2014 Full-year report – Media Release

Straumann's operating profit margin reaches 21% in 2014

- Full-year revenue climbs 6% (organic[2]) and reaches CHF 710m
- Q4 revenue rises 9% fuelled by strong performances in Asia, encouraging developments in Europe and continued positive trend in North America
- Volume expansion and efficiency gains drive full-year operating profit (EBIT) up 28% to CHF 148m, lifting EBIT margin to 21%
- Net profit reaches CHF 158m, thanks to one-time tax benefit related to Neodent on top of profitability improvements
- Cost reduction measures initiated to mitigate impact of sharp rise in Swiss franc

KEY FIGURES

(in CHF million)	FY 2014 reported	FY 2013 reported	FY 2013 excluding exceptionals[1]
Revenue	**710.3**	**679.9**	
Change in CHF%	*4.5*	*(0.9)*	
Change in l.c.%	*6.4*	*0.4*	
Change in organic growth%[2]	*6.4*	*1.2*	
Gross profit	**558.7**	**535.9**	
Margin in %	*78.7*	*78.8*	
Change in %	*4.2*	*0.8*	
EBITDA	**176.2**	**148.4**	**156.4**
Margin in %	*24.8*	*21.8*	*23.0*
Change in %[3]	*18.7*	*24.3*	*18.1*
Operating profit (EBIT)	**148.3**	**115.8**	**123.8**
Margin in %	*20.9*	*17.0*	*18.2*
Change in %[3]	*28.1*	*83.6*	*21.2*
Net profit	**157.8**	**101.2**	
Margin in %	*22.2*	*14.9*	
Change in %	*56.0*	*169.8*	
Basic EPS (in CHF)	**10.15**	**6.55**	
Free cash flow[4]	**128.4**	**139.2**	
Margin in %	*18.15*	*20.5*	
Number of employees (year-end)	**2387**	**2217**	

[1] In this release 'exceptionals' in 2013 comprise restructuring charges of CHF 17m and a pension curtailment gain of CHF 9m, both related to cost-reduction initiatives.
[2] The term 'organic' used throughout this release means 'excluding the effects of currency fluctuations and acquired/divested business activities'.
[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, 27 February 2015: In its 2014 financial statements, published today, the Straumann Group posted full-year revenue of CHF 710 million, reflecting organic growth of 6%. One percentage point of this was lost due to the strengthening of the Swiss franc, bringing reported growth in Swiss francs to 5%. Momentum increased in the second half culminating in a strong fourth quarter, in which revenue grew 9% (10% in CHF). Performance was driven by strong growth in China and Japan, complemented by above-market expansion in North America. Europe achieved an encouraging turnaround, reversing the negative sales trend seen in the past two years.

Thanks to strong volume expansions and recent cost optimization measures, the reported EBIT margin improved from 17% to 21%. Net profit rose 56% to CHF 158 million, lifting basic earnings per share by CHF 3.60 to CHF 10.15.

Marco Gadola, Chief Executive Officer, commented: "Despite the shadow thrown by the recent currency developments, we can look back at 2014 with the assurance that we are working on the right things. We have used differentiating technologies like Roxolid and SLActive**,** as well as new products like our new Bone Level Tapered implant, to drive sales and win customers. In addition we have continued our focus on improving efficiency resulting in improved margins".

BUSINESS PERFORMANCE

Straumann's revenue growth in 2014 was entirely organic and driven by its core implant business, where volumes expanded strongly across all regions. Increased sales of Roxolid® and SLActive® were the principal contributors, supported by a differentiated pricing approach in Europe, the success of Straumann's 'reduced-invasiveness' campaign with Roxolid, and the introduction of SLActive implants in Japan.

Revenue from the restorative business was sustained, as declines in tooth-borne prosthetic elements and in-lab scanners were offset by growth in standard prosthetics, fuelled by the new Variobase® abutment, customized CADCAM abutments and a new comprehensive range of low-profile abutments for screw-retained solutions for single-tooth to full-arch restorations.

The Regenerative business achieved solid single-digit growth, led by Emdogain® and Straumann® Allograft. To offer a complete range of regenerative solutions, Straumann entered a strategic partnership with botiss and began distributing their range of products in most European markets in Q4.

REVENUE BY REGION

(in CHF million)	Q4 2014	Q4 2013	FY 2014	FY 2013
Europe	**98.1**	**92.8**	**376.3**	**368.4**
Change in CHF in %	*5.7*	*(0.9)*	*2.1*	*(2.6)*
Change in organic growth %	*7.6*	*(1.4)*	*3.2*	*(3.2)*
North America	**53.2**	**46.0**	**193.1**	**181.7**
Change in CHF in %	*15.6*	*6.2*	*6.3*	*4.6*
Change in organic growth %	*9.3*	*11.0*	*7.8*	*8.1*
Asia / Pacific	**28.6**	**25.0**	**106.7**	**98.4**
Change in CHF in %	*14.1*	*2.4*	*8.4*	*(5.3)*
Change in organic growth %	*14.5*	*16.3*	*14.0*	*4.7*
Rest of the World (ROW)	**7.1**	**6.1**	**34.2**	**31.4**
Change in CHF in %	*16.9*	*(4.7)*	*8.9*	*2.9*
Change in organic growth %	*18.2*	*1.8*	*14.2*	*8.4*
GROUP	**186.9**	**169.9**	**710.3**	**679.9**
Change in CHF in %	*10.0*	*1.3*	*4.5*	*(0.9)*
Change in local currencies in %	*9.4*	*3.5*	*6.4*	*0.4*
Change in organic growth %	*9.4*	*4.2*	*6.4*	*1.2*

Europe: solid growth amid strong competition

With the economy still weak in parts of Europe, there was little improvement in demand for elective dental procedures in 2014. Straumann achieved 3% organic growth (2% in CHF) in Europe, its largest region, which is an improvement on previous years but still behind the growth rates in other regions.

In Q4, regional revenue reached CHF 98 million, corresponding to strong organic growth of 8%. The performance was led by the UK, Spain, Austria and the Nordic countries, which all achieved double-digit increases.

North America: continued market-share gains

Revenue in North America grew 8% organically, or 6% in Swiss francs to CHF 193 million. Based on available data, Straumann outperformed the North American market again. All business franchises contributed to the increase, but the star performers were Roxolid and SLActive. In Q4, organic growth reached 9%, with revenue reaching CHF 53 million.

Asia/Pacific: strong growth driven by China and Japan

Good progress through the year fuelled a 14% organic rise in revenue in Asia/Pacific. The APAC region makes up 15% of the Group total revenue and contributed more than 30% to overall growth. Straumann's business developed very positively in China, reflecting the dynamism of the market and the company's successful transition to a hybrid distribution model using multiple distributors and its own consultative salesforce, marketing, training and education teams. In Japan, Straumann edged closer to market leadership, thanks to the introduction of SLActive, which finally obtained regulatory approval in 2014.

In Q4, the region made further progress, achieving organic growth of 15%, driven predominantly by China and a substantial contribution from Japan.

Rest of the World: Double-digit growth driven by Brazil and Mexico

Full-year revenue in the 'Rest of the World' (RoW) region rose 14% and reached CHF 34 million. Growth was reduced to 9% in Swiss francs due mainly to the depreciation of the Brazilian real.

Demand for Straumann products was strong, particularly in Latin America, where Brazil continued to be a source of good growth both for Straumann and Neodent, the local market leader, whose results are reported under 'Share of result of associates'. Mexico also posted strong results. The RoW region also generates significant business through distributors in the Middle East. Here too, sales developed positively, although quarterly ordering patterns are often erratic.

In Q4, RoW revenues climbed 18% (organic), driven by Straumann's very strong growth in Brazil.

OPERATIONS AND FINANCES

Gross profit rises 4%; margin maintained at 79%

Gross profit rose 4% to CHF 559 million, with the respective margin maintained at 79%. As revenue and manufacturing costs increased at a similar pace, profitability remained more or less at the prior year's level. Strong volume expansion and improved use of manufacturing capacity compensated for: the negative currency impact (CHF 12 million or 30 base-points of the gross margin), investments in manufacturing staff, and a less favorable product mix. The latter was due to the increase in third-party products (e.g. Neodent, botiss etc.).

Operating income grows 28%; EBIT margin jumps 390 base points to 21%

Overall, operating expenses (OPEX) were reduced thanks to tighter cost control and benefits from cost-reduction measures in prior years. Excluding restructuring charges of CHF 8 million in 2013, operating expenses decreased by CHF 2 million year-on-year, while top line grew over CHF 40 million or 6% in local currencies. As a consequence, the OPEX intensity decreased by nearly 3% points to 58% of sales, underlining Straumann's favorable operational gearing.

Selling (salesforce and related activities) costs, which are included under 'Distribution costs', remained steady at CHF 168 million (24% of sales), while administrative expenses (including Marketing, R&D and headquarters costs) decreased CHF 10 million to CHF 244 million (34% of sales). Straumann aims to continue investing around 5% of sales in R&D to maintain the flow of product innovations and to provide clinical documentation to support its products.

Improved fixed-cost absorption and higher sales lifted earnings before interest, tax, depreciation, amortization (EBITDA) by CHF 28 million to CHF 176 million, with the corresponding margin expanding 300 base points to nearly 25%.

After amortization and depreciation charges of CHF 28 million, operating profit amounted to CHF 148 million compared with last year's CHF 116 million, or CHF 124 million excluding exceptionals. With the respective margin reaching 21%, profitability jumped 390 base points (270 excluding exceptionals), more than compensating for the negative currency effect of 60 base points.

Net profit benefits from one-time tax effect related to Neodent
In contrast to the negative CHF 2 million in the prior year, the net financial result was a negative CHF 7 million in 2014, which was due to hedging losses and higher interest expenses reflecting the timing of the launch (April 2013) of Straumann's CHF-200-million bond.

Contributions from the associated partners Neodent, Dental Wings, Medentika and Createch, which are accounted for under the 'equity method', reached CHF 36 million and benefitted from a capitalization of deferred tax assets amounting to CHF 27 million related to Neodent. As a result of this benefit and the generally improved profitability, the effective tax rate in 2014 amounted to just 11% as income taxes amounted to CHF 20 million.

Taking the abovementioned factors into account, reported net profit amounted to CHF 158 million, with the corresponding margin reaching 22%, compared with 15% in the same period last year. Basic earnings per share amounted to CHF 10.15. Stripping out the one-time benefit for Neodent, net profit would have reached CHF 131 million with a respective margin of 18%.

Cash generation impacted by increase in working capital
Although profitability improved significantly the cash generated was negatively affected by an increase in working capital, which was due to an expansion of the trade days outstanding (+2 days to 51 days), a rise in inventories in preparation for the full launch of BLT in spring 2015, and the increase of third-party products (e.g. Neodent and Medentika). As a result, net cash from operating activities amounted to CHF 146 million compared with CHF 151 million in the prior-year period.

With capital expenditure (CAPEX) rising to CHF 19 million, free cash flow amounted to CHF 128 million and the respective margin was 18%.

Cash used for investing activities reached CHF 26 million, and was used mainly for the aforementioned CAPEX expenditures, as well as financial investments of CHF 32 million in MegaGen and Biodenta collectively. In addition to dividends of CHF 16 million from Neodent there were also proceeds of CHF 21 million from the sale of financial assets.

The annual dividend payment of CHF 58 million was the main element in cash used in financing. Cash and cash equivalents grew CHF 76 million to CHF 459 million at year-end. With net cash at CHF 260 million and the equity ratio at 64%, the company is solidly financed.

The Board of Directors will propose to the shareholders at the Annual General Meeting on 10 April 2015 a dividend of CHF 3.75 per share, maintaining the payout of the prior year. The ex-dividend date is on 14 April.

OUTLOOK 2015 (barring unforeseen circumstances)

Straumann expects the global implant market to show further improvements in 2015 and its revenue to grow organically in the mid-single-digit range. Reported revenues in Swiss francs will be influenced by the recent exchange rate turbulence. The Group will seek to balance investments between growth markets and other strategic projects, while taking decisive steps to mitigate the consequences of the appreciation of the Swiss franc. These measures include compensation reductions in Switzerland as well as strict hiring and travel restrictions, and will help Straumann to achieve its 2015 EBIT margin target of at least 20% (organic), assuming exchange rates remain more or less at recent levels[5].

About Straumann

Headquartered in Basel, Switzerland, Straumann (SIX: STMN) is a global leader in implant, restorative and regenerative dentistry. In collaboration with leading clinics, research institutes and universities, Straumann researches, develops and manufactures dental implants, instruments, prosthetics and tissue regeneration products for use in tooth replacement and restoration solutions or to prevent tooth loss. Straumann currently employs approximately 2400 people worldwide and its products and services are available in more than 70 countries through its broad network of distribution subsidiaries and partners.

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[5] Average spot rates since 16 January: Euro=CHF 1.05 ; USD=CHF 0.92

Media and analysts' conference
Straumann's 2014 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.com/webcast). The audio webcast of the conference call will be available for the next month.

Presentation slides
The corresponding conference visuals are available at www.straumann.com/Straumann-2014-FY-Presentation.pdf and on the Media and Investors pages at www.straumann.com.

The telephone conference can be accessed at:
+41 (0)58 310 50 09 (Europe & RoW)
+44 (0)203 059 58 62 (UK)
+1 (1)631 570 56 13 (USA)

UPCOMING CORPORATE / INVESTOR EVENTS

Date	Event	Location
10 April	AGM 2015	Congress Center Basel
30 April	First-quarter results	Webcast
20 August	First-half results conference	Basel HQ
29 October	Third-quarter results	Webcast

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

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FINANCIAL PERFORMANCE

(in CHF million)	2014	2013
Cash and cash equivalents	459.4	383.8
Net working capital (net of cash)	64.9	57.3
as a % of revenue	9.1	8.4
Inventories	69.2	62.3
Days of supplies	149	161
Trade receivables	106.8	93.2
Days of sales outstanding	51	49
Balance sheet total	1 160.8	1 019.7
Return on assets in % (ROA)	14.5	11.4
Equity	736.8	631.4
Equity ratio in %	63.5	61.9
Return on equity in % (ROE)	23.1	16.4
Capital employed	142.9	162.3
Return on capital employed in % (ROCE)	97.2	66.2
Cash generated from operating activities	146.2	151.5
as a % of revenue	20.6	22.3
Investments	(22.8)	(50.6)
as a % of revenue	3.2	7.4
thereof capital expenditures	(18.8)	(12.6)
thereof contingent consideration paid	(4.0)	
thereof investments in associates	0	(38.0)
Free cash flow	128.4	139.2
as a % of revenue	18.1	20.5
Dividend (2014: subject to shareholders' approval)	58.6	58.2
Pay-out ratio in % (excluding exceptionals)	37.1	53.3

OPERATING PERFORMANCE

(in CHF million)	2014	2013
Net revenue	710.3	679.9
Growth in %	4.5	(0.9)
Gross profit	558.7	535.9
Margin in %	78.7	78.8
Operating result before depreciation and amortization (EBITDA)	176.2	148.4
Margin in %	24.8	21.8
Growth in %	18.7	24.3
Operating result before amortization (EBITA)	153.1	122.6
Margin in %	21.5	18.0
Growth in %	24.9	33.9
Operating profit (EBIT)	148.3	115.8
Margin in %	20.9	17.0
Growth in %	28.1	83.6
Net profit	157.8	101.2
Margin in %	22.2	14.9
Growth in %	56.0	169.8
Basic earnings per share (in CHF)	10.15	6.55
Value added / economic profit	113.7	52.7
Change in value added	59.3	60.4
Change in value added in %	109.2	785.3
as a % of net revenue	16.0	7.8
Number of employees (year-end)	2 387	2 217
Number of employees (average)	2 355	2 308
Sales per employee (average) in CHF 1 000	308	295

The subsequent financial statements are an extract of the audited statements published in Straumann's 2014 Financial Report. Details to the notes references in the tables can be reviewed in the same report.

Consolidated statement of financial position

ASSETS

(in CHF 1 000)	Notes	31 Dec 2014	31 Dec 2013
Property, plant and equipment	4	78 545	83 907
Investment properties	5	4 001	4 335
Intangible assets	6	68 987	72 278
Investments in associates	7	266 589	255 115
Financial assets	8	48 676	14 639
Other receivables		834	1 258
Deferred income tax assets	18	29 948	26 392
Total non-current assets		497 580	457 924
Inventories	9	69 193	62 328
Trade and other receivables	10	128 482	111 390
Financial assets	8	2 995	1 918
Income tax receivables		3 110	2 385
Cash and cash equivalents	11	459 421	383 795
Total current assets		663 201	561 816
TOTAL ASSETS		1 160 781	1 019 740

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Consolidated statement of financial position

EQUITY AND LIABILITIES

(in CHF 1 000)	Notes	31 Dec 2014	31 Dec 2013
Share capital	12	1 568	1 568
Retained earnings and reserves		735 268	629 812
Total equity attributable to the shareholders of the parent company		736 836	631 380
Straight bond	13	199 410	199 301
Other liabilities	15	6 954	6 094
Financial liabilities	14	3 587	3 667
Provisions	16	29 913	32 221
Retirement benefit obligations	20	37 492	18 482
Deferred income tax liabilities	18	9 353	9 788
Total non-current liabilities		286 709	269 553
Trade and other payables	17	105 264	103 613
Financial liabilities	14	1 326	24
Income tax payable		18 697	9 100
Provisions	16	11 949	6 070
Total current liabilities		137 236	118 807
Total liabilities		423 945	388 360
TOTAL EQUITY AND LIABILITIES		1 160 781	1 019 740

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Consolidated income statement

(in CHF 1 000)	Notes	2014	2013
Revenue	3	710 270	679 922
Cost of goods sold		(151 618)	(144 007)
Gross profit		558 652	535 915
Other income	21	2 236	2 747
Distribution costs		(168 459)	(168 507)
Administrative expenses		(244 112)	(254 372)
Operating profit		148 317	115 783
Finance income	24	17 016	22 175
Finance expense	24	(24 192)	(23 909)
Share of result of associates	7	36 281	5 841
Profit before income tax		177 422	119 890
Income tax expense	18	(19 597)	(18 689)
NET PROFIT		157 825	101 201
Attributable to:			
Shareholders of the parent compa		157 825	101 201
Basic earnings per share (in CHF)	25	10.15	6.55
Diluted earnings per share (in CHF)	25	10.03	6.50

Consolidated statement of comprehensive income

(in CHF 1 000)	2014	2013
Net profit	157 825	101 201
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net foreign exchange loss on net investment loans	806	(2 858)
Net movement on cash flow hedges	(227)	(2 284)
Income tax effect	(13)	504
Exchange differences on translation of foreign operations	(8 232)	(32 445)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:	(7 666)	(37 083)
Items not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial instruments designated through other comprehensive income	12 302	(2 903)
Remeasurements of retirement benefit obligations	(18 365)	10 010
Income tax effect	1 644	(1 302)
Items not to be reclassified to profit or loss in subsequent periods:	(4 419)	5 805
Other comprehensive income, net of tax	(12 085)	(31 278)
Total comprehensive income, net of tax	145 740	69 923
Attributable to:		
SHAREHOLDERS OF THE PARENT COMPANY	145 740	69 923

Consolidated cash flow statement

(in CHF 1 000)	Notes	2014	2013
Net profit		157 825	101 201
Adjustments for:			
Taxes charged	18	19 597	18 689
Interest and other financial result		3 425	3 695
Foreign exchange result		1 275	6 144
Fair value adjustments		(397)	1 940
Share of result of associates	7	(36 281)	(5 841)
Depreciation and amortization of:			
Property, plant and equipment	4; 22	22 801	24 392
Investment properties	5; 22	346	558
Intangible assets	6; 22	4 738	6 807
Impairment of investment properties	5; 22	0	1 787
Impairment reversal of property, plant and equipment	4; 22	0	(883)
Change in provisions, retirement benefit obligations and other liabilities		8 264	9 912
Share-based payments expense	19; 23	4 865	3 336
Gain / (loss) on disposal of property, plant and equipment		218	(90)
Working capital adjustments:			
Change in inventories		(5 942)	(518)
Change in trade and other receivables		(15 463)	(4 835)
Change in trade and other payables		4 242	4 292
Interest paid		(4 339)	(1 519)
Interest received		1 008	325
Income tax paid		(20 022)	(17 902)
Net cash from operating activities		146 160	151 490
Purchase of financial assets		(31 652)	(16 154)
Proceeds from sale of financial assets		20 834	0
Purchase of property, plant and equipment		(16 876)	(10 907)
Purchase of intangible assets		(1 964)	(1 743)
Purchase of investments in associates		0	(37 985)
Contingent consideration paid		(3 961)	0
Disbursement of loans		(9 828)	(1 200)
Dividends received from associates		16 444	5 009
Net proceeds from sale of non-current assets		1 075	393
Net cash used in investing activities		(25 928)	(62 587)
Issue of a straight bond	13	0	199 230
Dividends paid	26	(58 264)	(57 848)
Proceeds from finance lease		158	292
Repayment of finance lease		0	(42)
Proceeds from exercise of options		11 533	0
Purchase of treasury shares		0	(1 886)
Sale of treasury shares		1 582	15 907
Net cash received from / (used in) financing activities		(44 991)	155 653
Exchange rate differences on cash held		385	(1 265)
Net change in cash and cash equivalents		75 626	243 291
Cash and cash equivalents at 1 January	11	383 795	140 504
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11	459 421	383 795

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Consolidated statement of changes in equity

2014

(in CHF 1 000)

	Notes	Attributable to the shareholders of the parent company						Total equity
		Share capital	Share premium	Treasury shares	Cash flow hedge reserve	Translation reserves	Retained earnings	
As at 1 January 2014		1 568	18 280	(20 725)	0	(123 869)	756 126	631 380
Profit for the period							157 825	157 825
Other comprehensive income					(197)	(7 469)	(4 419)	(12 085)
Total comprehensive income		0	0	0	(197)	(7 469)	153 406	145 740
Dividends paid	26						(58 264)	(58 264)
Share-based payment transactions	19; 23						4 865	4 865
Sale of treasury shares				11 848			1 267	13 115
AS AT 31 DECEMBER 2014		1 568	18 280	(8 877)	(197)	(131 338)	857 400	736 836

2013

(in CHF 1 000)

	Notes	Attributable to the shareholders of the parent company						Total equity
		Share capital	Share premium	Treasury shares	Cash flow hedge reserve	Translation reserves	Retained earnings	
As at 1 January 2013		1 568	18 280	(33 975)	1 988	(88 774)	702 570	601 657
Profit for the period							101 201	101 201
Other comprehensive income					(1 988)	(35 095)	5 805	(31 278)
Total comprehensive income		0	0	0	(1 988)	(35 095)	107 006	69 923
Dividends paid	26						(57 848)	(57 848)
Share-based payment transactions	19; 23						3 336	3 336
Purchase of treasury shares				(1 886)				(1 886)
Sale of treasury shares				15 136			1 062	16 198
AS AT 31 DECEMBER 2013		1 568	18 280	(20 725)	0	(123 869)	756 126	631 380

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