



In 2018, the Straumann Group achieved its strongest growth since 2005, lifting revenue 23% to CHF 1.36bn. Excluding external growth and currencies, the underlying increase amounted to 19%. Fuelled by the strong growth, our gross profit crossed the CHF-1-billion threshold for the first time, enabling us to invest further in research and development to provide faster, better treatments with additional reliability, comfort and convenience. On top of this, we continued to invest in people (pp. 67 ff.). Despite these developments and the increased share of lower-margin products in our portfolio, we achieved our profitability targets, as our underlying EBITDA, EBIT and net profit margins reached 30%, 26% and 20% respectively.

Adding to our organic growth, we acquired several companies and invested in a number of others (see pp. 144 ff.). Collectively, these transactions amounted to approx. CHF 120m. We also invested heavily in production and infrastructure, increasing capital expenditure to CHF 110m. Notwithstanding, cash from operating activities climbed to CHF 277m and free cash flow rose to CHF 169m.

#### **IMPRESSIVE GROWTH IN ALL OUR REGIONS AND BUSINESSES**

The pace of growth increased in all our regions, fuelled by emerging markets like Brazil, China, Russia, and Turkey. With organic growth of 28%, [Asia-Pacific](#) was our fastest growing region for a

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fourth consecutive year. Both [North](#) and [Latin America](#) reported 20% increases, while [Europe, Middle East & Africa](#) climbed 15% and – being our largest region – was our biggest contributor to revenue growth (see pp. 42 ff).

By business, [implants](#) generated almost half our growth, as both our premium and non-premium businesses performed well. We continued to converge these activities under the Straumann Group umbrella, increasing simplicity and accelerating the international roll-out of our non-premium brands.

The [restorative](#) business, which comprises prosthetics and abutments, delivered good results, driven by our standard and Variobase abutments, as well as our multi-platform solutions for competitor implant systems.

[Biomaterials](#) sales continued to thrive, lifted by the highly successful launch of our botiss range in Brazil. To strengthen our ties with botiss, we invested in a 30% stake in the company.

Our [digital](#) business unit grew impressively in its first year of operation, driven by demand for intra-oral scanners, 3D printers and clear aligners. ClearCorrect grew dynamically and prepared to launch in European markets, Brazil and parts of Asia. To gain immediate access to the huge Chinese market, we obtained distribution rights for a registered, state-of-the-art clear-aligner system that we plan to launch in the first half of 2019.

We won customers across the board, reflecting the attractiveness of our solutions, the power of our marketing and the effectiveness of our sales approach. The strategic initiative to create a dedicated unit to serve dental service organizations has been very successful as we won large contracts to supply chains that collectively comprise several hundred clinics.

#### **UNLOCKING CONSIDERABLE POTENTIAL IN ATTRACTIVE MARKETS**

Our main market, implant dentistry, grew in the mid-single digits and is worth approximately CHF 4bn globally<sup>1</sup>. We outperformed it by a factor of three and increased our leading share to 25%. Driven by demographics, affordability, availability, esthetics and awareness, the market offers considerable potential and is expected to outpace the overall dental market. One of the most attractive areas in dentistry is the clear-aligner market, which is worth approximately CHF 2bn and is growing at more than 20% (see p. 33).

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By expanding into new segments and by filling portfolio gaps, we have more than trebled our addressable market in the past five years to approximately CHF 13bn.

### **EXECUTING OUR GROWTH STRATEGY**

Our strategy to address these markets and to drive future sustainable success is built around three unchanged key priorities (see pp. 19 ff.).

### **DRIVING A HIGH PERFORMANCE CULTURE AND ORGANIZATION**

The first priority focuses on culture, which drives results and creates value. For the past five years, the ‘player-learner’ mindset has shaped our company and helped us to excel. While staff engagement is very high, our annual staff survey revealed the need to work for example on collaboration, communication and coaching to unleash the full potential of our organization. This is the focus of Cultural Journey 2.0, which began in September.

We created approximately 700 new jobs worldwide, of which more than a hundred were in Switzerland. With the addition of more than 350 colleagues through acquisitions, our increasingly diverse global team comprised almost 6000 employees at year-end. The quality, dedication and hard work of our staff drive our success. We met the majority of our short-term incentive targets across countries and businesses, resulting in a bonus payout at or above target for eligible employees. Despite the dip in 2018, we surpassed the 3-year objective for total shareholder return of 7%, which determines the long-term incentive (LTI). However, our senior management voluntarily agreed to forgo their grants in 2015 and therefore received considerably less compensation in 2018 (see p. 125).

We have invested significantly in career development in recent years, including key succession plans. In January 2019, we announced that Guillaume Daniellot, Head Sales North America, will succeed Marco Gadola as CEO in 2020, when the latter will be proposed for election to the Board of Directors. We are fortunate to make this transition in a position of strength and are delighted that we can fill the CEO position with an internal candidate.

### **TARGETING UNEXPLOITED GROWTH MARKETS AND SEGMENTS**

Our efforts to target unexploited growth markets and segments were intense and fruitful. In addition to opening new subsidiaries and branches, we made further inroads into the non-premium implant segment, launching new products and expanding Neodent’s presence to more than 50

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countries. In addition, we acquired three competitor distributors and gained control of T-Plus in Taiwan and Zinedent<sup>2</sup> in Turkey.

To address the fully-tapered implant segment, which accounts for roughly a quarter of the 25 million dental implants placed annually, we developed Straumann BLX (see p. 47) and launched various other implants to target the immediacy, ceramic and other segments.

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

Our strategy to compete against large conglomerates that cover the entire dental field is to provide total solutions in esthetic dentistry, which includes offering conventional, semi- and fully-digital tooth replacement solutions for all major indications, while supporting our customers in establishing efficient workflows that benefit their patients.

Our strength in innovation and our ability to form partnerships enabled us to complement our offering in 2018, for example with Straumann's BLX, Mini Implant, and PURE ceramic 2-piece. We also enhanced our digital solutions by improving hard and software, as well as connectivity. Through our investment in Dental Monitoring, we entered the exciting field of remote monitoring using artificial intelligence and smart phone technology (see p. 13).

With a view to expanding our current scope even further, we began to pilot a portfolio of in-licensed products that focus on the needs of general dentists, including innovative caries treatments as well as novel approaches to preventing tooth and implant loss.

### **INNOVATIVE CHANGE-MAKERS**

Straumann introduced three next-generation implant systems during the year, demonstrating the strength of our innovation pipeline. As change-makers, we promote innovation in all our activities: for example, producing implants by ceramic injection molding and by using virtual reality applications in marketing and education.

Our entrepreneurial, open-minded culture has also enabled us to complement our internal pipeline with external innovations, for example with Dental Monitoring, Z-Systems and Createch, which has become our center of excellence for CAD/CAM innovation.

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### COMMITTED TO LONG-TERM VALUE CREATION

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 pp. 78 ff.). It also encompasses our charitable projects that offer dental healthcare to underprivileged people in 14 countries (see pp. 72 ff.).

After several years of positive development, the SMI Mid (SMIM) fell 17% in 2018. Our share price declined 10%, despite our outstanding results, solid balance sheet and prosperous outlook. Consequently, we had to live with a total shareholder loss of 9.5% (CHF 66 per share) after five very successful years in which Straumann has been the second best performing stock in the SMIM, outperforming by an average of 23%.

2018 marked the 20th anniversary of the company's initial public offering (IPO) and we would like to express our special appreciation to those shareholders who have accompanied us from the start of this exciting and rewarding journey. Since the IPO, the total return including dividend re-investments, has been more than 3500% – the highest for any stock traded on the Swiss stock exchange in this period<sup>3</sup>.

Based on the positive results in 2018 and the favourable outlook, the Board of Directors proposes a further dividend increase to CHF 5.25 per share, payable on 11 April 2019.

### OUTLOOK – CONTINUED OUTPERFORMANCE

Our continuing strong growth and significant outperformance confirm that we are executing an appropriate strategy. We have planned for continuity and succession and have set the stage for sustainable future growth by developing differentiated solutions, expanding our organization and by entering new markets and attractive fields.

We have responded to market and technology trends by building internal capabilities and forging partnerships. We will continue to create 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 – as change makers, we are determined to continue pushing boundaries.

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**In the past five years, our shares have outperformed the SMIM by 23%.**

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Barring unforeseeable events and circumstances, we expect the global dental implant market to grow at about 4–5% in 2019 and are confident that we can continue to outperform and gain share by achieving organic revenue growth in the low-teen percentage range. Assuming fairly stable currency exchange rates, the expected organic revenue growth and operational leverage should lead to further improvements in the EBITDA and EBIT margins, in spite of further investments in Sales & Marketing and Research & Development<sup>4</sup>.

On your behalf, we would like to thank all our employees for their commitment, engagement and hard work in 2018. On behalf of the Board, we also thank you, our shareholders, for your ongoing support and confidence in our company.

Yours sincerely,



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



**Marco Gadola**  
Chief Executive Officer

7 February 2019

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**We are confident that the Group  
can continue to outperform and  
gain market share.**

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**Notes and references**

- 1 Decision Resources Group 2017-18, iData 2017 and Straumann bottom-up estimates in 70 countries.
- 2 Acquired on 2 January 2019.
- 3 Data sources: Bloomberg; Handelszeitung, December 2018.
- 4 These profitability objectives exclude exceptional effects related to acquisitions, as well as the impact of adopting IFRS 16 (lease accounting).