straumanngroup

**First-quarter 2020 report – Media Release**

# Straumann Group responds quickly to COVID-19 and looks beyond

- First-quarter revenue reaches CHF 357 million, 1% off prior-year level in organic terms and -4% in Swiss francs
- Global pandemic interrupts strong growth trend after promising start to 2020
- People safety, business continuity and liquidity all ensured
- Innovative online initiatives to support and develop customer base in order to rebound strongly as lock-downs ease
- Fast initial measures to mitigate short-term financial impact and adapt costs and capacity to future demand
- Original guidance for 2020 no longer in reach, but Group confident that business fundamentals remain valid and promising in the mid and long term

## REVENUE BY REGION

| (in CHF million) | Q1 2020 | Q1 2019 |
|---|---|---|
| **Europe, Middle East & Africa (EMEA)** | **162.2** | **160.7** |
| *Change in CHF in %* | *0.9* | *9.3* |
| *Change in local currencies in %* | *7.5* | *14.4* |
| *Change organic[1] in %* | *0.1* | *14.4* |
| *% of Group total* | *45.4* | *43.2* |
| **North America** | **115.7** | **110.2** |
| *Change in CHF in %* | *4.9* | *22.1* |
| *Change in local currencies in %* | *7.9* | *17.4* |
| *Change organic[1] in %* | *7.7* | *17.4* |
| *% of Group total* | *32.4* | *29.6* |
| **Asia / Pacific** | **53.5** | **71.8** |
| *Change in CHF in %* | *-25.5* | *22.1* |
| *Change in local currencies in %* | *-21.7* | *22.7* |
| *Change organic[1] in %* | *-22.1* | *22.1* |
| *% of Group total* | *15.0* | *19.3* |
| **Latin America** | **26.0** | **29.5** |
| *Change in CHF in %* | *-12.0* | *5.3* |
| *Change in local currencies in %* | *7.3* | *19.7* |
| *Change organic[1] in %* | *7.2* | *19.7* |
| *% of Group total* | *7.3* | *7.9* |
| **GROUP** | **357.3** | **372.3** |
| *Change in CHF in %* | *-4.0* | *14.9* |
| *Change in local currencies in %* | *1.9* | *17.2* |
| *Change organic[1] in %* | *-1.4* | *17.1* |

[1] Excluding the effects of currencies and acquisitions (mainly Anthogyr, T-Plus and Zinedent in 2019)

**Basel, 30 April 2020:** The Straumann Group made an initially promising start to the first quarter of 2020 with a continuation of the solid growth trend experienced in previous quarters. However, as the coronavirus spread from Asia to Europe and the Americas, most dental practices were either locked down or limited to emergency or essential treatments only. Furthermore, patients have tended to avoid dental practices that are open, due to fears of increased infection risk. With the global market for implant and esthetic dentistry thus constrained, the Group's sales dropped sharply from mid-March on. Thanks to the good performance prior to this, first-quarter revenue reached CHF 357 million, 1% off the comparative period of 2019 in organic terms and 4% down in Swiss francs.

EMEA was almost in line with the prior Q1, while North and Latin America posted single-digit growth, reflecting the phased spread of COVID-19. This offset the considerable decline in APAC, where the pandemic struck first.

Having ensured people safety, business continuity and liquidity, the Group used the shut-down to build and strengthen customer relationships and skills through an extensive online information and education platform, which also served to promote techniques and solutions – for example in implant immediacy protocols and intraoral scanning.

**Guillaume Daniellot, Chief Executive Officer,** commented: "Coronavirus has left its mark on the past months and we must be prepared to address the impact of the pandemic on disposable incomes and consumer confidence in the coming quarters. Despite the present challenges and disruptions, we are confident that the fundamentals of our business remain valid and promising in the mid and long term. We are also confident that the measures we are taking to adapt quickly – in combination with our culture of agility, embracing change and creating opportunities will help us to navigate through this crisis successfully".

## BUSINESS PERFORMANCE

Driven by increased demand for fully-tapered (BLX) and apically-tapered (BLT) implants, the Group's largest franchises, implants and restoratives, grew strongly initially but declined over the full period due to the interruption in March. The value implant lines especially Neodent, Medentika and Zinedent grew, while Anthogyr was constrained by the early lock-down in France, its home market.

Demand for digital equipment was strong, driven by sales of intra-oral scanners. ClearCorrect posted double-digit growth, with additional lift from the recently acquired thermoplastics business. Projects to expand production in the US, Brazil and Germany are on track.

In spite of the challenging environment, sales of biomaterials remained stable thanks to the Group's attractive bone-regeneration portfolio.

## REGIONAL PERFORMANCES

### EMEA holds up

The Group's largest region, Europe, the Middle East and Africa, posted good initial growth, driven by premium and value implant solutions. Clear-aligner sales were promising but the roll-out program and sales in general were interrupted by the pandemic. Dental clinics remained partially open in Germany throughout but focused increasingly on essential treatments. While Italy, Spain and France were the first large markets to suffer, growth remained intact in Russia, Turkey and parts of the Middle East until late in March, when the pandemic started to take its toll. As a result of these factors and the stiff currency headwind of almost 7 percentage points, regional revenue remained more or less flat at CHF 162 million, corresponding to 45% of the Group total.

### North America reaches out to customers online

North America contributed almost a third of the Group's total revenue, having delivered double-digit growth through to mid-March, when Canada and then the US went into lock-down. The growth was driven by premium implants and Neodent, with additional lift from the digital business, making up for a dip in clear-aligner sales due to the pandemic and changes in the marketing approach of certain customers. In total, revenue increased 8% in organic terms and 5% in Swiss francs to CHF 116 million.

When the American Academy of Osseointegration Meeting was cancelled in March, Straumann decided to broadcast its corporate forum online and attracted more than twice the usual number of participants. Other recent online events have included a three-week master class on implant immediacy protocols and Straumann BLX, which drew 7000 attendees.

### APAC beginning to emerge

The business disruption in China was in line with the Group's expectations communicated in February, although sales of digital equipment were better than expected, thanks to intra-oral scanners. In the meantime, both China and South Korea have begun to emerge cautiously from the crisis, but confidence is lower than before the crisis. Taiwan has been little affected. In Japan, customers purchased more than usual in anticipation of the shut-down, which came in April. Other countries in the region are also locked down. As a result, Q1 revenue declined 22% organically, or 26% in Swiss francs to CHF 54 million.

### Latin America still positive

With an improvement in the economic environment, the year started well in Latin America. All countries performed well in the first two months driven by premium and value implants and lifted by sales of Straumann's competitively priced Virtuo Vivo intra-oral scanners. The Group's new implant brand NUVO, which will target the lower value segment, was introduced at the CIOSP, Latin America's biggest trade fair. However, with Brazil and the region in various stages of lock-down and with patients anxious about visiting clinics, sales were generally modest as the quarter ended. Organic growth reached 7% but a strong negative currency impact reduced this in Swiss franc terms by almost 20 percentage points, bringing regional revenue to CHF 26 million.

## COVID-19 UPDATE

**Quick response to ensure people safety and business continuity**
The Group responded quickly to the pandemic by focusing on people safety, business continuity, mitigating the financial impact, supporting customers, and preparing for the market to rebound.

Thanks to personal responsibility and protective measures, the number of confirmed COVID-19 cases among the global staff is very small. Business continuity has also been assured and production capacity adapted to demand, with no supply issues. E-shop, customer services, sales teams and internal functions are all working well remotely. Straumann CADCAM services continue to operate and warehouse teams are processing orders on time.

**Liquidity ensured despite difficult financial environment**
The Group successfully placed a CHF 280 million straight bond on 27 March 2020, which will mature in 2023, and increased its committed credit lines. The proceeds are to refinance a maturing bond – issued in 2013 to finance the Neodent acquisition – and for general corporate purposes.

**Mitigating financial impacts**
The Group has been working hard to adapt its cost base to current and near-term demand, ensuring that it retains flexibility and capabilities without compromising projects that will drive future success.

Immediate short-term cost-reduction plans started in February, including stopping travel, hiring, consultancy and non-strategic or non-critical initiatives. In addition, measures have been taken to reduce personnel costs, including voluntary pay cuts by the global leadership, global reductions in working hours and pay, with government support where possible. Capex has also been reduced and will be resumed as demand picks up. Further measures are being evaluated to adjust the Group's cost structure based on scenario planning.

**Preparing to bounce back**
The Group has increased its efforts to support its customers. The most significant is a dedicated portal (#TogetherStrong at www.straumann.com/togetherstrong) offering useful information, online education, training, virtual conferences and webinars. These are allowing many dental professionals to learn about the latest techniques, treatment solutions, products etc. during the break. Being fully integrated into the Group's digital platform, the portal is an important source of customer leads.

## OUTLOOK 2020 (BARRING UNFORESEEN CIRCUMSTANCES)

Although China and South Korea are now open and initial European markets are beginning to re-open, key countries elsewhere remain locked down and a continuation of the impact seen towards the end of Q1 is expected in Q2, putting the Group's original full-year guidance out of reach. In view of the current uncertainties caused by the coronavirus pandemic, the Group is withdrawing its guidance for full-year revenue and earnings.

The pandemic has triggered economic issues around the world and the Group has to be prepared for a weaker macro-economic environment with reduced consumer confidence and lower disposable income – factors that will lengthen the time to full recovery. With its broad geographical footprint, its wide range of solutions covering all price levels, and its strong balance sheet, the Group is well positioned to address all customer preferences and needs through the crisis and beyond. Nonetheless, it will have to adapt as an organization to the new realities without compromising its ability to innovate, manufacture, supply and sell winning products and solutions with service excellence.

The Group's underlying business fundamentals are intact and it is confident that when the general economy and consumer confidence return to normal levels, it will emerge as an even stronger brand and partner of choice for its customers.

**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 Anthogyr, ClearCorrect, Dental Wings, Medentika, Neodent, Straumann 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 approx. 7600 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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## ANALYSTS' AND MEDIA CONFERENCE CALL

Straumann will present its 2020 first-quarter net revenue results to representatives of the financial community and media in a webcast telephone conference call today at 9.30 a.m. Swiss time.

The audio webcast of the conference call (www.straumann-group.com/webcast) will be available for the next month.

The telephone conference can be accessed at:

Switzerland and Europe +41 (0) 58 310 50 00
UK: +44 (0) 207 107 06 13
USA: +1 (1) 631 570 56 13
Other international dial-in numbers are available here.

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## UPCOMING REPORTING DATES 2020

| Date | Event | Location |
|---|---|---|
| **2020** | | |
| 13 August | **H1 results publication** | **Basel HQ** |
| 28 October | **Q3 results publication** | **Webcast** |

**Disclaimer**
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