of Directors



**Marco Gadola**  
Chief Executive Officer

7 February 2018

FOOTNOTES & REFERENCES

- 1 Organic growth.
- 2 Decision Resources Group 2015, MarketsandMarkets 2013 and Straumann estimates; largest 65 countries are considered.